

**OFFICE OF MANAGEMENT AND BUDGET**

**OMB Circular No. A-76, Performance of Commercial Activities**

**AGENCY:** Office of Management and Budget, Executive Office of the President.

**ACTION:** Issuance of Transmittal Memorandum No. 25, amending OMB Circular No. A-76, "Performance of Commercial Activities."

**SUMMARY:** This Transmittal Memorandum updates the annual federal pay raise assumptions and inflation factors used for computing the government's in-house personnel and non-pay costs, as generally provided in the President's Budget for Fiscal Year 2004.

**DATES:** All changes in the Transmittal Memorandum are effective immediately and shall apply to all OMB Circular A-76 cost comparisons in process where the government's in-house cost estimate has not been publicly revealed before this date.

**FOR FURTHER INFORMATION CONTACT:** Mr. David C. Childs, Office of Federal Procurement Policy, NEOB, Room 9013, Office of Management and Budget, 725 17th Street, NW., Washington, DC 20503, Tel. No. (202) 395-6104.

**Availability:** Copies of the OMB Circular A-76, its Revised Supplemental Handbook and currently applicable Transmittal Memoranda changes may be obtained at the online OMB Homepage address (URL): <http://www.whitehouse.gov/omb/>.

**Mitchell E. Daniels, Jr.,**  
*Director.*

**Circular No. A-76 (Revised), Transmittal Memorandum No. 25**

To the Heads of Executive Departments and Agencies

*Subject:* Performance of Commercial Activities.

This Transmittal Memorandum updates the annual federal pay raise assumptions and inflation factors used for computing the government's in-house personnel and non-pay costs, as generally provided in the President's Budget for Fiscal Year 2004.

The non-pay inflation factors are for purposes of A-76 cost comparison determinations only. They reflect the generic non-pay inflation assumptions used to develop the fiscal year 2004 budget baseline estimates required by law. The law requires that a specific inflation factor (GDP FY/FY chained price index) be used for this purpose. These inflation factors should not be viewed as estimates of expected inflation rates for major long-term procurement items or as an estimate of inflation for any particular agency's non-pay purchases mix.

**FEDERAL PAY RAISE ASSUMPTIONS**  
[In percent]

Effective date	Civilian	Military
January 2002 ....	4.6	16.9
January 2003 ....	4.1	4.7
January 2004 ....	2.0	4.1
January 2005 ....	3.4	3.4
January 2006 ....	3.4	3.4
January 2007 ....	3.4	3.4
January 2008 <sup>2</sup> ..	3.4	3.4

<sup>1</sup> Average of various longevity- and rank-specific increases.

<sup>2</sup> Any subsequent years included in the period of performance and cost comparison shall continue to use the 3.4% figures, until otherwise revised by OMB.

**NON-PAY CATEGORIES (SUPPLIES AND EQUIPMENT, ETC.)**

	Percent
FY 2002 .....	1.3
FY 2003 .....	1.3
FY 2004 .....	1.5
FY 2005 .....	1.5
FY 2006 .....	1.6
FY 2007 .....	1.7
FY 2008 .....	<sup>1</sup> 1.8

<sup>1</sup> Any subsequent years included in the period of performance and cost comparison shall continue to use the 1.8% figure, until otherwise revised by OMB.

The pay rate (including geographic pay differentials) that are in effect for 2003 shall be included for the development of in-house personnel costs. The pay raise factors provided for 2004 and beyond shall be applied to all employees, with no assumption being made as to how they will be distributed between possible locality and ECI-based increases.

Agencies are reminded that OMB Circular No. A-76, Transmittal Memoranda 1 through Transmittal Memorandum 14 are canceled. Transmittal Memorandum No. 15 provides the Revised Supplemental Handbook, and is dated March 27, 1996 (**Federal Register**, April 1, 1996, pages 14338-14346). Transmittal Memoranda No. 16, 17, 18 and 19 (to the extent they provided Circular A-76 federal pay raise and inflation factors) are canceled. Transmittal Memorandum No. 20 provided changes to the Revised Supplemental Handbook to implement the Federal Activities Inventory Reform Act of 1998 (Pub. L. 105.270). Transmittal Memorandum No. 21, provided A-76 federal pay raise and inflation factor assumptions and is canceled. Transmittal Memorandum No. 22 made technical changes to the Revised Supplemental Handbook regarding the implementation of the FAIR Act, A-76 administrative appeals and, the participation of directly affected employees on A-76 Source Selection Boards and their evaluation teams. Transmittal Memorandum No. 23 and Transmittal Memorandum No. 24, which provided last year's Circular A-76 federal pay raise and inflation factor assumptions are canceled.

Mitchell E. Daniels, Jr.,

*Director.*

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**PENSION BENEFIT GUARANTY CORPORATION**

**Required Interest Rate Assumption for Determining Variable-Rate Premium; Interest Assumptions for Multiemployer Plan Valuations Following Mass Withdrawal**

**AGENCY:** Pension Benefit Guaranty Corporation.

**ACTION:** Notice of interest rates and assumptions.

**SUMMARY:** This notice informs the public of the interest rates and assumptions to be used under certain Pension Benefit Guaranty Corporation regulations. These rates and assumptions are published elsewhere (or can be derived from rates published elsewhere), but are collected and published in this notice for the convenience of the public. Interest rates are also published on the PBGC's Web site (<http://www.pbgc.gov>).

**DATES:** The required interest rate for determining the variable-rate premium under part 4006 applies to premium payment years beginning in March 2003. The interest assumptions for performing multiemployer plan valuations following mass withdrawal under part 4281 apply to valuation dates occurring in April 2003.

**FOR FURTHER INFORMATION CONTACT:** Harold J. Ashner, Assistant General Counsel, Office of the General Counsel, Pension Benefit Guaranty Corporation, 1200 K Street, NW., Washington, DC 20005, 202-326-4024. (TTY/TDD users may call the Federal relay service toll-free at 1-800-877-8339 and ask to be connected to 202-326-4024.)

**SUPPLEMENTARY INFORMATION:**

**Variable-Rate Premiums**

Section 4006(a)(3)(E)(iii)(II) of the Employee Retirement Income Security Act of 1974 (ERISA) and § 4006.4(b)(1) of the PBGC's regulation on Premium Rates (29 CFR part 4006) prescribe use of an assumed interest rate (the "required interest rate") in determining a single-employer plan's variable-rate premium. The required interest rate is the "applicable percentage" (currently 100 percent) of the annual yield on 30-year Treasury securities for the month preceding the beginning of the plan year for which premiums are being paid (the "premium payment year"). (Although the Treasury Department has ceased issuing 30-year securities, the Internal