



PAYROLL OFFICE LETTER

U. S. Office of Personnel Management

Number: P-97-10

Date: August 14, 1997

SUBJECT: REVISED CSRS AND FERS CONTRIBUTION RATES

On August 5, 1997, President Clinton signed Public Law 105-33, "The Balanced Budget Act of 1997". The legislation contains provisions that will temporarily change the agency contribution rate for the Civil Service Retirement System (CSRS) and the employee withholding rate for both the CSRS and the Federal Employees Retirement System (FERS). Please be aware that the change to the CSRS employer contribution rate is effective *October 1997!*

CSRS AGENCY CONTRIBUTIONS

All agencies, with the exception of the U.S. Postal Service and the Metropolitan Washington Airports Authority, must contribute an increased percentage of the basic pay of CSRS-covered employees, effective with *the first pay period beginning on or after October 1, 1997*. The agency contribution rate for most (or "regular") CSRS-covered employees will increase to 8.51 percent of basic pay. The agency contribution rate will revert to 7.5 percent in October 2002, and to the current rate in January 2003.

The new agency contribution rates for each category of CSRS employee, effective with the first pay period beginning on or after October 1, 1997, are:

Classification	Percentage of Basic Pay (%)
"Regular" employees	8.51
Congressional employees Law enforcement officers Firefighters	9.01
Members of Congress Court of Federal Claims judges U.S. magistrates U.S. Court of Appeals for Armed Forces judges Bankruptcy judges	9.51

CSRS AND FERS EMPLOYEE WITHHOLDINGS

The rate of withholdings for all CSRS and FERS-covered employees will increase in three steps. The first increase will be implemented with the first pay period beginning on or after January 1, 1999. All-in-all, the CSRS and FERS withholding rate will increase 0.5 percent. In January 1, 2003, the rates will revert back to the current rate.

The increase in the employee withholding rate, for all categories of CSRS and FERS coverage, will be implemented as follows:

Effective Date of Increase (first pay period beginning on or after)	Increase (%)
January 1, 1999	+ 0.25
January 1, 2000	+ 0.15
January 1, 2001	+ 0.10

Thus, for most CSRS-covered employees, the withholdings rate will increase to 7.25 percent of basic pay in 1999, 7.40 percent in 2000, and 7.50 percent in 2001. Most FERS-covered employees will be subject to withholdings of 1.05 percent of basic pay in 1999, 1.20 percent in 2000, and 1.30 percent in 2001.

FERS AGENCY CONTRIBUTIONS

There will be *NO* change to the agency contribution rate for FERS as a consequence of the enactment of P.L. 105-33. The reduction in the FERS agency contribution rate, announced in Payroll Office Letter 97-07, resulting from the change in the FERS normal cost, is unaffected -- it must be implemented on the first day of the first pay period beginning on or after October 1, 1997. Therefore, for the first pay period beginning on or after October 1, 1997, you must implement **both** the change to the CSRS agency contribution rate, described above, as well as the change to the FERS agency contribution rate announced in 97-07.

If you have any questions on this matter, please call us on (202) 606-0666 or via email, finance@opm.gov.



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