



***Retirement and Insurance Service
Benefits Administration Letter***

Number: 02-319

Date: October 25, 2002

Subject: Calendar Year 2003 Interest Rate

The Treasury has announced that the calendar year 2003 interest rate applicable to Post-1956 military service credit accounts is 5.000 percent. This is the rate that will also be applied to civilian service credit and voluntary contribution accounts.

Employing agencies must assess interest to the unpaid balance in Post-1956 military service credit accounts on the employees' "interest accrual date" (IAD). Interest is compounded annually and is assessed at the rate of 3.000 percent through 1984 and thereafter, as follows:

Calendar Year	Interest Rate (%)	Calendar Year	Interest Rate (%)
1985	13.000	1995	7.000
1986	11.125	1996	6.875
1987	9.000	1997	6.875
1988	8.375	1998	6.750
1989	9.125	1999	5.750
1990	8.750	2000	5.875
1991	8.625	2001	6.375
1992	8.125	2002	5.500
1993	7.125	2003	5.000
1994	6.250		

The interest rate that is actually applied is a "composite" rate, based on the rates in effect during the 12-month period preceding the IAD. Thus, it has components of both the current and previous year's interest rates. For instance, the rate that will be applied on October 1, 2003 reflects a composite

*Civil Service
Retirement
System*

*Federal Employees'
Group Life
Insurance Program*

*Federal Employees
Health Benefits
Program*

*Federal Employees
Retirement
System*

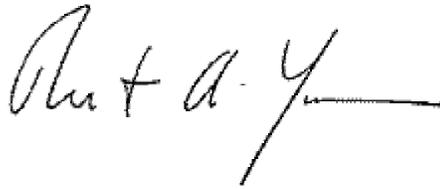
*Federal Long
Term Care
Insurance
Program*

interest rate of 5.125 % [three months at 5.500% and nine months at 5.000%].

Chapter 23 of the Civil Service Retirement System/Federal Employees Retirement System (CSRS/FERS) Handbook contains guidance for computing interest on military service credit deposits, including the determination of the IAD and the formula for composite interest rates; it is available at <http://www.opm.gov/asd/htm/HOD.htm>. For your convenience, we have also attached an Excel spreadsheet containing the composite interest rates for each IAD during the period of January 1 through December 31, 2003.

To reduce the unpaid balance in a military service credit account prior to the assessment of interest, a remittance must be *timely received*. To be considered timely, remittances must be physically in the possession of the agency official authorized to receive them by the close of business on the last regular business day before the IAD. Thus, for deposits sent by mail, the date on the postmark does not constitute the date of remittance.

If you have any questions about this letter, we would prefer that you email us at finance@opm.gov, so we have a record of them. You may of course call us on 202-606-0606.

A handwritten signature in black ink, appearing to read "Robert A. Yuran", with a horizontal line extending to the right from the end of the signature.

Robert A. Yuran, Chief
Financial Policy Staff
Retirement and Insurance Service

Attachment