



Benefits Administration Letter

Number: 21-103

Date: February 2021

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 2021.

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, 2020. The increase is paid in their January 2021 annuity payment. The maximum increase is 1.3% for CSRS. All CSRS annuitants who have been retired at least 1 year will receive the full COLA, or maximum increase. The maximum increase for FERS is 1.3%.

Note: The minimum COLA increase is \$1.00. Even if the full COLA rate of 1.3% or a prorated COLA would result in the annuity rate not increasing, \$1.00 is still added to the monthly rate.

All eligible 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 the annuity supplement). For survivor annuitants, the COLA applies to both the basic survivor annuity and supplementary annuity. In addition, CSRS COLAs apply to all annuities, regardless of the age of the annuitant. FERS COLAs generally do not apply to annuitants who are under age 62 as of December 1, 2020 except:

1. Spouse, former spouse, or insurable interest survivor annuitants;
2. Certain disability annuitants;
3. Those who retired under the special provisions for law enforcement officers, firefighters and Capitol Police;
4. Those who retired under the special provision for air traffic controllers;
5. Those who retired under the special provision for military reserve technicians (age 50, 25 years of service) because they ceased to qualify for military membership on account of disability; and
6. Joint Payroll Office FERS Special annuitants.

Pro-rated COLAs are payable on annuities having a commencing date from December 1, 2019 through November 30, 2020. The CSRS and FERS COLAs are payable on annuities with commencing dates no later than November 30, 2020. The proration is based on the number of months between the annuity commencing date and the effective date of the COLA.

Annuitants 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. For survivors of deceased employees, the proration is determined by the commencing date of the survivor annuity. 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.

Prorated CSRS and FERS COLAs Effective 12/01/2020

Monthly Annuity Began	Amount of Percentage Increase	
	CSRS	FERS
Retirement System		
December 2019 or earlier	1.3%	1.3%
January 2020	1.2%	1.2%
February 2020	1.1%	1.1%
March 2020	1.0%	1.0%
April 2020	0.9%	0.9%
May 2020	0.8%	0.8%
June 2020	0.7%	0.7%
July 2020	0.5%	0.5%
August 2020	0.4%	0.4%
September 2020	0.3%	0.3%
October 2020	0.2%	0.2%
November 2020	0.1%	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. However, children’s benefits under FERS are offset by benefits payable under Title II of the Social Security Act for all children of the deceased. In most cases, the Social Security benefit exceeds the FERS benefit which results in no FERS benefit being paid. The following rates apply from December 1, 2020 through November 30, 2021.

When the child has a living parent who was married to the deceased employee or retiree, the benefit payable to that child is the lesser of:

- \$552 per month per child; or
- \$1,659 per month divided by the number of eligible children (if over 3).

When the child has no living parent who was married to the deceased employee or retiree, the benefit payable to that child is the lesser of:

- \$ 663 per month per child; or
- \$1,990 per month divided by the number of eligible children (if over 3).

FERS Basic Employee Death Benefit

The \$15,000 portion of the FERS Basic Employee Death Benefit is adjusted by the CSRS COLA. The CSRS COLA, effective December 1, 2020, increases the Basic Employee Death Benefit for an employee who dies on or after December 1, 2020 and before December 1, 2021, to half of his/her final annual pay (or average pay, if higher), plus **\$34,991.07**. [Chapter 70](#) of the CSRS and FERS Handbook has detailed information on the Basic Employee Death Benefit (BEDB).

The surviving spouse must elect whether to receive the BEDB in one payment or in 36 monthly installments. The current factor used to determine the monthly installment is **.0295307** for deaths occurring on or after October 1, 2020. Additional information on present value conversion factors applicable to BEDB can be found by visiting: <https://www.govinfo.gov/content/pkg/FR-2020-09-22/pdf/2020-20784.pdf> in Volume 85, Number 184 of the Federal Register, dated September 22, 2020.

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

The interest rate that applies to both CSRS and FERS for 2021 is **1.375%**.

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 2021 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 Retired Pay
8899 E 56th Street
Indianapolis, IN 46249-1200
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

On April 6, 2020, OPM provided notice of adjusted present value factors applicable to retirees who elect to provide survivor annuity benefits to a spouse based on post-retirement marriage, and to retiring employees who elect the alternative form of annuity or elect to credit certain service with Non-Appropriated Fund Instrumentalities (NAFI service).

The revised present value factors went into effect on October 1, 2020 and were published in Volume 85, Number 66 of the Federal Register on April 6, 2020.

CSRS factors can be found by visiting:

<https://www.govinfo.gov/content/pkg/FR-2020-04-06/pdf/2020-07103.pdf>

FERS factors can be found by visiting:

<https://www.govinfo.gov/content/pkg/FR-2020-04-06/pdf/2020-07104.pdf>

OPM uses present value factors to compute reductions to:

- CSRS and FERS retirees' 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 March 1, 1991, without paying the deposit owed for the service;
- CSRS and FERS benefits when the retirees marry after retirement and elect to provide survivor annuity benefits;
- Retirees' benefits when the retirees elect to credit NAFI 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 NAFI service.

Significant Social Security Figures for 2021

Every year, the Social Security Administration publishes a Fact Sheet that lists annual figures that are significant for retirement matters. The Fact Sheet can be found by visiting: <https://www.ssa.gov/news/press/factsheets/colafacts2021.pdf>

For 2021, the Social Security Maximum Taxable Earnings has increased to \$142,800.

The dollar amounts, or Bend Points, used in the benefit formula for workers who become eligible for benefits in 2021, and in the formula for computing maximum individual benefits for 2021 are \$996 (first) and \$6,002 (second). More information on the benefit formula Bend points may be found by visiting: <https://www.ssa.gov/OACT/COLA/bendpoints.html>

FERS Retiree Annuity Supplement Earnings Limit

The Social Security earnings limitation is **\$18,960** a year for 2021. Any FERS annuitant who is receiving a FERS annuity supplement (unless he or she is under the minimum retirement age 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 2021 by \$1.00 for every \$2.00 over this amount earned in 2021.

Chapter 51 of the CSRS and FES Handbook, Section 51A3.1-1, contains more information on the reduction of a FERS annuity supplement due to the Social Security's earnings limitation.

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 the Social Security's web site by visiting: 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 did not change for tax year 2021 and it remains at **\$19,500**. For purposes of the TSP, the term "elective deferrals" means the maximum amount that employees can contribute to their thrift accounts. Additional information on TSP contributions can be found by visiting: <https://www.tsp.gov/making-contributions/contribution-limits/>

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. This limit remains at **\$6,500** for 2021. More information on catch-up contributions can be found by visiting: <https://www.tsp.gov/publications/tspfs12.pdf>

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