



Benefits Administration Letter

Number 15 - 101

Date: 01/28/2015

Subject: Annual Changes

Background

Each year, we publish a Benefits Administration Letter (BAL) with updated information that changes annually, such as interest rates and cost-of-living adjustments. This BAL contains the figures for 2015.

Cost-of-Living Adjustments

Many people who receive monthly payments from the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS) will receive a cost-of-living adjustment (COLA) effective December 1, 2014. They will receive the increase in their January 2015 annuity payment. The maximum increase is 1.7% for CSRS and FERS annuitants.

All CSRS annuitants who have been retired at least 1 year will receive the full COLA, or maximum increase. FERS COLAs apply to the retiree's basic annuity only (not the annuity supplement). For survivor annuitants, the COLA applies to both the basic survivor annuity and supplementary annuity. In addition, FERS COLAs generally don't apply to annuitants who are under 62 as of December 1, 2014, except:

1. Spouse, former spouse or insurable interest survivor annuities;
2. Certain disability annuitants;
3. Those who retire under the special provisions for law enforcement officers, firefighters, Capitol Police and air traffic controllers;
4. Those who retire under the special provisions for military reserve technicians (age 50 with 25 years of service) because they ceased to qualify for military membership on account of disability; and,
5. Joint Payroll Office FERS Special annuitants.

Pro rated COLA are payable on annuities having a commencing date within 11 months before the effective date. The pro ration is based on the number of months between the annuity commencing date and the effective date.

They will receive one-twelfth of the applicable increase for each month they received an annuity. For survivor annuitants (other than children) of deceased annuitants, the proration is determined by the date the annuity was first payable to the deceased. COLAs on children's annuities are never pro-rated. The following table shows the prorated percentage increase according to the month in which the annuity began.

CSRS and FERS COLA Proration Table

| Monthly Annuity Began | Amount of Percentage Increase |
|--------------------------|-------------------------------|
| December 2013 or earlier | 1.7% |
| January 2014 | 1.6% |
| February 2014 | 1.4% |
| March 2014 | 1.3% |
| April 2014 | 1.1% |
| May 2014 | 1.0% |
| June 2014 | 0.9% |
| July 2014 | 0.7% |
| August 2014 | 0.6% |
| September 2014 | 0.4% |
| October 2014 | 0.3% |
| November 2014 | 0.1% |

Increase in Children's Benefits

CSRS COLA rates apply to children's benefits, regardless of whether the child's parent was under CSRS or FERS. The following rates apply from December 1, 2014, through November 30, 2015.

When the child has a living parent who was married to the employee or retiree, the benefit payable to that child is the lesser of:

- \$ 510 per month per child; or
- \$1,532 per month divided by the number of eligible children (if over 3).

When the child has no living parent who was married to the employee or retiree, the benefit payable to that child is the lesser of:

- \$ 613 per month per child; or
- \$1,839 per month divided by the number of eligible children.

FERS Basic Employee Death Benefit

When a FERS employee dies, a surviving spouse (or former spouse) may be eligible for a death benefit called the Basic Employee Death Benefit (BEDB). This benefit is an

amount equal to 50 percent of the employee's final annual pay (or average pay if higher), plus \$15,000, adjusted for COLA's under CSRS rules. For deaths that occur on or after December 1, 2014, and before December 1, 2015, the \$15,000 plus COLA's amount is now, \$32,326.58. Chapter 70 of the CSRS and FERS Handbook has detailed information on the Basic Employee Death Benefit.

The surviving spouse must elect whether to receive the BEDB in one payment or 36 monthly installments. The current factor used to determine the monthly installment is .0299522. Additional information on this can be found at <http://www.gpo.gov/fdsys/pkg/FR-2014-11-07/pdf/2014-26469.pdf> in the November 7, 2014 Federal Register.

Interest Rate for Service Credit Payments, Refunds, and Voluntary Contributions

The interest rate that applies to both CSRS and FERS for 2015 is 2.0%.

Salary Cap

Employees who are subject to a salary cap pay retirement deductions on the capped amount and the capped amount is used to compute an employee's high-3 average pay. The salary information on the SF-50, Notification of Personnel Action, should reflect the capped amount and not the salary that would have been payable without the cap.

Reminder Regarding Military Deposits

Use the table below to compute military deposits for service during those years and for the new 2015 rates. Chapter 23 of the CSRS and FERS Handbook has detailed information on Service Credit Payments for Post-56 Military Deposits and BAL 03-105 provides an explanation of the alternative method for employees under the Uniformed Services Employment Reemployment Rights Act (USERRA).

Employees who want to pay deposits for military service they performed during any of these years need to request that the military pay center provide year-by-year earnings so that you can compute deposits correctly.

Military Deposits

| | 1999 | 2000 | Other Years |
|------|-------|-------|-------------|
| CSRS | 7.25% | 7.40% | 7.00% |
| FERS | 3.25% | 3.40% | 3.00% |

This is a reminder that all military deposits have to be **paid in full to the employing agency** prior to the employee's separation for retirement.

Reminder Regarding Waiver of Military Retired Pay

Employees requesting to waive military retired pay should submit their request directly to the Defense Finance and Accounting Service at the following address 30 days before their planned retirement date to avoid delay in the finalization of their retirement. A copy of this request must be attached to the retirement application:

Defense Finance and Accounting Service
U.S. Military Retirement Pay
London, KY 40742-7130
Phone: 1-800-321-1080
Phone: 1-800-469-6559 - fax

Chapter 22 of the CSRS and FERS Handbook (Chapter 22, Section 22 A4.1-2) contains information that must be provided and sample wording that can be used.

Present Value Factors

Revised factors went into effect on October 1, 2014 and were published in the Federal Register on May 1, 2014.

CSRS factors can be accessed at <http://www.gpo.gov/fdsys/pkg/FR-2014-05-21/pdf/2014-11762.pdf> and FERS factors can be accessed at <http://www.gpo.gov/fdsys/pkg/FR-2014-05-21/pdf/2014-11756.pdf>.

OPM uses present value factors to compute reductions to:

- CSRS and FERS retiree's benefits when the retiree elects the Alternative Form of Annuity;
- CSRS and FERS benefits with a CSRS component when the retirees elect to credit refunded service that ended before March 1, 1991, without paying the deposit owed for the service
- CSRS and FERS benefits when the retirees marry after retirement and elect to provide a survivor annuity benefits;
- Retirees' benefits when the retiree elects to credit Nonappropriated Fund Instrumentality (NAF) service for retirement purposes under Public Law 104-106 or Public Law 107-107; and,
- Retirement benefits for individuals with certain types of retirement coverage errors who can receive credit for service by taking an actuarial reduction under the provisions of the Federal Erroneous Retirement Coverage Correction Act.

OPM uses discount factors to compute the reduction to annuity benefits when retirees elect to credit their NAF service. The discounted present value factors used for NAF calculation have also been revised and can be found in BAL 14-113.

Significant Social Security Figures for 2015

On October 22, 2014, the Social Security Administration published a Fact Sheet that listed 2015 figures that are significant for retirement matters. You can find that Fact Sheet on the Social Security Administration's Internet site, at <http://www.ssa.gov/news/press/factsheets/colafacts2015.html>. We have included some of the figures here for your convenience.

Social Security Maximum Wage Base: The Social Security maximum taxable wage for 2015 is \$118,500.

Bend Points: The dollar amounts, or bend points, used in the benefit formula for workers who become eligible for benefits in 2015, and in the formula for computing maximum individual benefits for 2015, are \$826 and \$4,980.

FERS Retiree Annuity Supplement Earnings Limit

The Social Security earnings limitation for 2015 is \$15,720. Any FERS annuitant who is receiving a FERS annuity supplement (unless he or she is under the minimum retirement age and retired under one of the special provisions for law enforcement officers, firefighters, air traffic controllers, or military reserve technicians separated for loss of military membership) will have his or her annuity supplement offset in 2015 by \$1.00 for every \$2.00 over this amount earned in 2015.

Increase in Age for Full Social Security Benefits

Legislation passed in 1983 provided that the age for receiving full Social Security benefits will gradually increase from 65 to 67. The first increase took effect in January 2001. It affects workers born in 1938 or later. More information on this change is available on Social Security's web site at www.ssa.gov.

Note: This change does not affect the entitlement of any person who is age 62 to receive reduced benefits if he or she has sufficient Social Security credits to receive a benefit.

Thrift Savings Plan (TSP) Deferral Limit

The Internal Revenue Service annual limit on elective deferrals is \$18,000 for tax year 2015. For purposes of the TSP, the term "elective deferrals" means the maximum amount that employees can contribute to their thrift accounts.

In addition, TSP participants that are age 50 or over can make tax-deferred "catch-up" contributions from their basic pay to their TSP accounts. These contributions are a supplement to the participant's regular employee contributions and do not count against the Internal Revenue Code's elective deferral limit. Additional information is available

at: <https://www.tsp.gov/PDF/formspubs/oc91-13.pdf>. The catch-up contributions have their own annual limit and eligibility criteria. The limit is \$6,000 for 2015. Additional information is available at: <https://www.tsp.gov/PDF/formspubs/oc03-03.pdf>.

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