



Federal Employees' Retirement System: Benefits and Financing

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Abstract

Most civilian federal employees who were hired before 1984 are covered by the Civil Service Retirement System (CSRS). Federal employees hired in 1984 or later are covered by the Federal Employees' Retirement System (FERS). Both CSRS and FERS require participants to contribute toward the cost of their pensions through a payroll tax. Employees who retire covered by CSRS contribute 7.0% of pay to the Civil Service Retirement and Disability Fund (CSRDF). They do not pay Social Security taxes or earn Social Security benefits. Employees enrolled in FERS and first hired before 2013 contribute 0.8% of their pay to the CSRDF. Employees enrolled in FERS and first hired in 2013 or later contribute 6.2% of wages up to the Social Security taxable wage base (\$113,700 in 2013) to the Social Security trust fund. The minimum retirement age (MRA) under CSRS is 55 for workers who have at least 30 years of service. The FERS MRA is 55 for employees born before 1948. The MRA for employees born between 1953 and 1964 is 56, increasing to the age of 57 for those born in 1970 or later. Both FERS and CSRS allow retirement with an unreduced pension at the age of 60 for employees with 20 or more years of service and at the age of 62 for employees with at least 5 years of service. The Thrift Savings Plan (TSP) is a retirement savings plan similar to the 401(k) plans provided by many employers in the private sector. In 2013, employees covered under either CSRS or FERS can contribute up to \$17,500 to the TSP. Employees aged 50 and older can contribute an additional \$5,500 to the TSP. Employees under FERS receive employer matching contributions of up to 5% of pay from the federal agency by which they are employed. Federal workers covered by CSRS also can contribute to the TSP, but they receive no matching contributions from their employing agencies. The Office of Personnel Management (OPM) estimates the cost of CSRS to be an amount equal to 26.0% of employee pay. The federal government pays 19.0% of this amount and the other 7.0% is paid by employees. OPM estimates the cost of the FERS basic annuity at an amount equal to 12.7% of pay. For FERS employees first hired before 2013, the federal government contributes 11.9% of this amount and the other 0.8% is paid by employees. For FERS employees first hired in 2013 or later, the federal government contributes 9.6% of this amount and employees pay the remaining 3.1%. There are three other employer costs for employees under FERS. Both the employer and employee pay Social Security taxes equal to 6.2% of pay up to the maximum taxable amount; agencies automatically contribute an amount equal to 1% of employee pay to the TSP; and agencies make matching contributions to the TSP equal to up to 4% of pay. At the end of FY2011, the CSRDF had an unfunded liability of \$761.5 billion, consisting of a \$741.4 billion deficit for CSRS and a \$20.1 billion deficit for FERS. Although the civil service trust fund has an unfunded liability, it is not in danger of becoming insolvent. OPM projects that the balance of the CSRDF will continue to grow through at least 2080, at which point it will hold assets equal to more than 5.3 times total payroll and about 20 times total annual benefit payments. This report also summarizes relevant legislation in the 113th Congress that would make significant changes to federal benefits and financing, including H.J.Res. 59, S. 18, S. 1678, and H.R. 3639.

Date Issued

2013-12-20

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