



United States
Office of Personnel Management
Retirement and Insurance Service

Benefits Administration Letter

Number: 97-106

Date: August 13, 1997

Subject: Retirement Changes in the Balanced Budget Act of 1997

This is to advise you of changes in the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS), as contained in the Balanced Budget Act of 1997, Public Law 105-33, signed by the President on August 5, 1997. Details of implementation will be provided separately in a Payroll Office Letter.

Retirement

The Balanced Budget Act of 1997 includes CSRS and FERS changes as follows:

- CSRS and FERS employee deductions (for all employees in all agencies) will increase by 0.25% in January 1999, by an additional 0.15% in January 2000, and by 0.10% more in January 2001, for a total increase of 0.50%. These higher employee deduction rates will be in effect through December 2002.

The following chart reflects employee deduction rates for regular employees under CSRS and FERS. The employee deduction rates for special employee groups (i.e., law enforcement officers, Members of Congress, etc.) will be either 0.5% or 1.0% higher than the regular employee deduction rates, as they currently are.

Period	CSRS	FERS
Now-12/98	7.00%	0.80%
01/99-12/99	7.25%	1.05%
01/00-12/00	7.40%	1.20%
01/01-12/02	7.50%	1.30%

**Civil Service
Retirement
System**

**Federal Employees
Group Life
Insurance**

**Federal Employees
Health Benefits
Program**

**Federal Employees
Retirement
System**

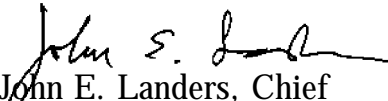
- Service credit deposits required for creditable military, civilian, and volunteer (Peace Corps and VISTA) service performed from 1999 through 2002 will be increased by the same percentages as employee deductions are increased for CSRS and FERS covered service performed during the same period.
- There will be a temporary increase of 1.51% in agency contributions for CSRS only. This provision takes effect in October 1997, and applies through September 2002. The Postal Service and Metropolitan Washington Airports Authority will not be subject to the increased agency contribution rates.
- In October 2002, CSRS agency contribution rates do not return to current levels. Beginning in October 2002, the contribution rate for agencies will match the higher employee deduction rates which will then be in effect. The Postal Service and Metropolitan Washington Airports Authority are also exempted from this increase in agency contribution rates.
- The Act explicitly specifies that when employee deductions increase beginning in 1999, FERS agency contributions will not be reduced. Agencies will continue to make contributions at the same percentage rates shown in the right hand column of the following schedule, which will be in effect at that time, even though the combined employee deduction and agency contributions will exceed the normal cost.

As previously published in the Federal Register, and announced in Payroll Office Letter 97-07, FERS normal cost percentages are changing, effective October 1, 1997. These changes are not related to any provision of the Balanced Budget Act of 1997, but are based upon revised economic and demographic assumptions adopted by the Board of Actuaries of the Civil Service Retirement System. The following schedule reflects the normal cost, employee deduction, and agency contribution percentage rates for the various types of FERS employees which will become effective beginning with the first pay period beginning on or after October 1, 1997.

Type of Employee	Normal Cost %	Employee Deduction	Agency Contrib.
Members of Congress	16.5%	1.3%	15.2%
Congressional employees	16.7%	1.3%	15.4%
Law enforcement officers, firefighters	24.6%	1.3%	23.3%
Air traffic controllers	23.1%	1.3%	21.8%
Military reserve technicians	11.9%	0.8%	11.1%
Regular employees	11.5%	0.8%	10.7%

Health Benefits and Life Insurance

Information regarding the Balanced Budget Act of 1997 and the Federal Employees Group Life Insurance and Federal Employees Health Benefits programs will be provided by the Insurance Policy Division.


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