



Benefits Administration Letter

Number: 06-306

Date: October 26, 2006

Subject: Calendar Year 2007 Interest Rate

The Treasury has announced that the calendar year 2007 interest rate applicable to “post-1956” military service credit accounts is 4.875 percent. This is the rate that OPM will also apply to civilian service credit and voluntary contribution accounts.

Employing agencies must assess interest on the unpaid balance in post-1956 military service credit accounts on the employees’ “interest accrual date” (IAD) and interest is compounded annually.

The interest rate that is actually applied is a “composite” rate, based on the rates in effect during the 12-month period preceding the IAD. Thus, it has components of both the current and previous year’s interest rates. For instance, the rate that will be applied on October 1, 2007 reflects a composite interest rate of 4.688 % [three months at 4.125% and nine months at 4.875%].

Chapter 23 of the Civil Service Retirement System/Federal Employees Retirement System (CSRS/FERS) Handbook contains guidance for computing interest on military service credit deposits, including the determination of the IAD and the formula for composite interest rates; it is available at <http://www.opm.gov/asd/htm/HOD.htm>. For your convenience, we have also attached an Excel spreadsheet containing the composite interest rates for each IAD through December 31, 2007.

To reduce the unpaid balance in a military service credit account prior to the assessment of interest, a remittance must be *timely received*. To be considered timely, remittances must be physically in the possession of the agency official authorized to receive them by the close of business on the last regular business day before the IAD. Thus, for deposits sent by mail, the date on the postmark does not constitute the date of remittance.

If you have questions about this letter, we would prefer that you email us at finance@opm.gov. You may call us on 202-606-0606.

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