

VA Financial Policies and Procedures
Payroll: Retirement Contributions

CHAPTER 7

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0701 OVERVIEW

This chapter establishes the Department of Veterans Affairs (VA) financial policies and procedures relating to payroll activities associated with retirement contribution transactions. The Office of Personnel Management (OPM) has Governmentwide responsibility and oversight for most Federal benefits administration, including those available under the Civil Service Retirement System (CSRS), the CSRS Offset Plan (CSRS Offset), and the Federal Employees Retirement System (FERS).

The CSRS, effective August 1, 1920, provided eligible Federal employees with retirement benefits through contribution to the Civil Service Retirement Fund, and excluded them from contribution to the Social Security Fund when it was established in 1935. Employees first hired after December 31, 1983, who were eligible for retirement benefits were placed in the Civil Service Interim Retirement System, and began contributing to Social Security. Employees first hired after December 31, 1986, who are eligible for retirement benefits, are covered by FERS. The Civil Service Interim Retirement System was changed over to CSRS Offset on January 1, 1987, along with the establishment of FERS. The CSRS benefit rules apply to the CSRS Offset Plan with the exception that employees covered under CSRS Offset Plan contribute to Social Security as well as the pension plan.

All CSRS, CSRS Offset and FERS employees can participate in the Thrift Savings Plan (TSP); however, only FERS employees receive agency contributions to their TSP accounts. All employees under CSRS, CSRS Offset and FERS contribute to Medicare.

The Department of Defense's (DoD) military service branches independently manage Non-appropriated Fund (NAF) retirement plans and NAF 401(k) savings plans. Some VA employees, if previously covered in NAF retirement plans, may be eligible for and may elect to continue coverage under a NAF plan. Most Federal employees, however, remain covered under the CSRS, CSRS Offset or FERS plans. Refer to 070311 in the Authority and References Section for information on the portability of benefits for transfers between Civil Service and Non-appropriated Fund Employment Systems.

Most employees not contributing to one of the above-mentioned retirement plans contribute to Old Age, Survivors and Disability Insurance (OASDI) and Medicare. Some employees (including some non-citizens) are excluded from OASDI and Medicare coverage along with exclusion from retirement plan coverage. Refer to Office of Financial Policy (OFP) Volume XV, Chapter 4, *Deductions*, Section 040501B, for more information on employees exempt from OASDI and Medicare tax withholding.

All employee retirement coverage is determined by VA's local Human Resources (HR) staffs, who will ensure that employees, at the time of appointment, are assigned the correct retirement code (Appendix A), based on eligibility and/or portability requirements established by OPM regulation. Detailed information on OPM-administered Federal retirement programs, procedures, processes, and practices can be found in OPM's

CSRS and FERS Handbook for Personnel and Payroll Offices ([OPM Retirement Handbook](#)).

0702 POLICIES

070201 RETIREMENT FISCAL ACTIVITIES.

070201.01 VA's Payroll Provider will make the applicable retirement deductions from an employee's pay and will make any required employer retirement contributions on VA's behalf.

070201.02 VA's Payroll Provider will perform the following functions:

- Make necessary payments for the various retirement plans by submitting funds to OPM and other appropriate authority;
- Make retirement contribution adjustments, when necessary, to current employees' earnings; and
- Report electronically the total retirement contribution amounts, when required.

Note: If excess retirement contributions are made on behalf of a former employee or an employee who is no longer covered by a retirement plan, OPM will return any excess employee retirement contributions to the employee.

070202 ADMINISTRATIVE INFORMATION.

VA will follow the rates established by the Federal Government when computing actions in relation to retirement contributions. Supplemental information for required retirement contribution rates can be found in the attached appendices.

0703 AUTHORITY AND REFERENCES

[070301 5 U.S.C. Chapter 83 – Retirement](#)

[070302 5 U.S.C. Chapter 84 – Federal Employees' Retirement System](#)

[070303 5 C.F.R. Part 831 – Retirement](#)

[070304 5 C.F.R. Part 835 – Debt Collection](#)

[070305 5 C.F.R. Part 839 through 847 – Federal Employees' Retirement System](#)

[070306 CSRS and FERS Handbook for Personnel and Payroll Offices](#)

070307 OPM Handbook, Subchapter 80A, Part 80A5, Payroll Office Reporting of Withholdings and Contributions – CSRS/FERS

070308 Benefit Administration Letters – Series 300, Payroll and Financial Management Guidance

070309 Benefit Administration Letter 10-105, Enhanced Disability and Survivor Annuity Computations Under CSRS and FERS

070310 Portability of Benefits for Moves between Civil Service and Non-appropriated Fund Employment Systems

070311 Treasury Financial Manual (TFM), Part 3, Chapter 3000, Payments to the Office of Personnel Management for Health Benefits, Group Life Insurance, and Civil Service Retirement

070312 VA Directive 5009/1, Employee Benefits

0704 ROLES AND RESPONSIBILITIES

070401 The Secretary or Deputy Secretary will ensure that effective and efficient financial policies and systems for payroll administration are established.

070402 The Assistant Secretary for Management/Chief Financial Officer (CFO) oversees all financial management activities relating to the Department's programs and operations, as required by the Chief Financial Officers Act of 1990 and 38 U.S.C. 309. Responsibilities include the direction, management and provision of policy guidance and oversight of VA's financial management personnel, activities and operations. The CFO establishes financial policy, systems and operating procedures for all VA financial entities and provides guidance on all aspects of financial management.

070403 The Assistant Secretary for Human Resources and Administration will (through the Deputy Assistant Secretary for Human Resources Management) advise Under Secretaries, Assistant Secretaries, Other Key Officials, and field station managers and supervisors of legal and policy requirements and authorities relating to employee pay, leave, allowances, and deductions, excluding taxes.

070404 Under Secretaries, Assistant Secretaries, and Other Key Officials (through Chief Financial Officers or staff office budget officials) will provide and/or arrange for training for Fiscal/Finance Office staff and timekeepers in policy and procedures relating to automated and manual systems for employee pay, leave, allowances, and deductions.

070405 Chief Financial Officers in VA will ensure that appropriate levels of training and advisory services are provided to ensure VA policy and procedures relating to payroll administration are carried out as effectively and efficiently as possible.

070406 The Employees Accounts Section is commonly referred to as Local Payroll. A brief summary of responsibilities for this section includes: ensuring facility training and support is provided to timekeepers and supervisors for time and attendance (T&A) reporting, ensuring biweekly T&A data and daily master record update transactions are transmitted timely, and ensuring employees receive appropriate pay and leave entitlements. Specific responsibilities for the Employee Accounts Section are extensive and are outlined in Volume XV, Chapter 1: *Payroll: Overview*.

070407 Director, Austin Information Technology Center (AITC), or designee specified in writing by name and position, will ensure transmission of VA timecard data to VA's payroll provider, creation of payroll reports, and storage of payroll data/reports. Required accounting/payroll processing documents (e.g., for retirement corrections) will be prepared, as needed, in accordance with applicable laws, regulations, and VA or Treasury Department policy.

070408 Director, Financial Services Center (FSC), or Designee specified in writing by name and position, will ensure that payroll activity is generated and processed as needed, to include Tier 1 payroll support services. Required accounting/payroll processing documents will be prepared, as needed, in accordance with applicable laws, regulations, and VA or Treasury Department policy.

070409 The Defense Finance and Accounting Service (DFAS), one of four e-Payroll service providers, is VA's designated payroll service provider. DFAS processes payroll and makes all employee deductions and disbursements, generates leave and earnings statement file and W-2s (Wage and Tax Statement), charges VA appropriations and cost centers and reports all payroll-related financial information to the Treasury on behalf of VA.

070410 Facility Directors will ensure appropriate local controls, policies, and procedures are established and followed to ensure compliance with all laws, regulations, and policy covering payroll and related human resources issues.

070411 Chiefs, Human Resources Management Service will provide appropriate levels of advice and assistance to employees, beneficiaries, supervisors, and other key officials regarding laws, regulations, and policy covering human resources (HR) issues, including interpretation of rules relating to hours of duty, pay, leave, and authorization of deductions from pay. They will also ensure HR data is accurately and timely entered into automated HR systems which integrate with payroll systems.

070412 Facility Agent Cashiers will follow established VA policy and procedures for payroll-related collections not made through payroll deduction. Facility Agent Cashiers will receive and distribute employee salary checks as directed by payroll, and will follow established VA policy and procedures for returning any unclaimed salary checks.

070413 Service/Division Chiefs will designate an adequate number of unit timekeepers and alternates by memorandum to the Fiscal/Finance Officer indicating names (position is not sufficient for this purpose), status (timekeeper or alternate or removal from timekeeper function), and effective date.

070414 Supervisors and other leave-approving officials, as authorized in VA Directive 5011, section 3 f, and VA Handbook 5011, Part III, Chapter 1, section 2 b, are accountable for the work time and absence of employees for whom they are responsible, including leave approval and certification of attendance through appropriate time and attendance collection procedures or automated systems.

070415 Timekeepers will prepare and maintain time and attendance reports for each affected employee whose record has been assigned to their jurisdiction. Timekeepers remain under the administrative supervision of the supervisor of their own organizational element while performing the "additional duties" relating to preparation and maintenance of time and attendance reports. However, timekeepers are under the technical supervision of the Employee Accounts Section with regard to time and attendance reporting requirements affecting employee leave and pay entitlements. Additional responsibilities for timekeepers are specifically outlined in OFP Volume XV, Chapter 1, *Payroll: Overview*.

0705 PROCEDURES

070501 RETIREMENT FISCAL ACTIVITIES.

070501.01 Contributions.

A. VA will ensure that VA's Payroll Provider makes required deductions from an employee's¹ basic pay and processes the appropriate Agency contribution on VA's behalf for CSRS, CSRS Offset, FERS, and NAF. Refer to the appendices noted below and to the [OPM Retirement Handbook, Chapter 30](#), for more information. VA will make adjustments providing relief to Federal civilian employees who were placed in the wrong retirement system for at least 3 years of service after December 31, 1986, in accordance with the Federal Erroneous Retirement Coverage Corrections Act (FERCCA) and under 5 C.F.R. Part 839².

- [Appendix A](#): Retirement Codes
- [Appendix B](#): CSRS and CSRS Offset Retirement Rate Chart
- [Appendix C](#): FERS Retirement Rate Chart

¹ A reemployed annuitant who elects to make retirement contributions is considered a VA employee and is covered as such in this chapter. Reemployed annuitant offset is discussed in detail in Volume XV, Chapter 6 *Payroll: Payments*.

² More information for employees and payroll offices can be obtained through the Office of Personnel Management at <http://www.opm.gov/retire/pre/fercca/index.asp>.

- [Appendix D](#): Retirement Coverage Error Correction Provisions
- [Appendix :E](#) OASDI and Medicare Wage and Tax Chart

B. VA's Payroll Provider will also process employee and Agency contributions to TSP accounts and NAF 401(k) accounts based on employee election or on default contribution requirement. Refer to Volume XV, Chapter 8, *Thrift Savings Plan*, for additional information on TSP contributions. For additional guidance with regard to NAF retirement and associated 401(k) transaction processing and/or for retroactive retirement code correction, contact VA's FSC Payroll Support Services Office at 512-460-5235.

070501.02 Payments. VA's Payroll Provider will make payments for CSRS, CSRS Offset, FERS, and NAF by transmitting monies to OPM and NAF, both for amounts withheld from employees' pay and for required Agency contributions.

070501.03 Adjustments.

A. VA's Payroll Provider will make adjustments, as necessary, to current employees' pay period earnings, as well as the necessary corresponding adjustments for the employer's contribution share. For separated or transferred employees, VA's Payroll Provider will make adjustments by either amending the SF 2806/3100, *Individual Retirement Record*, before submittal to OPM or by submitting an SF 2806-1/3101, *Notice of Correction of Individual Retirement Record*, for correction to OPM, if the correction is processed after the original submission to OPM. When a current employee transfers from a NAF Retirement Plan to FERS, the prior NAF employer's contributions and employee's deductions will be transferred by VA's Payroll Provider to FERS as directed under 5 U.S.C. 8332(b) and 8411.

B. For pay periods prior to facility conversion to payroll processing by another agency, FSC Payroll Support Services will direct local payroll offices, as needed, to submit retroactive retirement code changes and/or adjustments.

070501.04 Reporting. VA's Payroll Provider will report total deduction and contribution amounts for CSRS, CSRS Offset, FERS, and NAF, as required, to OPM and to NAF program managers. For more information, refer to the [OPM's Retirement Handbook, Chapter 80](#).

070501.05 Refunds. Employees seeking refund of employee retirement contributions, or the opportunity to repay refunded retirement contributions, should be directed to local HR offices for assistance in accessing OPM forms and for guidance associated with those transactions. Former employees may seek assistance from facility HR offices. They may also be directed to the OPM website (www.opm.gov) and/or other OPM contact information in response to retirement refund or repayment inquiries.

070501.06 Return of Excess Contributions.

A. Former employees or employees who are no longer covered by a retirement plan may receive a lump-sum credit for excess contributions. The employee can obtain information on how to submit a claim for the lump-sum credit in Section 32A1.1-7 in the [OPM Retirement Handbook, Chapter 32](#). OPM will issue payment once the application is approved.

B. Certain employees, who either transfer to FERS, or are automatically covered under FERS, may receive service credit for some or all of their previous civilian service during which CSRS deductions were made. These employees are eligible for a return of CSRS deductions in excess of those required for FERS coverage and can obtain information on how to submit a claim in Section 33A4.1-1 in the [OPM Retirement Handbook, Chapter 33](#). OPM will issue payment once the application is approved.

070501.07 Non-Foreign Cost-of-Living Allowance (COLA). VA does not consider an employee's non-foreign COLA as part of basic pay, and it will not be included when calculating withholding for retirement. It is also not subject to Federal Income, OASDI or Medicare tax (though it may be subject to state and/or local tax). However, beginning in 2010, non-foreign COLA began a gradual process of transition to locality pay³, which is included in basic pay subject to retirement contribution. For more information on non-foreign COLA, refer to Volume XV, Chapter 2, *Allowances*.

070502 ADMINISTRATIVE INFORMATION. VA will follow the rates established by the Federal Government, and provided in the appendices, when computing actions in relation to retirement contributions.

0706 DEFINITIONS

070601 Agency Contributions. The employer share of retirement contributions that are required payments to the Civil Service Retirement Fund under 5 U.S.C. Sections 8334(a) and 8423(a).

070602 Basic Pay. Rate of basic pay means the rate of pay fixed by law or administrative action for the position held by an employee, including any applicable locality payment, special rate supplement, or similar payment or supplement under other legal authority (e.g., Title 38), before any deductions and exclusive of additional pay of any other kind. It does not include awards, bonuses, overtime pay, military pay, special allowances, holiday pay, or other compensation given in addition to the base pay of a particular position.

³ VA will phase out the non-foreign COLA and transition it to locality pay with full implementation for most entitlement areas by 2012, as prescribed by the Non-Foreign Area Retirement Equity Assurance Act (Public Law 111-84). Refer to Volume XV, Chapter 6, *Payments*, for a more detailed discussion of locality pay.

070603 Civil Service Retirement System (CSRS). The retirement system created for Federal employees, effective August 1, 1920. CSRS ultimately will be phased-out as new Government employees have FERS coverage, which went into effect January 1, 1987. Unless the CSRS employee is covered under CSRS Offset, they are generally not subject to OASDI tax withholding.

070604 CSRS Offset Plan. A retirement plan for employees who were covered under CSRS, separated for more than 1 year, and then rehired, or those employees first hired after December 31, 1983, and before December 31, 1986, who were placed in the Civil Service Interim Retirement System. The benefits under this plan are similar to CSRS benefits except the employees pay OASDI as well as a reduced CSRS contribution. Employees contribute to OASDI (up to maximum taxable wage base) and CSRS Offset retirement with retirement increasing to the full CSRS rate when wages exceed the annual maximum taxable OASDI wage base.

070605 Federal Employees Retirement System (FERS). FERS, effective January 1, 1987, is a three-tiered system based on OASDI (Social Security) with a basic retirement benefit plan and a Thrift Savings Plan (TSP) tax-deferred savings program.

070606 Federal Insurance Contributions Act (FICA). Act that requires deductions for OASDI and Medicare from most employees' pay under 26 U.S.C. Chapter 21.

070607 Gross Pay. Gross pay includes basic pay, overtime, night differential, bonuses, etc. Applicable OASDI and Medicare taxes are withheld from gross pay (following possible reduction for pre-tax health and dependent care items) while retirement deductions and TSP are calculated with regard to basic pay only.

070608 Medicare Tax. Health insurance tax required in accordance with FICA regulation under 26 U.S.C. Chapter 21.

070609 Non-appropriated Fund (NAF) Employees. Employees who work in military exchanges and morale, welfare, and recreation programs and who are paid from funds generated by those activities. For the purposes of this chapter, some former NAF employees who transfer to VA may be eligible to continue coverage under the prior retirement program while employed at VA.

070610 Old Age, Survivors and Disability Insurance (OASDI) Tax. Insurance tax required in accordance with FICA regulation under 26 U.S.C. Chapter 21. OASDI tax is also referred to as Social Security tax. Refer to Section 040501B2 of Volume XV, Chapter 4, *Deductions*, for a list of exempt employees.

070611 Portability. Within the Federal Government, portability refers to the ability of employees participating in a NAF retirement program to continue participating in that program when they move to an appropriated fund position. Portability elections are time-limited, one-time, irrevocable choices.

070612 Refunds. The lump-sum payment to former employees, or employees who are no longer covered by CSRS or FERS, of the amount to their credits in the fund, including any and all retirement contributions deducted from basic pay; deposits and/or redeposits; military service credit deposits; voluntary retirement contributions; and interest payable under law.

070613 Retirement Contributions. The amount withheld for retirement purposes from the basic pay of an employee along with the amount paid by the Agency into the employee retirement account for the different retirement plans (i.e., CSRS, CSRS Offset, FERS, and NAF). Refer to Appendices B and C for detail of prior rates and change effective dates.

070614 Retirement Fund. The retirement fund is the Civil Service Retirement and Disability Fund. The Retirement Fund holds the assets from employee and employer contributions, plus additional payments of the CSRS and the FERS.

070615 Thrift Savings Plan (TSP). The TSP offers eligible employees the opportunity to save a portion of basic salary on a tax-deferred basis. FERS employees may have a portion of that money matched by the Government.

0707 RESCISSIONS

070701 OF Bulletin 08GA2.02, Revised Agency Contribution Rate for FERS Retirement Code “M”

070702 OF Bulletin 04GA2.11, Revised Agency Contribution Rate for FERS

070703 OF Bulletin 03GA2.01, Agency Contribution Rates Decrease for CSRS & FERS

070704 OF Bulletin 03GA2.05, 2003 CSRS Agency Contribution Rates Decrease

070705 OF Bulletin 03GA2.06, CSRS-Offset Deductions for Employees w/FEHB-Premium Conversion

070706 OFM Bulletin 97GA2.05, Part-time and Intermittent Employees: Payroll Requirements Relating to Retirement Credit Documentation

070707 OFM Bulletin 97GA2.10, Revised Agency Contribution Rates for FERS and CSRS

0708 QUESTIONS

Questions concerning these financial policies and procedures should be directed as follows:

VHA
VBA
All Others

VHA Payroll Helpline (Outlook)
VAVBAWAS/CO/OPERATIONS (Outlook)
Payroll Policy (Outlook)

APPENDIX A: RETIREMENT CODES

The following retirement codes are used for this purpose:

Code	Purpose
1	CSRS; employees hired prior to 1984.
2	Employees have no retirement plan; Social Security Benefits only.
4	None
5	NAF; Non-appropriated Fund retirement coverage which you elected when moving from a NAF position to an appropriated fund position.
6	CSRS Special; Firefighter and Law Enforcement Officer (FF/LEO) in an approved position covered for special retirement.
C	CSRS Offset; employees vested in CSRS, who had over a 365 day break in service and returned on 1/1/1984 or after, and others hired prior to 1/1/1987, are covered by CSRS and FICA.
E	CSRS Offset Special (FF/LEO); employees approved for special coverage and vested (at least 5 years of civilian service) in CSRS, but because of a break-in-service of over 365 days and returning to Federal civilian service 1/1/1984 or after, are covered by CSRS and FICA.
K	FERS; employees first hired on or after 1/1/1987 and covered by FERS and FICA. Employees who elected to transfer to FERS either in an Open Season and/or after returning from a break in service.
M	FERS and FICA-Special; employees who are in an approved FF/LEO position and were first hired on or after 1/1/1987.
R	CSRS and FICA; full deductions are withheld for CSRS and for FICA (VACO use only).
T	CSRS and FICA Special (FF/LEO); full CSRS special deduction for Firefighters and covered law enforcement officers, and full FICA (VACO use only).

APPENDIX B: CSRS and CSRS OFFSET RETIREMENT RATE CHART

SALARY BASIS AMOUNTS subject to RETIREMENT AND TSP are as follows:

Base, Locality, Gap, Special Rate Pay, Standby Premium, P&D Market Pay, Physician Comparability Pay, Nurse Executive Special Pay, Administratively Uncontrollable Overtime (AUO) for Law Enforcement Officers only and Availability Pay for Criminal Investigators only.

RETIREMENT CODE 1 (FULL CSRS)

TAX YEAR	EMPLOYEE SHARE	VA SHARE	Empl % of VA	REMARKS
1956 - 1969	6.50%	6.50%		11/01/56 - 12/31/69
1970 - 1997	7.00%	7.00%		Starting PP 26 of 1969
1997 - 1998	7.00%	8.51%	82.26%	Starting PP 21 of 1997
1999	7.25%	8.51%	85.19%	Starting PP 01 of 1999
2000	7.40%	8.51%	86.96%	Starting PP 01 of 2000
2001 - 2002	7.00%	8.51%	82.26%	Starting PP 01 of 2001
2002	7.00%	7.50%	93.33%	Starting PP 20 of 2002
2003 -	7.00%	7.00%		Starting PP 01 of 2003

RETIREMENT CODE 6 (LAW ENFORCEMENT OFFICERS and FIREFIGHTERS)

TAX YEAR	EMPLOYEE SHARE	VA SHARE	Empl % of VA	REMARKS
1956 - 1969	7.00%	7.00%		11/01/56 - 12/31/69
1970 - 1997	7.50%	7.50%		Starting PP 26 of 1969
1997 - 1998	7.50%	9.01%	83.24%	Starting PP 21 of 1997
1999	7.75%	9.01%	86.02%	Starting PP 01 of 1999
2000	7.90%	9.01%	87.68%	Starting PP 01 of 2000
2001 - 2002	7.50%	9.01%	83.24%	Starting PP 01 of 2001
2002	7.50%	8.00%	93.75%	Starting PP 20 of 2002
2003 -	7.50%	7.50%		Starting PP 01 of 2003

RETIREMENT CODE C (CSRS OFFSET)

TAX YEAR	EMPLOYEE SHARE	VA SHARE	Empl % of VA	REMARKS
1984 - 1987**	1.30%	7.00%	18.57%	Code C Effective 01/01/84
1988 – 1989	0.94%	7.00%	13.43%	Starting PP 26 of 1987
1990 – 1997	0.80%	7.00%	11.43%	Starting PP 26 of 1989
1997 – 1998	0.80%	8.51%	9.40%	Starting PP 21 of 1997
1999	1.05%	8.51%	12.34%	Starting PP 01 of 1999
2000	1.20%	8.51%	14.10%	Starting PP 01 of 2000
2001	0.80%	8.51%	9.40%	Starting PP 01 of 2001
2002	0.80%	8.51%	9.40%	Starting PP 01 of 2002
2002	0.80%	7.50%	10.67%	Starting PP 20 of 2002
*2003 -	0.80%	7.00%	11.43%	Starting PP 25 of 2002
*2003 Pre-tax Health Benefit	7.00%	7.00%		Starting PP 25 of 2002
*2004 Pre-tax Health Benefit and Flexible Spending Accounts	7.00%	7.00%		Starting PP 26 of 2003
*2007 Pre-tax Health Benefit, Flexible Spending Accounts and FEDVIP	7.00%	7.00%		Starting PP 01 of 2007
*Two different rates are used beginning pay period 25 of 2002 to determine the correct CSRS Offset (codes C and E) retirement deductions because of pre-tax health benefits (HB). Beginning in pay period 26 of 2003 Dependent Care (DCFSA) and Health Care (HCFSA) Flexible Spending Account deductions are also taken into consideration. Effective pay period 01/2007 Federal Employees Dental & Vision Insurance Program (FEDVIP) came into the equation.				
Add the salary basis amounts (see above) then subtract the HB, FSA and FEDVIP amounts. Calculate the reduced salary basis at the CSRS offset rate. Add the HB, FSA and FEDVIP amounts and calculate this total at the full CSRS rate. Add the two together and this is the proper amount of CSRS Offset retirement deductions.				
**Effective PP 26 of 1987 (tax year 1988), pay subject to retirement is calculated at the full CSRS rate (code 1) when the employee's GROSS wage reaches the OASDI max. To determine what pay period the OASDI maximum wage was reached, subtract the HB, FSA and FEDVIP amounts from the "Gross" wages for each pay period.				

RETIREMENT CODE E (CSRS OFFSET - LAW ENFORCEMENT OFFICERS and FIREFIGHTERS)

TAX YEAR	EMPLOYEE SHARE	VA SHARE	Empl % of VA	REMARKS
1984 – 1986	1.80%	7.50%	24.00%	Starting 01/01/84
1987** - 1989	1.44%	7.50%	19.20%	Starting PP 21 of 1987
1990 - 1997	1.30%	7.50%	17.33%	Starting PP 26 of 1989
1997 - 1998	1.30%	9.01%	14.43%	Starting PP 21 of 1997
1999	1.55%	9.01%	17.20%	Starting PP 01 of 1999
2000	1.70%	9.01%	18.87%	Starting PP 01 of 2000
2001 - 2002	1.30%	9.01%	14.43%	Starting PP 01 of 2001
2002	1.30%	8.00%	16.25%	Starting PP 20 of 2002
*2003 -	1.30%	7.50%	17.33%	Starting PP 25 of 2002
*2003 Pre-tax Health Benefit	7.50%	7.50%		Starting PP 25 of 2002
*2004 Pre-tax Health Benefit and Flexible Spending Accounts	7.50%	7.50%		Starting PP 26 of 2003
*2007 Pre-tax Health Benefit, Flexible Spending Accounts and FEDVIP	7.00%	7.00%		Starting PP 01 of 2007

RETIREMENT CODE 1 CSRS REEMPLOYED ANNUITANT

TAX YEAR	EMPLOYEE SHARE	VA SHARE	Empl % of VA	REMARKS
ALL YEARS	Same as Code 1 (Full CSRS)	NONE		

RETIREMENT CODE C CSRS OFFSET REEMPLOYED ANNUITANT

TAX YEAR	EMPLOYEE SHARE	VA SHARE	Empl % of VA	REMARKS
*ALL YEARS	Same as CSRS OFFSET	NONE		

APPENDIX C: FERS RETIREMENT RATE CHART

SALARY BASIS AMOUNTS subject to RETIREMENT AND TSP are as follows:
Base, Locality, Gap, Special Rate Pay, Standby Premium, P and D Market Pay, Physician Comparability Pay, Nurse Executive Special Pay, Administratively Uncontrollable Overtime (AUO) for Law Enforcement Officers only and Availability Pay for Criminal Investigators only.

RETIREMENT CODE K

TAX YEAR	EMPLOYEE VA SHARE	VA SHARE	Empl % of VA	REMARKS
1987	1.30%	14.80%	8.78%	Starting PP 01 of 1987
1987	1.30%	12.50%	10.40%	Starting PP 21 of 1987
1988 - 1989	0.94%	12.86%	7.31%	Starting PP 26 of 1987
1990 - 1991	0.80%	13.00%	6.15%	Starting PP 26 of 1989
1991 - 1994	0.80%	12.90%	6.20%	Starting PP 20 of 1991
1994 - 1997	0.80%	11.40%	7.02%	Starting PP 20 of 1994
1997 - 1998	0.80%	10.70%	7.48%	Starting PP 21 of 1997
1999	1.05%	10.70%	9.81%	Starting PP 01 of 1999
2000	1.20%	10.70%	11.21%	Starting PP 01 of 2000
2001 – 2004	0.80%	10.70%	7.48%	Starting PP 01 of 2001
2004 – 2010	0.80%	11.20%	7.14%	Starting PP 20 of 2004
2010	0.80%	11.70%	6.84%	Starting PP 21 of 2010
2011	0.80%	11.90%	6.72%	Starting PP21 of 2011

RETIREMENT CODE M (LAW ENFORCEMENT OFFICERS and FIREFIGHTERS)

TAX YEAR	EMPLOYEE VA SHARE	VA SHARE	Empl % of VA	REMARKS
1987	1.80%	29.40%	6.12%	Starting PP 01 of 1987
1987	1.80%	24.90%	7.23%	Starting PP 21 of 1987
1988 – 1989	1.44%	25.26%	5.70%	Starting PP 26 of 1987
1990 – 1991	1.30%	25.40%	5.12%	Starting PP 26 of 1989
1991 – 1994	1.30%	27.30%	4.76%	Starting PP 20 of 1991

RETIREMENT CODE M (LAW ENFORCEMENT OFFICERS and FIREFIGHTERS)

TAX YEAR	EMPLOYEE SHARE	VA SHARE	Empl % of VA	REMARKS
1994 – 1997	1.30%	24.30%	5.35%	Starting PP 20 of 1994
1997 – 1998	1.30%	23.30%	5.58%	Starting PP 21 of 1997
1999	1.55%	23.30%	6.65%	Starting PP 01 of 1999
2000	1.70%	23.30%	7.30%	Starting PP 01 of 2000
2001 – 2002	1.30%	23.30%	5.58%	Starting PP 01 of 2001
2002 – 2004	1.30%	22.70%	5.73%	Starting PP 20 of 2002
2004 – 2007	1.30%	23.80%	5.46%	Starting PP 20 of 2004
2007 – 2010	1.30%	24.90%	5.22%	Starting PP 21 of 2007
2010	1.30%	25.70%	5.06%	Starting PP 21 of 2010
2011	1.30%	26.30%	4.94%	Starting PP 21 of 2011

RETIREMENT CODE K FERS REEMPLOYED ANNUITANT

TAX YEAR	EMPLOYEE SHARE	VA SHARE	Empl % of VA	REMARKS
ALL YEARS	Same as regular K	Same as regular K		

APPENDIX D: RETIREMENT COVERAGE ERROR CORRECTION PROVISIONS

Office of Personnel Management Payroll Office Letter P-00-17 Retirement Coverage Error Correction Provisions of Federal Erroneous Retirement Coverage Corrections Act (FERCCA)

TYPE OF ERROR

Erroneously Put In:	Correct Coverage is	Retirement Benefit Options	What Happens to Social Security	What Happens to Thrift Savings Plan
CSRS	FERS	Choice between FERS and CSRS Offset Coverage.(1)	Erroneous CSRS contributions are reallocated to Social Security.	If you choose FERS, you may make up contributions. Lost earnings are paid on make up contributions.
CSRS Offset	FERS	Choice between CSRS Offset and FERS. (1)	No Change.	If you choose FERS, you may make up contributions. Lost earnings are paid on make up contributions.
CSRS Offset	CSRS	None. Correction to CSRS	Social Security coverage terminates.	No Change.
CSRS	CSRS Offset	None. Correction to CSRS Offset	Erroneous CSRS contributions are reallocated to Social Security.	No Change.
FERS	CSRS	Choice between FERS and CSRS coverage. (1)(2)	If you choose CSRS, Social Security coverage terminates.	If you choose CSRS, your contributions and earnings remain in your account. Government contributions and earnings are removed from your account.

Erroneously Put In:	Correct Coverage is	Retirement Benefit Options	What Happens to Social Security	What Happens to Thrift Savings Plan
FERS	CSRS Offset	Choice between FERS and CSRS Offset coverage. (1)(2)	No change.	If you choose CSRS Offset, your contributions and earnings remain in your account. Government contributions and earnings are removed from your account.
CSRS	Social Security	Choice between CSRS Offset and Social Security. (1)	Erroneous CSRS contributions are reallocated to Social Security.	If you choose Social Security, you may keep your contributions and earnings. Government contributions and earnings are removed from your account.
FERS	Social Security	Choice between FERS and Social Security coverage. (1)	No Change.	If you choose Social Security, you may keep your contributions and earnings. Government contributions and earnings are removed from your account.
CSRS Offset	Social Security	Choice between CSRS Offset and Social Security. (1)	No Change.	If you choose Social Security, you may keep your contributions and earnings. Government contributions and earnings are removed from your account.

Erroneously Put In:	Correct Coverage is	Retirement Benefit Options	What Happens to Social Security	What Happens to Thrift Savings Plan
Social Security	CSRS	None. Correction to CSRS.	Social Security coverage terminates.	You may make up contributions. Lost earnings are paid on make up contributions.
Social Security	CSRS Offset	None. Correction to CSRS Offset.	No Change.	You may make up contributions. Lost earnings are paid on make up contributions.
Social Security	FERS	None. Correction to FERS.	No Change.	You may make up contributions. Lost earnings are paid on make up contributions.
<p>(1) Retirement benefit options involving choice require that you were in the wrong retirement plan for at least 3 years. (2) If you are covered by FERS as a result of a deemed FERS election, FERCCA does not give you a new election.</p>				

APPENDIX E: OASDI AND MEDICARE WAGE AND TAX CHART

OASDI AND MEDICARE WAGE AND TAX CHART							
Tax Year	OASDI Maximum Wage	OASDI Tax %	OASDI Max. Tax Amount	Medicare Maximum Wage	Medicare Tax %	Medicare Max. Tax Amount	Combined % Rate
2012 ¹	\$110,100.00	6.20%	\$6,862.20	no max	1.45%	no max	7.65%
¹ For tax year 2012, employee OASDI contributions continue at 4.2%; employer contributions remain at 6.2%. The effective combined rate for OASDI and Medicare tax for employee contribution is 5.65% with a maximum OASDI tax amount of \$4,624.20.							
2011 ²	\$106,800.00	6.20%	\$6,621.60	no max	1.45%	no max	7.65%
² For 2011, employee OASDI contributions decreased from 6.2% to 4.2%; employer contributions were not adjusted and remain at 6.2%. The effective combined rate for OASDI and Medicare tax for employee contribution was 5.65% with a maximum OASDI tax amount of \$4,485.60.							
2010	\$106,800.00	6.20%	\$6,621.60	no max	1.45%	no max	7.65%
2009	\$106,800.00	6.20%	\$6,621.60	no max	1.45%	no max	7.65%
2008	\$102,000.00	6.20%	\$6,324.00	no max	1.45%	no max	7.65%
2007	\$97,500.00	6.20%	\$6,045.00	no max	1.45%	no max	7.65%
2006	\$94,200.00	6.20%	\$5,840.40	no max	1.45%	no max	7.65%
2005	\$90,000.00	6.20%	\$5,580.00	no max	1.45%	no max	7.65%
2004	\$87,900.00	6.20%	\$5,449.80	no max	1.45%	no max	7.65%
2003	\$87,000.00	6.20%	\$5,394.00	no max	1.45%	no max	7.65%
2002	\$84,900.00	6.20%	\$5,263.80	no max	1.45%	no max	7.65%
2001	\$80,400.00	6.20%	\$4,984.80	no max	1.45%	no max	7.65%
2000	\$76,200.00	6.20%	\$4,724.40	no max	1.45%	no max	7.65%
1999	\$72,600.00	6.20%	\$4,501.20	no max	1.45%	no max	7.65%
1998	\$68,400.00	6.20%	\$4,240.80	no max	1.45%	no max	7.65%
1997	\$65,400.00	6.20%	\$4,054.80	no max	1.45%	no max	7.65%
1996	\$62,700.00	6.20%	\$3,887.40	no max	1.45%	no max	7.65%
1995	\$61,200.00	6.20%	\$3,794.40	no max	1.45%	no max	7.65%
1994	\$60,600.00	6.20%	\$3,757.20	no max	1.45%	no max	7.65%
1993	\$57,600.00	6.20%	\$3,571.20	\$135,000.00	1.45%	\$1,957.50	7.65%
1992	\$55,500.00	6.20%	\$3,441.00	\$130,200.00	1.45%	\$1,887.90	7.65%
1991	\$53,400.00	6.20%	\$3,310.80	\$125,000.00	1.45%	\$1,812.50	7.65%
1990	\$51,300.00	6.20%	\$3,180.60	\$51,300.00	1.45%	\$743.85	7.65%
1989	\$48,000.00	6.06%	\$2,908.80	\$48,000.00	1.45%	\$696.00	7.51%
1988	\$45,000.00	6.06%	\$2,727.00	\$45,000.00	1.45%	\$652.50	7.51%
1987	\$43,800.00	5.70%	\$2,496.60	\$43,800.00	1.45%	\$635.10	7.15%
1986	\$42,000.00	5.70%	\$2,394.00	\$42,000.00	1.45%	\$609.00	7.15%
1985	\$39,600.00	5.70%	\$2,257.20	\$39,600.00	1.35%	\$534.60	7.05%
<i>Continued on Page 2</i>							

OASDI AND MEDICARE WAGE AND TAX CHART

Tax Year	OASDI Maximum Wage	OASDI Tax %	OASDI Max. Tax Amount	Medicare Maximum Wage	Medicare Tax %	Medicare Max. Tax Amount	Combined % Rate
1984 ³	\$37,800.00	5.70%	\$2,154.60	\$37,800.00	1.30%	\$491.40	7.00%
³ For 1984: \$2,646.00 for employers, \$2,532.60 to employees. The combined rate for OASDI/MEDICARE tax was 7% for 1984. However, for 1984 only, employees were given a 0.3% credit applied to the social security portion of the tax that was taken into account in determining the amount of tax to be deducted from the employee's wages. Thus, the effective rate for withholding the employee portion of the OASDI/MEDICARE tax was 6.7%. Employers paid the full 7% rate on all taxable wages of their employees.							
1983	\$35,700.00	5.40%	\$1,927.80	\$35,700.00	1.30%	\$464.10	6.70%
1982	\$32,400.00	5.40%	\$1,749.60	\$32,400.00	1.30%	\$421.20	6.70%
1981	\$29,700.00	5.35%	\$1,588.95	\$29,700.00	1.30%	\$386.10	6.65%
1980	\$25,900.00	5.08%	\$1,315.72	\$25,900.00	1.05%	\$271.95	6.13%
1979	\$22,900.00	5.08%	\$1,163.32	\$22,900.00	1.05%	\$240.45	6.13%
1978	\$17,700.00	5.05%	\$893.85	\$17,700.00	1.00%	\$177.00	6.05%
1977	\$16,500.00	4.95%	\$816.75	\$16,500.00	0.90%	\$148.50	5.85%
1976	\$15,300.00	4.95%	\$757.35	\$15,300.00	0.90%	\$137.70	5.85%
1975	\$14,100.00	4.95%	\$697.95	\$14,100.00	0.90%	\$126.90	5.85%
1974	\$13,200.00	4.95%	\$653.40	\$13,200.00	0.90%	\$118.80	5.85%
1973	\$10,800.00	4.85%	\$523.80	\$10,800.00	1.00%	\$108.00	5.85%
1972	\$9,000.00	4.60%	\$414.00	\$9,000.00	0.60%	\$54.00	5.20%
1971	\$7,800.00	4.60%	\$358.80	\$7,800.00	0.60%	\$46.80	5.20%
1969-70	\$7,800.00	4.20%	\$327.60	\$7,800.00	0.60%	\$46.80	4.80%
1968	\$7,800.00	3.80%	\$296.40	\$7,800.00	0.60%	\$46.80	4.40%
1967	\$6,600.00	3.90%	\$257.40	\$6,600.00	0.50%	\$33.00	4.40%
1966	\$6,600.00	3.85%	\$254.10	\$6,600.00	0.35%	\$23.10	4.20%
1963-65	\$4,800.00	3.625%	\$174.00				
1962	\$4,800.00	3.125%	\$150.00				
1960-61	\$4,800.00	3.00%	\$144.00				
1959	\$4,800.00	2.50%	\$120.00				
1957-58	\$4,200.00	2.25%	\$94.50				
1955-56	\$4,200.00	2.00%	\$84.00				
1954	\$3,600.00	2.00%	\$72.00				
1951-53	\$3,600.00	1.50%	\$54.00				
1950	\$3,000.00	1.50%	\$45.00				
1937-49	\$3,000.00	1.00%	\$30.00				

RECISSION: This appendix rescinds Volume XV, Chapter 7, *Retirement*, Appendix E: OASDI and Medicare Wage and Tax Chart dated January 2012.