

VA Financial Policies and Procedures
Payroll: Retirement Contributions

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0701 OVERVIEW

This chapter establishes the Department of Veterans Affairs (VA) financial policies and procedures relating to payroll activities associated with retirement contribution transactions. The Office of Personnel Management (OPM) has Governmentwide responsibility and oversight for most Federal benefits' administration, including those available under the Civil Service Retirement System (CSRS), the CSRS Offset Plan (CSRS Offset), the Federal Employees Retirement System (FERS) and the Federal Employees Retirement System-Revised Annuity Employees (FERS-RAE).

The Federal retirements plans for VA employees are listed in chronological order:

- The CSRS, effective August 1, 1920, provided eligible Federal employees with retirement benefits through contribution to the Civil Service Retirement Fund, and excluded them from contribution to the Social Security Fund when it was established in 1935.
- Employees first hired after December 31, 1983, who were eligible for retirement benefits were placed in the Civil Service Interim Retirement System, and began contributing to Social Security.
- Employees first hired after December 31, 1986, who were eligible for retirement benefits, were placed in FERS. The Civil Service Interim Retirement System was changed over to CSRS Offset on January 1, 1987, along with the establishment of FERS. The CSRS benefit rules apply to the CSRS Offset Plan with the exception that employees covered under CSRS Offset Plan contribute to Social Security as well as the pension plan.
- Employees first hired on or after January 1, 2013, who are eligible for retirement are covered by FERS-RAE.¹

All CSRS, CSRS Offset, FERS and FERS-RAE employees can participate in the Thrift Savings Plan (TSP); however, only FERS and FERS-RAE employees receive agency contributions to their TSP accounts. All employees under CSRS, CSRS Offset, FERS and FERS-RAE contribute to Medicare.

The Department of Defense's (DoD) military service branches independently manage Non-appropriated Fund (NAF) retirement plans and NAF 401(k) savings plans. Some VA employees, if previously covered in NAF retirement plans, may be eligible for and may elect to continue coverage under a NAF plan. Most Federal employees, however, remain covered under the CSRS, CSRS Offset, FERS or FERS-RAE plans. Refer to 070311 in the Authority and References Section for information on the portability of benefits for transfers between Civil Service and Non-appropriated Fund Employment Systems.

¹ FERS-RAE coverage will generally apply to any individual who receives an appointment not excluded from FERS coverage on or after January 1, 2013, and who would normally be placed in FERS. Exceptions are explained in OPM Benefits Administration Letter (BAL) 12-104.

Most employees not contributing to one of the above-mentioned retirement plans contribute to Old Age, Survivors and Disability Insurance (OASDI) and Medicare. Some employees (including some non-citizens) are excluded from OASDI and Medicare coverage along with exclusion from retirement plan coverage. Refer to Office of Financial Policy (OFP) Volume XV, Chapter 4, *Deductions*, Section 040501B, for more information on employees exempt from OASDI and Medicare tax withholding.

All employee retirement coverage is determined by VA's local Human Resources (HR) staffs, who will ensure that employees, at the time of appointment, are assigned the correct retirement code (Appendix A), based on eligibility and/or portability requirements established by OPM regulation. Detailed information on OPM-administered Federal retirement programs, procedures, processes, and practices can be found in OPM's *CSRS and FERS Handbook for Personnel and Payroll Offices* (OPM Retirement Handbook).

0702 POLICIES

070201 RETIREMENT FISCAL ACTIVITIES.

070201.01 VA's Payroll Provider will make the applicable retirement deductions from an employee's pay and will make any required employer retirement contributions on VA's behalf.

070201.02 VA's Payroll Provider will perform the following functions:

- Make necessary payments for the various retirement plans by submitting funds to OPM and other appropriate authority;
- Make retirement contribution adjustments, when necessary, to current employees' earnings; and
- Report electronically the total retirement contribution amounts, when required.

Note: If excess retirement contributions are made on behalf of a former employee or an employee who is no longer covered by a retirement plan, OPM will return any excess employee retirement contributions to the employee.

070202 ADMINISTRATIVE INFORMATION.

VA will follow the rates established by the Federal Government when computing actions in relation to retirement contributions. Supplemental information for required retirement contribution rates can be found in the attached appendices.

0703 AUTHORITY AND REFERENCES

070301 5 U.S.C. Chapter 83 – Retirement

070302 5 U.S.C. Chapter 84 – Federal Employees' Retirement System

070303 5 CFR Part 831 – Retirement

070304 5 CFR Part 835 – Debt Collection

070305 5 CFR Part 839 through 847 – Federal Employees' Retirement System

070306 CSRS and FERS Handbook for Personnel and Payroll Offices

070307 OPM Handbook, Subchapter 80A, Part 80A5, Payroll Office Reporting of Withholdings and Contributions – CSRS/FERS

070308 Benefit Administration Letters – Series 300, Payroll and Financial Management Guidance

070309 Benefit Administration Letter 10-105, Enhanced Disability and Survivor Annuity Computations Under CSRS and FERS

070310 Benefit Administration Letter 12-104, Federal Employees Retirement System-Revised Annuity Employees (RAE)

070311 Benefit Administration Letter 13-102, Federal Employees Retirement System-Revised Annuity Employees (RAE)-Additional Guidance

070312 Portability of Benefits for Moves between Civil Service and Non-appropriated Fund Employment Systems

070313 Treasury Financial Manual (TFM), Part 3, Chapter 3000, Payments to the Office of Personnel Management for Health Benefits, Group Life Insurance, and Civil Service Retirement

070314 VA Directive 5009, Employee Benefits (web page available through VA intranet only)

0704 ROLES AND RESPONSIBILITIES

070401 The Secretary or Deputy Secretary will ensure that effective and efficient financial policies and systems for payroll administration are established.

070402 The Assistant Secretary for Management/Chief Financial Officer (CFO) oversees all financial management activities relating to the Department's programs and operations, as required by the Chief Financial Officers Act of 1990 and 38 U.S.C. 309. Responsibilities include the direction, management and provision of policy guidance and oversight of VA's financial management personnel, activities and operations. The CFO

establishes financial policy, systems and operating procedures for all VA financial entities and provides guidance on all aspects of financial management.

070403 Under Secretaries, Assistant Secretaries, Chief Financial Officers, Fiscal Officers, Chiefs of Finance Activities, Chief Accountants, and Other Key Officials are responsible for ensuring compliance with the financial policies and procedures set forth in this chapter. The appropriate VA key officials, working through the Chief Financial Officers, will provide and/or arrange for training for Fiscal/Finance Office employees and timekeepers in policy and procedures relating to automated and manual systems for employee pay, leave, allowances, and deductions.

070404 The Assistant Secretary for Human Resources and Administration will (through the Deputy Assistant Secretary for Human Resources Management) advise Under Secretaries, Assistant Secretaries, Other Key Officials, and field stations managers and supervisors of legal and policy requirements and authorities relating to employee pay, leave, allowances, and deductions, excluding taxes.

070405 The Employees Accounts Section is commonly referred to as Local Payroll. A brief summary of responsibilities for this section includes: ensuring facility training and support is provided to timekeepers and supervisors for time and attendance (T&A) reporting, ensuring biweekly T&A data and daily master record update transactions are transmitted timely, and ensuring employees receive appropriate pay and leave entitlements. Specific responsibilities for the Employee Accounts Section are extensive and are outlined in Volume XV, Chapter 1: *Payroll: Overview*.

070406 The Director, Austin Information Technology Center (AITC), or designee specified in writing by name and position, will ensure timely transmission of VA timecard data to VA's payroll provider, creation of payroll reports, and storage of payroll data/reports. Required accounting/payroll processing documents (e.g., for retirement corrections) will be prepared, as needed, in accordance with applicable laws, regulations, and VA or Treasury Department policy.

070407 The Director, Financial Services Center (FSC), or Designee specified in writing by name and position, will ensure that payroll activity is generated and processed as needed, to include Tier 1 payroll support services. Accounting/payroll processing documents will be prepared, as needed, in accordance with applicable laws, regulations, and VA or the Department of the Treasury (Treasury) policy.

070408 The Defense Finance and Accounting Service (DFAS), one of four e-Payroll providers, is VA's designated payroll provider. DFAS processes payroll and makes all employee deductions and disbursements, generates leave and earnings statement file and W-2s (Wage and Tax Statement), charges VA appropriations and cost centers, and reports all payroll-related financial information to Treasury on behalf of VA.

070409 Facility Directors will ensure appropriate local controls, policies, and procedures are established and followed to ensure compliance with all laws, regulations, and policy covering payroll and related HR issues.

070410 Chiefs, Human Resources Management Service will provide appropriate levels of advice and assistance to employees, beneficiaries, supervisors, and Fiscal/Finance employees regarding laws, regulations, and policy covering HR issues, including interpretation of rules relating to hours of duty, pay, leave, and authorization of deductions from pay. They will also ensure HR data is accurately and timely entered into automated HR systems that integrate with payroll systems.

070411 Facility Agent Cashiers will follow established VA policy and procedures for payroll-related collections not made through payroll deduction. Facility Agent Cashiers will receive and distribute employee salary checks as directed by payroll, and will follow established VA policy and procedures for returning any unclaimed salary checks.

070412 Service/Division Chiefs will designate an adequate number of unit timekeepers and alternates by memorandum to the Fiscal/Finance Officer indicating names (position is not sufficient for this purpose), status (timekeeper or alternate or removal from timekeeper function), and effective date.

070413 Supervisors and other leave-approving officials, as authorized in VA Directive 5011, section 3 f, and VA Handbook 5011, Part III, Chapter 1, section 2 b, are accountable for the recording of work time and absence of employees for whom they are responsible, including leave approval and certification of attendance through appropriate time and attendance collection procedures or automated systems. For additional responsibilities besides those described in VA Handbook 5011, refer to Volume XV, Chapter 1: *Payroll: Overview*.

070414 Timekeepers will prepare and maintain time and attendance records and reports for each employee whose record has been assigned to their jurisdiction. Timekeepers remain under the administrative supervision of the supervisor of their own organizational element while performing the "additional duties" relating to preparation and maintenance of time and attendance records and reports. However, timekeepers are under the technical supervision of the Employee Accounts Section with regard to time and attendance reporting requirements affecting employee leave and pay entitlements. Additional responsibilities for timekeepers are specifically outlined in OFP Volume XV, Chapter 1, *Payroll: Overview*.

0705 PROCEDURES

070501 RETIREMENT FISCAL ACTIVITIES.

070501.01 Contributions.

A. VA will ensure that VA's Payroll Provider makes required deductions from an employee's² basic pay and processes the appropriate Agency contribution on VA's behalf for CSRS, CSRS Offset, FERS, FERS-RAE, and NAF. Refer to the appendices noted below and to the OPM Retirement Handbook, Chapter 30, for more information. VA will make adjustments providing relief to Federal civilian employees who were placed in the wrong retirement system for at least 3 years of service after December 31, 1986, in accordance with the Federal Erroneous Retirement Coverage Corrections Act (FERCCA) and under 5 CFR Part 839³.

- Appendix A: Retirement Codes
- Appendix B: CSRS and CSRS Offset Retirement Rate Chart
- Appendix C: FERS and FERS-RAE Retirement Rate Charts
- Appendix D: Retirement Coverage Error Correction Provisions
- Appendix E: OASDI and Medicare Wage and Tax Chart

B. VA's Payroll Provider will also process employee and Agency contributions to traditional TSP, Roth TSP, and NAF 401(k) accounts based on employee election or on default contribution requirement. Refer to Volume XV, Chapter 8, *Thrift Savings Plan*, for additional information on traditional and Roth TSP contributions. For additional guidance with regard to NAF retirement and associated 401(k) transaction processing and/or for retroactive retirement code correction, contact VA's FSC Payroll Support Services Office at 512-460-5235.

070501.02 Payments. VA's Payroll Provider will make payments for CSRS, CSRS Offset, FERS, FERS-RAE, and NAF by transmitting monies to OPM and NAF, both for amounts withheld from employees' pay and for required Agency contributions.

070501.03 Adjustments.

A. VA's Payroll Provider will make adjustments, as necessary, to current employees' pay period earnings, as well as the necessary corresponding adjustments for the employer's contribution share. For separated or transferred employees, VA's Payroll Provider will make adjustments by either amending the SF 2806/3100, *Individual Retirement Record*, before submission to OPM or by submitting an SF 2806-1/3101, *Notice of Correction of Individual Retirement Record*, for correction to OPM, if the correction is processed after the original submission to OPM. When a current employee transfers from a NAF Retirement Plan to FERS, the prior NAF employer's contributions

² A re-employed annuitant who elects to make retirement contributions is considered a VA employee and is covered as such in this chapter. Re-employed annuitant offset is discussed in detail in Volume XV, Chapter 6 *Payroll: Payments*.

³ FERCCA information for employees and payroll offices can be obtained through OPM's website: <http://www.opm.gov/retirement-services/benefits-officers-center/aids/#url=FERCCA>.

and employee's deductions will be transferred by VA's Payroll Provider to FERS as directed under 5 U.S.C. 8332(b) and 8411.

B. For pay periods prior to facility conversion to payroll processing by another agency, FSC Payroll Support Services will direct local payroll offices, as needed, to submit retroactive retirement code changes and/or adjustments.

070501.04 Reporting. VA's Payroll Provider will report total deduction and contribution amounts for CSRS, CSRS Offset, FERS, FERS-RAE and NAF, as required, to OPM and to NAF program managers. For more information, refer to the OPM's Retirement Handbook, Chapter 80.

070501.05 Refunds. Employees seeking refund of employee retirement contributions, or the opportunity to repay refunded retirement contributions, should be directed to local HR offices for assistance in accessing OPM forms and for guidance associated with those transactions. Former employees may seek assistance from facility HR offices. They may also be directed to the OPM website (www.opm.gov) and/or other OPM contact information in response to retirement refund or repayment inquiries.

070501.06 Return of Excess Contributions.

A. Former employees or employees who are no longer covered by a retirement plan may receive a lump-sum credit for excess contributions. The employee can obtain information on how to submit a claim for the lump-sum credit in Section 32A1.1-7 in the OPM Retirement Handbook, Chapter 32. OPM will issue payment once the application is approved.

B. Certain employees, who either transfer to FERS, or are automatically covered under FERS or FERS-RAE, may receive service credit for some or all of their previous civilian service during which CSRS deductions were made. These employees are eligible for a return of CSRS deductions in excess of those required for FERS coverage and can obtain information on how to submit a claim in Section 33A4.1-1 in the OPM Retirement Handbook, Chapter 33. OPM will issue payment once the application is approved.

070501.07 Non-Foreign Cost-of-Living Allowance (COLA). VA does not consider an employee's non-foreign COLA as part of basic pay, and it will not be included when calculating withholding for retirement. It is also not subject to Federal Income, OASDI or Medicare tax (though it may be subject to state and/or local tax). However, from 2010 through 2012, OPM converted⁴ most non-foreign COLA entitlement to locality pay.⁵ For more information on non-foreign COLA, refer to Volume XV, Chapter 2, *Allowances*.

⁴ As prescribed by the Non-Foreign Area Retirement Equity Assurance Act (Public Law 111-84).

⁵ Locality pay is included in basic pay subject to retirement contribution; refer to Volume XV, Chapter 6, *Payments*, for a more detailed discussion of locality pay.

070502 ADMINISTRATIVE INFORMATION. VA will follow the rates established by the Federal Government, and provided in the appendices, when computing actions in relation to retirement contributions.

0706 DEFINITIONS

070601 Agency Contributions. The employer share of retirement contributions that are required payments to the Civil Service Retirement Fund under 5 U.S.C. Sections 8334(a) and 8423(a).

070602 Basic Pay. Rate of basic pay means the rate of pay fixed by law or administrative action for the position held by an employee, including any applicable locality payment, special rate supplement, or similar payment or supplement under other legal authority (e.g., Title 38), before any deductions and exclusive of additional pay of any other kind. It does not include awards, bonuses, overtime pay, military pay, special allowances, holiday pay, or other compensation given in addition to the base pay of a particular position.

070603 Civil Service Retirement System (CSRS). The retirement system created for Federal employees, effective August 1, 1920. CSRS ultimately will be phased-out as new Government employees have FERS coverage, which went into effect January 1, 1987. Unless the CSRS employee is covered under CSRS Offset, they are generally not subject to OASDI tax withholding.

070604 CSRS Offset Plan. A retirement plan for employees who were covered under CSRS, separated for more than 1 year, and then rehired, or those employees first hired after December 31, 1983, and before December 31, 1986, who were placed in the Civil Service Interim Retirement System. The benefits under this plan are similar to CSRS benefits except the employees pay OASDI as well as a reduced CSRS contribution. Employees contribute to OASDI (up to maximum taxable wage base) and CSRS Offset retirement with retirement increasing to the full CSRS rate when wages exceed the annual maximum taxable OASDI wage base.

070605 Federal Employees Retirement System (FERS). FERS, effective January 1, 1987, is a three-tiered system based on OASDI (Social Security) with a basic retirement benefit plan and the TSP. The TSP has two tax treatment options: 1) a traditional (pre-tax or tax-deferred) account, and 2) a Roth (after-tax) account.

070606 Federal Employees Retirement System-Revised Annuity Employees (FERS-RAE). FERS-RAE, effective for new employees hired on or after January 1, 2013, is a three-tiered system based on OASDI (Social Security) with a basic retirement benefit plan and the TSP. Employees covered by FERS-RAE pay higher employee contributions.

070607 Federal Insurance Contributions Act (FICA). Act that requires deductions for OASDI and Medicare from most employees' pay under 26 U.S.C. Chapter 21.

070608 Gross Pay. Gross pay includes basic pay, overtime, night differential, bonuses, etc. Applicable OASDI and Medicare taxes are withheld from gross pay (following possible reduction for pre-tax health and dependent care items) while retirement deductions and TSP are calculated with regard to basic pay only.

070609 Medicare Tax. Health insurance tax required in accordance with FICA regulation under 26 U.S.C. Chapter 21.

070610 Non-appropriated Fund (NAF) Employees. Employees who work in military exchanges and morale, welfare, and recreation programs and who are paid from funds generated by those activities. For the purposes of this chapter, some former NAF employees who transfer to VA may be eligible to continue coverage under the prior retirement program while employed at VA.

070611 Old Age, Survivors and Disability Insurance (OASDI) Tax. Insurance tax required in accordance with FICA regulation under 26 U.S.C. Chapter 21. OASDI tax is also referred to as Social Security tax. Refer to Section 040501B2 of Volume XV, Chapter 4, *Deductions*, for a list of exempt employees.

070612 Portability. Within the Federal Government, portability refers to the ability of employees participating in a NAF retirement program to continue participating in that program when they move to an appropriated fund position. Portability elections are time-limited, one-time, irrevocable choices.

070613 Refunds. The lump-sum payment to former employees, or employees who are no longer covered by CSRS, FERS, or FERS-RAE, of the amount to their credits in the fund, including any and all retirement contributions deducted from basic pay; deposits and/or re-deposits; military service credit deposits; voluntary retirement contributions; and interest payable under law.

070614 Retirement Contributions. The amount withheld for retirement purposes from the basic pay of an employee along with the amount paid by the Agency into the employee retirement account for the different retirement plans (i.e., CSRS, CSRS Offset, FERS, FERS-RAE, and NAF). Refer to Appendices B and C for detail of prior rates and change effective dates.

070615 Retirement Fund. The retirement fund is the Civil Service Retirement and Disability Fund. The Retirement Fund holds the assets from employee and employer contributions, plus additional payments of the CSRS and the FERS.

070616 Thrift Savings Plans (TSP). The traditional TSP offers eligible employees the opportunity to save a portion of basic salary on a tax-deferred basis. The Roth TSP was established by Public Law 111-31 and offers eligible employees the opportunity to save a portion of basic salary on an after-tax basis. FERS and FERS-RAE employees who contribute funds to the traditional and/or Roth TSP accounts may have a portion of

that money matched by the Government; however, any matching funds will be deposited in the traditional TSP account.

0707 RESCISSIONS

070701 OF Bulletin 08GA2.02, Revised Agency Contribution Rate for FERS Retirement Code “M”

070702 OF Bulletin 04GA2.11, Revised Agency Contribution Rate for FERS

070703 OF Bulletin 03GA2.01, Agency Contribution Rates Decrease for CSRS and FERS

070704 OF Bulletin 03GA2.05, 2003 CSRS Agency Contribution Rates Decrease

070705 OF Bulletin 03GA2.06, CSRS-Offset Deductions for Employees w/FEHB-Premium Conversion

070706 OFM Bulletin 97GA2.05, Part-time and Intermittent Employees: Payroll Requirements Relating to Retirement Credit Documentation

070707 OFM Bulletin 97GA2.10, Revised Agency Contribution Rates for FERS and CSRS

0708 QUESTIONS

Questions concerning these financial policies and procedures should be directed as follows:

VHA	VHA CFO Payroll Helpline (10A3A) (Outlook)
VBA	VAVBAWAS/CO/241C/PAYROLL (Outlook)
All Others	Payroll Policy (Outlook)

0709 REVISIONS

Section	Revision	Office	Effective Date
Table of Contents	0709 – added. Appendix C – added <i>FERS-RAE</i> to title.	APPS (047GA)	October 2013
0701 Overview	Updated section to include <i>FERS-RAE</i> and <i>Roth TSP</i> . Added fourth bullet and footnote to second paragraph.	APPS (047GA)	October 2013

Section	Revision	Office	Effective Date
0703 Authority and References	Updated web page links. 070314 – added VA intranet only comment.	APPS (047GA)	October 2013
0704 Roles and Responsibilities	Revised section to incorporate changes made in more recent chapters: 070403 and 070404 - changed order 070403 – revised section 070405 – deleted; section renumbered 070407 - revised last sentence 070413 – added last sentence	APPS (047GA)	October 2013
0705 Procedures	Updated section to include <i>FERS-RAE</i> and <i>Roth TSP</i> .	APPS (047GA)	October 2013
0706 Definitions	Updated section to include <i>FERS-RAE</i> . 070605 – revised. 070606 – added. 070616 – revised.	APPS (047GA)	October 2013
0708 Questions	Revised VHA and VBA Outlook e-mail addresses.	APPS (047GA)	October 2013

APPENDIX A: RETIREMENT CODES

The following retirement codes are used for this purpose:

Code	Purpose
1	CSRS; employees hired prior to 1984.
2	Employees have no retirement plan; Social Security Benefits only.
4	None
5	NAF; Non-appropriated Fund retirement coverage which employee elected when moving from a NAF position to an appropriated fund position.
6	CSRS Special; Firefighter and Law Enforcement Officer (FF/LEO) in an approved position covered for special retirement.
C	CSRS Offset; employees vested in CSRS, who had over a 365 day break in service and returned on 1/1/1984 or after, and others hired prior to 1/1/1987, are covered by CSRS and FICA.
E	CSRS Offset Special (FF/LEO); employees approved for special coverage and vested (at least 5 years of civilian service) in CSRS, but because of a break in service of over 365 days and returning to Federal civilian service 1/1/1984 or after, are covered by CSRS and FICA.
K	FERS; employees first hired on or after 1/1/1987 and covered by FERS and FICA. Employees who elected to transfer to FERS either in an Open Season and/or after returning from a break in service.
KR	FERS-RAE; employees first hired on or after 1/1/2013 and covered by FERS-RAE and FICA. <i>NOTE: Until DFAS' payroll system is updated, the "KR" retirement code will be reflected in DCPS as "#".</i>
M	FERS and FICA-Special; employees who are in an approved FF/LEO position and were first hired on or after 1/1/1987.
MR	FERS-RAE and FICA-Special; employees who are in an approved FF/LEO position and were first hired on or after 1/1/2013. <i>NOTE: Until DFAS' payroll system is updated, the "MR" retirement code will be reflected in DCPS as "%".</i>
R	CSRS and FICA; full deductions are withheld for CSRS and for FICA (VACO use only).
T	CSRS and FICA Special (FF/LEO); full CSRS special deduction for Firefighters and covered law enforcement officers, and full FICA (VACO use only).

APPENDIX B: CSRS and CSRS OFFSET RETIREMENT RATE CHART

SALARY BASIS AMOUNTS subject to RETIREMENT AND TSP are as follows:
Base, Locality, Gap, Special Rate Pay, Standby Premium, Physician and Dentist Market Pay, Physician Comparability Pay, Nurse Executive Special Pay, Administratively Uncontrollable Overtime (AUO) for Law Enforcement Officers only and Availability Pay for Criminal Investigators only.

RETIREMENT CODE 1 (FULL CSRS)

TAX YEAR	EMPLOYEE SHARE	VA SHARE	Empl % of VA	REMARKS
1956 - 1969	6.50%	6.50%		11/01/56 - 12/31/69
1970 - 1997	7.00%	7.00%		Starting PP 26 of 1969
1997 - 1998	7.00%	8.51%	82.26%	Starting PP 21 of 1997
1999	7.25%	8.51%	85.19%	Starting PP 01 of 1999
2000	7.40%	8.51%	86.96%	Starting PP 01 of 2000
2001 - 2002	7.00%	8.51%	82.26%	Starting PP 01 of 2001
2002	7.00%	7.50%	93.33%	Starting PP 20 of 2002
2003 -	7.00%	7.00%		Starting PP 01 of 2003

RETIREMENT CODE 6 (LAW ENFORCEMENT OFFICERS and FIREFIGHTERS)

TAX YEAR	EMPLOYEE SHARE	VA SHARE	Empl % of VA	REMARKS
1956 - 1969	7.00%	7.00%		11/01/56 - 12/31/69
1970 - 1997	7.50%	7.50%		Starting PP 26 of 1969
1997 - 1998	7.50%	9.01%	83.24%	Starting PP 21 of 1997
1999	7.75%	9.01%	86.02%	Starting PP 01 of 1999
2000	7.90%	9.01%	87.68%	Starting PP 01 of 2000
2001 - 2002	7.50%	9.01%	83.24%	Starting PP 01 of 2001
2002	7.50%	8.00%	93.75%	Starting PP 20 of 2002
2003 -	7.50%	7.50%		Starting PP 01 of 2003

RETIREMENT CODE C (CSRS OFFSET)

TAX YEAR	EMPLOYEE SHARE	VA SHARE	Empl % of VA	REMARKS
1984 - 1987**	1.30%	7.00%	18.57%	Code C Effective 01/01/84
1988 – 1989	0.94%	7.00%	13.43%	Starting PP 26 of 1987
1990 – 1997	0.80%	7.00%	11.43%	Starting PP 26 of 1989
1997 – 1998	0.80%	8.51%	9.40%	Starting PP 21 of 1997
1999	1.05%	8.51%	12.34%	Starting PP 01 of 1999
2000	1.20%	8.51%	14.10%	Starting PP 01 of 2000
2001	0.80%	8.51%	9.40%	Starting PP 01 of 2001
2002	0.80%	8.51%	9.40%	Starting PP 01 of 2002
2002	0.80%	7.50%	10.67%	Starting PP 20 of 2002
*2003 -	0.80%	7.00%	11.43%	Starting PP 25 of 2002
*2003 Pre-tax Health Benefit	7.00%	7.00%		Starting PP 25 of 2002
*2004 Pre-tax Health Benefit and Flexible Spending Accounts	7.00%	7.00%		Starting PP 26 of 2003
*2007 Pre-tax Health Benefit, Flexible Spending Accounts and FEDVIP	7.00%	7.00%		Starting PP 01 of 2007
*Two different rates are used beginning pay period 25 of 2002 to determine the correct CSRS Offset (codes C and E) retirement deductions because of pre-tax health benefits (HB). Beginning in pay period 26 of 2003 Dependent Care (DCFSA) and Health Care (HCFSA) Flexible Spending Account deductions are also taken into consideration. Effective pay period 01/2007 Federal Employees Dental and Vision Insurance Program (FEDVIP) came into the equation.				
Add the salary basis amounts (see above) then subtract the HB, FSA and FEDVIP amounts. Calculate the reduced salary basis at the CSRS offset rate. Add the HB, FSA and FEDVIP amounts and calculate this total at the full CSRS rate. Add the two together and this is the proper amount of CSRS Offset retirement deductions.				
**Effective PP 26 of 1987 (tax year 1988), pay subject to retirement is calculated at the full CSRS rate (code 1) when the employee's GROSS wage reaches the OASDI max. To determine what pay period the OASDI maximum wage was reached, subtract the HB, FSA and FEDVIP amounts from the "Gross" wages for each pay period.				

RETIREMENT CODE E (CSRS OFFSET - LAW ENFORCEMENT OFFICERS and FIREFIGHTERS)

TAX YEAR	EMPLOYEE SHARE	VA SHARE	Empl % of VA	REMARKS
1984 – 1986	1.80%	7.50%	24.00%	Starting 01/01/84
1987** - 1989	1.44%	7.50%	19.20%	Starting PP 21 of 1987
1990 - 1997	1.30%	7.50%	17.33%	Starting PP 26 of 1989
1997 - 1998	1.30%	9.01%	14.43%	Starting PP 21 of 1997
1999	1.55%	9.01%	17.20%	Starting PP 01 of 1999
2000	1.70%	9.01%	18.87%	Starting PP 01 of 2000
2001 - 2002	1.30%	9.01%	14.43%	Starting PP 01 of 2001
2002	1.30%	8.00%	16.25%	Starting PP 20 of 2002
*2003 -	1.30%	7.50%	17.33%	Starting PP 25 of 2002
*2003 Pre-tax Health Benefit	7.50%	7.50%		Starting PP 25 of 2002
*2004 Pre-tax Health Benefit and Flexible Spending Accounts	7.50%	7.50%		Starting PP 26 of 2003
*2007 Pre-tax Health Benefit, Flexible Spending Accounts and FEDVIP	7.00%	7.00%		Starting PP 01 of 2007
**Effective PP 26 of 1987 (tax year 1988), pay subject to retirement is calculated at the full CSRS rate (code 1) when the employee's GROSS wage reaches the OASDI max. To determine what pay period the OASDI maximum wage was reached, subtract the HB, FSA and FEDVIP amounts from the "Gross" wages for each pay period.				

RETIREMENT CODE 1 CSRS REEMPLOYED ANNUITANT

TAX YEAR	EMPLOYEE SHARE	VA SHARE	Empl % of VA	REMARKS
ALL YEARS	Same as Code 1 (Full CSRS)	NONE		

RETIREMENT CODE C CSRS OFFSET REEMPLOYED ANNUITANT

TAX YEAR	EMPLOYEE SHARE	VA SHARE	Empl % of VA	REMARKS
*ALL YEARS	Same as CSRS OFFSET	NONE		

APPENDIX C: FERS and FERS-RAE RETIREMENT RATE CHARTS

SALARY BASIS AMOUNTS subject to Retirement AND the Thrift Savings Plans are as follows: Base, Locality, Gap, Special Rate Pay, Standby Premium, P and D Market Pay, Physician Comparability Pay, Nurse Executive Special Pay, Administratively Uncontrollable Overtime (AUO) for Law Enforcement Officers only and Availability Pay for Criminal Investigators only.

RETIREMENT CODE K (FERS)

TAX YEAR	EMPLOYEE SHARE	VA SHARE	Empl % of VA	REMARKS
1987	1.30%	14.80%	8.78%	Starting PP 01 of 1987
1987	1.30%	12.50%	10.40%	Starting PP 21 of 1987
1988 – 1989	0.94%	12.86%	7.31%	Starting PP 26 of 1987
1990 – 1991	0.80%	13.00%	6.15%	Starting PP 26 of 1989
1991 – 1994	0.80%	12.90%	6.20%	Starting PP 20 of 1991
1994 – 1997	0.80%	11.40%	7.02%	Starting PP 20 of 1994
1997 – 1998	0.80%	10.70%	7.48%	Starting PP 21 of 1997
1999	1.05%	10.70%	9.81%	Starting PP 01 of 1999
2000	1.20%	10.70%	11.21%	Starting PP 01 of 2000
2001 – 2004	0.80%	10.70%	7.48%	Starting PP 01 of 2001
2004 – 2010	0.80%	11.20%	7.14%	Starting PP 20 of 2004
2010	0.80%	11.70%	6.84%	Starting PP 21 of 2010
2011	0.80%	11.90%	6.72%	Starting PP21 of 2011

RETIREMENT CODE KR (FERS-RAE)

TAX YEAR	EMPLOYEE SHARE	VA SHARE	Empl % of VA	REMARKS
2013	3.10%	9.60%	32.29%	Starting PP 01 of 2013

NOTE: Until DFAS' payroll system is updated, the "KR" retirement code will be reflected in DCPS as "#".

**RETIREMENT CODE M (FERS) for LAW ENFORCEMENT OFFICERS and
FIREFIGHTERS ONLY**

TAX YEAR	EMPLOYEE SHARE	VA SHARE	Empl % of VA	REMARKS
1987	1.80%	29.40%	6.12%	Starting PP 01 of 1987
1987	1.80%	24.90%	7.23%	Starting PP 21 of 1987
1988 – 1989	1.44%	25.26%	5.70%	Starting PP 26 of 1987
1990 – 1991	1.30%	25.40%	5.12%	Starting PP 26 of 1989
1991 – 1994	1.30%	27.30%	4.76%	Starting PP 20 of 1991
1994 – 1997	1.30%	24.30%	5.35%	Starting PP 20 of 1994
1997 – 1998	1.30%	23.30%	5.58%	Starting PP 21 of 1997
1999	1.55%	23.30%	6.65%	Starting PP 01 of 1999
2000	1.70%	23.30%	7.30%	Starting PP 01 of 2000
2001 – 2002	1.30%	23.30%	5.58%	Starting PP 01 of 2001
2002 – 2004	1.30%	22.70%	5.73%	Starting PP 20 of 2002
2004 – 2007	1.30%	23.80%	5.46%	Starting PP 20 of 2004
2007 – 2010	1.30%	24.90%	5.22%	Starting PP 21 of 2007
2010	1.30%	25.70%	5.06%	Starting PP 21 of 2010
2011	1.30%	26.30%	4.94%	Starting PP 21 of 2011

**RETIREMENT CODE MR (FERS-RAE)
for LAW ENFORCEMENT OFFICERS and FIREFIGHTERS ONLY**

TAX YEAR	EMPLOYEE SHARE	VA SHARE	Empl % of VA	REMARKS
2013	3.60%	24.00%	15.00%	Starting PP 01 of 2013

NOTE: Until DFAS' payroll system is updated, the "MR" retirement code will be reflected in DCPS as "%".

RETIREMENT CODE K FERS REEMPLOYED ANNUITANT

TAX YEAR	EMPLOYEE SHARE	VA SHARE	Empl % of VA	REMARKS
ALL YEARS	Same as regular K	Same as regular K		

APPENDIX D: RETIREMENT COVERAGE ERROR CORRECTION PROVISIONS

Office of Personnel Management Payroll Office Letter P-00-17 Retirement Coverage Error Correction Provisions of Federal Erroneous Retirement Coverage Corrections Act (FERCCA)

TYPE OF ERROR

Note: To view/print error correction chart on 1 page, select the following link:
<http://www.opm.gov/retirement-services/publications-forms/payroll-office-letters/2000/p-00-17a.pdf>

Erroneously Put In:	Correct Coverage is	Retirement Benefit Options	What Happens to Social Security	What Happens to Thrift Savings Plan
CSRS	FERS	Choice between FERS and CSRS Offset Coverage.(1)	Erroneous CSRS contributions are reallocated to Social Security.	If employee chooses FERS, he/she may make up contributions. Lost earnings are paid on make-up contributions.
CSRS Offset	FERS	Choice between CSRS Offset and FERS. (1)	No Change.	If employee chooses FERS, he/she may make up contributions. Lost earnings are paid on make-up contributions.
CSRS Offset	CSRS	None. Correction to CSRS	Social Security coverage terminates.	No Change.
CSRS	CSRS Offset	None. Correction to CSRS Offset	Erroneous CSRS contributions are reallocated to Social Security.	No Change.
FERS	CSRS	Choice between FERS and CSRS coverage. (1)(2)	If employee chooses CSRS, Social Security coverage terminates.	If employee chooses CSRS, his/her contributions and earnings remain in their account. Government contributions and earnings are removed from the

Erroneously Put In:	Correct Coverage is	Retirement Benefit Options	What Happens to Social Security	What Happens to Thrift Savings Plan
				employee's account.
FERS	CSRS Offset	Choice between FERS and CSRS Offset coverage. (1)(2)	No change.	If employee chooses CSRS Offset, his/her contributions and earnings remain in their account. Government contributions and earnings are removed from the employee's account.
CSRS	Social Security	Choice between CSRS Offset and Social Security. (1)	Erroneous CSRS contributions are reallocated to Social Security.	If employee chooses Social Security, he/she may keep their contributions and earnings. Government contributions and earnings are removed from the employee's account.
FERS	Social Security	Choice between FERS and Social Security coverage. (1)	No Change.	If employee chooses Social Security, he/she may keep their contributions and earnings. Government contributions and earnings are removed from the employee's account.

Erroneously Put In:	Correct Coverage is	Retirement Benefit Options	What Happens to Social Security	What Happens to Thrift Savings Plan
CSRS Offset	Social Security	Choice between CSRS Offset and Social Security. (1)	No Change.	If employee chooses Social Security, he/she may keep their contributions and earnings. Government contributions and earnings are removed from their account.
Social Security	CSRS	None. Correction to CSRS.	Social Security coverage terminates.	Employee may make up contributions. Lost earnings are paid on make-up contributions.
Social Security	CSRS Offset	None. Correction to CSRS Offset.	No Change.	Employee may make up contributions. Lost earnings are paid on make-up contributions.
Social Security	FERS	None. Correction to FERS.	No Change.	Employee may make up contributions. Lost earnings are paid on make-up contributions.
<p>(1) Retirement benefit options involving choice require that the employee was in the wrong retirement plan for at least 3 years. (2) If an employee is covered by FERS as a result of a deemed FERS election, FERCCA does not give him/her a new election.</p>				

APPENDIX E: OLD-AGE AND SURVIVORS DISABILITY INSURANCE (OASDI) AND MEDICARE WAGE AND TAX CHART

OASDI AND MEDICARE WAGE AND TAX CHART							
Tax Year	OASDI Maximum Wage	OASDI Tax %	OASDI Max. Tax Amount	Medicare Maximum Wage	Medicare Tax %	Medicare Max. Tax Amount	Combined % Rate
2014 ¹	\$117,000.00	6.20%	\$7,254.00	no max	1.45%	no max	7.65%
2013 ¹	\$113,700.00	6.20%	\$7,049.40	no max	1.45%	no max	7.65%
2012 ²	\$110,100.00	6.20%	\$6,826.20	no max	1.45%	no max	7.65%
2011 ³	\$106,800.00	6.20%	\$6,621.60	no max	1.45%	no max	7.65%
2010	\$106,800.00	6.20%	\$6,621.60	no max	1.45%	no max	7.65%
2009	\$106,800.00	6.20%	\$6,621.60	no max	1.45%	no max	7.65%
2008	\$102,000.00	6.20%	\$6,324.00	no max	1.45%	no max	7.65%
2007	\$97,500.00	6.20%	\$6,045.00	no max	1.45%	no max	7.65%
2006	\$94,200.00	6.20%	\$5,840.40	no max	1.45%	no max	7.65%
2005	\$90,000.00	6.20%	\$5,580.00	no max	1.45%	no max	7.65%
2004	\$87,900.00	6.20%	\$5,449.80	no max	1.45%	no max	7.65%
2003	\$87,000.00	6.20%	\$5,394.00	no max	1.45%	no max	7.65%
2002	\$84,900.00	6.20%	\$5,263.80	no max	1.45%	no max	7.65%
2001	\$80,400.00	6.20%	\$4,984.80	no max	1.45%	no max	7.65%
2000	\$76,200.00	6.20%	\$4,724.40	no max	1.45%	no max	7.65%
<i>For tax rates prior to 2000, refer to the websites listed at the bottom of this appendix.</i>							
FOOTNOTES: ¹ Beginning in tax year 2013, an additional 0.9% for Medicare tax will be withheld from employee earnings which are in excess of \$200,000 for the tax year. The additional Medicare tax is only imposed on the employee; there is no employer share for this additional tax. ² For tax year 2012, employee OASDI contributions continue at 4.2%; employer contributions remain at 6.2%. The effective combined rate for OASDI and Medicare tax for employee contribution is 5.65% with a maximum OASDI tax amount of \$4,624.20. ³ For tax year 2011, employee OASDI contributions decreased from 6.2% to 4.2%; employer contributions were not adjusted and remained at 6.2%. The effective combined rate for OASDI and Medicare tax for employee contribution was 5.65% with a maximum OASDI tax amount of \$4,485.60.							

Additional OASDI and Medicare information can be found at:

- Annual maximum taxable earnings and contribution rates, 1937–2006: <http://www.ssa.gov/history/pdf/t2a3.pdf>
- Social Security & Medicare Tax Rates: <http://www.ssa.gov/oact/progdata/taxRates.html>
- Maximum Taxable Earnings: <http://www.ssa.gov/oact/COLA/cbb.html#Series>

RECISSION: This appendix rescinds Volume XV, Chapter 7, *Retirement*, Appendix E: OASDI and Medicare Wage and Tax Chart dated February 2013.