



Benefits Administration Letter

Number: 04-308

Date: October 22, 2004

Subject: Calendar Year 2005 Interest Rate

The Treasury has announced that the calendar year 2005 interest rate applicable to “post-1956” military service credit accounts is 4.375 percent. This is the rate that OPM will also apply to civilian service credit and voluntary contribution accounts.

Employing agencies must assess interest on the unpaid balance in post-1956 military service credit accounts on the employees’ “interest accrual date” (IAD). Interest is compounded annually and is assessed at the rate of 3.000 percent through 1984 and thereafter, as follows:

Calendar Year	Interest Rate (%)	Calendar Year	Interest Rate (%)
1985	13.000	1996	6.875
1986	11.125	1997	6.875
1987	9.000	1998	6.750
1988	8.375	1999	5.750
1989	9.125	2000	5.875
1990	8.750	2001	6.375
1991	8.625	2002	5.500
1992	8.125	2003	5.000
1993	7.125	2004	3.875
1994	6.250	2005	4.375
1995	7.000		

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, 2005 reflects a composite interest rate of 4.250 % [three months at 3.875% and nine months at 4.375%].

(CSRS/FERS) Handbook contains guidance for computing interest on military service credit deposits, including the determination of the IAD and the formula for composite interest rates; 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 through December 31, 2005.

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, remittances must be physically in the possession of the agency official authorized to receive them by the close of business on the last regular business day before the IAD. Thus, for deposits sent by mail, the date on the postmark does not constitute the date of remittance.

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.

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**COMPOSITE INTEREST RATES FOR POST-1956 MILITARY SERVICE CREDIT DEPOSITS
FOR INTEREST ACCRUAL DATES FROM JANUARY 1 THROUGH DECEMBER 31, 2005**

Day of Month	January 2005	February 2005	March 2005	April 2005	May 2005	June 2005	July 2005	August 2005	September 2005	October 2005	November 2005	December 2005	Day of Month
1	0.03875	0.03917	0.03958	0.04000	0.04042	0.04083	0.04125	0.04167	0.04208	0.04250	0.04292	0.04333	1
2	0.03875	0.03918	0.03960	0.04001	0.04043	0.04085	0.04126	0.04168	0.04210	0.04251	0.04293	0.04335	2
3	0.03876	0.03919	0.03961	0.04003	0.04044	0.04086	0.04128	0.04169	0.04211	0.04253	0.04294	0.04336	3
4	0.03878	0.03921	0.03963	0.04004	0.04046	0.04088	0.04129	0.04171	0.04213	0.04254	0.04296	0.04338	4
5	0.03879	0.03922	0.03964	0.04006	0.04047	0.04089	0.04131	0.04172	0.04214	0.04256	0.04297	0.04339	5
6	0.03881	0.03924	0.03965	0.04007	0.04049	0.04090	0.04132	0.04174	0.04215	0.04257	0.04299	0.04340	6
7	0.03882	0.03925	0.03967	0.04008	0.04050	0.04092	0.04133	0.04175	0.04217	0.04258	0.04300	0.04342	7
8	0.03883	0.03926	0.03968	0.04010	0.04051	0.04093	0.04135	0.04176	0.04218	0.04260	0.04301	0.04343	8
9	0.03885	0.03928	0.03969	0.04011	0.04053	0.04094	0.04136	0.04178	0.04219	0.04261	0.04303	0.04344	9
10	0.03886	0.03929	0.03971	0.04013	0.04054	0.04096	0.04138	0.04179	0.04221	0.04263	0.04304	0.04346	10
11	0.03888	0.03931	0.03972	0.04014	0.04056	0.04097	0.04139	0.04181	0.04222	0.04264	0.04306	0.04347	11
12	0.03889	0.03932	0.03974	0.04015	0.04057	0.04099	0.04140	0.04182	0.04224	0.04265	0.04307	0.04349	12
13	0.03890	0.03933	0.03975	0.04017	0.04058	0.04100	0.04142	0.04183	0.04225	0.04267	0.04308	0.04350	13
14	0.03892	0.03935	0.03976	0.04018	0.04060	0.04101	0.04143	0.04185	0.04226	0.04268	0.04310	0.04351	14
15	0.03893	0.03936	0.03978	0.04019	0.04061	0.04103	0.04144	0.04186	0.04228	0.04269	0.04311	0.04353	15
16	0.03894	0.03938	0.03979	0.04021	0.04063	0.04104	0.04146	0.04188	0.04229	0.04271	0.04313	0.04354	16
17	0.03896	0.03939	0.03981	0.04022	0.04064	0.04106	0.04147	0.04189	0.04231	0.04272	0.04314	0.04356	17
18	0.03897	0.03940	0.03982	0.04024	0.04065	0.04107	0.04149	0.04190	0.04232	0.04274	0.04315	0.04357	18
19	0.03899	0.03942	0.03983	0.04025	0.04067	0.04108	0.04150	0.04192	0.04233	0.04275	0.04317	0.04358	19
20	0.03900	0.03943	0.03985	0.04026	0.04068	0.04110	0.04151	0.04193	0.04235	0.04276	0.04318	0.04360	20
21	0.03901	0.03944	0.03986	0.04028	0.04069	0.04111	0.04153	0.04194	0.04236	0.04278	0.04319	0.04361	21
22	0.03903	0.03946	0.03988	0.04029	0.04071	0.04113	0.04154	0.04196	0.04238	0.04279	0.04321	0.04363	22
23	0.03904	0.03947	0.03989	0.04031	0.04072	0.04114	0.04156	0.04197	0.04239	0.04281	0.04322	0.04364	23
24	0.03906	0.03949	0.03990	0.04032	0.04074	0.04115	0.04157	0.04199	0.04240	0.04282	0.04324	0.04365	24
25	0.03907	0.03950	0.03992	0.04033	0.04075	0.04117	0.04158	0.04200	0.04242	0.04283	0.04325	0.04367	25
26	0.03908	0.03951	0.03993	0.04035	0.04076	0.04118	0.04160	0.04201	0.04243	0.04285	0.04326	0.04368	26
27	0.03910	0.03953	0.03994	0.04036	0.04078	0.04119	0.04161	0.04203	0.04244	0.04286	0.04328	0.04369	27
28	0.03911	0.03954	0.03996	0.04038	0.04079	0.04121	0.04163	0.04204	0.04246	0.04288	0.04329	0.04371	28
29	0.03913		0.03997	0.04039	0.04081	0.04122	0.04164	0.04206	0.04247	0.04289	0.04331	0.04372	29
30	0.03914		0.03999	0.04040	0.04082	0.04124	0.04165	0.04207	0.04249	0.04290	0.04332	0.04374	30
31	0.03915		0.04000		0.04083		0.04167	0.04208		0.04292		0.04375	31
Day of Month	January 2005	February 2005	March 2005	April 2005	May 2005	June 2005	July 2005	August 2005	September 2005	October 2005	November 2005	December 2005	Day of Month

Year of Rate

< 2003
< 2004
< 2005