



**Retirement and Insurance Service
 Benefits Administration Letter**

Number: 01-328

Date: October 31, 2001

Subject: Calendar Year 2002 Interest Rate

The Treasury has announced that the calendar year 2002 interest rate applicable to military credit accounts is *5.50 percent*. This is the rate that will also be applied to civilian service credit and voluntary contribution accounts.

Employing agencies must assess interest to the unpaid balance in military service credit accounts on the employees' "interest accrual date" (IAD). Interest is compounded annually and is assessed at the fixed rates of 3.0 percent through 1984 and 13.0 percent for calendar year 1985. After 1985, interest is assessed based on the following variable interest rates:

Calendar Year	Interest Rate (%)	Calendar Year	Interest Rate (%)
1986	11.125	1995	7.000
1987	9.000	1996	6.875
1988	8.375	1997	6.875
1989	9.125	1998	6.750
1990	8.750	1999	5.750
1991	8.625	2000	5.875
1992	8.125	2001	6.375
1993	7.125	2002	5.500
1994	6.250		

The interest rate that is actually applied is a "composite" rate, based on the rates in effect during the 12-month period preceding the IAD. Thus, it has components of both the current and previous year's interest rates. For instance, the rate that will be applied on October 1, 2002 IADs will reflect three months of the 2001 interest rate [6.375%] and nine months of the 2002 interest rate [5.5%], for a

*Civil Service
 Retirement
 System*

*Federal Employees'
 Group Life
 Insurance Program*

*Federal Employees
 Health Benefits
 Program*

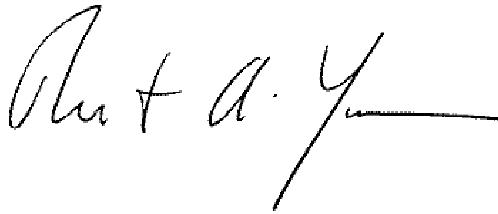
*Federal Employees
 Retirement
 System*

*Federal Long
 Term Care
 Insurance
 Program*

composite rate of 5.719 %. Chapter 23 of the Civil Service Retirement System/Federal Employees Retirement System (CSRS/FERS) Handbook contains the formula used to calculate composite interest rates and other information about military service credit accounts; it is available at <http://www.opm.gov/asd/htm/HOD.htm>. For your convenience, we have also attached an Excel spreadsheet containing the composite interest rates for each IAD during the period of October 1, 2001 through December 31, 2002.

To reduce the unpaid balance in a military service credit account prior to the assessment of interest, a remittance must be *timely received*. To be considered timely received, the remittance must be in the possession of an employing agency official authorized to collect it by close of business on the business day prior to the IAD. The postmark on an envelope containing a remittance must NOT be used to determine whether it has been received on time.

If you have any questions about this letter, we would prefer that you email us at finance@opm.gov, so we have a record of them. You may of course call us on 202-606-0606.

A handwritten signature in black ink, appearing to read "Robert A. Yuran". The signature is fluid and cursive, with a long horizontal stroke at the end.

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

Attachment