



**Retirement and Insurance Service
Benefits Administration Letter**

Number: 01-101

Date: January 19, 2001

Subject: Annual Changes

Background

Each year, we publish a Benefits Administration letter with information that changes annually, such as interest rates and cost-of-living adjustments. This letter contains the figures for 2001.

Cost-of-Living Adjustments

Many people who receive monthly annuity payments from the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS) will receive a cost-of-living adjustment (COLA) effective December 1, 2000. They will receive the increase in their January 2, 2001 annuity payments. For CSRS annuitants, the maximum increase is 3.5 percent. For FERS annuitants who are eligible to receive a COLA, the maximum increase is 2.5 percent.

Former employees who have been retired at least 1 year will receive the full COLA, or maximum increase. To get the full COLA, a retiree's annuity had to begin no later than December 31, 1999.

Retirees whose annuities began between January 1, 2000, and November 30, 2000, will receive a prorated COLA. They will receive one-twelfth of the applicable increase for each month they receive any annuity. The following tables show the prorated percentage increases according to the month in which the annuity began.

*Civil Service
Retirement
System*

*Federal Employees
Group Life
Insurance*

*Federal Employees
Health Benefits
Program*

*Federal Employees
Retirement
System*

CSRS COLA Proration Table

Annuity Began	Amount of Increase
December 1999 or earlier	3.5%
January 2000	3.2%
February 2000	2.9%
March 2000	2.6%
April 2000	2.3%
May 2000	2.0%
June 2000	1.8%
July 2000	1.5%
August 2000	1.2%
September 2000	0.9%
October 2000	0.6%
November 2000	0.3%

FERS COLA Proration Table

Annuity Began	Amount of Increase
December 1999 or earlier -	2.5%
January 2000	2.3%
February 2000	2.1%
March 2000	1.9%
April 2000	1.7%
May 2000	1.5%
June 2000	1.3%
July 2000	1.0%
August 2000	0.8%
September 2000	0.6%
October 2000	0.4%
November 2000	0.2%

Resource for Additional Information on COLA's

Chapter 2 of the *CSRS and FERS Handbook for Personnel and Payroll Offices* contains a complete explanation of how COLA's are computed and who is eligible to receive them.

Increase in Children's Benefits

CSRS COLA's apply to children's benefits, regardless of whether the child's parent was under CSRS or FERS. The following rates apply from December 1, 2000, through November 30, 2001.

- When the child has a living parent who was married to the employee or retiree, the benefit payable to that child is the lesser of:
 - { \$369 } per month per child; or
 - { \$1107 } per month divided by the number of eligible children.

- When the child has no living parent who was married to the employee or retiree, the benefit payable to that child is the lesser of:
 - { \$442 } per month per child; or
 - { \$1326 } per month divided by the number of eligible children.

FERS Basic Employee Death Benefit

When a FERS employee dies, a surviving spouse (or former spouse) may be eligible for a death benefit called the Basic Employee Death Benefit. This benefit is an amount equal to 50 percent of the employee's final annual pay (or average pay if higher), plus \$15,000, adjusted for COLA's under CSRS rules. For deaths that occur on or after December 1, 2000, and before December 1, 2001, the \$15,000 plus COLA's amount is now \$23,386.98. Chapter 70 of the *CSRS and FERS Handbook* has detailed information on the Basic Employee Death Benefit.

Reminder Regarding Reemployed Annuitants

If your agency employs any retirees whose salaries are reduced by the amount of their annuity, remember to increase the reduction by the amount of the COLA that the retiree received. To compute the new monthly reduction in the reemployed annuitant's salary, multiply the old monthly rate by the appropriate percentage and round to the next lowest dollar. An adjustment must be at least one dollar. For annuitants who transferred to FERS and have a portion of their benefits computed under CSRS rules, remember to apply CSRS rules to the CSRS portion of the annuity and FERS rules to the FERS portion of the annuity.

Chapter 100 of the *CSRS and FERS Handbook for Personnel and Payroll Offices* contains instructions on how to pro-rate the old and new COLA's during the pay period in which the COLA becomes payable.

If you can't determine the retiree's new rate, you may obtain it by calling the Retirement Information Office at 1 (888) 767-6738 (or for callers within the Washington, DC local calling area, (202) 606-0500). The TDD number for the hearing impaired is 1 (800) 578-5707. When you call, please provide the annuitant's full name, date of birth, and retirement claim (CSA) number or Social Security number.

You may also write to us by email at retire@opm.gov or regular mail at:

U.S. Office of Personnel Management
Retirement Operations Center
P.O. Box 45
Boyers, PA 16017-0045

Interest Rate for Service Credit Payments, Refunds, and Voluntary Contributions

The interest rate that applies to both CSRS and FERS is 6.375 percent in 2001.

Salary Cap

Sometimes officials in certain Executive level positions do not receive the full official salary of their positions because of a cap on the amount that can be paid to them. These officials pay retirement deductions on the capped amount, rather than the full amount, and we compute retirement benefits using the capped amount. Once the President signs the Executive order for 2001, the caps will be available on OPM's Web site at www.opm.gov/oca. In addition, we will add this information to Chapter 30 of the *CSRS and FERS Handbook*.

Temporary Increase in Employee Contributions in 1999, 2000, and 2001

Previously, Public Law 105-33 included a temporary increase in employee retirement deductions during fiscal years 1999, 2000, and 2001.

NOTE:

Public Law 106-346, signed by the President, on October 23, 2000 rolls back CSRS and FERS withholdings rates for all employees, other than Members of Congress, to those in effect before 1999. The new lower rates will be effective on the first day of the first pay period beginning on or after **January 1, 2001**. [The 0.1 percent increase in CSRS and FERS withholdings rates will be effective in January 2001 *only* for Members of Congress.]

For more detailed information please read Payroll Office Letter P-00-32 located on OPM's Web site at <http://www.opm.gov/benefits/htm/pol00.htm>

The tables below contain the current percentages for regular employees, as well as law enforcement officers, firefighters, and traffic controllers.

CSRS EMPLOYEE WITHHOLDING RATES

Category	Percentage of Basic Pay (%)		
	1999	2000	2001
Regular	7.25	7.40	7.0
Regular Offset	1.05	1.20	0.8
Law enforcement officers/Firefighters	7.75	7.90	7.5
Law enforcement officers/Firefighters – offset	1.55	1.70	1.3
Air traffic controllers	7.25	7.40	7.0
Air traffic controllers - offset	1.05	1.20	0.8

FERS EMPLOYEE WITHHOLDING RATES

Category	Percentage of Basic Pay (%)		
	1999	2000	2001
Military reserve technicians	1.05	1.20	0.8
Air traffic controllers	1.55	1.70	1.3
Law enforcement officers/firefighters	1.55	1.70	1.3
All other Regular employees	1.05	1.20	0.8

Reminder Regarding Military Deposits

Deposits for military service performed during 1999 and 2000 are subject to the same temporary increase that applies to employee retirement deductions. Use the above table to compute military deposits for service during these years and for the new 2001 rates.

Employees who want to pay deposits for military service they performed during any of these years need to request that the military pay center provide year-by-year earnings so that you can compute deposits correctly.

Significant Social Security Figures for 2001

On October 18, 2000, the Social Security Administration published a Fact Sheet that listed 2001 figures that are significant for retirement matters. You can find that Fact Sheet on the Social Security Administration's Internet site, Social Security Online at www.ssa.gov/pressoffice/colafacts2000.htm. We have included the figures here for your convenience.

Social Security Maximum Wage Base

The Social Security maximum taxable wage base for 2001 is \$80,400.

Hospital Insurance Contribution Base

The limitation on the amount of earnings subject to the Hospital Insurance contribution was repealed (Public Law 103-66, section 13207). The Hospital Insurance tax is due on the total remuneration paid during the year.

Average Total Wages

The amount of average total wages for 1999 is \$30,469.84.

Bend Points

The dollar amounts, or bend points, used in the benefit formula for workers who become eligible for benefits in 2001, and in the formula for computing maximum individual benefits for 2001, are \$561 and \$3,381.

FERS Retiree Annuity Supplement Earnings Limit

The Social Security earnings limitation for 2001 is \$10,680.00. Any FERS annuitant who is receiving a FERS annuity supplement (unless he or she is under age 55 and retired under one of the special provisions for law enforcement officers, firefighters, air traffic controllers, or military reserve technicians separated for loss of military membership) will have his or her annuity supplement offset in 2002 by \$1.00 for every \$2.00 over this amount earned in 2001.

Note: Public Law 106-182, signed on April 7, 2000 does away with the earnings limitation for Social Security recipients who are between the ages of 65 and 70. It does not, however, affect the earnings limitation for recipients between ages 62 and 65 nor have any impact on the rules governing the FERS retiree annuity supplement.

Increase in Age for Full Social Security Benefits

Legislation passed in 1983 provided that the age for receiving full Social Security benefits will gradually increase from 65 to 67. The first increase took effect in January. It affects workers born in 1938. They must be age 65 and 2 months to be eligible to receive full Social Security benefits. More information on this change is available on SSA's web site.

Note: This change does not affect the entitlement of any person who is age 62 to receive reduced benefits if he or she has sufficient Social Security credits to receive a benefit.

TSP deferral Limit

The Internal Revenue Service annual limit on elective deferrals is \$10,500 for tax year 2001. For purposes of the Thrift Savings Plan (TSP), the term "elective deferrals" means the maximum amount that employees can contribute to their thrift accounts. You also can find the elective deferral limit on the TSP web site at www.tsp.gov.



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