



Benefits Administration Letter

Number 10 - 103

Date: April 16, 2010

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 2010.

Cost-of-Living Adjustments

There is no COLA payable in 2010.

Increase in Children's Benefits

Since there is no COLA change for 2010 the children's rate remains the same as the rates were in 2009.

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:

\$469 per month per child; or
\$1409 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:

\$563 per month per child; or
\$1691 per month divided by the number of eligible children.

FERS Basic Employee Death Benefit

Since there is no change in the COLA, the basic employee death benefit for an employee who dies on or after December 1, 2009, and before December 1, 2010, remains unchanged from last year, \$29,722.95.

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

The interest rate that applies to both CSRS and FERS is 3.125% in 2010.

Salary Cap

Sometimes officials in certain Executive level positions do not receive the full official salary of their positions because of a cap on the amount that can be paid to them. These officials pay retirement deductions on the capped amount, rather than the full amount, and we compute retirement benefits using the capped amount. Additional information on this can be viewed on our website at <http://www.opm.gov/oca/pay/HTML/10GSCap.asp>.

Reminder Regarding Military Deposits

Use the table below to compute military deposits for service during those years and for the new 2010 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
Fax: 1-800-469-6559

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

The Present value factors were revised on October 1, 2007, and can be found in the June 7, 2007 Federal Register, Volume 72, Number 109.

CSRS factors can be accessed at <http://edocket.access.gpo.gov/2007/E7-11085.htm> and FERS factors can be accessed at <http://edocket.access.gpo.gov/2007/E7-11083.htm>.

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 retiree elects to credit refunded service that ended before March 1, 1991, without paying the deposit owed for the service
- CSRS and FERS benefits when the retiree marries after retirement and elects to provide a survivor annuity benefit;
- Retiree's 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.

Significant Social Security Figures for 2010

On October 15, 2009, the Social Security Administration published a Fact Sheet that listed 2010 figures that are significant for retirement matters. You can find that Fact Sheet on the Social Security Administration's Internet site, at www.ssa.gov/pressoffice/factsheets/colafacts.htm. We have included some of the figures here for your convenience.

Social Security Maximum Wage Base

The Social Security maximum taxable wage remains unchanged from 2009 and is \$106,800.

Average Total Wages

The amount of average total wages for 2008 is \$41,334.97

Bend Points

The dollar amounts, or bend points, used in the benefit formula for workers who become eligible for benefits in 2008, and in the formula for computing maximum individual benefits for 2010, are \$761 and \$4586.

FERS Retiree Annuity Supplement Earnings Limit

The Social Security earnings limitation for 2010 remains unchanged from 2009 and is \$14,160. Any FERS annuitant who is receiving a FERS annuity supplement (unless he or she is under age 55 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 2010 by \$1.00 for every \$2.00 over this amount earned in 2010.

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.

When an individual reaches the full retirement age, the exempt amount is \$37,680 per year. This amount applies only to earnings for months prior to attaining full retirement age. One dollar in benefits will be withheld for every \$3 in earnings above the limit. There is no limit on earnings beginning the month an individual attains full retirement age. For additional information go to www.ssa.gov and review the fact sheet that relates to 2010 Social Security changes.

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 remains unchanged at \$16,500 for tax year 2010. For purposes of the TSP, the term "elective deferrals" means the maximum amount that employees can contribute to their thrift accounts. You can find additional information on the elective deferral limit on the TSP web site at www.tsp.gov.

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.

The catch-up contributions have their own annual limit and eligibility criteria. The limit remains unchanged and is \$5,500 for 2010. Additional information is available in TSP Bulletin 09-11 which can be accessed at www.tsp.gov.

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