

**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, 2014. Agency appeals of the normal cost percentages must be filed no later than November 21, 2014.

ADDRESSES: Send or deliver agency appeals of the normal cost percentages and requests for actuarial assumptions and data to the Board of Actuaries, care of Gregory Kissel, Senior Actuary, Office of Planning and Policy Analysis, Office of Personnel Management, Room 4307, 1900 E Street NW., Washington, DC 20415.

FOR FURTHER INFORMATION CONTACT: Karla Yeakle, (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 portion 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 practices and standards (using dynamic assumptions). Subpart D of part 841 of title 5, Code of Federal Regulations, regulates how normal costs are determined.

In its meeting on July 13, 2012, the Board of Actuaries of the Civil Service Retirement System (the Board) reviewed statistical data prepared by the OPM actuaries and considered trends that may affect future experience under FERS. The Board recommended changes to certain economic assumptions and also changes to the demographic assumptions used in the actuarial valuations of FERS. OPM has adopted the Board's recommendations.

With regard to the economic assumptions described under section 841.402 of title 5, Code of Federal Regulations, used in the actuarial valuations of FERS, the Board concluded that it would be appropriate to assume a rate of investment return of 5.25 percent, a reduction of 0.50 percent from the existing rate of 5.75 percent. In addition, the Board determined that the assumed inflation rate should remain at 3.00 percent and that the projected rate of General Schedule salary increases should be reduced 0.50 percent from 3.75 percent to 3.25 percent. These

salary increases are in addition to assumed within-grade increases. The Board's recommendation adjusts the nominal rates to balance long-term expectations with recent experience. The economic assumptions anticipate that, over the long term, the annual rate of investment return will exceed inflation by 2.25 percent and General Schedule salary increases will exceed long-term inflation by 0.25 percent a year, both a decrease of 0.50 percent from the previous assumptions. In addition, the Board also adopted changes to the demographic assumptions listed as factors under section 841.404(a) of title 5, Code of Federal Regulations.

The normal cost calculations depend on 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 changed demographic and economic assumptions described above, OPM has determined the normal cost percentage for each category of employees under section 841.403 of title 5, Code of Federal Regulations.

Section 5001 of Public Law 112-96, The Middle Class Tax Relief and Jobs Creation Act of 2012, established provisions for FERS Revised Annuity Employees (FERS-RAE). The law permanently increases the retirement contributions by 2.30 percent of pay for these employees. Separate normal cost rates will apply for FERS-RAE.

The Governmentwide normal cost percentages, including the employee contributions, are as follows:

NORMAL COST PERCENTAGES FOR FERS AND FERS-REVISED ANNUITY EMPLOYEE (RAE) GROUPS

Group	FERS normal cost (percent)	FERS-RAE normal cost (percent)
Members	21.5	14.2
Congressional employees, except members of the Capitol Police	19.7	14.2
Congressional employees who are members of the Capitol Police	19.7	19.7
Law enforcement officers, members of the Supreme Court Police, firefighters, nuclear materials couriers, customs and border protection officers, and employees under section 302 of the Central Intelligence Agency Retirement Act of 1964 for certain employees	30.1	30.1
Air traffic controllers	32.4	32.5
Military reserve technicians	17.7	18.1
Employees under section 303 of the Central Intelligence Agency Retirement Act of 1964 for certain employees (when serving abroad)	19.7	19.9
All other regular FERS employees	14.0	14.2

Under section 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, 2014.

The time limit and address for filing agency appeals under sections 841.409 through 841.412 of title 5, Code of Federal Regulations, are stated in the

DATES and **ADDRESSES** sections of this notice.

U.S. Office of Personnel Management.
Katherine Archuleta,
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 under the Civil Service Retirement System (CSRS) 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 March 1, 1991, or elect to credit certain service with nonappropriated fund instrumentalities. This notice is necessary to conform the present value factors to changes in the economic and demographic assumptions adopted by the Board of Actuaries of the Civil Service Retirement System.

DATES: *Effective Date:* The revised present value factors apply to survivor reductions or employee annuities that commence on or after October 1, 2014.

ADDRESSES: Send requests for actuarial assumptions and data to the Board of Actuaries, care of Gregory Kissel, Senior Actuary, Office of Planning and Policy Analysis, Office of Personnel Management, Room 4307, 1900 E Street NW., Washington, DC 20415.

FOR FURTHER INFORMATION CONTACT: Karla Yeakle, (202) 606-0299.

SUPPLEMENTARY INFORMATION: Several provisions of CSRS require reduction of annuities on an actuarial basis. Under each of these provisions, OPM is 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 OPM will publish a notice in the **Federal Register** whenever it changes the 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 § 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 March 1, 1991, under section 8334(d)(2) of title 5, United States Code; section 1902 of the National Defense Authorization Act for Fiscal Year 2010, Public Law 111-84.

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 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 (76 FR 32241) on June 3, 2011. On May 21, 2014 OPM published a notice to revise the normal cost percentage under the Federal Employees' Retirement System (FERS) Act of 1986, Public Law 99-335, based on changed economic assumptions and demographic assumptions adopted by the Board of Actuaries of the CSRS. Those changes require corresponding changes in CSRS normal costs and present value factors

used to produce actuarially equivalent benefits when required by the Civil Service Retirement Act. The revised factors will become effective on October 1, 2014, to correspond with the changes in CSRS 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, 2014. 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, 2014. 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 § 847.603 of title 5, Code of Federal Regulations, is on or after October 1, 2014. See 5 CFR 847.602(c) and 847.603.

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

CSRS PRESENT VALUE FACTORS APPLICABLE TO ANNUITY PAYABLE FOLLOWING AN ELECTION UNDER SECTION 8339(J) OR (K) OR SECTION 8343A OF TITLE 5, UNITED STATES CODE, OR UNDER SECTION 1043 OF PUBLIC LAW 104-106 OR FOLLOWING A REDEPOSIT UNDER SECTION 8334(D)(2) OF TITLE 5, UNITED STATES CODE

Age	Present value factor
40	324.2
41	320.4
42	316.4
43	312.4
44	308.2
45	303.8
46	299.4
47	294.7
48	290.0
49	285.0
50	280.0
51	274.9
52	269.7
53	264.5
54	259.1
55	253.6
56	248.0
57	242.3
58	236.5
59	230.5
60	224.4
61	218.3
62	212.1
63	205.8
64	199.4
65	192.9
66	186.4
67	179.9
68	173.3
69	166.7