



Benefits Administration Letter

Number: 09-308

Date: December, 2009

Subject: Calendar Year 2010 Interest Rate

The U.S. Treasury has announced the calendar year 2010 interest rate of 3.125 percent, which is applicable to "post-1956" military service credit accounts. 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 employees' "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, 2010, reflects a composite interest rate of 3.313 percent [three months at 3.875 percent and nine months at 3.125 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, 2010.

To reduce the unpaid balance in a military service credit account prior to the assessment of 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, we recommend sending an email to finance@opm.gov. You also may call us on 202-606-0606.

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Attachment