

Office of Personnel Management
Retirement and Insurance Service



1920



1954



1959



1986

Beneficiaries Administration Letter

Number: 95-102

Date: April 7, 1995

SUBJECT: Potential Retirement System Amendments

On April 5, the House of Representatives passed H.R. 1215, a tax bill which incorporates the "Congressional and Federal Employee Retirement Equalization Act." Because of the wide interest in this legislation among agencies and employees, we are providing you with a summary of the major retirement features of the bill, as passed by the House. The bill now goes to the Senate for further consideration. We emphasize that none of the provisions described below have taken effect. The legislative process, including passage by both Houses of Congress, must be completed before the bill can be sent to the President for signature. President Clinton has already communicated to the Congress his strong opposition to these provisions of H.R. 1215.

RETIREMENT CONTRIBUTIONS

- N** The bill would, if enacted, change employee and agency contributions under CSRS and FERS. These contribution changes would not apply to the Postal Service and its employees.
- N** Over a 3-year period, the bill would increase CSRS employee retirement contributions to the following levels (except for law enforcement officers and firefighters, who would pay 1/2% more at all times):
- | | | |
|---|-----------------|------|
| - | January 1, 1996 | 8.5% |
| - | January 1, 1997 | 9.0% |
| - | January 1, 1998 | 9.5% |
- N** Beginning on January 1, 1996, the bill would increase CSRS agency contributions for all classes of employees by 3% over the previous rates.

N Over a 3-year period, H.R. 1215 would increase FERS employee retirement contributions to the following levels (except for law enforcement officers, firefighters, and air traffic controllers, who would pay 1/2% more at all times):

-	January 1, 1996	2.3%
-	January 1, 1997	2.8%
-	January 1, 1998	3.3%

N The bill would not change the FERS provision requiring that the agency contribution equal the normal cost percentage less the employee contribution. Thus, under FERS, the agency contributions would decrease directly with the increase in the employee contributions.

ANNUITY COMPUTATION

N If enacted, H.R. 1215 would change the average salary used in the annuity computation for all employees and Members of Congress (including Postal employees).

N Beginning in 1997, the bill would require a "high-5" average salary. For annuities based on separations from service during calendar year 1996, annuity computations would be based on a "high-4."

N Unlike prior versions of the proposal, H.R. 1215 would not "grandfather" prior service; the new average salary would be applied to all service regardless of when performed.

MEMBER AND CONGRESSIONAL EMPLOYEE BENEFITS

N If enacted, H.R. 1215 would change the annuity computation formula for Members of Congress and Congressional employees under CSRS and FERS beginning in 1996; for each year of service, the percentage of the average salary added to the annuity benefit would be the same as for employees generally (1.5%, 1.75% or 2% per year under CSRS, and 1% or 1.1% under FERS).

N The bill provides that Member and Congressional employee service performed before 1996 would be computed under the formula in effect at that time (2.5% per year under CSRS or 1.7% under FERS).

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