



## ***Benefits Administration Letter***

Number 14 - 102

Date: 01/30/2014

### **Subject: Federal Employees Retirement System- Further Revised Annuity Employees (FRAE)**

**Purpose:** The purpose of this Benefits Administration Letter (BAL) is to provide interim guidance concerning employees and Members of Congress who will be covered under the Federal Employees Retirement System (FERS) as Further Revised Annuity Employees (FRAE), FERS-FRAE. This guidance only applies to automatic FERS coverage determinations. Employees who are subject to CSRS, CSRS-Offset, or FICA-only coverage and who have an opportunity to elect to transfer to FERS will be subject to FERS, not FERS-FRAE, if they elect to transfer to FERS.

**Background:** Section 401 of the "Bipartisan Budget Act of 2013," signed into law by the President on December 26, 2013, makes another change to the Federal Employees' Retirement System (FERS). Beginning January 1, 2014, new employees (as designated in the statute) will have to pay higher employee contributions, an increase of 1.3 percent of salary above the percentage set for the FERS Revised Annuity Employee (RAE). Section 8401 of Title 5, United States Codes, has been amended to add a new definition of a FERS-FRAE employee. With one exception, there is no difference in the FERS basic benefit paid to FERS, FERS-RAE, and FERS-FRAE employees. (The FERS basic benefit for congressional employees and Members of Congress under FERS-RAE and FERS-FRAE is different than the basic benefit paid to those groups under FERS.)

### **Interim Guidance:**

We have established new retirement plan codes for FERS-FRAE employees (see chart below). We anticipate that agencies will need time to add these new retirement plan values to their HR and payroll systems and that these new codes will not be immediately available to use for new employees hired beginning January 1, 2014. We are currently developing guidance to assist agencies in determining the appropriate retirement plan coverage for former FERS and FERS-RAE employees who are rehired into the Government on and after January 1, 2014. Until agency systems are updated and until we issue additional guidance on the retirement coverage rules, please follow the guidance provided in BAL 13-102, dated June 4, 2013 (<http://www.opm.gov/retirement-services/publications-forms/benefits-administration-letters/2013/13-102.pdf>), to process new employees hired after December 31, 2013, and rehired former FERS and

FERS-RAE employees hired after December 31, 2013, placing them in FERS or FERS-RAE. Please advise all new employees that adjustments to the retirement deductions retroactive to their date of appointment will need to be made after agency systems are updated with FERS-FRAE codes, additional guidance from OPM is issued, and their retirement plan codes are changed to FERS-FRAE.

In addition, it should be noted that amendments made by the Section 401 of the Bipartisan Budget Act of 2013 provides that contributions be paid for FERS-FRAE employees that are in excess of the normal cost percentage. However, the U.S. Postal Service and Postal Regulatory Commission are not included in this provision, and the percentages that will be paid by U.S. Postal Service and Postal Regulatory Commission are 1.3 percent lower than shown in the table below.

### **FERS FRAE Codes and Employee and Agency Contribution Rates**

Category	FERS FRAE Contribution Rates (%)			
	Retirement Plan Code	Normal Cost %	Employee %	Agency %
Regular	<b>KF</b>	12.7	<b>4.4</b>	<b>9.6</b>
Law Enforcement Officer, Firefighter, Member of the Supreme Court Police	<b>MF</b>	27.6	<b>4.9</b>	<b>24.0</b>
Air Traffic Controller	<b>LF</b>	27.3	<b>4.9</b>	<b>23.7</b>
Military Reserve Tech	<b>NF</b>	15.7	<b>4.4</b>	<b>12.6</b>
Customs and Border Protection Officers	<b>OF</b>	27.6	<b>4.9</b>	<b>24.0</b>
Employees under section 303 of the CIA Act of 1964 (when serving abroad)		18.0	<b>4.4</b>	<b>14.9</b>
Member of Congress		12.7	<b>4.4</b>	<b>9.6</b>
Member of Capitol Police		18.0	<b>4.9</b>	<b>14.4</b>
Congressional Employee, Civilian Capitol Police Employee		12.7	<b>4.4</b>	<b>9.6</b>

The new Retirement Codes and definitions have been determined and are provided below:

CODE	DEFINITION
KF	Federal Employees' Retirement System (FERS) Further Revised Annuity Employees (FRAE) and FICA. COMBINATION OF FICA AND FERS-FRAE: Full deductions are withheld for FICA, and partial deductions are withheld for another system. <b>FERS (FRAE) FICA</b>
LF	FERS, Further Revised Annuity Employees (FRAE) and FICA--Air Traffic Controllers. COMBINATION OF FICA AND FERS-FRAE: Full deductions are withheld for FICA, and partial deductions are withheld for another system. <b>FERS (FRAE) ATC</b>
MF	FERS, Further Revised Annuity Employees (FRAE) and FICA--Special. COMBINATION OF FICA AND FERS-FRAE: Full deductions are withheld for FICA, and partial deductions are withheld for another system. <b>FERS (FRAE) Special</b>
NF	FERS, Further Revised Annuity Employees (FRAE) and FICA--Reserve Technicians. COMBINATION OF FICA AND FERS-FRAE: Full deductions are withheld for FICA, and partial deductions are withheld for another system. <b>FERS (FRAE) RT</b>
OF	FERS, Further Revised Annuity Employees (FRAE) and FICA-- Customs and Border Protection Officers. COMBINATION OF FICA AND FERS-FRAE: Full deductions are withheld for FICA, and partial deductions are withheld for another system. <b>FERS (FRAE) CBPO</b>
DF	FSPS-Further Revised Annuity Employees (FRAE)--Law Enforcement (FSPS-FRAE--Law Enforcement). COMBINATION OF FICA AND PARTIAL DEDUCTIONS: Full deductions are withheld for FICA, and partial deductions are withheld for another system. <b>FSPS (FRAE) LEO</b>
PF	FSPS-Further Revised Annuity Employees (FRAE) and FICA. COMBINATION OF FICA AND PARTIAL DEDUCTIONS: Full deductions are withheld for FICA, and partial deductions are withheld for another system. <b>FSPS (FRAE)</b>