This letter announces the new interest rate applicable to voluntary contributions, and service credit deposits and redeposits, effective on January 1, 1998. We have also included a brief explanation of how the variable interest rate applies to civilian and military service credit accounts. If you need detailed instructions for establishing and maintaining military deposit accounts, please reference Chapter 23 of the Civil Service Retirement System/Federal Employees Retirement System (CSRS/FERS) Handbook.

**INTEREST RATE FOR CALENDAR YEAR 1998**

Pursuant to 5 U.S.C. 8334(e)(3), the Department of the Treasury has informed the Office of Personnel Management (OPM) of the interest rate to be charged for calendar year 1998 on civilian service and military deposit accounts. The rate is **6.750%**.

Interest is charged at the rate of 3% through December 31, 1984. Thereafter, interest is charged at a variable rate, as shown below:

<table>
<thead>
<tr>
<th>Calendar Year</th>
<th>Interest Rate (%)</th>
<th>Calendar Year</th>
<th>Interest Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985</td>
<td>13.000</td>
<td>1992</td>
<td>8.125</td>
</tr>
<tr>
<td>1986</td>
<td>11.125</td>
<td>1993</td>
<td>7.125</td>
</tr>
<tr>
<td>1987</td>
<td>9.000</td>
<td>1994</td>
<td>6.250</td>
</tr>
<tr>
<td>1988</td>
<td>8.375</td>
<td>1995</td>
<td>7.000</td>
</tr>
<tr>
<td>1990</td>
<td>8.750</td>
<td>1997</td>
<td>6.875</td>
</tr>
</tbody>
</table>
The variable interest rate applies in the following cases:

- redeposits, if the agency or OPM received the refund application after September 30, 1982;

- deposits for noncontributory service after September 30, 1982;

- deposits for post-1956 military service; and

- interest paid for voluntary contributions.

A fixed interest rate of 3% applies after 1984 in the following cases:

- redeposits, if the agency or OPM received the refund application before October 1, 1982; and

- deposits for noncontributory service performed before October 1, 1982.

The principles of the variable interest computation methods are:

- interest is not charged for any year in which payment-in-full is received on or before December 31, of that year; and

- for any year in which the interest charge commences on a day after January 1, interest will be charged on the balance due as of the day before the interest accrual date (IAD), but only for the portion of the year after the commencing date.

**INTEREST ACCRUAL DATE**

In most cases, interest is assessed annually on the employee's interest accrual date (IAD). The IAD is January 1 for civilian service credit deposits. For military service credit deposits, the IAD will always be October 1, 1986, where initial employment subject to Civil Service Retirement System (CSRS) occurred before October 1, 1983. For employees who perform military service after the date they are first hired in a position covered by CSRS (including CSRS Offset) and after October 1, 1983, the initial IAD is three years from the date the employee returns to a position subject to CSRS Retirement deductions. For example:

* First employed under CSRS 3/5/74
* Separated 7/22/86
* Military Service 8/3/88 - 8/2/91
* Retired under CSRS 6/3/92
* Grace period Expires 6/2/94
* Initial IAD 6/3/95
For additional information please reference Chapter 23 of the CSRS/FERS Handbook.

<table>
<thead>
<tr>
<th>CSRS</th>
<th>FERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>23A3.1-5</td>
<td>23B3.1-2</td>
</tr>
</tbody>
</table>

**MILITARY SERVICE CREDIT**

Agencies are responsible for making calculations, and for establishing and maintaining military service credit accounts. In order to simplify the interest computation process, we have provided a Composite Interest Rate Table (Enclosure) showing the rates for each interest accrual date (IAD) for the remainder of calendar 1997 and all of 1998.

In addition, a number of agencies have developed programs for use on various platforms (mainframes, personal computers, etc.) enabling agency staff to effectively establish and maintain individual military service credit accounts. We have historically supported these efforts, providing individual agencies the discretion to determine the tools best suited to their needs. In that vein, we want to advise you of the availability of a personal computer program which you may find valuable. The program was developed and written by Mr. Robert Benson, a Federal employee. If you are interested in obtaining a free copy of the Mildep98 program, you may make your request via email to Robert_Benson@DSCC.DLA.MIL or send your request to:

Mr. Robert Benson  
C/O DSCC-BEE  
P. O. Box 3990  
Columbus, OH 43216-5000

Your request must include your mailing address, a return postage paid ($0.55 postage) self-addressed #10 business size envelope and a formatted 3 1/2" diskette. If you have any questions concerning the computer program, please call Mr. Benson on (614) 692-4183.
INQUIRIES

If you would like to discuss this letter or have a matter related to the financial administration of the Retirement Program which you would like to discuss with us, please contact us on (202) 606-0666 or via email, finance@opm.gov.

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

Enclosure

Note - Please call or send us an email to request the Enclosure, Composite Interest Rates for Military Service Credit Deposits for Interest Accrual Dates October 1, 1997, through January 1, 1999