Annuity Computation

High-3 Average Salary

The High-3 (Hi-3) Average Salary represents the average of basic pay during the _consecutive three year period_ when basic pay rates were the highest during the employee's Federal Career. Annuity is based on average salary, *length of service, annuity formula and reductions. High three period can occur at any point in an employee's career, but typically occurs during last three years of service.

Base pay for high-three purposes includes:
- Night differential for wage grade employees
- Environmental differential pay
- Locality pay
- Premium pay primarily for standby for firefighters
- Premium pay for irregular administratively uncontrolled overtime (AUO)
- Law Enforcement Availability Pay (LEAP)
- Non-foreign COLA conversion to locality pay—Details in the Participant Guide

Base pay for high three purposes does not include:
- Cash awards and bonuses
- Overtime pay
- Military pay
- Holiday Pay
- Travel pay
- Any other special allowance

*Length of Service includes creditable civilian service, military service and unused sick leave.

Example:
Tom's salary for the three consecutive years preceding his retirement (April 1, 2007 – March 30, 2010):

Salary Each Year	Hi-3 Computation

Year 1 - $55,000

Year 2 - $60,000   = $180,000 ÷ 3 = $60,000 (Hi-3 Average Salary)

Year 3 - $65,000

Annuity Computation under Civil Service Retirement System (CSRS)

RETIREMENT ANNUITY COMPUTATION (CSRS)

Years of Service	What They Receive
First 5 years of service	a. 1.5 percent of the high-3 average salary for each year
Second 5 years of service	Plus b. 1.75 percent of the high-3 average salary for each year
For all years of service over 10	Plus c. 2 percent of the high-3 average salary for each year

a + b + c = CSRS Basic Annuity

Example:

Tom is age 56 and will be retiring at the end of the year with 30 years of creditable service. His Hi-3 average salary is $60,000.

1.5% x $60,000 x	5 years of service (plus)	= $ 4,500
1.75% x $60,000 x	(second) 5 years of service (plus)	= $ 5,250
2% x $60,000 x	all years over 10 (20 years)	= $24,000

= $33,750 annual annuity
(÷ 12 months = $2,812 per month)

Now compute your annuity:

Formula   Hi-3   Years of Service

1.5% x $_____ x	5 years of service (plus)	= $_____
1.75% x $_____ x	(second) 5 years of service (plus)	= $_____
2% x $_____ x	all years over 10 (___ years)	= $_____

= $_____ annual annuity
(÷ 12 months = $_____ per month)

Annuity Computation under Civil Service Retirement System Offset (CSRS Offset)

A CSRS Offset employee is someone who obtained full credit of 5 years of CSRS service prior to January 1, 1984 and had a break in service of 365 days or more, returned to Federal Service and is now subject to paying Social Security (FICA) as well as contributions to CSRS. The annuity will be calculated exactly the same as a CSRS employee however, once they reach age 62 the annuity will be reduced by the value of the Social Security benefit earned during the period of the offset service time.   At age 62 two checks will be issued one by OPM and the other by Social Security.   The offset is the lesser of the amount of SS benefit attributable to CSRS offset service or the Amount obtained by multiplying the SS benefit by:

$$\frac{\text{Total Years of Offset Service}}{40}$$

Example: Employee retires at age 55 with 31 years 6 months of total service (8 years offset) High-3 salary is $45,000.

$45,000 x .592500 (Factor from CSRS/FERS Handbook Chapter 50 for CSRS General Formula) = $26,662.50

7 years of CSRS Annuity = $26,662.50 or $2,221 per month (based on high-3 general formula)

Computations equal lesser of 1 or 2:

1.   SS benefits attributable to Offset serv. = $300 per month
2.   Total SS eligible at 62 :   = $368 per month

Total years of Offset service= 8 /40 = 20% x 368.00 = $74.00

Full CSRS Annuity $2,221 p/m
- Offset   74
   Reduced CSRS Monthly Annuity = $2,147

After Retiree is SS eligible (after age 62)

    CSRS Monthly Annuity = $2,147
    + SS Monthly Benefit   =   368
Combined Monthly Benefit $2,515

Annuity Computation under Federal Employees Retirement System (FERS)

RETIREMENT ANNUITY COMPUTATION (FERS)

FERS General Annuity Formula	
Under Age 62 at Retirement -Or- Age 62 or Older With Less Than 20 Years of Service	1% x high-3 x length of service
Age 62 or Older at Separation With 20 or More Years of Service	1.1% x high-3 x length of service

Example:

Karen is age 56 and will be retiring at the end of the year with 30 years of creditable service. Her Hi-3 average salary is $60,000.

1% x $60,000 x 30 years of service = $18,000 annual annuity (÷ 12 months = $1,500 per month)

Now compute your annuity:

Formula   Hi-3   Years of Service

1% x $_____x _____ = $_____ annual annuity (÷ 12 months = $_____ per month)

NOTE:

If 62 or older with 20 or more years of service at time of retirement:

Formula   Hi-3   Years of Service
1.1% x $_____x _____ = $_____ annual annuity (÷ 12 months = $_____ per month)