

**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