



## ***Benefits Administration Letter***

Number 14 - 101

Date: 01/30/2014

### **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 2014.

#### **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, 2013. They will receive the increase in their January 2014 annuity payment. The maximum increase is 1.5% 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 annuity supplements). 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, 2013, 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, 25 years of service) because they ceased to qualify for military membership on account of disability; and,
5. Joint Payroll Office FERS Special annuitants.

To get the full COLA, a retiree's annuity has to begin no later than December 31, 2012.

Retirees whose annuities begin between December 31, 2012 and November 30, 2013, will receive a prorated COLA. 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 2012 or earlier	1.5%
January 2013	1.4%
February 2013	1.3%
March 2013	1.1%
April 2013	1.0%
May 2013	0.9%
June 2013	0.8%
July 2013	0.6%
August 2013	0.5%
September 2013	0.4%
October 2013	0.3%
November 2013	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, 2013, through November 30, 2014.

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:

- \$502 per month per child; or
- \$1,506 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:

- \$602 per month per child; or
- \$1,807 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, 2013, and before December 1, 2014, the \$15,000 plus COLA's amount is now, \$31,786.21. 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 .0301643. Additional information on this can be found at <http://www.gpo.gov/fdsys/pkg/FR-2011-09-07/html/2011-22873.htm> in the September 7, 2011 Federal Register.

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

The interest rate that applies to both CSRS and FERS remained unchanged at 1.625% in 2014.

**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 2014 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**

The Present value factors were revised on October 1, 2011, and can be found in the June 3, 2011 Federal Register, Volume 76, Number 107.

CSRS factors can be accessed at <http://www.gpo.gov/fdsys/pkg/FR-2011-06-03/pdf/2011-13708.pdf>) and FERS factors can be accessed at <http://www.gpo.gov/fdsys/pkg/FR-2011-06-03/pdf/2011-13707.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 October 1, 1990, 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 11-111.

### **Significant Social Security Figures for 2014**

On October 30, 2013, the Social Security Administration published a Fact Sheet that listed 2014 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/pressoffice/factsheets/colafacts2014.html>. We have included some of the figures here for your convenience.

**Social Security Maximum Wage Base:** The Social Security maximum taxable wage for 2014 is \$117,000.

**Bend Points:** The dollar amounts, or bend points, used in the benefit formula for workers who become eligible for benefits in 2014, and in the formula for computing maximum individual benefits for 2014, are \$816 and \$4,917.

### **FERS Retiree Annuity Supplement Earnings Limit**

The Social Security earnings limitation for 2014 is \$15,480. 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 2014 by \$1.00 for every \$2.00 over this amount earned in 2014.

### **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](http://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 remained unchanged at \$17,500 for tax year 2014. 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 once again \$5,500 for 2014. Additional information is available at: <https://www.tsp.gov/PDF/formspubs/oc03-03.pdf>.

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