



## **OFFICE OF PERSONNEL MANAGEMENT**

### **Federal Employees' Retirement System;**

#### **Normal Cost Percentages**

**AGENCY:** Office of Personnel Management.

**ACTION:** Notice.

**SUMMARY:** The Office of Personnel Management (OPM) is providing notice of revised normal cost percentages for employees covered by the Federal Employees' Retirement System (FERS) Act of 1986.

**DATES:** The revised normal cost percentages are effective at the beginning of the first pay period commencing on or after October 1, 2014. Agency appeals of the normal cost percentages must be filed no later than [INSERT DATE 6 MONTHS FROM THE DATE OF PUBLICATION IN THE FEDERAL REGISTER].

**ADDRESSES:** Send or deliver agency appeals of the normal cost percentages and requests for actuarial assumptions and data to the Board of Actuaries, care of Gregory Kissel, Senior Actuary, Office of Planning and Policy Analysis, Office of Personnel Management, Room 4307, 1900 E Street NW., Washington, DC 20415.

**FOR FURTHER INFORMATION CONTACT:** Karla Yeakle, (202) 606-0299.

**SUPPLEMENTARY INFORMATION:** The FERS Act of 1986, Pub. L. 99-335, created a new retirement system intended to cover most Federal employees hired after 1983. Most Federal employees hired before 1984 are under the older Civil Service Retirement System (CSRS). Section 8423 of title 5, United States Code, as added by the FERS Act of 1986,

provides for the payment of the Government's share of the cost of the retirement system under FERS. Employees' contributions are established by law and constitute only a portion of the cost of funding the retirement system; employing agencies are required to pay the remaining costs. The amount of funding required, known as "normal cost," is the entry age normal cost of the provisions of FERS that relate to the Civil Service Retirement and Disability Fund (Fund). The normal cost must be computed by OPM in accordance with generally accepted actuarial practices and standards (using dynamic assumptions). Subpart D of part 841 of title 5, Code of Federal Regulations, regulates how normal costs are determined.

In its meeting on July 13, 2012, the Board of Actuaries of the Civil Service Retirement System (the Board) reviewed statistical data prepared by the OPM actuaries and considered trends that may affect future experience under FERS. The Board recommended changes to certain economic assumptions and also changes to the demographic assumptions used in the actuarial valuations of FERS. OPM has adopted the Board's recommendations.

With regard to the economic assumptions described under section 841.402 of title 5, Code of Federal Regulations, used in the actuarial valuations of FERS, the Board concluded that it would be appropriate to assume a rate of investment return of 5.25 percent, a reduction of 0.50 percent from the existing rate of 5.75 percent. In addition, the Board determined that the assumed inflation rate should remain at 3.00 percent and that the projected rate of General Schedule salary increases should be reduced 0.50 percent from 3.75 percent to 3.25 percent. These salary increases are in addition to assumed within-grade increases. The Board's recommendation adjusts the nominal rates to balance long-term expectations with recent experience. The economic assumptions anticipate that, over the long term, the annual rate of investment return will exceed inflation by 2.25 percent and General Schedule salary increases

will exceed long-term inflation by 0.25 percent a year, both a decrease of 0.50 percent from the previous assumptions. In addition, the Board also adopted changes to the demographic assumptions listed as factors under section 841.404(a) of title 5, Code of Federal Regulations.

The normal cost calculations depend on economic and demographic assumptions. The demographic assumptions are determined separately for each of a number of special groups, in cases where separate experience data is available. Based on the changed demographic and economic assumptions described above, OPM has determined the normal cost percentage for each category of employees under section 841.403 of title 5, Code of Federal Regulations.

Section 5001 of Public Law 112-96, The Middle Class Tax Relief and Jobs Creation Act of 2012, established provisions for FERS Revised Annuity Employees (FERS-RAE). The law permanently increases the retirement contributions by 2.30 percent of pay for these employees. Separate normal cost rates will apply for FERS-RAE.

The Governmentwide normal cost percentages, including the employee contributions, are as follows:

<b>NORMAL COST PERCENTAGES FOR FERS AND FERS-REVISED ANNUITY EMPLOYEE (RAE) GROUPS</b>		
<b>GROUP</b>	<b>FERS NORMAL COST (PERCENT)</b>	<b>FERS-RAE NORMAL COST (PERCENT)</b>
Members.....	21.5	14.2
Congressional employees, except members of the Capitol Police.....	19.7	14.2
Congressional employees who are members of the Capitol Police.....	19.7	19.7
Law enforcement officers, members of the Supreme Court Police, firefighters, nuclear materials couriers,	30.1	30.1

customs and border protection officers, and employees under section 302 of the Central Intelligence Agency Retirement Act of 1964 for certain employees.....		
Air traffic controllers.....	32.4	32.5
Military reserve technicians..	17.7	18.1
Employees under section 303 of the Central Intelligence Agency Retirement Act of 1964 for certain employees (when serving abroad).....	19.7	19.9
All other regular FERS employees.....	14.0	14.2

Under section 841.408 of title 5, Code of Federal Regulations, these normal cost percentages are effective at the beginning of the first pay period commencing on or after October 1, 2014.

The time limit and address for filing agency appeals under sections 841.409 through 841.412 of title 5, Code of Federal Regulations, are stated in the DATES and ADDRESSES sections of this notice.

U.S. Office of Personnel Management.

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Katherine Archuleta,  
Director.

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