



NAF RETIREMENT PLAN



**For Employees of
The United States Air Force
Nonappropriated Fund Instrumentalities-2002**

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1. INTRODUCTION

This is the Summary Plan Description (SPD) of the Air Force Nonappropriated Fund (NAF) Retirement Plan for Civilian Employees (Plan). It is a summary of the principal provisions of the Plan and should answer most of the questions you may have about the Plan and help you estimate your retirement benefit.

Your total retirement benefit comes from three sources. It includes the NAF Retirement Plan (and any other similar retirement plan of another employer), Social Security, and your own personal savings. In combination, the benefits from these three sources should give you and your family a significant measure of financial security. The Plan is voluntary, but we hope that all eligible employees will participate.

This SPD is not a contract between you and your employer. The Plan is described in a Plan Document on file at Headquarters Air Force Services Agency. If a provision of this SPD conflicts with a provision of the Plan Document, the Plan Document, as interpreted by the Central Program Administrators, will prevail. The Plan Document is subject to change without notice.

If you have questions about this SPD, contact your Human Resources Office (HRO).

2. ELIGIBILITY FOR PARTICIPATION

To be eligible to participate in the Plan, you must be a civilian employee under regular appointment (excluding off-duty military) and be employed by an Air Force Nonappropriated Fund Instrumentality (NAFI) in the United States (US), or if employed outside the US, be a US dollar-paid citizen, permanent resident, or noncitizen national of the US. You may enroll upon completion of 12 months of regular Air Force NAF service. If you enroll when first eligible, those 12 months are included in credited service.

3. RETIREMENT OPTIONS

Several retirement options are summarized below:

Normal Retirement. If you are 65 years of age, regardless of your years of credited service, you may retire with an unreduced annuity.

Voluntary Early Retirement. If you are at least 62 years of age and have completed at least five years of credited service, if you are at least 60 years of age and have completed at least 20 years of credited service, or if you are at least 55 years of age and have completed at least 30 years of credited service, you may also retire with an unreduced annuity.

Optional Early Retirement. If you are at least 52 years of age and have completed at least five years of credited service, you may retire with an annuity that will be reduced by four percent for each full year that your annuity commencement date precedes age 62.

Delayed Retirement. If you continue to work beyond your 65th birthday, you may retire at any time, regardless of how many years of credited service you have completed.

Involuntary Retirement. If your employment is involuntarily terminated as a result of a business based action and you have completed at least 25 years of credited service, or you are at least 50 years of age and have completed at least 20 years of credited service, you may retire with an annuity that will be reduced by two percent for each full year your annuity commencement date precedes your 55th birthday.

4. ALTERNATE FORM OF ANNUITY

If you are eligible for an immediate annuity, you may elect to receive a lump-sum payment in an amount equal to your contributions to the Plan, with a reduced annuity. The amount of the annuity reduction will depend on your age and the amount of the lump-sum payment.

5. SURVIVOR ANNUITY BENEFITS

At retirement, you may elect to receive an annuity for your life only. But if you want your spouse or some other person to receive a survivor annuity after your death, you may designate such a person to receive, upon your death, a lifetime annuity equal to 55 percent of your annuity.

If you choose the survivor annuity option for your spouse, your annuity will be reduced by 10 percent. If you choose the survivor annuity option for another person, your annuity will be reduced by an amount determined actuarially. The reduction could be more or less than 10 percent, depending upon the age of the person you designate.

If the person you designate to receive a survivor annuity pre-deceases you, the reduction of your annuity will be discontinued. If you designate your spouse to receive a survivor annuity, and your spouse pre-deceases you and you remarry, you may designate your new spouse as your survivor. Upon such designation, the reduction of your annuity will begin again.

6. DISABILITY BENEFITS

If you have at least 5 years of participation in the Plan and become totally and permanently disabled, you may be eligible for a disability annuity benefit. "Totally and permanently disabled" means your disability is of such severity as to prevent you from engaging in any gainful occupation in which you might be reasonably expected to engage considering your education, training, experience, and prior economic status, as determined by the Central Program Administrators. (These requirements closely parallel those for a disability income award under Social Security.) In many instances, however, if an employee qualifies for Social Security disability income (all of which is offset against the Plan benefit), it is possible that very little, if any, disability benefit may be payable.

7. DEATH BENEFITS

If you die, the Plan provides certain death benefits. If you are employed by an Air Force NAFI, and have at least 5 years credited service, the Plan will pay a survivor annuity to your spouse. If you are receiving an annuity from the Plan, the Plan will pay a survivor annuity to the person you have designated. (See Section 5.) If there is no person eligible to receive a survivor annuity, the Plan will pay a lump-sum benefit to your beneficiary.

8. COST-OF-LIVING ADJUSTMENT

Retirement, survivor, and disability annuities are periodically adjusted as a result of changes in the US National Consumer Price Index. Deferred annuities selected by employees terminating without eligibility for an immediate Retirement annuity is not adjusted unless termination was involuntary.

9. TERMINATION OF ELIGIBILITY

If you become ineligible to participate in the Plan, your options depend on your years of credited service. As a minimum, you would receive a refund of your contributions with interest. If you have completed at least 5 years of credited service, you may choose a deferred annuity payable at age 52 or later.

10. CREDITED SERVICE

For the period 1 January 1976 through 30 September 1991, credited service includes your regular full-time service to an Air Force NAFI during which you made the required contributions to the Plan, provided you have not withdrawn them. If you enrolled in the Plan as of 1 January 1976 and have not withdrawn the contributions you made after 1 January 1976, your credited service will include your regular full-time service to an Air Force NAFI prior to that date.

Effective 1 October 1991, credited service includes all regular service for which you made contributions, provided you have not withdrawn them, and is determined on the basis of the number of hours you work. If you work at least 1,820 hours in a year (an average of 35 hours per week), you receive a year of credited service. If you work less than 1,820 hours, your credited service will be determined on a pro-rata basis, with 2,080 hours (40 hours per week for 52 weeks) representing a full year.

Credited service includes periods of authorized leave without pay (LWOP). It will not exceed 5 years for periods of military furlough and 2 years for absences associated with workers' compensation cases. In all instances, credited service while on LWOP status is subject to the employee returning to Air Force NAFI employment within 90 calendar days of the expiration of LWOP or discharge.

If your employment is terminated and you are again employed in an eligible status in less than 60 calendar days, credited service includes that period if you immediately continue participation, redeposit any withdrawn contributions, and resume your contributions to the Plan. Credit may be given for certain prior

service covered under a Department of Defense NAFI retirement plan other than this plan. Please see your HRO for details if this applies to you.

Credited service will include unused sick leave, but only for the purpose of determining the amount of benefits payable for retirement, disability, and involuntary deferred annuities.

11. PORTABILITY OF BENEFITS

The Plan complies with the Portability of Benefits for DoD Nonappropriated Fund Employees Act of 1990 and the DoD Employee Benefit Portability Program. If your position is converted from a NAF position to an appropriated fund position, you may have the right to continue participation in the Plan. Ask your HRO for details.

12. SPECIAL DISTRIBUTION

The Air Force Chief of Staff authorized a special distribution payable to participants as of 30 September 1999 upon their retirement. The amount of this distribution is based on those retirees' contributions to the Plan as of 30 September 1999.

13. QUESTIONS AND ANSWERS

The following are answers to some of the questions most often asked about the Plan. We hope they will help you better understand it.

- a. **How do I enroll in the Plan?** See your HRO representative for an application form that authorizes deductions from your pay.
- b. **What if I don't enroll when first eligible?** If you don't enroll when first eligible, you may still join at any later date.
- c. **Can I withdraw from the Plan?** You may not voluntarily terminate your enrollment.
- d. **How much must I contribute?** You must contribute a small percentage of your basic pay by payroll deduction. Currently that percentage is one percent and it is subject to change in the future. Certain forms of pay are not subject to a contribution deduction. For example, premium pay, monetary awards, and lump-sum annual leave payments are not subject to a contribution deduction.
- e. **What if I'm absent from work?** Contributions are made from annual and sick leave pay. Contributions are not required when you are in an approved LWOP status.
- f. **Does my employer contribute also?** Your employing NAFI contributes the balance required to fund the Plan.
- g. **How is the amount of my retirement benefit determined?** Your retirement benefit is based on a formula which includes credited service, "high three"

years' average annual pay, age and your Social Security benefit. We don't take any of your Social Security benefit—we simply consider it in the Plan's formula. Please see the "Example Calculations" section of this SPD for further details regarding the way benefits are determined.

h. Is there a minimum benefit? Your benefit can't be less than one-half of one percent of your "high three" years' annual average basic pay for each year of credited service.

i. Who actually pays the Plan benefits? Your contributions, and the contributions of your employer, are held by the Air Force NAF Employee Retirement Plan Trust. Your benefits are paid from this trust.

j. What if my employment terminates? If your employment terminates before you complete 5 years of credited service, you would receive your contributions plus interest. After 5 years of credited service, you may choose a refund or a deferred annuity.

k. What happens if my employment terminates and I am later reemployed? If you don't take a refund, you retain all credited service. If you do take a refund, you may redeposit the amount of your refund (within 180 days of reemployment) and reinstate the credited service for which you had previously contributed.

l. How long will the Plan continue? The Air Force expects to continue this plan indefinitely. If it were discontinued, that would not change any benefits you have earned up to then to the extent that those benefits can be provided by funds available at that time.

m. Are there any other provisions that I should know about? You may appoint one or more beneficiaries to receive any lump-sum death benefit payable. You may not borrow from the Retirement Trust against your contributions or benefits provided by the Plan. If your annuity benefit is less than \$100 per month, a single cash payment, representing its present value, may be made. The Plan gives no right to continued employment or other rights except as the Plan specifically provides.

n. Who do I contact if I have additional questions? Your HRO representative should be able to answer your questions. If not, he or she may contact the Plan Administrator (Chief, Retirement Branch, at Headquarters Air Force Services Agency.)

14. EXAMPLE CALCULATIONS

1. BENEFIT IF YOU RETIRE AT AGE 62

Let's assume you retire at age 62 with 25 years of credited service and "high - three" annual average earnings of \$20,000. Your "high -three" is the average annual salary for your three highest salary years, usually the last three years before retirement.

First, determine the "formula benefit" (1.5% of "high -three" for each of your first 5 years of credited service, 1.75% for each of the next 5 years of credited service and 2.0% for each additional year of credited service):

$0.015 \times 5 = 0.075$, plus $0.0175 \times 5 = 0.0875$, plus $0.02 \times 15 = 0.30$, equals a total of 0.4625 . $0.4625 \times \$20,000 = \$9,250$ (annual) divided by 12 = \$771 (monthly)

Then, subtract the Social Security "supplement" (see "Social Security Income and Supplement" table that follows): \$771 (formula benefit) - \$410 (estimated supplement) = \$361

And last, add your Social Security benefit (also from table): \$361 (plan benefit) + \$656 (estimated Social Security benefit) -- \$1,017. Your total retirement benefit (plan benefit plus Social Security) would be \$1,017 per month. Keep in mind that your employer also contributes toward your Social Security benefit and it is not presently taxable for most retirees.

2. BENEFIT IF YOU RETIRE PRIOR TO AGE 62

Let's assume you retire at age 57 with 20 years of credited service and your "high-three" annual average earnings is \$15,000. When you retire before age 62, you have two payment options.

OPTION 1 - IMMEDIATE PAYMENT

Payment can begin immediately and your benefit would be reduced four percent per year for each year you are younger than 62. The Social Security, supplement would be paid, until age 62. First, determine the formula benefit (1.5% of high three" for each of your first 5 years of credited service, 1.75% for each of the next 5 years and 2% for each additional year of credited service):

$0.015 \times 5 = 0.075$, plus $0.0175 \times 5 = 0.0875$, plus $.02 \times 10 = 0.20$, equals 0.3625
 $0.3625 \times \$15,000 = \$5,438$ (annual) divided by 12 = \$453 (monthly)

Then, subtract the early retirement reduction 0.04×5 (years) \times \$453 = \$91 \$453 (formula benefit) - \$91 (reduction) = \$362 (benefit until age 62)

Next, subtract the Social Security supplement (from table) \$362 (benefit until age 62) - \$278 (supplement) = \$84 (benefit after age 62)

And last, add your Social Security benefit (from table) \$84 (plan benefit) + \$556 (estimated Social Security benefit) = \$640 Your total benefit after age 62 (plan benefit plus Social Security) would be \$640 per month.

OPTION 2 - DELAYED PAYMENT

You may wait to start receiving payment of your retirement benefit until you reach age 62.

First, subtract the supplement from the formula benefit \$453 (formula benefit) - \$278 (supplement) = \$175 (plan benefit)

And last, add your Social Security benefit \$175 (plan benefit) + \$556 (estimated Social Security) = \$731

Your total retirement benefit (plan benefit plus Social Security) at age 62 would be \$731 per month.

15. SOCIAL SECURITY INCOME AND SUPPLEMENT TABLE (AGE 62)

Annual estimated pay	\$15,000	\$20,000	\$25,000	\$30,000	\$40,000	\$50,000	\$60,000	\$70,000
Monthly estimated Social Security	556	656	756	856	1056	1160	1224	1280

Credited service (in years)	Estimated Monthly Supplement							
	10	139	164	189	214	264	290	306
15	208	246	284	321	396	435	459	480
20	278	328	378	428	528	580	612	640
25	348	410	472	535	660	725	765	800
30	417	492	567	642	792	870	918	960
35	486	574	662	749	924	1015	1071	1120
40	556	656	756	856	1056	1160	1224	1280

This table is used for estimating your Social Security income and supplement. It is based on Social Security benefit amounts for an employee age 62 in 2001 and is subject to change annually. Your actual income and supplement may be higher or lower at retirement. To use this table, first find your estimated earnings at age 62 and then determine the number of years of credited service you expect to have at age 62. The first monthly amount is your estimated Social Security benefit at age 62 and the second amount is the supplement which you should use in estimating your retirement plan benefit.

16. WORKSHEET FOR ESTIMATING RETIREMENT BENEFITS

EXAMPLE

ASSUMPTIONS:

Age		62
Estimated years in plan		25
Estimated annual pay		\$20,000

CALCULATION:

FIRST, determine the "formula benefit"

		Years			
0.015	x	5	=	0.075,	plus
0.0175	x	5	=	0.0875,	plus
0.02	x	<u>15</u>	=	<u>0.30</u>	
		25		0.4625	

Formula benefit = 0.4625 x \$20,000 (pay) = \$9,250 (annual)
 Divide by 12 = 771 (monthly)

THEN, subtract monthly estimated supplement = (410)
 See preceding "Social Security Income and Supplement Table")

Monthly NAF Retirement Plan Benefit = 361

LAST add your monthly estimated Social Security (also from Table) = 656
 Total monthly retirement income = \$1,017

WORKSHEET FOR ESTIMATING RETIREMENT BENEFITS

ASSUMPTIONS:

Age
 Estimated years in plan
 Estimated annual pay

CALCULATION: FIRST, determine the "formula benefit"

		Years			
0.015	x		=		, plus
0.0175	x		=		plus
0.02	x		=		plus

Formula benefit = x \$ (pay) = (annual)
 Divide by 12= (monthly)

THEN, subtract monthly estimated supplement
(See preceding "Social Security Income and
Supplement Table") = ()

Monthly NAF retirement plan benefit =

LAST, add your monthly estimated Social
Security (also from Table) = _____

Total monthly retirement income =
=====

17. GLOSSARY OF TERMS

AIR FORCE NONAPPROPRIATED FUND EMPLOYEE RETIREMENT PLAN TRUST. The NAFI established as the funding medium for the Plan.

ANNUITY. A fixed sum of money payable at regular intervals as the result of participation in the Plan.

PLAN ADMINISTRATOR. The individual designated to administer the Plan at the Headquarters Air Force level.

HIGH THREE ANNUAL AVERAGE EARNINGS. The highest average rate of basic earnings for any 36 consecutive months while employed by an Air Force NAFI for which a participant has made contributions to the Plan, or if the period for which he has made contributions is less than 36 months, his average rate for that lesser period.

NAFI. A nonappropriated fund instrumentality of the United States Government.

PARTICIPANT. Any employee who is eligible to participate in the Plan and who is making contributions to the Plan by payroll deduction, or any former employee who is entitled to benefits under the Plan.

PLAN. The Air Force Nonappropriated Fund Retirement Plan for Civilian Employees, as it may be amended from time to time.