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VOLUNTARY CONTRIBUTIONS UNDER THE CIVIL SERVICE RETIREMENT ACT

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The Civil Service Retirement Act provides that employees may make voluntary contributions to purchase a cash refund life annuity (under which the death benefit before the annuity begins is the contributions plus accumulated interest, and the death benefit after the annuity begins is the excess, if any, of the accumulated contributions at the time of commencement of the annuity over the total annuity payments made). These contributions are held in a separate account, with interest at 3% compounded annually to the date of retirement, prior separation (unless the individual holds title to a deferred annuity – then to the commencing date for the deferred annuity), or death if earlier. Such annuity payments are in addition to the benefits provided by the basic formulas (financed in part by 6½% deductions from salary).

Payments may be made in multiples of $25 while employed, or in full when an annuity claim is being adjudicated, but the total voluntary contributions may not exceed 10% of the total basic civilian pay received since August 1, 1920. Payments may not be made if the employee owes any deposit on account of noncontributory service, or any redeposit because of withdrawal of deductions at the time of a prior separation..

All monies in the account are refunded with the interest at the death of the employee while in active service, and also they may be withdrawn at any time before the additional annuity payment begins. At retirement, the accumulated amount is used to "purchase" a life annuity such that at death, the difference between the purchase price and the annuity payments received, if any, is refunded.

The annual income (payable monthly) per $100 of "purchase price" is $7.00, plus 20¢ for each year of age over age 55. Thus, at age 60 the factor is $8.00, at age 65 it is $9.00, and at 70 it is $10.00.

Any mandatory 6½% deductions made after the maximum basic annuity is earned (80% of the highest average annual basic salary during any 5 consecutive years) are credited as voluntary contributions. The maximum period of employment required for an annuity of 80% of the "high-5" annual salary is 41 years and 11 months.

One elective survivor option is available, with reduced annuity; the survivor receives half the reduced annuity. The reduction is 10%, plus 5% for each full 5 years that the designated person is younger than the retiring employee, but the total reduction may not exceed 40%. The election of this option may be advantageous in some individual cases, but it does not offer an "actuarial bargain" in the "normal" instances where the wife is about the same age as the employee (but rather then represents a small "actuarial loss" – perhaps 5% relatively, on the average).

The voluntary-contributions provision offers to the retiring employee an opportunity to take advantage of an "actuarial bargain," especially for women since the same rate is charged for them as for men despite their lower mortality, as shown below:

Age at Retirement	Cost of Civil Service Cash-Refund Annuity of $1 per Month	Cost of Same Benefit on "Reasonable" Actuarial Basis*	Cost under Civil Service Law as Percentage of Actuarial Cost
		Men	
55	$171.43	$209.70	82%
60	150.00	186.04	81
65	133.33	162.41	82
70	120.00	139.91	86
		Women	
55	$171.43	$226.04	76%
60	150.00	202.91	74
65	133.33	179.06	74
70	120.00	155.35	77

*Based on Progressive Annuity Table at 3% interest, with no allowance for administrative expenses. By "same benefit" is meant not only the annuity of $1 per month, but also the same death benefit during the "refund period."