



Date: 6 March 2014

To: DCHRs, HRDs, Activity POCs

Subj: Important Information: FERS Further Revised Annuity Employees (FRAE): Retirement Withholding Changes (Update)

1. On 10 January 2014, we notified you of the increase in, Federal Employees Retirement System (FERS) withholding for new employees hired on/after 1 January 2014. The increase is a result of the Bipartisan Budget Act of 2013. New hires will ultimately pay 1.3% more than employees hired before that date.
2. We also advised that both personnel and payroll systems had to be updated to accept the new retirement codes. While updates to the Defense Civilian Personnel Data System (DCPDS) have been made, the Defense Civilian Payroll System (DCPS) is not yet ready to accept the new FERS retirement codes. Until guidance is received that the DCPS payroll system is ready to accept the new retirement codes, the FERS FRAE employee retirement contributions will be withheld at the rates in effect prior to 1 January 2014. Unfortunately this means new employees will continue to incur a debt for the 1.3% of salary (difference between the old rate and the newly approved rate) that should be withheld.
3. DoD is in constant contact with Defense Finance and Accounting Services (DFAS) and will advise once an acceptance date is known. Commands should share this notice as well as the previous one (dated 10 January 2014) with their FERS FRAE new hires to ensure awareness of the continued indebtedness and the DFAS collection process. OCHR Operation Centers will continue to place a remark on each new hire Standard Form (SF) 50 regarding the indebtedness. Once the new processes and policies are implemented, corrections to the employee's retirement code will be generated. Payroll is notified as a result of the correction which, in turn, generates the debt/collection. Below are a few questions and responses from DFAS that may be helpful. We will immediately share any new information.

Q1. Will employees be notified of debt amount?

Response: If the debt is less than \$50, the employee will not be notified by DFAS. DFAS will take the entire debt from the employee's paycheck. If debt is greater than \$50, DFAS will send a letter to the employee to collect the debt.

Q2. Will DFAS allow employees to make payment arrangements?

Response: DFAS will allow payment arrangements if the debt is greater than \$50. However, minimum payment amount is \$25 per pay period.

Q3. Will the debt be displayed on the Leave and Earnings Statement (LES)?

Response: The debt will not be displayed on the LES; however, there will be an explanation reflecting the retroactive payment if deducted in the remarks section of the LES.

Q4. How long will it take for DFAS to establish the debt?

Response: DFAS does not have a timeline to deduct the debt; it depends on the volume of debts created.

Thank you,
Mary E. Foley, Director, DON Civilian Benefits Center