

Office of Personnel Management

Retirement and Insurance Service



1920



1954



1959



1986

Benefits Administration Letter

Number: 96-103

Date: June 25, 1996

SUBJECT: Potential Retirement Changes Related to the Budget

This is to update you on the status of current proposals for possible changes in the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS), as contained in the Administration's and Congressional budget proposals. No changes in CSRS or FERS have been enacted. We will inform you of any significant developments.

The Administration's Proposal

The President recently submitted a budget proposal to the Congress, including CSRS and FERS changes as follows:

- A temporary increase of 2.6% in agency contributions for CSRS only. This provision would take effect in October 1998, and would apply through September 2002. The Postal Service, Metropolitan Washington Airport Authority, and the District of Columbia government would not be subject to the increased agency payments.
- CSRS and FERS employee deductions (in all agencies) would be increased by 0.25% in July 1996, by an additional 0.15% in January 1997, and by 0.1% more in January 1998, for a total increase of 0.5%. The additional 0.5% employee contributions would be discontinued in January 2003.
- The retiree COLA deferral (increases delayed 3 months each year so as to be effective on March 1, and reflected in the April 1 payment) would be continued through 2002.
- Retirement benefit accrual rates for Members of Congress and Congressional staff would be prospectively conformed to those available to Federal employees generally.

The Congressional Proposal

On June 12 and 13, the House and Senate approved the Conference Committee report on House Concurrent Resolution (H.Con.Res.) 178, the "Resolution Concerning the Congressional Budgets for Fiscal Years 1997, 1998, 1999, 2000, 2001, and 2002." This proposal is commonly referred to as the Congressional budget.

H.Con.Res. 178 does not include any changes in law and therefore does not have to be signed by the President. It sets guidelines for further Congressional action, with spending limits and assumptions as to how spending can be reduced. Before any changes can take effect, the governing statutes would have to be amended by Congress in separate legislation.

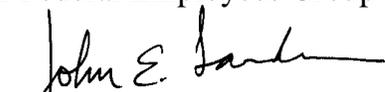
The Conference Report for the budget resolution contains information that generally reflects House-Senate agreement in principle as to how Government savings can be achieved. The Conference Report and H.Con.Res. 178 do not contain details of proposed changes, other than those given below. The next step in the process is for the Congressional committees responsible for these areas of the law to consider the proposals in detail.

The Conference Report assumes the same four retirement changes contained in the Administration's proposal, with the following differences.

- o Instead of an increase of 2.6% in CSRS agency contributions beginning October 1998, the increase would be 1.51% and would begin in October 1996.
- o CSRS and FERS employee contributions would occur in the same amounts (0.25%, 0.15%, and 0.1%), but would take effect in January of 1997, 1998, and 1999, respectively.

Health Benefits and Life Insurance

Neither the Administration's nor the Congressional budget proposals would make any changes in Federal Employees Health Benefits or Federal Employees Group Life Insurance.


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