



Benefits Administration Letter

Number 06-101

Date: April 25, 2006

Subject: Annual Changes

Background

Each year, we publish a Benefits Administration Letter (BAL) with updated information that changes annually, such as interest rates and cost-of-living adjustments. This BAL contains the figures for 2006.

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) received a cost-of-living adjustment (COLA) effective December 1, 2005. They received the increase in their January 3, 2006, annuity payment. The maximum increase is 4.1% for CSRS and 3.1% for FERS annuitants.

Annuitants who have been retired at least 1 year received the full COLA, or maximum increase. To get the full COLA, a retiree's annuity had to begin no later than December 31, 2004.

Retirees whose annuities began between January 1, 2005, and November 30, 2005, received a prorated COLA. They received one-twelfth of the applicable increase for each month they received an annuity. The following tables show the prorated percentage increases according to the month in which the annuity began.

<i>Civil Service Retirement System</i>	<i>Federal Employees' Group Life Insurance Program</i>	<i>Federal Employees Health Benefits Program</i>	<i>Federal Employees Retirement System</i>	<i>Long Term Care Insurance Program</i>
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CSRS COLA Proration Table

Month Annuity Began	Amount of Percentage Increase
December 2004 or earlier	4.1%
January 2005	3.8%
February 2005	3.4%
March 2005	3.1%
April 2005	2.7%
May 2005	2.4%
June 2005	2.1%
July 2005	1.7%
August 2005	1.4%
September 2005	1.0%
October 2005	0.7%
November 2005	0.3%

FERS COLA Proration Table

Month Annuity Began	Amount of Percentage Increase
December 2004 or earlier	3.1%
January 2005	2.8%
February 2005	2.6%
March 2005	2.3%
April 2005	2.1%
May 2005	1.8%
June 2005	1.6%
July 2005	1.3%
August 2005	1.0%
September 2005	0.8%
October 2005	0.5%
November 2005	0.3%

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 rates apply to children's benefits, regardless of whether the child's parent was under CSRS or FERS. The following rates apply for deaths that occur on or after December 1, 2005, and before December 1, 2006.

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:

\$420 per month per child; or
\$1,260 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:

\$504 per month per child; or
\$1,512 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, 2005, and before December 1, 2006, the \$15,000 plus COLA's amount is now \$26,584.62. 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 contains instructions on how to prorate 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 4.125% in 2006.

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 2006, 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.

Reminder Regarding Military Deposits

Deposits for military service performed during 1999 and 2000 are subject to the same temporary increase that applied to employee retirement deductions for that year. Use the table below to compute military deposits for service during these years and for the new 2006 rates. Chapter 23 of the CSRS and FERS Handbook has detailed information on Service Credit Payments for Post- 56 Military Deposits.

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.

Military Deposits

	1999	2000	Other Years
CSRS	7.25%	7.40%	7.00%
FERS	3.25%	3.40%	3.00%

Reminder Regarding Waiver of Military Retired Pay

Employees requesting to waive military retired pay should submit their request directly to the Defense Finance and Accounting Service at the following address 30 days before their planned retirement date to avoid delay in the finalization of their retirement. A copy of this request must be attached to the retirement application:

Defense Finance and Accounting Service
U.S. Military Retirement Pay
London, KY 40742-7130
Phone: 1-800-321-1080
Phone: 1-800-469-6559 - fax

Chapter 22 of the CSRS and FERS Handbook (Chapter 22, Section 22 A4.1-2) contains information that must be provided and sample wording that can be used.

Significant Social Security Figures for 2006

On October 14, 2005, the Social Security Administration published a Fact Sheet that listed 2006 figures that are significant for retirement matters. You can find that Fact Sheet on the Social Security Administration's Internet site, www.ssa.gov/pressoffice/factsheets/colafacts2006.pdf. We have included the figures here for your convenience.

Social Security Maximum Wage Base

The Social Security maximum taxable wage base for 2006 is \$94,200.

Average Total Wages

The amount of average total wages for 2004 is \$35,648.55.

Bend Points

The dollar amounts, or bend points, used in the benefit formula for workers who become eligible for benefits in 2006, and in the formula for computing maximum individual benefits for 2006, are \$656 and \$3,955.

FERS Retiree Annuity Supplement Earnings Limit

The Social Security earnings limitation for 2006 is \$12,480. 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 2006 by \$1.00 for every \$2.00 over this amount earned in 2006.

Note: Public Law 106-182, signed on April 7, 2000 does away with the earnings limitation for Social Security recipients ages 65-69. It does not, however, affect the earnings limitation for recipients ages 62- 64 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 2001. It affects workers born in 1938 or later. More information on this change is available on Social Security's web site at www.ssa.gov.

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 \$15,000 for tax year 2006. 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 can find additional information on the elective deferral limit on the TSP web site at www.tsp.gov

Robert F. Danbeck,
Associate Director
Division of Human Resources Products &
Services Division