



United States Office of Personnel Management
Retirement Services

Benefits Administration Letter

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Subject: Annual Changes

The Office of Personnel Management (OPM) annually updates Benefits Administration Letters (BAL) to reflect changes in variable interest rates and cost-of-living adjustments (COLA). The purpose of this BAL is to provide updated information on variable interest and COLA rates for 2025.

Cost of Living Adjustments

Individuals receiving a benefit from the Civil Service Retirement System (CSRS) and the Federal Employee Retirement System (FERS), with a few exceptions, will receive a COLA increase. The increase is effective December 1, 2024, and is payable to retirees in their January 2025 annuity payment. The maximum increase for CSRS is 2.5%. The maximum increase for FERS is 2%.

Note: The minimum COLA increase payable under CSRS and FERS is \$1.00. Even if the full COLA rate or prorated COLA would result in the annuity rate not increasing, a minimum of \$1.00 is still added to the monthly annuity rate. Eligible annuitants who have been retired for at least one (1) year will receive the full COLA or the maximum increase provided by law. The COLA increase is prorated according to the annuity commencing date during an annuitant's first year on the annuity roll. This provision applies to both CSRS and FERS retirement annuities.

FERS COLAs

The December 1, 2024, FERS COLA is payable on annuities with commencing dates no later than November 30, 2024. COLA increases for FERS annuitants only apply to the retiree's basic annuity (not the annuity supplement). The COLA applies to both the basic survivor annuity and supplementary annuity for survivor annuitants.

Not all FERS annuitants will receive a FERS COLA. FERS COLAs generally do not apply to annuitants who are under age 62 as of December 1, 2024, except for:

- Spouse, former spouse, or insurable interest survivor annuitants;
- Certain disability annuitants;
- Those who retired under the special provisions for law enforcement officers, firefighters, and Capitol Police;
- Those who retired under the special provisions for air traffic controllers;
- Those who retired under the special provision for military reserve technicians (age 50, 25 years of service) because they ceased to qualify for military membership on account of disability; and
- Joint Payroll Office FERS Special annuitants

Disability annuitants receiving the 60% rate during their first year on the disability roll will not receive a COLA increase. However, a COLA is payable during the first year if the annuity rate payable is the retiree's earned benefit or the annuity is redetermined because the retiree has attained age 62. A COLA is also payable to disability annuitants receiving the 40% rate. COLAs do increase the Social Security offset applied to a FERS disability annuity.

CSRS COLAs

CSRS COLAs apply to all annuities, regardless of the age of the annuitant. CSRS annuitants who have been retired for at least one (1) year will receive the full COLA or maximum increase. Annuitants will receive a prorated COLA during their first year on the annuity roll. The December 1, 2024, CSRS COLA is payable on annuities with a commencing date no later than November 30, 2024.

Prorated COLAs

Prorated COLAS are payable on annuities having a commencing date from December 1, 2023, through November 30, 2024. The proration is based on the number of months between the annuity commencing date and the effective date of the COLA.

Annuitants will receive one-twelfth (1/12) of the full COLA rate for each month they receive an annuity. Survivors of deceased annuitants (other than children) receive a prorated COLA based on the date the annuity was first payable to the deceased annuitant. Survivors of deceased employees receive a prorated COLA based on the commencing date of the survivor annuity. Children of deceased annuitants will always receive the full COLA rate. The following table shows the prorated percentage increase according to the month the annuity began.

Prorated CSRS and FERS COLAs Effective 12/1/2024

Monthly Annuity Began	Amount of Percentage Increase	
	CSRS	FERS
Retirement System		
December 2023 or earlier	2.5%	2.0%
January 2024	2.3%	1.8%
February 2024	2.1%	1.7%
March 2024	1.9%	1.5%
April 2024	1.7%	1.3%
May 2024	1.5%	1.2%
June 2024	1.3%	1.0%
July 2024	1.0%	0.8%
August 2024	0.8%	0.7%
September 2024	0.6%	0.5%
October 2024	0.4%	0.3%
November 2024	0.2%	0.2%

Increase in Children's Benefits

CSRS COLA rates apply to children's survivor annuity benefits regardless of whether their parent received a benefit under CSRS or FERS. However, under FERS, children's benefits are offset by benefits payable under Title II of the Social Security Act. In most cases, the Social Security benefit will exceed the FERS benefit resulting in a non-payment of FERS benefit to the child. The following rates apply from December 1, 2024, through November 30, 2025.

When the child has a living parent, who was married to the deceased employee or retiree, the benefit payable to that child is the lesser of:

- \$673 per month per child; or
- \$2,019 per month divided by the number of eligible children (if over 3).

When the child has no living parent who was married to the deceased employee or retiree, the benefit payable to that child is the lesser of:

- \$808 per month per child; or
- \$2,424 per month divided by the number of eligible children (if over 3).

FERS Annuitant with a CSRS Component

FERS annuitants with a CSRS component will have their CSRS component computed under CSRS provisions. The CSRS portion is subject to CSRS COLA provisions which allow for a COLA increase prior to an annuitant attaining age 62. Thus, the CSRS component of an annuity may increase without a corresponding increase to the FERS portion of the benefit.

FERS Basic Employee Death Benefit

The \$15,000 portion of the FERS Basic Employee Death Benefit (BEDB) payable to spouses or former spouses is adjusted by the CSRS COLA. The CSRS COLA, effective December 1, 2024, increases the BEDB for an employee who dies on or after December 1, 2024 to half of their final annual pay (or average pay, if higher), plus \$42,607.52.

[Chapter 70](#) of the CSRS and FERS Handbook contains additional information on the BEDB.

Under BEDB provisions, the surviving spouse or former spouse must elect whether to receive the BEDB in one payment or 36 monthly installments. The current factor used to determine the monthly installment is .0294259 for deaths occurring on or after October 1, 2021. OPM's notice of this factor was published in 86 [Fed. Reg. 52951 \(Sept. 21 2021\)](#), which contains additional information on the present value conversion factors related to the BEDB. The BEDB factor was not updated with the revised present value factors that went into effect on October 1, 2023.

Interest Rate for Service Credit Payments, Refunds, and Voluntary Contributions

The variable interest rate for CSRS and FERS is 4.375% for 2025.

Salary Cap

Employees subject to a salary cap will pay retirement deductions on the capped amount, which is used to compute an employee's high-3 average pay. The salary information on the SF-50, Notification of Personnel Action, should reflect the capped amount and not the salary that would have been payable without the cap. The COLA cap for any given annual annuity is the higher of the two below figures:

- The GS-15, step 10 pay rate at the highest locality pay possible (currently \$191,900).
- The retiree's final salary (or average salary, if higher) increased by all cumulative average General Schedule salary increases from the commencing date of the annuity to the date of the COLA. The cumulative General Schedule increases are used in all cases, even if an individual was employed under a different pay system.

Reminder Regarding Military Deposits and Waiver of Military Retired Pay

Use the table below to compute military deposits for service performed during the years indicated. The military deposit rate remains 7% for CSRS and 3% for FERS in 2024. [Chapter 23](#) of the CSRS and FERS Handbook has detailed information on Service Credit Payments for Post-56 Military Service Deposits. [BAL 03-105](#) explains the

alternative method for employees under the Uniformed Services Employment Reemployment Rights Act (USERRA).

Employees who want to pay deposits for military service performed during the years indicated in the table below should request that the military pay center provide year-by-year earnings so you can correctly compute the deposit amount owed.

Retirement System	1999	2000	Other Years
CSRS	7.25%	7.40%	7.00%
FERS	3.25%	3.40%	3.00%

As a reminder, all military deposits must be paid in full to the employing agency prior to the employee's separation for retirement.

Additionally, employees requesting to waive military retired pay should submit their request directly to the Defense Finance and Accounting Service at the address below 30 days before their planned retirement date to avoid delay in the finalization of their retirement. A copy of this request must be attached to the retirement application:

Defense Finance and Accounting Service

U.S. Military Retired Pay

8899 E 56th Street

Indianapolis, IN 46249-1200

Phone: 1-800-321-1080

Fax: 1-800-469-6559

[Chapter 22](#) Section 22 A4.1-2 of the CSRS and FERS Handbook contains pattern language and required information for waiver request submissions.

Present Value Factors

There has been no change to the present value factors for 2025.

The last revision for present value factors went into effect on October 1, 2023, and were published in the *Federal Register* on April 14, 2023. See \88 Fed. Reg. 23111.

CSRS present value factors can be found by visiting:

[CSRS Present Value Factors](#)

FERS present value factors can be found by visiting:

[FERS Present Value Factors](#)

OPM applies these present value factors to compute reductions to the following specific benefits:

- CSRS and FERS retirees' benefits when the retirees elects the Alternative Form of Annuity;
- CSRS and FERS benefits with a CSRS component when the retirees elect to credit refunded service that ended before March 1, 1991, without paying the deposit owed for that service;
- CSRS and FERS benefits when retirees marry after retirement and elect to provide survivor annuity benefits for a post-retirement spouse;
- Retirees' benefits when the retirees elect to credit NAFI service for retirement purposes under 5 U.S.C. §§ 8347(q) and 8461(n); and
- Retirement benefits for individuals with certain types of retirement coverage errors who can receive credit for service by taking an actuarial reduction under the provisions of the Federal Erroneous Retirement Coverage Correction Act, Pub. L. No. 106-265, 114 Stat. 752 (2000).
- OPM uses discount factors to compute the reduction to annuity benefits when retirees elect to credit their NAFI service.

Significant Social Security Figures for 2024

The Social Security Administration publishes a [Fact Sheet](#) that lists annual figures significant to retirement matters every year. The Social Security maximum taxable earnings for 2025 is \$176,100.

The dollar amounts, or bend points, used in the Social Security benefit formula for workers who become eligible for benefits in 2025, and in the formula for computing maximum individual benefits for 2025 are \$1,226.00 (first) and \$7,391.00 (second). Visit the Social Security website for more information on [benefit bend points](#).

FERS Annuity Supplement Earnings Limit

FERS annuitants receiving an annuity supplement are subject to an earnings test. The annuity supplement is reduced if the annuitant earns more than the exempt amount of earnings set forth each year by the Social Security Administration. The Social Security earnings limitation for 2025 is \$23,400.00. If a FERS annuitant earns more than this amount, annuity supplement will be reduced by \$1.00 for every \$2.00 earned over the minimum level unless the annuitant retired under the minimum retirement age and retired under one of the special provisions related to these specific employee populations:

- Law enforcement officers
- Firefighters
- Air traffic controllers
- Military reserve technicians separated for loss of military membership

[Chapter 51](#), Section 51A3.1-1 of the CSRS and FERS Handbook, contains more information on the reduction of a FERS annuity supplement due to the Social Security's earnings limitation.

Thrift Savings Plan (TSP) Deferral Limit

The Internal Revenue Service annual limit for elective deferrals increased to \$23,500 for the 2025 tax year. "Elective deferrals" defined by TSP is the maximum amount employees can contribute to their account. The limit applies to the combined total of traditional and Roth contributions. Visit the TSP website for more information on [TSP Contributions](#).

In addition, TSP participants, age 50 and older, can make tax-deferred "catch-up" contributions from their basic pay to their TSP accounts. These contributions supplement the participant's regular employee contributions and do not count against the Internal Revenue Code's elective deferral limit. The catch-up contributions have a separate annual limit and eligibility criteria. This catch-up contribution limit is \$7,500 for 2025. Effective January 1, 2025, the catch-up contribution limit for active participants turning ages 60, 61, 62, or 63 increases to either \$10,000 or 50 percent more

than the regular catch-up contribution limit, whichever is greater. More information on catch-up contributions can be found by visiting [TSP catch-up contributions](#).

Sincerely,

Margaret Pearson
Associate Director
Retirement Services