



Retirement Facts 4

Disability Retirement Under the Civil Service Retirement System

This is a non-technical summary of the laws and regulations on the subject. It should not be relied upon as a sole source of information.



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Other titles in the Retirement Facts Series:

1. The Civil Service Retirement System
2. Military Service Credit Under the Civil Service Retirement System
3. Deposits and Redeposits Under the Civil Service Retirement System
4. Disability Retirement Under the Civil Service Retirement System
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6. Early Retirement Under the Civil Service Retirement System
7. Computing Retirement Benefits Under the Civil Service Retirement System
8. Credit for Unused Sick Leave Under the Civil Service Retirement System
9. Refunds Under the Civil Service Retirement System
10. Voluntary Contributions Under the Civil Service Retirement System
11. Information for Separating CSRS Employees Who Are Not Eligible for an Immediate Annuity
12. Information About Reemployment for CSRS Annuitants

If you want information on the Federal Employees Retirement System (FERS), ask your employing office for a copy of "FERS" (RI90-1).

Eligibility

If you become disabled during the course of your Federal career, you may be entitled to a disability annuity under the Civil Service Retirement System (CSRS). First of all, you must have completed at least 5 years of Federal civilian service. Second, while employed in a position covered under the CSRS, you must have become disabled for "useful and efficient service" in both your current position and any other vacant position at the same grade or pay level for which you are qualified.

Before you can be considered eligible for disability retirement benefits, your employing agency must determine that you are not qualified for reassignment to any other vacant position within your agency and your commuting area at the same grade or pay level of the position you currently occupy. In addition, you or someone acting for you must file an application for disability retirement with the Office of Personnel Management (OPM) either before you leave Federal service or within 1 year after you leave. This time limit can be waived only when an employee is mentally incompetent on leaving the Federal service or becomes mentally incompetent within 1 year after leaving. In such a situation, the application will be accepted by OPM if filed within 1 year from the date the employee is restored to competency or a guardian is appointed, whichever is earlier.

You are "disabled" when the information submitted indicates that there is a service deficiency, caused by disease or injury, of sufficient degree to preclude useful and efficient service. "Useful and efficient service" means (1) either acceptable performance of the critical or essential elements of the position or the ability to perform at that level; and (2) satisfactory conduct and attendance. Service which is not "useful and efficient" is a level of performance or attendance which, if it were to continue, would warrant denial of a within-grade increase, demotion, separation, or other remedial action.

If you refuse reassignment to a position at the same grade or pay level in the same commuting area, your refusal terminates the agency's

obligation to identify any other vacant position and may disqualify you from further consideration for disability retirement.

A claim for disability retirement must include documentation that clearly and specifically establishes:

- (1) A deficiency in service with respect to performance, conduct, or attendance, or in the absence of any actual service deficiency, a showing that the medical condition is incompatible with either useful service or retention in the position;
- (2) A medical condition defined as disease or injury, including psychiatric disease;
- (3) That the medical condition caused the service deficiency;
- (4) The duration of the medical condition, both past and expected, and a showing that the condition, in all probability, will continue for at least a year;
- (5) The inability to provide useful and efficient service arose while serving under the Civil Service Retirement System;
- (6) The inability of the employing agency to make reasonable accommodation to the medical condition; and
- (7) The absence of another position, within the employing agency and commuting area, at the same grade or pay level and tenure, for which the employee is qualified for reassignment.

Your agency will provide assistance in obtaining the required forms to obtain statements from your supervisors and attending physicians and proof that your condition prevents you from performing useful and efficient service. If you are found to be disabled as outlined above, you will be allowed to retire under the CSRS. Up to the age of 60, you will be subject to periodic medical reevaluation to determine whether the disabling condition continues to exist, and an annual review of your

earnings to determine whether you are "restored to earning capacity.

Computation of Benefits

The annuity you are paid if you retire because of disability is the **higher** of two figures: (1) the first figure is the amount of your "earned annuity" (your earned annuity is a percentage of your highest 3 years' average salary); (2) the second figure is the **lower** of the following two items: 40 percent of the highest 3 years' average salary or the earned annuity you would get if your length of service were extended to age 60.

Note: if you have approximately 22 or more years of creditable Federal service, or you are age 60 or older when retiring, your annuity will usually be the amount under(1). Also, your annuity will be computed under (1) if you are receiving military retired or retainer pay, or compensation from the VA in lieu of such pay; however, if the military benefit plus (1) is less than the guaranteed minimum under (2), your annuity will be increased until that sum equals (2).

The "earned annuity" is simply the sum of 1.5 percent of the highest 3 years' average salary (high-3) times the first 5 years of service, plus 1.75 percent of the high-3 times the next 5 years, plus 2 percent of the high-3 times service over 10 years. As an illustration, if you had been employed for 12 years before becoming disabled at age 40 (and assume a high-3 average salary of \$20,000), you obtain the "earned annuity"--the amount needed under(1) above--as follows:

.015 x 5 years	=	7.5%
.0175 x 5 years	=	8.75%
.02 x 2 years	=	<u>4.0%</u>
(Earned annual annuity)		20.25% (\$4,050)

Obviously, the earned annuity is less than 40 percent of the high3. The next step is to compare 40 percent of the high-3 to the computation projecting your service to age 60 to see which is less. To do this, you would add 20 years to the

earned annuity computation above (age 60 minus actual 40 years of age in our example = 20).

.02 x additional 20 years	=	40.0%
(Earned annuity)		<u>+ 20.25%</u>
(Projected to age 60)		60.25% (\$12,050)

In the example, 40 percent of the high-3 is less than the result obtained by projecting the length of service to age 60, so 40 percent of the high-3 (\$8,000 per year) would be payable. This is because of the rule requiring that the lesser of 40 percent of the high-3 or the projected service formula is used.

If you were age 56 at the time you became disabled and had been employed for 24 years, the computation, using the same formula and average salary, would look like this:

.015 x \$20,000 x 5 years	=	7.5%
.0175 x \$20,000 x 5 years	=	8.75%
.02 x \$20,000 x 14 years	=	<u>28.0%</u>
(earned annuity)		44.25% (\$8,850)

Since the earned annuity is more than the 40 percent figure, there is no need to compare it to the computation projecting your service to age 60. The earned annuity will be used whenever it is more than 40 percent of your high-3.

Taxes

Under current law there is no Federal tax benefit unless the taxpayer is totally disabled for all gainful employment. Since OPM's decision on your application must be based only on whether you are disabled for your current position, or a vacant position of equal grade or pay, a finding of disability by OPM may not meet the Internal Revenue Service's criteria. If your application is based partly on the belief that Civil Service disability retirement will result in a tax advantage, you should check with your local Internal Revenue Office for current tax information.