



Benefits Administration Letter

Number: 15-308

Date: November 2015

Subject: Calendar Year 2016 Interest Rate

The U.S. Treasury has announced the calendar year 2016 interest rate is 2.0 percent. This rate is applicable to “post-1956” military service credit accounts. The U.S. Office of Personnel Management (OPM) also will apply this rate 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 an employee’s “interest accrual date” (IAD), and interest is compounded annually.

The actual interest rate 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 applied on October 1, 2016, reflects a composite interest rate of 2.0 percent [three month (*October 1 to December 31, 2015*) at 2.0 percent and nine months (*January 1 to September 30, 2016*) at 2.0 percent].

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/retire/pubs/handbook/hod.htm>. For your convenience, we have attached a PDF file formatted spreadsheet containing the composite interest rates for each IAD through December 31, 2016.

To reduce the unpaid balance in a military service credit account prior to the assessment of additional interest, a remittance must be received on time. 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, please send an email to FinancialBALs@opm.gov or call us on 202-606-0606. We look forward to assisting you.

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Financial Services

Attachment