



US ARMY NAF EMPLOYEE *RETIREMENT PLAN*



DEFINED BENEFIT RETIREMENT PLAN

INTRODUCTION

This booklet is published by the US Army NAF Employee Benefits Office. It is intended to provide you with useful information about the US Army NAF Employee Retirement Plan. The information in this booklet is accurate as of the publication date. However, because applicable plan documents change from time to time, should the information in this booklet conflict with the provisions of the Army NAF Employee Retirement Plan document, the Plan document is the final authority. The full text of the Plan document can be found in the Retirement Section of the NAF Benefits web site, www.nafbenefits.com.

Should you have any questions concerning the Retirement Plan, please contact your servicing NAF Personnel Office or forward your questions to this office using the email link from the NAF Benefits web site, retirementplan@cfsc.army.mil.

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JOINING THE RETIREMENT PLAN

WHO MAY PARTICIPATE

You may elect to participate in the retirement plan if you are in an "eligible class." You are eligible if you are:

- a regular full time or regular part time NAF employee working at least 20 hours a week

AND

- working in one of the 50 United States, the District of Columbia, or Puerto Rico.

HOWEVER:

- if you are working overseas, you must be a U.S. citizen or the spouse or child of a U.S. citizen.
- After 12/28/2001, participating employees of the USANAF Retirement Plan who accept appropriated fund employment within 1 year of NAF separation, may exercise their right to remain in the Army NAF Retirement Plan, in accordance with Public Law 107-107. See Portability Handbook in the Portability Section of www.NAFbenefits.com

(Employees of the Army-Air Force Exchange Service, "leased employees," and military personnel **may not** participate in the retirement plan.)

WHEN TO JOIN

Effective 1 January 2001, participation in the NAF Retirement Plan became mandatory for new hires, rehires and those who become eligible for benefits. Participants may opt out of the Plan after they have participated for six months. However, employees who opt out after six months, will only be able to receive a refund of their Retirement Plan contributions when they separate or convert to an ineligible status. Employees who opt out of the Plan may not rejoin the plan for two years.

If you are an eligible employee, who began employment prior to 1 January 2001, you may join the retirement plan at any time. Many decide

to join at the time they begin work or first become eligible; others decide to join later. **Employees who decided not to join the retirement plan initially but join later may not make back payments to purchase service retroactively for periods of service when they had opted out of the plan and were not participating in the Plan.**

HOW TO JOIN

To join the retirement plan you must fill out and sign DA Form 3473, which is available from your civilian personnel office.

COST OF THE RETIREMENT PLAN

Your cost to participate in the Retirement Plan is 2% of your salary, which is deducted from your pay each pay period. Additionally, your employer contributes 6.5% of your salary to fund your retirement. Your contributions and your employer's contributions are deposited into the Army NAF Retirement Trust. Those funds are invested by the Trust and used to pay your retirement benefits once you have retired.

PARTICIPATION BEGINS

If your hire date is on or after 1 January 2001, your participation begins on your hire date.

If you were an eligible NAF employee prior to 1 January 2001, your participation begins on the date you signed your Enrollment Form, DA Form 3473.

CREDITABLE SERVICE IN THE PLAN

You receive creditable service for retirement:

- For all periods of NAF service during which you were participating in the Retirement Plan and making contributions.
- For periods of APF service after electing continued participation in the NAF Retirement Plan under the Portability of Benefits legislation.

- For periods of NAF service with another military or exchange service. However, if you were not vested in that service NAF retirement plan (less than five years of service), this service may only be used for retirement eligibility, and there will be an actuarial reduction of your retirement annuity for those periods when your contributions were made to the other service NAF retirement plan. If you were vested in the retirement plan of another service or exchange retirement plan, please see the section on **NAF to NAF Portability**.
- For up to five years of honorable military service which you purchased in the Military Service Purchase Program. See the section on **Purchasing Military Service** for details.
- For up to 12 months during LWOP, provided you were participating in the Retirement Plan immediately preceding and immediately after the period of LWOP.
- Employees who are members of the Reserves and are called to active duty will receive creditable service during their entire period of military furlough in accordance with the Uniformed Services Employment and Reemployment Rights Act.
- Except as noted above, you do not receive creditable service for retirement for periods of service during which you were not participating and making contributions to the Retirement Plan.

VESTING IN THE RETIREMENT PLAN

You are vested in the retirement plan when you have contributed to the plan for 5 years. Vesting means you are entitled to receive a lifetime monthly benefit when you reach the required retirement age. Vesting also means that your spouse is entitled to a survivor benefit upon your death. (see the section entitled **Survivor Benefits**). (Note: Military Service may not be used to achieve vesting).

PARTICIPATION ENDS

You may stop your participation in the retirement plan and stop making contributions at any time. If you do so, you must wait two years before you may rejoin. If you rejoin the retirement plan and decide once again to end participation, you may not rejoin again. Each time you change your status in the retirement plan, you must complete, sign and date DA Form 3473 at your servicing civilian personnel office.

Your participation automatically stops when you terminate employment or when you become ineligible because of a change from a regular position to a flexible position.

TERMINATION OF EMPLOYMENT

Your employment may terminate in the following ways: You may resign, be terminated or affected by a reduction due to a business based action, or you may die.

If you are separated for any reason, you have the following choices:

- You may take a refund of your contributions (see the section entitled **Refunds**).
- You may leave your contributions on deposit for up to 5 years, if you have less than 5 years credited service. If you do not rejoin the retirement plan within 5 years of your termination date, your money will be refunded to you. You may, of course, rejoin the plan if you are re-hired in an eligible class within 5 years.
- If you have 5 or more years in the retirement plan, you may delay starting your monthly benefit and take a deferred monthly benefit which can start as early as age 52. (see the section entitled **Retirement Plan Benefits**)

If you die while still employed:

- Your survivor will receive a monthly benefit or a refund of your contributions, depending on how much credited service you have. If you die and you were eligible for a normal or early retirement annuity, your spouse will be paid the 55% or the 100% continuation option (whichever is greater), plus 55% of your supplemental early

retirement benefit. If you die and had not attained the age for a retirement benefit, but you were vested in the retirement plan, your spouse will receive 55% of your benefit, unreduced for age. (see the section entitled **Survivor Benefits**)

RETIREMENT PLAN BENEFITS

REFUNDS**

You may receive a refund of your contributions plus 3% interest, compounded annually, under the following conditions.

- When you terminate employment for any reason. (Note: If you get a refund and are later rehired, you may buy back your prior service by repaying the refund plus 3% interest compounded annually. This must be done within 2 years of your re-hire date. If you choose not to redeposit the refund, you may still receive creditable service for the period of refunded service. However, your benefit will be actuarially reduced to offset the missing contributions and interest. If you wait longer than 2 years to re-deposit your refund, you may still re-deposit the refund, however 8% interest, compounded annually, will be added for every year the money was not on deposit in the Retirement Trust).
- When you cannot participate because of a change to an ineligible employment status (FLEX).

*****If you are vested (participated for 5 or more years), a refund of your money and interest is probably not the best option for you. Generally, if you elect a monthly benefit, your contributions and interest are returned to you within one to two years of monthly benefit payments. You will receive all Retirement Trust money for the rest of your life! Also, after your death, your spouse will get Retirement Trust money for the rest of his or her life! If you get a refund, you lose these benefits.***

NOTE: If you are married for longer than 1 year and have more than 5 years credited service, your spouse must agree in writing in order for you to obtain a refund of your contributions. This is because once you are vested, your spouse is entitled to a survivor benefit upon your death.

HOW TO REQUEST A REFUND

When you terminate employment you will be required to make an election concerning the disposition of your retirement benefits on DA Form 3715-R during outprocessing at your servicing NAF personnel office. Your civilian personnel officer will verify the forms and submit them to the NAF Benefits Office for processing of your refund.

MONEY ON DEPOSIT

If you have less than five years of creditable service in the Retirement Plan when you terminate employment, and you expect to be rehired in an Army NAF position within 5 years, you may request that your money (contributions) remain on deposit. When you return to NAF employment and restart participation, all of your service will be fully creditable for retirement. If you are not rehired within 5 years, your contributions plus interest will be refunded after 5 years.

If you have more than 5 years of participation in the Retirement Plan, and you want to leave your money on deposit, it is considered a Deferred Annuity election and you will receive a Deferred Annuity Certificate. Please see **Deferred Annuity** section of this booklet.

RETIREMENT BENEFITS

The following types of retirement benefits are available for you as a vested participant in the US Army NAF Retirement Plan.

NORMAL ANNUITY — You retire at age 62 or later and have completed at least 5 years credited service in the retirement plan. The normal monthly benefit provides a basic calculation from which all other benefit amounts and options are figured:

Age	Years of Credited Service	Remarks
62	5	Benefit not reduced

EARLY ANNUITY **— You retire before reaching the normal retirement age of 62 and you have or exceed, one of the following combinations of age and service listed below:

Age	Years of Credited Service	Remarks
50	20	Reduced benefit*
52	5	Reduced benefit*
60	20	Benefit not reduced
55	30	Benefit not reduced

**This early retirement benefit is reduced by 4% for each year you are under the normal retirement age of 62.*

***Additionally, employees electing this benefit will receive a supplemental early retirement benefit (SERB) in addition to the early monthly benefit until his/her 62nd birthday. (see the section entitled **Supplemental Early Retirement Benefit [SERB]**)*

VOLUNTARY EARLY RETIREMENT AUTHORITY (VERA) and DISCONTINUED SERVICE RETIREMENT (DSR)

The Army NAF Retirement Plan includes a VERA/DSR benefit when installations are undergoing a substantial reduction (VERA) or when an individual's position is eliminated due to a Business Based Action (DSR). Eligibility requirements are 25 years of credited service at any age, or age 50 with 20 years of credited service. Participants who are approved for VERA/DSR and meet eligibility requirements, will have their benefit reduced by 2% per year from age 55, compared to the reduction of 4% per year for each year under age 62 for the early reduced retirement benefit explained above. (Installation NAF's are required to make an additional contribution to the Retirement Trust to fund the VERA/DSR benefit for eligible employees affected by reductions or BBA's)

DEFERRED ANNUITY

If you separate employment before age 62 and are vested in the Retirement Plan, you may elect a deferred annuity, which would allow you to start receiving your monthly retirement annuity as follows.

Age	Years of Credited Service	Remarks
52	5	Reduced benefit
62	5	Benefit not reduced

NOTE: Retiree medical and life insurance benefits are not available to retirees electing a deferred monthly benefit. For information concerning retiree medical and life benefits eligibility, see the Medical and Life Insurance sections of the NAF Benefits web site.

DISABILITY ANNUITY

If you are determined to be **totally and permanently disabled and unable to perform work**, the Retirement Plan includes a disability retirement benefit as follows.

Age	Years of Credited Service	Remarks
52 <u>or</u>	5	See the following:

You must be at least age 52 **or** you may be any age if you have 5 years of credited service. (If you have less than 5 years of credited service, you must have contributed to the retirement plan for at least 12 months immediately preceding your request for disability retirement to be eligible for a disability benefit and you must be at least age 52.) Permanent disability means you cannot perform useful and efficient work in your position or another position similar to your position, as determined by the medical authority approved by the Benefits Program Manager.

To apply for the disability retirement benefit, your total disability must have happened while you were employed. Your application for disability benefits should be initiated as soon as possible, but in all cases application for disability benefits must be submitted within 60 days after your separation. Disability Retirement applications must be submitted on NAF Benefits Form 766-R

NOTE: If you are receiving workers' compensation benefits, your disability benefit when combined with your workers' compensation benefit, cannot exceed 90% of your HI-3 salary used in figuring your monthly benefit.

SURVIVOR BENEFITS

Before retirement

- If you die before you retire and **have less than 5 years credited service**, your contributions plus interest will be paid to your spouse, beneficiary, or estate.
- If you die before you retire and **have more than 5 years credited service**, a survivor benefit will be paid to your spouse or your money plus interest will be paid to your designated beneficiary or to your estate, if you do not have a surviving spouse.

After retirement

- If you die after retirement but before you receive a monthly benefit, a survivor benefit will be paid to your spouse or your contributions plus interest will be paid to your designated beneficiary or to your estate, if you do not have a surviving spouse.
- If you die after you retire and you have started getting your monthly benefit, either survivor or death benefits will be paid based on the option you elected at retirement.

After disability retirement

- If you retire on a disability and then die, survivor benefits will be paid as if you had died before retirement. (See **After Retirement** above)

NOTE: In order for your spouse to qualify for the spouse survivor benefit, you must have been married for 12 months immediately prior to your retirement date or your date of death, unless there is a dependent child of the marriage.

HOW AND WHEN TO APPLY FOR RETIREMENT

Application for retirement benefits must be made on DA Form 3715-R. Your civilian personnel office will help you prepare your retirement application. You should submit your retirement application between 30 and 45 days prior to your desired retirement date.

You will receive your first monthly benefit check on the first of the month following the month of your separation date. For example, if you separate during March, your first monthly benefit check will be for 1 April. (To maximize your benefit, most employees elect to retire on or before the last day of the month). The first few checks will be for an estimated monthly benefit and may very well be smaller than your final monthly benefit. Once your final payroll transactions have been

completed, your retirement annuity calculations will be finalized and you will be provided options concerning your retirement benefits. After you return the option papers to the Employee Benefits Office, your final monthly benefit will be determined, your retirement account will be reconciled, and you will receive the difference between your estimated and final annuity in your next monthly annuity check. (see the section entitled **Your Retirement Options**).

YOUR MONTHLY ANNUITY AT RETIREMENT

Percentage of Salary Replacement from the Plan

Defined benefit retirement plans by design, were never intended to cover 100% of your working salary. They are designed to cover a percentage of your salary, based on years of participation in the plan. A defined benefit retirement plan in conjunction with a 401(k) Savings Plan and your social security income, together, could help you achieve 100% or more of your working annual salary in retirement.

Here's what you could expect to receive from the retirement plan, based on your Hi 3 salary at retirement and your years of participation in the retirement plan.

Hi-3 Salary	Years of Participation							
	5 6%	10 12%	15 18%	20 26%	25 34%	30 42%	35 50%	40 58%
	Salary Replacement % Above							
\$10k	\$ 600	\$ 1200	\$ 1800	\$ 2600	\$ 3400	\$ 4200	\$ 5000	\$ 5800
\$20k	\$1200	\$ 2400	\$ 3600	\$ 5196	\$ 6792	\$ 8400	\$10000	\$11600
\$30k	\$1800	\$ 3600	\$ 5400	\$ 7800	\$10200	\$12600	\$15000	\$17400
\$40k	\$2400	\$ 4800	\$ 7200	\$10400	\$13600	\$16800	\$20000	\$23200
\$50k	\$3075	\$ 6150	\$ 9225	\$13300	\$17375	\$21450	\$25450	\$29450
\$60k	\$3825	\$ 7650	\$11475	\$16500	\$21525	\$26550	\$31350	\$36150
\$70k	\$4575	\$ 9150	\$13725	\$19700	\$25675	\$31650	\$37250	\$42850
\$80k	\$5235	\$10650	\$15975	\$22900	\$29825	\$36750	\$43150	\$49550
\$90k	\$6075	\$12150	\$18225	\$26100	\$33975	\$41850	\$49050	\$56250
\$100k	\$6825	\$13650	\$20475	\$29300	\$38125	\$46950	\$54950	\$62950

Amts in chart represent Annual Retirement Income from Plan retiring at Age 62

CALCULATING YOUR ANNUITY

These calculations can be done by using the projection sheet in the Retirement Plan Section of the web site at www.NAFbenefits.com. You can plug in the HI-3, Credited Service and Date of Birth and get a projection of your retirement benefit. If you prefer to compute your estimate you can use the formulas below.

NORMAL ANNUITY FORMULA

Step 1. Multiply the following:

- Hi-3 years average annual salary;
- times years and months of creditable service up to 15;
- times .012

Step 2. Multiply the following:

- Hi-3 years average annual salary;
- times years and months of creditable service over 15;
- times .016

Step 3. Add A and B above and divide by 12

This is your estimated monthly benefit.

Step 4. The Social Security Covered Compensation Table.

This table is published annually by the Internal Revenue Service (IRS) and is based on increases in the Social Security Wage Base, year of birth and year of retirement. The table for 2006 is on page 25 of this booklet. The most current Covered Comp Table can be found in the Retirement Section of the Benefits web site, www.NAFBenefits.com.

Here's how to use the Covered Comp Table. Look up your year of birth on the table. If your HI-3 average annual salary is less than the Social Security Covered Compensation amount, disregard this step.

If your HI-3 average annual salary is greater than the Social Security Covered Compensation amount, subtract the Social Security Covered Compensation amount from your HI-3 average annual salary and perform the following calculation.

- Hi-3 years average annual salary minus social security covered compensation amount;
- times .003
- times years of credited service up to 30 years
- divide by 12
- add this amount to the amount obtained in **Step 3**. This is your total estimated monthly benefit due at age 62.

Step 5. The Supplemental Early Retirement Benefit (SERB)

If you retire before age 62 and receive an early annuity, you will receive a Supplemental Early Retirement Benefit (SERB) until you reach age 62 and become eligible for Social Security Benefits. The SERB recognizes that Social Security benefits, which are an integral part of NAF retirement, are not payable until a participant reaches age 62. If you retire at or after age 62, you will not receive a SERB since Social Security benefits are payable immediately.

The **SERB** is calculated as follows:

- Multiply \$192 times credited service up to 25 years; divide by 12
- Multiply .005 times Hi-3 Salary times credited service up to 25 years; divide by 12.
- Enter the lesser of A or B. This is the monthly **SERB** amount due in addition to your monthly benefit.

EARLY ANNUITY FORMULA

This calculation can also be done by using the projection sheet in the Retirement Plan Section of the web site at www.NAFbenefits.com. You can plug in the HI-3, Credited Service and Date of Birth and get a projection of your retirement benefit. If you prefer to compute your estimate you can use the formula below.

- Follow Steps 1 thru 4 of the Normal Annuity Formula (above).
- Reduce the monthly benefit figured in the normal annuity formula by 4% for each year you are under the age of 62 when you retire. For example: if you are age 56 with 10 years of credited service, you will reduce the normal benefit by 6 years times 4%, equals a 24% reduction in the benefit. If the monthly normal annuity benefit is \$1000 per month, the early retirement benefit will be \$760 per month.

- Calculate the SERB using Step 5 above and add it to your monthly early annuity.
- This will be your monthly annuity until you reach age 62

DISABILITY ANNUITY FORMULA

This calculation can also be done by using the projection sheet in the Retirement Plan Section of the web site at www.NAFbenefits.com. You can plug in the HI-3, Credited Service and Date of Birth and get a projection of your retirement benefit. If you prefer to compute your estimate you can use the formula below.

- Follow **Steps 1 thru 3** of the Normal Annuity Formula (above).
- Do not add the Covered Comp amount from **Step 4**.
- Do not add the **SERB** from **Step 5**.**
- Do not reduce the benefit for age (less than 62).
- This is your monthly disability annuity.

***Disability annuitants are not eligible to receive SERB.*

SURVIVOR ANNUITY FORMULA

This formula is used to calculate the surviving spouse monthly annuity for employees who die prior to retirement. Follow procedures for normal annuity for the deceased employee and multiply the answer by 55%. Do not reduce the benefit for age if employee was less than age 62 at death. This is the survivor benefit due. If you die while actively employed and you were eligible to receive an early or normal retirement benefit, then we will compute the 100% continuation option benefit which is calculated from tables and is based on the age of the employee and the age of the spouse at the time of the employee's death. We will pay the greater of the 100% continuation option benefit or the normal unreduced 55% benefit. Also, if the deceased employee would have been entitled to SERB, the surviving spouse is entitled to 55% of the SERB until the deceased employees' 62nd birthday.

YOUR MAXIMUM ANNUITY

MAXIMUM BENEFITS

The maximum benefits payable under the retirement plan are limited by certain provisions of the Internal Revenue Code. Those limitations follow:

- **Normal, Early, or Deferred Retirement:** The Normal or Early Retirement benefit or 80% of high 3 average salary, whichever is less.
- **Disability benefits:** The Disability Retirement benefit cannot exceed 90% of high 3 average earnings, when added to Workers' Compensation payments.
- **Survivor benefits:** 55% of your benefit unless the 100% continuation option was elected by the employee at retirement.

YOUR ANNUITY OPTIONS

When you retire you must choose from among several benefit options. If you are unmarried, you may choose any payout option except the 55% continuation to the spouse option. If you are married, you must choose either the 55% continuation option or the 100% continuation option, unless your spouse waives his/her rights to that benefit. These are the options:

LIFE ANNUITY

- The full amount of your monthly annuity without reduction to provide for a survivor benefit. (NOTE: If you die prior to the payout of your actual contribution balance, the remainder will be paid to a beneficiary which you must designate at retirement.)

5 Year Certain

- A reduced monthly benefit, which you receive for life. If you die before you receive 60 monthly payments, the remaining benefits are paid to your beneficiary.

10 Year Certain

- A reduced monthly benefit, which you receive for life. If you die before you receive 120 monthly payments, the remaining benefits are paid to your beneficiary.

100% Continuation to Spouse (or other contingent beneficiary)

- A reduced monthly benefit, which you receive for life. When you die, your beneficiary receives 100% of your reduced monthly benefit. If you are not married, or your spouse waives his/her rights to your

benefit, then you may request a calculation of this benefit with any one beneficiary of your choosing. You will need to provide the Employee Benefits Office with the date of birth of your contingent annuitant, in order for us to calculate the benefit.

55% Continuation to Spouse

- A life annuity monthly benefit, which is reduced 10%. The reduction may be more if the age difference between you and your spouse exceeds 10 years. When you die, your spouse receives 55% of the life annuity benefit amount for life.
- **SMALL BENEFITS—ACTUARIAL LUMP SUM**

If your monthly benefit is less than \$50 a month, you will be paid a single lump sum, which is the actuarial equivalent of the monthly benefit for life. If your monthly benefit is between \$50 and \$100, you will have the option of a quarterly payment or a single lump sum, which is the actuarial equivalent of the monthly benefit for life. If you get a lump sum, that payment completes the obligation of the retirement plan.

IMPORTANT NOTE: The option you elect at retirement is a one time life election which cannot be changed later under any circumstances. Contingent beneficiary designations may not be changed, even if the designated beneficiary predeceases you.

A WORD ABOUT SOCIAL SECURITY & TAXES

There is no social security offset provision in the Retirement Plan. That means your annuity will not be reduced when you start drawing your social security benefits. Your monthly annuity is taxable income, except for a small portion which is attributable to your actual contributions, because your contributions were after tax dollars. Therefore, Federal Income Tax will be withheld from your monthly annuity. State income taxes may also be withheld if your state of residence taxes pension income. You should check with your state tax office. Social Security (FICA) is not withheld from your monthly annuity, because pension income is considered unearned income for Social Security purposes. Disability retirement annuities are normally not taxed until age 62. At that point, your annuity converts to a normal pension for tax purposes.

Individual tax questions should be referred to your tax advisor or accountant. The Employee Benefits Office cannot provide tax advice.

COST OF LIVING ADJUSTMENTS

The NAF Employee Retirement Plan applies a Cost of Living Adjustment (COLA) each year, which will be added to your monthly annuity payment starting on the 1st of April each year. If you have been retired less than a year, your first COLA will be prorated based on the number of months you have been retired prior to the COLA. The COLA is determined by the Consumer Price Index which is used to determine COLAs for Social Security Benefits and both Federal and Military Retirement payments.

PURCHASING MILITARY SERVICE CREDIT

Participants in the plan may receive credit for qualifying military service not to exceed 5 years. Qualifying military service can become credited service under the Plan by meeting all of the following requirements:

- The service must have been terminated under honorable conditions in the Armed Forces of the United States including the Army, Navy, Air Force, Marines Corps, or Coast Guard.

The following types of separations are honorable:

- Under honorable conditions
 - Separation because of hardship
 - Transfer to retired list because of age or disability
 - Transfer to Fleet Reserve
 - Furlough to Reserve Forces
 - General discharge under honorable conditions and
 - Death in action
- The military service may not have been used previously, concurrently, or subsequently for either entitlement or computational purposes in any other retirement system or retirement plan including, but not limited to the Retirement System of the Armed Forces of the United States (except for individuals receiving military retired pay awarded on account of a service-connected disability incurred in

combat with an enemy of the United States or on account of a service-connected disability caused by an instrumentality of war and incurred in the line of duty during a period of war, or under the provisions of 10 United States Code 1331-1337, Chapter 67 which grants retired pay to members of reserve components of the armed forces on the basis of age and service), the Civil Service Retirement System (CSRS), the Federal Employees' Retirement System (FERS), the retirement systems of any other nonappropriated fund instrumentalities of the United States, of any State or instrumentality thereof or any municipality or instrumentality thereof. Military service which has been credited under any of the foregoing will not be creditable under the U.S. Army Nonappropriated Fund Employee Retirement Plan.

- The military service must have been performed before the date of the separation from the civilian position from which title to the annuity is based.
- The participant must complete a deposit to the Plan as prescribed by the Benefits Program Manager prior to commencement of the benefit entitlement. Survivor(s) of a participant who has provided written notice to the Benefits Program Manager of his/her intent to purchase eligible military service, but has been prevented by separation from completing the purchase transaction, will be afforded an opportunity to complete the transaction in a lump sum prior to commencement of payment of any benefit from the Plan.

Instructions for Purchasing Military Service Credit

Instructions and the forms necessary for a Retirement Plan participant to purchase military service credit can be found on the NAF Benefits web site, www.nafbenefits.com.

- The participating employee begins the process by signing and forwarding the “**Statement of Intent**” Form Letter and EBB Form 2800, “**Application to Make Deposit for Military Service**” to the Employee Benefits Office, along with a copy of DD Form 214.
- Non-participating employees must first join the Retirement Plan and then follow instructions for participating employees.
- The participating employee must provide documentation of base military pay for the military service recognized by the Plan. Acceptable base pay documentation includes:

- Actual pay records for the entire period of military service attached to EBB form 2800 or
- EBB Form RI 20-97 (Estimated Earnings during Military Service)
- Upon receipt of the above information and documentation the Employee Benefits Office will compute the amount due (the deposit) for the military service credit. The Benefits Office will compute seven percent (7.0%) of base military pay for the entire period of creditable military service. If the participant has more than five (5) years of service, the Benefits Office will compute seven percent (7.0%) of the lowest salaried five (5) year period of military service.
- If the entire deposit is not paid within the time period described below, the Benefits Office will compute interest at eight percent (8.0%) compounded annually:
 - for employees who were participating in the Plan on 1 January 1998, interest is first added to the unpaid balance of the deposit on 1 January 2001.
 - for employees or participants whose entrance on duty date is 1 January 1998 or later, interest is first added to the deposit and computed on the unpaid balance of the deposit three (3) years from the participant's entrance on duty date.
- If an employee desires, the deposit may be made through payroll deduction over a period of up to two years (52 pay periods). Interest will be added at the rate of 8% compounded annually. The minimum biweekly payment amount is \$50.00. The Benefits Office will provide the participant with a payment election of a biweekly payment or one lump sum payment.

Military service will not be credited until full payment of the deposit has been received by the Benefits Office. If the participant has not paid for the whole period of military service by his/her separation date, he/she (or the survivor(s) if applicable) will be afforded an opportunity to deposit any balance remaining in a lump sum. If the remaining balance is not paid by the participant or survivor(s) in a lump sum, all partial payments received by the Benefits Office will be refunded to the participant or survivor(s) as appropriate, and no military service will be credited. Military service credit may not be used for vesting purposes. Therefore,

if the employee separates before participating in the retirement plan for 5 years, he/she will receive a full refund of the military service credit deposit, as well as their contributions to the retirement plan.

Military service deposits are not required for periods of military service prior to 1 January 1957.

PORTABILITY OF BENEFITS

Under certain circumstances, Army NAF Employees may receive credit for service when moving between NAF Retirement Systems of the other military or exchange services or they may continue to participate in their original Retirement System when moving between APF and NAF positions under the Portability of Benefits legislation. This section provides a brief overview of how portability works. More detailed information is available in the Portability Section of the NAF Benefits web site, www.nafbenefits.com.

NAF TO NAF Portability

Between DoD NAFIs of different branches of the Armed Forces (AAFES, US Marine Corps, Air Force, Navy, Navy Exchange, or Coast Guard)

If you are participating in the Army NAF retirement plan and you terminate employment (for reasons other than retirement) and you are employed by a different DoD NAFI within 90 calendar days, you may carry forward your credited service from the Army NAF retirement plan. This does not apply to transfers, which occurred between August 1975 and April 1983, except for transfers of function or reduction in force. (Exception: If the other DoD NAFI does not cover part time employees, then credited service for Army NAF is not allowed).

If you are not vested in the Retirement Plan, your Army NAF service will be counted in determining retirement eligibility. However, your annuity will be actuarially reduced for your Army NAF service. You will however, receive a refund of your contributions with interest for your Army NAF service when you transfer.

If you are vested in the Retirement Plan, upon retirement from the other DoD NAFI, you will receive two monthly benefit checks, one from Army and one from the other DoD NAFI. Your benefit will be computed at the

time of your retirement, based on the annuity formula used by the service from which you retire.

If you are vested in the Army NAF retirement plan at the time of transfer, and you want portability of benefits, you may not choose to receive your Army NAF monthly benefit until you retire from the other DoD NAFI. If you have reached retirement eligibility for an Army NAF monthly benefit and you choose an Army NAF monthly benefit,

portability of benefits will not apply for you. You will be treated as a new hire at the other DoD NAFI as if you never had any prior Army NAF credited service.

The same procedure applies in reverse, if you transfer from another DoD NAFI to Army NAF.

Your civilian personnel office should contact the Employee Benefits Office when you transfer employment within 90 calendar days, to another DoD NAFI so your benefit can be figured at the time of transfer. The prescribing directive is DoD 1401.1M, NAF Personnel Policy Manual. This manual is available on the web for download at: <http://www.cpms.osd.mil/nafpo/nafhome.htm> or you may access the DOD NAF Personnel Policy link from www.nafbenefits.com.

NAF to APF and APF to NAF Portability

Between a Nonappropriated Fund (NAF) Retirement Plan and the Federal Employee Retirement System (FERS) or Civil Service Retirement System (CSRS) for Appropriated Fund employees (APF) or the reverse. Please refer to the *DoD Portability of Benefits for Moves Between Civil Service and Nonappropriated Fund Retirement Systems Reference Guide in the Portability Section of www.NAFbenefits.com*

Note: Because the Thrift Savings Plan (TSP) is an integral part of the Federal Retirement System and the NAF 401(k) Savings Plan is an integral part of the NAF Employee Retirement Plan, an election to a retirement plan is also an election to remain in the associated Thrift or 401(k) Savings Plan.

Public Law 101-508 and P.L. 104-106 allows vested Army NAF employees to choose to remain in the Army NAF retirement plan, if their regular NAF job is changed to a regular APF job, within 3 calendar days. This is a onetime, lifetime election.

Public Law 101-508 (effective 1 Jan 87) Allows vested NAF employees to remain in the NAF retirement plan, if they move to an APF DOD job within 3 days. It also allows vested Army APF employees to choose to remain in FERS or CSRS, if their regular APF job is changed to a regular NAF job within DoD and within 3 calendar days. This law was amended in 1996. Please read the next law (PL 104-106) for moves that occur in 1996 and after.

Public Law 104-106 (effective 1996) replaced Public Law 101-508 and allows up to a 1 year break in service and up to 1 year to make a retirement system election, as long as the election is made with 31 days of the APF appointment. This law expanded moves to include the entire Federal Government; not just within DoD. Anyone who exercised their portability rights under P.L. 101-508, cannot also exercise them under P.L. 104-106. This law was amended on 12/28/2001. Please read the next law (PL 107-107) for moves that occur 12/28/2001 and after.

Public Law 107-107 (effective 28 Dec 01) removes the vesting requirements required of P.L. 101-508 and 104-106.

You must be given an opportunity to make this lifetime election. You are responsible for any prior contributions due the Army NAF retirement plan or FERS or CSRS, whichever you elect. You must complete RI-38-134 (April 2002) at your civilian personnel office. If you choose to stay in the Army NAF retirement plan, you may never be in FERS or CSRS and vice versa. This election follows you for the rest of your career, regardless of future retirements.

If you choose to stay in the Army NAF retirement plan, you can participate in the APF medical and life insurance plans at retirement, provided the minimum participation requirements have been met. Army NAF medical and life plan participation time can be used to meet the APF required medical and life plan participation time, at retirement. You cannot participate in the Army NAF medical and life extension plans at retirement.

Please see the Portability of Benefits Handbook located in the Portability Section of www.NAFBenefits.com.

Additionally, the Employee Portability Decision Guide, published by the NAF Employee Benefits Office, is available from your servicing NAF Personnel Office. This guide is a useful source of information about portability of benefits which will help you make an informed decision about your portability election options, should you move between the NAF and APF personnel systems.

2006 SOCIAL SECURITY COVERED COMPENSATION TABLE
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This table is updated and published annually by the IRS. The current table can be found in the Retirement Section of the NAF Benefits web site, www.NAFBenefits.com.

Year of Birth	Wage Base
1912	6000
1913	6000
1914	6000
1915	6000
1916	9000
1917	9000
1918	9000
1919	12000
1920	12000
1921	12000
1922	15000
1923	15000
1924	18000
1925	18000
1926	21000
1927	21000
1928	24000
1929	24000
1930	27000
1931	27000
1932	30000
1933	30000
1934	33000
1935	36000
1936	36000
1937	39000
1938	45000
1939	45000
1940	48000

1941	51000
1942	54000
1943	57000
1944	57000
1945	60000
1946	63000
1947	66000
1948	66000
1949	69000
1950	72000
1951	72000
1952	75000
1953	75000
1954	78000
1955	81000
1956	81000
1957	84000
1958	84000
1959	84000
1960	87000
1961	87000
1962	90000
1963	90000
1964	90000
1965	90000
1966	93000
1967	93000
1968	93000
1969	93000
1970	94200
1971	94200
1972	94200
1973	94200
1974	94200
1975	94200
1976	94200
1977	94200
1978	94200
1979	94200
1980	94200

1981	94200
1982	94200
1983	94200

YOUR NAF EMPLOYEE RETIREMENT PLAN

Your NAF Employee Retirement Plan is an important and valuable benefit provided by your employer. It is an integral part of your retirement planning, along with Social Security and your 401(k) Savings Plan. It is a valuable asset to help you achieve financial security in retirement.

We hope that this booklet is helpful to you in managing this valuable benefit. Should you need additional information, please consult the Retirement Plan Section of the Benefits web site, www.nafbenefts.com, visit your servicing civilian personnel office or call the NAF Benefits Office.

WHERE TO GET INFORMATION AND ASSISTANCE

US Army NAF Employee Benefits Office

P.O. Box 107

Arlington, VA 22210-0107

1-877-384-2340 or 703-681-7262 or DSN 761-7262

NAF Benefits web site, www.nafbenefts.com

Email: retirementplan@cfsc.army.mil

