



United States
Office of
Personnel Management

Washington, D.C. 20415

NOV 12 1986

In Reply Refer To:

Your Reference:

AGENCY PAYROLL OFFICES
ATTN: CHIEF FINANCIAL OFFICER

PAYROLL OFFICE LETTER NUMBER 86-12

On October 27, 1986, the President signed P.L. 99-556, the Federal Employees' Retirement System Technical Corrections Act of 1986. This law contains language which requires changes to the guidance we provided to you in our October 8, 1986, Payroll Office Letter on the Federal Employees Retirement System (FERS).

Section 505 of P.L. 99-566, "Coordination with Pay Periods", changes the date on which agencies begin FERS withholdings and contributions from January 1, 1987, to "the first day of the first applicable pay period beginning on or after January 1, 1987 or to the day before such first day, as appropriate." Please be aware that P.L. 99-556 does not revise the date of coverage (CPDF effective date) for those employees to be automatically transferred to FERS. The effective date of FERS for coverage purposes remains January 1, 1987.

The purpose of this letter is two-fold. First, it provides amended instructions pertaining to certain areas discussed in our October 8th letter; and, second, it introduces the revised SF 2812 - Report of Withholdings and Contributions for Health Benefits, Group Life Insurance and Retirement.

Included in this letter are complete revisions to the INDIVIDUAL RETIREMENT RECORDS and REPORTING REQUIREMENTS sections of our October 8th letter. Generally, the passage of P.L. 99-556, eliminates the need for two separate postings to the SF 2806 for 1986 and for a supplemental SF 2812 submission. With the exception of these sections, the instructions in our October 8 letter remain in effect. We suggest that both letters be used in tandem and that you "X-out" the superceded material pertaining to SF 2812 reporting and SF 2806 posting procedures in the October 8th letter (that is, portions of pages 5 & 6; all of page 7; the top of page 8; and enclosures 3, 4, & 5).

Reporting Requirements

The implementation of FERS changes several of our benefit program reporting requirements. A description of changes that will be made for two of our basic reporting needs is included below:

I. Report of Withholdings and Contributions for Health Benefits, Group Life Insurance and Retirement (SF 2812)

Accounting and budgetary requirements necessitate that FERS remittances be reported separately. Thus, withholdings, contributions, and deposits

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applicable to FERS employees must be reported on separate SF 2812 lines. A revised SF 2812, reflecting this requirement, is being introduced in this letter. FERS adds the following lines to the SF 2812:

<u>SF 2812 Line Name</u>	<u>CPDF Code</u>	<u>Withholdings & Contributions Pertain to:</u>
FERS - regular	K	All FERS employees not identified separately
FERS - reserve technicians	N	Military reserve technicians
FERS - special	L,M	Law enforcements officers, fire-fighters and air-traffic controllers
FERS - deposits	n/a	Deposits for all FERS employees

It should be noted that under FERS, unlike CSRS, redeposits of refunded retirement deductions will not be permitted. Also, since annuities for reemployed FERS annuitants will terminate upon reemployment, there will be no salary offsets for them. Rather, employee withholdings and agency contributions required for reemployed FERS annuitants will simply be included on the SF 2812 lines with the withholdings and contributions of non-annuitant FERS employees.

All CSRS withholdings and contributions will be reported on a single line on the new SF 2812, which includes amounts for all of the applicable CPDF codes (i.e., 1, 6, C, E, R and T).

The blank line under the FERS heading is in anticipation of the possible need to further refine remittances for different categories of FERS withholdings and contribution rates. We suggest that payroll offices make provisions for this extra withholdings and contributions line in revising their reporting and collection systems.

In view of the revised starting date for FERS withholdings and contributions, the "straddling" pay period, described in our October 8, 1986, Payroll Office Letter will no longer exist. As a result, there will be no requirement for the supplemental SF 2812 reporting addressed in that letter. Thus, the following are our guidelines for reporting retirement withholdings/contributions and military service deductions on the SF 2812:

- o The SF 2812 for the first pay period beginning on or after January 1, 1987, must be submitted on the new form.
- o The SF 2812 for pay periods prior to the first pay period beginning on or after January 1, 1987, will be submitted on the existing form.
- o OPM will no longer accept SF 2812's on the existing form for payroll periods with beginning dates of January 1, 1987, or later. Adjustments for pay periods prior to the first pay period beginning on or after January 1, 1987, must be submitted on the

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existing form. If an adjustment covers multiple pay periods that cross the effective date for FERS withholdings, the existing form will be required for the amounts pertaining to pay periods beginning before January 1, 1987. The corrected amounts pertaining to pay periods beginning on or after January 1, 1987, must be included in the next regularly scheduled SF 2812 on the new form.

II. Semi-annual Headcount Report

Headcount reporting procedures will be significantly revised. Rather than being reported on the face of the SF 2812, headcount data will be reported on a separate form. In addition, the revised headcount reporting form will incorporate the current supplemental retirement and spouse equity information. Health benefits enrollment information will still be reported on the SF 2812-A. Please note that changes to the headcount process will be effective with the March 1987 Headcount; the September 1986 Headcount, which we are currently working on, should proceed in accordance with the instructions in our September 3, 1986, payroll office letter.

Revised headcount reporting requirements are based on whether data is needed on a payroll period or semi-annual basis. Thus, the SF 2812 will contain only information that is needed on a frequent basis; other data will be reported via the semi-annual headcount report. Enclosure #1 depicts the categories of retirement coverage that will be reported for headcount purposes. As you can see, headcount reporting will continue to require a more detailed level of retirement information, which is necessary for actuarial costing purposes.

Individual Retirement Records (SF 2806)

Starting in 1987, agencies must maintain two employee withholding control accounts: one for CSRS and one for FERS. It is important that agencies accurately identify FERS employees and correctly post and annotate their FERS SF 2806's. OPM will require all agencies to report the cumulative balance of retirement withholdings posted to SF 2806's and the number of records so posted as of the close of business on December 31, 1986, for employees transferred from CSRS to FERS. Instructions for this reporting requirement will be issued in the near future.

New SF 2806's will not be required for FERS employees at this time; instead, the redesignated CSRS record must be annotated in the remarks column (4) as follows: "Automatically Transferred to FERS, 1/1/87". In addition, agencies must enter in the "Do Not Use" portion of the SF 2806 (under the employee's date of birth and SS number) the following: "FERS RETIREMENT RECORD".

As stated above, the passage of P.L. 99-556 obviates the need for two separate postings to the SF 2806. Thus, the 1986 postings to the SF 2806 for FERS employees will be consistent with normal payroll office practice. That is, withholdings will be posted to the SF 2806 based on salary payments made in 1986. An SF 2806 initiated for a new FERS employee (e.g., an employee hired on or after January 1, 1987) must also be designated as a "FERS RETIREMENT

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RECORD". Please note that these posting instructions are only applicable to FERS employees and not those remaining in the CSRS. See Enclosure #2 for an example of a SF 2806 for a hypothetical FERS employee which shows the entries required by FERS.

Existing military deposit SF 2806 records for FERS employees must also be redesignated as FERS military deposit records as of January 1, 1987. Military deposit payments made by FERS employees on or after January 1, 1987, are to be considered FERS deposits and must be posted to a FERS Military Deposit SF 2806. An allotment from pay for a military deposit is considered paid on the payroll paid date and should not be prorated. Please refer to FERS Retirement Officers Bulletin No. 2 for additional information.

OPM is currently evaluating changes to the current SF 2806 as well as options for the permanent FERS recordkeeping system and will provide agencies with further guidance as final decisions are made. Please note that the sick leave balance for an employee automatically converted to FERS is not posted to the SF 2806. Further guidance will be issued concerning the posting of sick leave balances for those employees who can elect FERS coverage beginning July 1, 1987.

Revised SF 2812

A copy of the revised SF 2812 is presented as Enclosure #3. Except for some minor changes, it is identical to the draft version distributed at our September 23, 1986, FERS presentation to the Interagency Advisory Group. The revised SF 2812 provides a mechanism to separately account for FERS income streams for both financial accounting and actuarial costing purposes. Thus, withholdings, contributions, and service deposits applicable to CSRS and FERS employees will be reported on separate SF 2812 lines. Enclosure #4 contains detailed instructions governing the reporting of retirement remittances on the new SF 2812 as well as a hypothetical example of the completed form.

Generally, the revisions to the SF 2812 are summarized, as follows:

1. The Retirement section has been broken-down into two parts; the Civil Service Retirement System and the Federal Employees Retirement System.
2. The detail information by age categories, previously requested for Option B ("Additional") life insurance, has been removed from the SF 2812.
3. Headcount information has been removed from the face of SF 2812 and will be reported on a separate form to be introduced at a later date.

Additional information necessary to the implementation of FERS will be furnished to you as soon as it is finalized. In the near future, for instance,

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we will be forwarding instructions on our modified reconciliation requirements. In the meantime, if you have substantive questions on the matters discussed in this letter, we may be reached on 202-632-7450.

Sincerely,

A handwritten signature in black ink, appearing to read "John D. Webster". The signature is fluid and cursive, with a prominent initial "J" and a long, sweeping underline.

John D. Webster, Assistant Director
for Financial Control and Management
Retirement and Insurance Group

Enclosures (4)

ENCLOSURE #1

PAGE 1

CATEGORIES OF WITHHOLDINGS AND CONTRIBUTIONS THAT WILL
BE REPORTED ON REVISED SF 2812 AND HEADCOUNT

	--Headcount-- Semiannually	-----SF 2812 Each Pay Period-----		
		Withholdings	Contributions	Total
Basic Life Insurance	Yes #	Yes	Yes	No
Standard Life Insurance	Yes	Yes	No	No
Additional Life Insurance	Yes	Yes	No	No
Family Life Insurance	Yes	Yes	No	No
Post-Retirement Life Insurance	Yes	Yes	No	No
Total Life Insurance	No	Yes	Yes	Yes
Health Benefits (Excluding Spouse Equity Withholdings)	Yes	H B spouse equity withholdings will be combined with regular H B withholdings in a single field of the SF 2812. In the headcount, however, these two categories of employees will be reported separately.		
Health Benefits Spouse Equity Withholdings	Yes			
Additional Health Benefits Contributions		-----DELETED-----		
Total Health Benefits	Yes	Yes	Yes	Yes
CSRS 7% With, 7% Cont	Yes (1,R)* #	All four categories of regular CSRS withholdings will be combined in a single field of the SF 2812. (The related agency contributions also will be combined in a single field.) In the headcount, however, these four categories of employees will be reported separately.		
CSRS 7 1/2% With, 7 1/2% Cont	Yes (6,T)* #			
CSRS 1.3% With, 7% Cont	Yes (C)* #			
CSRS 1.8% With, 7 1/2% Cont	Yes (E)* #			
CSRS Salary Offsets from Reemployed Annuitants	Yes	No	Yes	No
CSRS Military Deposits	Yes	Withholdings for military deposits and those for civilian service credit will be combined in a single field of the SF 2812. In the headcount, however, the two categories of employees will be reported separately.		
CSRS Civilian Service Credit	Yes			
Total CSRS	Yes	No	No	No

ENCLOSURE #1

PAGE 2

CATEGORIES OF WITHHOLDINGS AND CONTRIBUTIONS THAT WILL
BE REPORTED ON REVISED SF 2812 AND HEADCOUNT

	--Headcount-- <u>Semiannually</u>	-----SF 2812 Each Pay Period-----		
	Yes (K) #	<u>Withholdings</u> Yes	<u>Contributions</u> Yes	<u>Total</u> No
FERS - Regular 1.3% With, 14.8% Cont (Ordinary employees)				
FERS - Technicians 1.3% With, 14.8% Cont (Military Reserve Technicians)	Yes (N) #	Yes	Yes	No
FERS - Special 1.8% With, 30.0% Cont (Law Enforcement and Fire- fighters)	Yes (M) #			
FERS - 1.8% With, 30.0% Cont (Air Traffic Controllers)	Yes (L) #			
FERS - Other (For future use) (This will be a blank line on SF 2812 and headcount form)	Yes (None) #	Yes	Yes	No
FERS Military Deposits	Yes	Yes	No	No
Total FERS	Yes	No	No	No
Total Retirement (CSRS plus FERS)	No	Yes	Yes	Yes
Grand Total for SF 2812	Yes	Yes	Yes	Yes

Regular FERS withholdings from these two categories of FERS employees will be combined in one field of the SF 2812. (The related agency contributions also will be combined in one field.) In the headcount, however, these two categories of employees will be reported separately.

Not only the count of employees, but also the dollar amounts of employee withholdings and agency contributions will have to be reported on the headcount for this line item.

CATEGORIES OF WITHHOLDINGS AND CONTRIBUTIONS THAT WILL
BE REPORTED ON REVISED SF 2812 AND HEADCOUNT

* CPDF retirement code value 1 is used if no withholdings occur for SS-OASDI and 7% is withheld for CSRS (with matching contributions).

CPDF retirement code value R is used if withholdings occur for SS-OASDI and 7% is withheld for CSRS (with matching contributions).

CPDF retirement code value 6 is used if no withholdings occur for SS-OASDI and 7 1/2% is withheld for CSRS (with matching contributions).

CPDF retirement code value T is used if withholdings occur for SS-OASDI and 7 1/2% is withheld for CSRS (with matching contributions).

CPDF retirement code value C is used if withholdings occur for SS-OASDI and 1.3% is withheld for CSRS (with 7% contributions).

CPDF retirement code value E is used if withholdings occur for SS-OASDI and 1.8% is withheld for CSRS (with 7 1/2% contributions).

LAST NAME	FIRST NAME	MIDDLE NAME	DATE OF BIRTH			SOC. SEC. NO.			AGENCY	PAYROLL OFFICE	LOCATION	PAYROLL OFFICE NO.
			MO.	DAY	YR.							
1. Smith	John	M.	1	1	60	220	20	2220	ABC	Central	Washington, D.C.	66116600
2. _____			DO NOT USE			<div style="border: 1px solid black; padding: 5px; display: inline-block;"> ANNOTATION TO REFLECT FERS RETIREMENT RECORD REQUIRED FOR ALL EMPLOYEES COVERED BY FERS </div>						
3. _____			FERS RETIREMENT RECORD									
4. _____												

(RECORD EACH NAME CHANGE - STRIKE OUT PREVIOUS NAME)

SERVICE HISTORY					FISCAL RECORD			
EFFECTIVE DATE (1)	ACTION (2)	BASE PAY (3)	DO NOT USE	REMARKS (4)	YEAR (5)	CALENDAR YEAR SALARY DEDUCTIONS (6)	ACCUMULATIVE TOTAL SALARY DEDUCTIONS (7)	REMARKS (8)
1-1-84	Career Cond Appt	14,000		GS-5 Accountant	1984	182,00	182.00	
1-13-85	Executive Order 99	14,560			1985	189,28	371,28	
					1986	189,28	560.56	
				AUTOMATICALLY TRANSFERRED TO FERS 1-1-87				
<div style="border: 1px solid black; padding: 5px;"> ① For illustrative purposes a 4% comparability increase was used for 1985. </div>					<div style="border: 1px solid black; padding: 5px;"> SUBTOTAL OF CSRS DEDUCTIONS THROUGH CALENDAR YEAR 1986 TO BE CERTIFIED IN THE FUTURE TO OPM. </div>			
<div style="border: 1px solid black; padding: 5px;"> ② 1986 deductions are posted in the usual manner (i.e., through the last pay period with a paid date falling within CY 1986). </div>					<div style="border: 1px solid black; padding: 5px;"> ANNOTATION TO REFLECT TRANSFER TO FERS </div>			

ENCLOSURE #2

**REPORT OF WITHHOLDINGS AND CONTRIBUTIONS FOR
 HEALTH BENEFITS, LIFE INSURANCE AND RETIREMENT**

Interagency Report
 No. 1064-OPM-AR

Address (Including Department, Bureau, Location and ZIP Code)	Payroll Office Number	Report Number
	Month Reported on Statement of Transactions	Date Payroll Paid
Telephone Number (Including Area Code)	PAY PERIOD	
	From	To
To: OFFICE OF PERSONNEL MANAGEMENT ATTN: FUNDS CONTROL BRANCH POST OFFICE BOX 582 WASHINGTON, DC 20044	<input type="checkbox"/> Check Attached	<input type="checkbox"/> Credit to OPM Receipt Account (24X8135.8)
	Agency Account Charged	
	I certify that the items listed herein are correct and the amount is available to be credited to the OPM receipt account.	
	Signature of Authorized Administrative or Certifying Officer	Date

Benefit Category	Withholdings	Contributions	Total
LIFE INSURANCE			
Basic Life			
Standard—Option A			
Additional—Option B			
Family—Option C			
Post-Retirement			
Total Life Insurance			+
HEALTH BENEFITS			+
RETIREMENT			
CSRS			
All Categories ¹			
Salary Offset— Reemployed Annuitants			
Military and Civilian Service Credit			
FERS			
Regular			
Military Reserve Technicians			
Special ²			
Military Deposit			
Total Retirement			+
Grand Total			=

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¹Employees with CPDF Retirement Codes of 1, 6, C, E, R or T.
²Employees with CPDF Retirement Codes of L or M.

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 Rev. January 1987

ENCLOSURE #4

PAGE 1

GUIDELINES FOR REPORTING ON THE REVISED SF 2812

There has been some basic revisions to the top portion of the SF 2812. For example, we have determined that the following items are no longer necessary, and, therefore, have been deleted:

- o Voucher Number
- o Check Date and Number

Please make sure that the grand total amount of the SF 2812 equals the amount of the check remitted to OPM or the amount credited to OPM Treasury receipt account, as appropriate.

Several new benefit categories have been added to the revised SF 2812, the following is a list of each line on the revised SF 2812 whether each is new, existing, or modified; and the data to be reported.

<u>Category</u>	<u>NEW, EXISTING OR MODIFIED</u>	<u>DATA TO BE REPORTED</u>
1. Basic Life	EXISTING	NO CHANGE
2. Standard - Option A	EXISTING	NO CHANGE
3. Additional - Option B	MODIFIED	AGE GROUP BREAKDOWN DELETED (DATA WILL BE COLLECTED ON THE SEMI-ANNUAL HEAD- COUNT REPORTS)
4. Family - Option C	EXISTING	NO CHANGE
5. Post-Retirement	EXISTING	NO CHANGE
6. TOTAL LIFE INSURANCE	NEW	TOTAL OF BASIC; OPTIONS A, B, AND C; AND POST RETIREMENT
7. HEALTH BENEFITS	EXISTING	NO CHANGE
8. CSRS - All categories	NEW	CPDF CODES 1,6,C,E,R, & T
9. Salary Offset - Reemployed Annuitants	EXISTING	NO CHANGE
10. Military and Civilian Service Credit	MODIFIED	MILITARY DEPOSITS AND CSRS WITHHOLDINGS FROM REEMPLOYED ANNUITANTS NOW COMBINED

ENCLOSURE #4

PAGE 2

GUIDELINES FOR REPORTING ON THE REVISED SF 2812

<u>Category</u>	<u>NEW, EXISTING OR MODIFIED</u>	<u>DATA TO BE REPORTED</u>
11. FERS - Regular	NEW	CPDF CODE K
12. Military Reserve Technicians	NEW	CPDF CODE N
13. FERS - Special	NEW	CPDF CODES L and M
14. Military Deposit	NEW	FERS MILITARY DEPOSITS
15. TOTAL RETIREMENT	MODIFIED	TOTAL OF CSRS AND FERS CATEGORIES
16. GRAND TOTAL	EXISTING	TOTAL LIFE INSURANCE, TOTAL HEALTH BENEFITS, AND TOTAL RETIREMENT

REPORT OF WITHHOLDINGS AND CONTRIBUTIONS FOR HEALTH BENEFITS, LIFE INSURANCE AND RETIREMENT

Interagency Report
No. 1064-OPM-AR

Address (Including Department, Bureau, Location and ZIP Code) ABC Agency Central Office Washington, D.C. 20001	Payroll Office Number 66 01 6600	Report Number 87-2	
	Month Reported on Statement of Transactions 01-87	Date Payroll Paid 1-27-87	
	PAY PERIOD From 1-4-87 To 1-17-87		
Telephone Number (Including Area Code) 202-632-0000			
To: OFFICE OF PERSONNEL MANAGEMENT ATTN: FUNDS CONTROL BRANCH POST OFFICE BOX 582 WASHINGTON, DC 20044	<input type="checkbox"/> Check Attached	<input checked="" type="checkbox"/> Credit to OPM Receipt Account (24X8135.8)	Agency Account Charged 6670100
	I certify that the items listed herein are correct and the amount is available to be credited to the OPM receipt account.		
	Signature of Authorized Administrative or Certifying Officer <i>C. J. Jones</i>		Date 1/23/87

Benefit Category	Withholdings	Contributions	Total
LIFE INSURANCE			
Basic Life	34,016.98	17,008.49	
Standard—Option A	3,560.35		
Additional—Option B	17,453.23		
Family—Option C	1,758.89		
Post-Retirement			
Total Life Insurance	56,789.45	17,008.49	+ 73,797.94
HEALTH BENEFITS	150,386.32	230,313.14	+ 380,699.46
RETIREMENT			
CSRS			
All Categories ¹	429,778.51	497,210.43	
Salary Offset— Reemployed Annuitants		100.00	
Military and Civilian Service Credit	64,843.38		
FERS			
Regular	1,300.00	14,800.00	
Military Reserve Technicians			
Special ²	1,800.00	30,000.00	
Military Deposit	100.00		
Total Retirement	497,821.89	542,110.43	+ 1,039,932.32
Grand Total	704,997.66	789,432.06	= 1,494,429.72

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¹Employees with CPDF Retirement Codes of 1, 6, C, E, R or T.
²Employees with CPDF Retirement Codes of L or M.

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