

**TABLE II.A.—FERS PRESENT VALUE FACTORS FOR AGES 40 THROUGH 61—Continued**

[Applicable to annuity payable following an election under Section 8416(b) or (c) or Section 8417(b) or Section 8420a of Title 5, United States Code, or under Section 1043 of Public Law 104–106 when annuity is not increased by COLA'S before age 62]

Age	Present value factor
58	166.7
59	166.8
60	167.3
61	167.7

**TABLE II.B.—FERS PRESENT VALUE FACTORS FOR AGES 40 THROUGH 61**

[Applicable to annuity payable following an election under Section 8416(b) or (c) or Section 8417(b) or Section 8420a of Title 5, United States Code, or under Section 1043 of Public Law 104–106 when annuity is increased by COLA'S before age 62]

Age	Present value factor
40	245.5
41	242.4
42	239.2
43	235.8
44	232.3
45	228.7
46	224.9
47	221.1
48	217.1
49	212.9
50	209.1
51	205.8
52	202.4
53	198.8
54	195.1
55	191.3
56	187.4
57	183.4
58	179.3
59	175.1
60	170.9
61	166.6

**TABLE III.—FERS PRESENT VALUE FACTORS FOR AGES AT CALCULATION BELOW 40**

[Applicable to annuity payable following an election under Section 1043 of Public Law 104–106]

Age at calculation	Present value of a monthly annuity
17	287.9
18	286.4
19	284.8
20	283.0
21	281.2
22	279.4
23	277.6
24	275.6
25	273.5
26	271.4

**TABLE III.—FERS PRESENT VALUE FACTORS FOR AGES AT CALCULATION BELOW 40—Continued**

[Applicable to annuity payable following an election under Section 1043 of Public Law 104–106]

Age at calculation	Present value of a monthly annuity
27	269.2
28	266.9
29	265.1
30	264.4
31	263.6
32	261.8
33	259.9
34	258.1
35	256.1
36	254.0
37	251.9
38	249.7
39	247.3

Office of Personnel Management.

**Kay Coles James,**

*Director.*

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**OFFICE OF PERSONNEL MANAGEMENT**

**Federal Employees Retirement System; Normal Cost Percentages**

**AGENCY:** Office of Personnel Management.

**ACTION:** Notice.

**SUMMARY:** The Office of Personnel Management (OPM) is providing notice of revised normal cost percentages for employees covered by the Federal Employees Retirement System (FERS) Act of 1986.

**DATES:** The revised normal cost percentages are effective at the beginning of the first pay period commencing on or after October 1, 2002.

Agency appeals of the normal cost percentages must be filed no later than November 12, 2002.

**ADDRESSES:** Send or deliver agency appeals of the normal cost percentages to the Board of Actuaries, care of Frank D. Titus, Associate Director for Retirement and Insurance, Office of Personnel Management, Room 4A10, 1900 E Street, NW., Washington, DC 20415.

Send requests for actuarial assumptions and data to the Office of the Actuary, Room 4307 STOP, Office of Personnel Management, Washington, DC 20415.

**FOR FURTHER INFORMATION CONTACT:** Patrick Jennings, (202)–606–0299.

**SUPPLEMENTARY INFORMATION:** The FERS Act of 1986, Pub. L. 99–335, created a new retirement system intended to cover most Federal employees hired after 1983. Most Federal employees hired before 1984 are under the older Civil Service Retirement System (CSRS). Section 8423 of title 5, United States Code, as added by the FERS Act of 1986, provides for the payment of the Government's share of the cost of the retirement system under FERS. Employees' contributions are established by law and constitute only a small fraction of the cost of funding the retirement system; employing agencies are required to pay the remaining costs. The amount of funding required, known as "normal cost," is the entry age normal cost of the provisions of FERS that relate to the Civil Service Retirement and Disability Fund (Fund). The normal cost must be computed by OPM in accordance with generally accepted actuarial practice and standards (using dynamic assumptions). Subpart D of Part 841 of Title 5, Code of Federal Regulations, regulates how normal costs are determined.

The Board of Actuaries of the Civil Service Retirement System approved a revised set of economic assumptions for use in the dynamic actuarial valuations of CSRS and FERS. These assumptions were adopted after the Board reviewed statistical data prepared by the OPM actuaries and considered trends that may affect future experience under the Systems.

Based on its analysis, the Board concluded that it would be appropriate to assume a rate of investment return of 6.75%, a reduction of .25% from the current rate of 7%. The Board reduced the anticipated rate of inflation from 4% to 3.75% and retained the projected rate of General Schedule salary increases at 4.25%. These salary increases are in addition to assumed in-grade increases that reflect past experience.

The new assumptions anticipate that over the long term the annual rate of investment return will exceed inflation by 3% and General Schedule salary increases will exceed inflation by .5% a year, as compared to 3% and .25%, respectively, under the previous assumptions.

The Board also adopted new demographic or "non-economic" assumptions. The new demographic rates are based on methodology adopted by the Board in November 2000, in conjunction with its comprehensive review of an extensive 10-year experience study prepared by the OPM actuaries.

The normal cost calculations depend on both the economic and demographic

assumptions. The demographic assumptions are determined separately for each of a number of special groups, in cases where separate experience data is available. Based on the new economic assumptions and demographic factors, OPM has determined the normal cost percentage for each category of employees under § 841.403 of Title 5, Code of Federal Regulations. The Government-wide normal cost percentages, including the employee contributions, are as follows:

	Percent
Members .....	17.1
Congressional employees .....	17.2
Law enforcement officers, fire-fighters, and employees under section 302 of the Central Intelligence Agency Act of 1964 for Certain Employees .....	24.0
Air traffic controllers .....	23.2
Military reserve technicians .....	14.0
Employees under section 303 of the Central Intelligence Agency Act of 1964 for Certain Employees (when serving abroad) .....	16.5
All other employees .....	11.5

Under § 841.408 of Title 5, Code of Federal Regulations, these normal cost percentages are effective at the beginning of the first pay period commencing on or after October 1, 2002.

The time limit and address for filing agency appeals under §§ 841.409 through 841.412 of Title 5, Code of Federal Regulations, are stated in the **DATES** and **ADDRESSES** sections of this notice.

Office of Personnel Management.

**Kay Coles James,**

*Director.*

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**OFFICE OF PERSONNEL MANAGEMENT**

**Civil Service Retirement System; Present Value Factors**

**AGENCY:** Office of Personnel Management.

**ACTION:** Notice.

**SUMMARY:** The Office of Personnel Management (OPM) is providing 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, owe certain redeposits based on refunds of contributions for service before October 1, 1990, or elect to credit certain service with nonappropriated

fund instrumentalities. This notice is necessary to conform the present value factors to changes in economic assumptions and demographic factors approved by the Board of Actuaries of the Civil Service Retirement System.

**EFFECTIVE DATE:** The revised present value factors apply to survivor reductions or employee annuities that commence on or after October 1, 2002.

**ADDRESSES:** Send requests for actuarial assumptions and data to the Office of the Actuary, Room 4307 STOP, Office of Personnel Management, Washington, DC 20415.

**FOR FURTHER INFORMATION CONTACT:** Patrick Jennings, (202)-606-0299.

**SUPPLEMENTARY INFORMATION:** Several provisions of the Civil Service Retirement System (CSRS) require reduction of annuities on an actuarial basis. Under each of these provisions, we are required to issue regulations on the method of determining the reduction to ensure that the present value of the reduced annuity plus a lump-sum equals, to the extent practicable, the present value of the unreduced benefit. The regulations for each of these benefits provide that we will publish a notice in the **Federal Register** whenever we change factors used to compute the present values of these benefits.

Section 831.2205(a) of title 5, Code of Federal Regulations, prescribes the method for computing the reduction in the beginning rate of annuity payable to a retiree who elects an alternative form of annuity under 5 U.S.C. 8343a. That reduction is required to produce an annuity that is the actuarial equivalent of the annuity of a retiree who does not elect an alternative form of annuity. The present value factors listed below are used to compute the annuity reduction under section 831.2205(a) of title 5, Code of Federal Regulations.

Section 831.303(c) of title 5, Code of Federal Regulations, prescribes the use of these factors for computing the reduction to complete payment of certain redeposits of refunded deductions based on periods of service that ended before October 1, 1990, under section 8334(d)(2) of title 5, United States Code.

Section 831.663 of title 5, Code of Federal Regulations, prescribes the use of similar factors for computing the reduction required for certain elections to provide survivor annuity benefits based on a post-retirement marriage under section 8339(j)(5)(C) or (k)(2) of title 5, United States Code. Under section 11004 of the Omnibus Budget Reconciliation Act of 1993, Public Law 103-66, effective October 1, 1993, OPM

ceased collection of these survivor election deposits by means of either a lump sum payment or by installments. Instead, OPM is required to establish a permanent actuarial reduction in the annuity of the retiree. This means that OPM must take the amount of the deposit computed under the old law, and "translate" it into a lifetime reduction in the retiree's benefit. The reduction is based on actuarial tables, similar to those used for alternative forms of annuity under section 8343a of title 5, United States Code.

Subpart F of part 847 of title 5, Code of Federal Regulations, prescribes the use of similar factors for computing the deficiency the retiree must pay to receive credit for certain service with nonappropriated fund instrumentalities made creditable by an election under section 1043 of Public Law 104-106.

The present value factors currently in effect were published by OPM (62 FR 19149) on April 18, 1997. Today, OPM is publishing a notice in the **Federal Register** to revise the normal cost percentage under the FERS Act of 1986, Public Law 99-335, based on changed economic assumptions and demographic factors approved by the Board of Actuaries of the Civil Service Retirement System. Those changed economic assumptions require corresponding changes in the present value factors. The revised factors will become effective in October 2002 to correspond with the changes in FERS normal cost percentages. For alternative forms of annuity and redeposits of employee contributions, the new factors will apply to annuities that commence on or after October 1, 2002. See 5 CFR 831.2205 and 831.303(c). For survivor election deposits, the new factors will apply to survivor reductions that commence on or after October 1, 2002. See 5 CFR 831.663(c) and (d). For obtaining credit for service with certain nonappropriated fund instrumentalities, the new factors will apply to cases in which the date of computation under section 847.603 of title 5, Code of Federal Regulations, is on or after October 1, 2002. See 5 CFR 847.602(c) and 847.603.

OPM is, therefore, revising the tables of present value factors to read as follows: