

Employee Handout

Federal Employees Retirement System

Revised Annuity Employee

Purpose: This handout is intended to provide Department of Defense (DOD) employees with specific information concerning the recent benefits changes to the Federal Employees Retirement System (FERS) as a result of the Public Law 112-96, Section 5001, the “Middle Class Tax Relief and Job Creation Act of 2012”. More specific to (DoD) employees are the laws governing changes to FERS under the Revised Annuity Employees (RAE) section. These changes will directly impact the retirement benefits of many DoD employees.

Background: The “Middle Class Tax Relief and Job Creation Act of 2012”, Public Law 112-96 was signed into law by President Barack Obama on February 22, 2012. Section 5001 of Public–Law 112-96 contained landmark changes to the FERS retirement system. Federal employees placed under FERS-RAE affected are: Regular, Law Enforcement Official, Air Traffic Controllers , Military Reserve Technicians, CIA Special Overseas, Members of Congress, and Congressional Staffers.

The Office of Personnel Management (OPM) has issued guidance for implementing a new retirement coverage option—the Federal Employees Retirement System (FERS)-Revised Annuity Employee (RAE). This change becomes effective on January 1, 2013, new employees (including Members of Congress and Congressional employees) who receive an appointment not excluded from FERS coverage and who would normally be placed in FERS will receive FERS-RAE coverage.

Employees will be excluded from FERS-RAE coverage if:

1. Covered under FERS on December 31, 2012; OR
2. Performed civilian service which is creditable or potentially creditable service under FERS on December 31, 2012; OR
3. Had at least five years of FERS creditable or potentially creditable service on December 31, 2012.

Employees covered under FERS-RAE are required to pay an additional 2.3 percent of salary to the retirement system. In addition, benefits for FERS-RAE employees will be computed under the regular employee formula. Benefits for Members of Congress and Congressional employees will no longer be computed using the enhanced formula.

The Middle Class Tax Relief and Jobs Creation Act of 2012 contain provisions that make two significant changes to the FERS retirement system.

Number One: Employees who are hired by the federal government on or after January 1, 2013 will pay more for their retirement benefits. The increase (2.3% across the board) will raise deductions for new regular employees from 0.8% to 3.1%, and deductions for new “special category” and Congressional employees from 1.3% to 3.6%.

Employees paying the new higher rate will be called FERS “Revised Annuity Employees,” or FERS-RAE.

New employees include employees who are rehired with less than 5 years of creditable FERS service as of 12/31/2012. Employees with more than 5 years of creditable or potentially creditable service as of 12/31/2012 are exempt from the new FERS-RAE provisions and will remain under FERS at the old rates.

Number Two: The new system also changes the way annuities are computed for Members of Congress and Congressional staffers who begin service in 2013 or later. Their annuity will be computed the same way as those of “regular” employees. They will no longer receive a higher benefit similar to that of “special category” employees.

Currently, FERS-covered regular employees contribute 0.8 percent of their after-tax wages to the retirement fund while their agencies contribute on the behalf of the employee 11.9 percent of the employee's gross salary. Law enforcement officials, firefighters and air traffic controllers covered by FERS contribute 1.3 percent of their after-tax wages to FERS while their agencies contribute 26.3 of their gross salary to FERS.

Under FERS-RAE, employees will contribute 2.3 percent more of their after-tax salary and their agencies will contribute 2.3 percent less to the retirement fund. A regular employee will contribute 3.1 percent of their after-tax wages to FERS. Law enforcement officials, firefighters and air traffic controllers will contribute 3.6 percent of their after-tax wages to the retirement fund.

Table 1. FERS Retirement Code and Contribution Rates

Summarize the contribution rates for different categories of employees and their agencies

FERS Contribution Rates				
Employee Job Classification	Retirement Plan Code	Normal Cost %	Employee %	Agency %
Regular	K	12.7	0.8	11.9
Law Enforcement Official, Firefighter,	M	27.6	1.3	26.3
Air Traffic Controller	L	27.3	1.3	26.0
Military Reserve Technician	N	15.7	0.8	14.9
Customs and Border Protection Officers	O	27.6	1.3	26.3

Table 2. FERS- RAE Retirement Code and Contribution Rates

Summarize the contribution rates for different categories of employees and their agencies

FERS Contribution Rates				
Employee Job Classification	Retirement Plan Code	Normal Cost %	Employee %	Agency %
Regular	KR	12.7	3.1	9.6
Law Enforcement Official, Firefighter,	MR	27.6	3.6	24.0
Air Traffic Controller	LR	27.3	3.6	23.7
Military Reserve Technician	NR	15.7	3.1	12.6
Customs and Border Protection Officers	OR	27.6	3.6	24.0