



Federal Employees' Retirement System: Summary of Recent Trends

Katelin P. Isaacs
Analyst in Income Security

December 20, 2012

Congressional Research Service

7-5700

www.crs.gov

98-972

Summary

This report describes recent trends in the characteristics of annuitants and current employees covered by the Civil Service Retirement System (CSRS) and the Federal Employees' Retirement System (FERS) as well as the financial status of the Civil Service Retirement and Disability Fund (CSRDF).

- In FY2010, 87% of current civilian federal employees were enrolled in FERS, which covers employees hired since 1984. Thirteen percent were enrolled in CSRS, which covers only employees hired before 1984.
- In FY2011, nearly 2.5 million people received civil service annuity payments, including 1,893,748 employee annuitants and 585,761 survivor annuitants. Eighty-three percent of these individuals received annuities earned under CSRS.
- One-third of all federal employee annuitants and survivor annuitants reside in five states: California, Florida, Texas, Maryland, and Virginia.
- The average civilian federal employee who retired in FY2011 was 60.5 years old and had completed 28.0 years of federal service.
- The average monthly annuity payment to workers who retired under CSRS in FY2011 was \$4,270. Workers who retired under FERS received an average monthly annuity of \$1,383. Employees retiring under FERS had a shorter average length of service than those under CSRS. FERS annuities are supplemented by Social Security benefits and the Thrift Savings Plan (TSP).
- At the end of FY2011, the balance of the CSRDF was \$798 billion, an amount equal to more than 11 times the amount of outlays from the fund that year. The trust fund balance is expected to reach \$812 billion by the end of FY2013.
- From FY1970 to FY1985, the number of people receiving federal civil service annuities rose from fewer than 1 million to nearly 2 million, an increase of 105%. Between FY1985 and FY2011, the number of civil service annuitants rose by 559,000, an increase of 28%.
- In FY2011, civilian federal employment, including the Postal Service, totaled 2.8 million workers. This was 112,000 more than the number of employees in FY2000, but 152,000 fewer than the number of employees in FY1994.
- Almost all (99.9%) CSRS employees were aged 45 or older in FY2010, compared with 58% of FERS employees who were aged 45 or older (42% of FERS employees were younger than 45). Thirty-one percent of CSRS employees were aged 60 or older, whereas 12% of FERS employees were in this age range.

Contents

Fundamentals of the Civil Service Retirement Programs	1
Retirement System Coverage of Current Federal Employees	2
Retirement System Coverage of Current Civil Service Annuitants	3
State of Residence of Civil Service Annuitants	4
Average Age and Years of Service at Retirement	6
Average Annuity Amounts Under CSRS and FERS	6
Average Age at Retirement of New Federal Retirees	7
Total and Median Annuity Payments to Retirees and Survivors	8
Cost-of Living Adjustments Under CSRS and FERS	9
Income and Expenditures of the Civil Service Retirement and Disability Fund	10
Recent Trends in the Balance of the Civil Service Retirement and Disability Fund	12
Number of Civil Service Annuitants and Total Annuity Payments	13
Total Civilian Federal Employment	15
Age Distribution of CSRS and FERS Employees	16

Tables

Table 1. Retirement System Coverage of Federal Employees, by Fiscal Year	3
Table 2. Retirement System Coverage of Civil Service Annuitants, FY2011	4
Table 3. State of Residence of Civil Service Annuitants, FY2011	4
Table 4. Number, Average Age and Years of Service, and Average Annuity of Civil Service Annuitants Who Retired in FY2011	7
Table 5. Average Age at Retirement for New Federal Retirees, by Fiscal Year	8
Table 6. Monthly Annuity Payments to Retirees and Survivors in FY2011	9
Table 7. Cost-of-Living Adjustments Under CSRS and FERS	10
Table 8. Receipts and Obligations of the Civil Service Retirement and Disability Fund, FY2011-FY2013	11
Table 9. Income and Expenses of the Civil Service Retirement and Disability Fund, FY1990-FY2013	13
Table 10. Annuitants and Annuity Payments, by Fiscal Year	14
Table 11. Civilian Federal Employment, by Fiscal Year	15
Table 12. Age Distribution of CSRS and FERS Employees, FY2010	16

Contacts

Author Contact Information	17
----------------------------------	----

Acknowledgments 17

Fundamentals of the Civil Service Retirement Programs

The Civil Service Retirement System (CSRS) was established by P.L. 66-215 in 1920, 15 years before Congress created the Social Security system for workers in the private sector. Because CSRS was designed to provide both retirement and disability benefits, federal employees were excluded from participating in Social Security. State and local governments were permitted to bring their employees into the Social Security program in the early 1950s, and today about three-fourths of state and local government employees are covered by Social Security.

In the Social Security Amendments of 1983 (P.L. 98-21), Congress mandated participation in Social Security by all civilian federal employees initially hired on or after January 1, 1984. To coordinate federal employee retirement benefits with Social Security, Congress directed the development of a new federal employee retirement system with Social Security as the cornerstone. The result of this effort was the Federal Employees' Retirement System (FERS) Act of 1986 (P.L. 99-335). The FERS is composed of three elements: (1) Social Security, (2) the FERS basic retirement annuity, and (3) the Thrift Savings Plan (TSP).

Most permanent federal employees hired after December 31, 1983, are enrolled in the FERS, as are employees who voluntarily switched from CSRS to FERS during "open seasons" in 1987 and 1998.¹ Under FERS, workers who have completed at least 30 years of service can retire at the plan's minimum retirement age. The minimum retirement age was 55 for workers born before 1948, and it is scheduled to rise to 57 for those born in 1970 or later. In 2013, the minimum retirement age is 56. Employees with 20 or more years of service can retire at the age of 60, and those with at least 5 years of service can retire at the age of 62. Federal employees and former employees who have completed at least 10 years of service can receive a reduced FERS annuity at the minimum retirement age. For those who choose this option, the FERS annuity is permanently reduced by 5% multiplied by the number of years between the worker's age at retirement and age 62. For example, the FERS annuity of an employee who retires at the age of 56 with fewer than 30 years of service would be permanently reduced by 5% multiplied by six, or 30%.

Under CSRS, the minimum retirement age is 55 for employees with 30 years of federal service, age 60 for those with 20 years of service, and 62 for employees with at least 5 years of service. CSRS has no provision for early retirement with a reduced benefit, except for special circumstances such as a reduction in force. Agencies undergoing a reduction in force can, with the approval of the Office of Personnel Management, offer retirement to employees aged 50 or older with 20 or more years of service or at any age with 25 or more years of service. An employee under CSRS who is offered and accepts an offer of voluntary early retirement has his or her retirement annuity permanently reduced by 2% multiplied by the number of years between the worker's age at retirement and age 55.

Under both CSRS and FERS, the amount of an employee's retirement annuity is based on the average of the individual's highest three consecutive years of basic pay multiplied by his or her

¹ P.L. 105-61 (October 10, 1997) authorized an open season to be held from July through December 1998.

years of service and the rate at which benefits accrue for each year of service.² Under FERS, the accrual rate is 1% of basic pay for each year of service. Workers with 20 or more years of service who retire at the age of 62 or later are credited with an accrual rate of 1.1% for each year of service. For example, a worker under FERS who retires at 61 with 29 years of service will receive a FERS annuity equal to 29% of his or her high-three average pay. Delaying retirement by one year would increase the annuity to 33% of high-three average pay (30 X 1.1 = 33.0).

Under CSRS, the benefit accrual rate increases with length of service. Workers accrue benefits equal to 1.5% of high-three average pay for each of the first 5 years of service; 1.75% for the 6th through 10th years of service, and 2.0% of high-three average pay for each year of service after the 10th year. This yields a pension equal to 56.25% of high-three average pay for 30 years of federal service under CSRS. Accrual rates are lower under FERS than under CSRS because employees under FERS also earn Social Security retirement benefits.

For all federal workers enrolled in FERS, the agencies where they are employed contribute an amount equal to 1% of the employees' basic pay to the TSP, even if the employees make no voluntary contributions to the TSP. In 2013, workers under FERS or CSRS can contribute up to \$17,500 to the TSP.³ Workers aged 50 and older can contribute an additional \$5,500 to the TSP.

Except in the case of the Roth TSP option, all contributions to the TSP are made on a pre-tax basis, and neither the employee's contribution nor any investment earnings are taxed until the money is withdrawn from the account. Under the Roth TSP option, however, employee contributions are made with after-tax income. Qualified distributions from the Roth TSP option—generally, distributions taken five or more years after the participant's first Roth contribution and after he or she has reached the age of 59½—are tax-free.

In addition, the first 5% of employee pay contributed to the TSP generates agency matching contributions for workers under FERS.⁴ Workers who are under CSRS can contribute to the TSP, but they receive no matching contributions from their employing agencies.

Retirement System Coverage of Current Federal Employees

Because enrollment in CSRS has been closed to new entrants since 1984, the proportion of federal workers covered by FERS has been rising and coverage under CSRS has been declining. (See **Table 1.**) FY1995 was the first year in which a majority of civilian federal employees (51%) were enrolled in FERS. In FY2010, 86.8% of federal employees were enrolled in FERS.

² High-three average pay is based on nominal (current) dollars rather than indexed (constant) dollars.

³ Employee contributions to the TSP are subject to the annual limit on salary deferrals established under Internal Revenue Code § 402(g).

⁴ All employees covered by FERS receive "agency automatic contributions" of 1% of pay. Employee contributions are matched dollar-for-dollar on the first 3% of pay contributed and at \$.50 on the dollar on the next 2% of pay contributed. Thus, the maximum agency contribution to the TSP is 5% of employee pay.

Table 1. Retirement System Coverage of Federal Employees, by Fiscal Year

Covered Active Employees ^a	CSRS	FERS	Total
FY2010	373,000	2,458,000	2,831,000
Percentage distribution	13.2	86.8	100
FY2008	477,000	2,195,000	2,672,000
Percentage distribution	17.9	82.1	100
FY2006	650,000	2,014,000	2,664,000
Percentage distribution	24.4	75.6	100
FY2004	795,000	1,875,000	2,670,000
Percentage distribution	29.8	70.2	100
FY2002	897,000	1,717,000	2,614,000
Percentage distribution	34.0	66.0	100
FY2000	961,000	1,629,000	2,590,000
Percentage distribution	37.1	62.9	100
FY1998	1,108,000	1,550,000	2,658,000
Percentage distribution	41.7	58.3	100
FY1996	1,235,000	1,385,000	2,620,000
Percentage distribution	47.1	52.9	100
FY1994	1,402,000	1,296,000	2,698,000
Percentage distribution	52.0	48.0	100

Source: Office of Personnel Management, *Federal Civilian Workforce Statistics: The Fact Book*, various years, and *Annual Report of the Board of Actuaries of the Civil Service Retirement and Disability Fund*, various years.

a. Includes U.S. Postal Service. Does not include employees on leave without pay.

Retirement System Coverage of Current Civil Service Annuitants

Although the majority of current federal employees are enrolled in FERS, most retired federal workers and their surviving dependents receive benefits that were earned under CSRS. In FY2011, 79% of employee annuitants were receiving pension benefits that were accrued under CSRS, whereas 21% had retired under FERS. (See **Table 2.**) The number of FERS annuitants is comparatively small because the FERS is still a relatively new program when compared with the average length of a worker's career. The program was established by the Federal Employees' Retirement System Act of 1986, and was made retroactive for all employees initially hired on or after January 1, 1984.

Table 2. Retirement System Coverage of Civil Service Annuitants, FY2011

	CSRS	FERS	Total
Employee annuitants	1,502,293	391,455	1,893,748
Percentage	79.3	20.7	100
Survivor annuitants	545,701	40,060	585,761
Percentage	93.2	6.8	100
Total annuitants	2,047,994	431,515	2,479,509
Percentage	82.6	17.4	100

Source: U.S. Office of Personnel Management.

State of Residence of Civil Service Annuitants

Approximately 2.5 million people received civil service annuities in FY2011, either as retired federal employees, surviving spouses, or surviving dependents. California had the largest number of annuitants with 213,045 and Vermont had the fewest with 4,415. Five states—California, Florida, Texas, Maryland, and Virginia—accounted for one-third of all civil service annuitants in FY2011. (See [Table 3](#).)

Table 3. State of Residence of Civil Service Annuitants, FY2011

State	Number of Annuitants	Percentage of National Total
Alabama	58,137	2.3%
Alaska	7,633	0.3%
Arizona	53,440	2.1%
Arkansas	24,999	1.0%
California	213,045	8.5%
Colorado	48,263	1.9%
Connecticut	14,801	0.6%
Delaware	9,142	0.4%
District of Columbia	43,637	1.7%
Florida	165,659	6.6%
Georgia	82,335	3.3%
Hawaii	24,601	1.0%
Idaho	14,255	0.6%
Illinois	67,813	2.7%
Indiana	36,280	1.4%
Iowa	20,662	0.8%
Kansas	24,308	1.0%
Kentucky	33,049	1.3%
Louisiana	26,559	1.1%

Federal Employees' Retirement System: Summary of Recent Trends

State	Number of Annuitants	Percentage of National Total
Maine	13,803	0.5%
Maryland	155,447	6.2%
Massachusetts	42,973	1.7%
Michigan	43,221	1.7%
Minnesota	28,263	1.1%
Mississippi	25,221	1.0%
Missouri	53,868	2.1%
Montana	12,598	0.5%
Nebraska	13,338	0.5%
Nevada	21,992	0.9%
New Hampshire	12,178	0.5%
New Jersey	54,154	2.1%
New Mexico	27,660	1.1%
New York	95,618	3.8%
North Carolina	72,192	2.9%
North Dakota	6,294	0.2%
Ohio	74,316	2.9%
Oklahoma	48,193	1.9%
Oregon	32,990	1.3%
Pennsylvania	106,332	4.2%
Rhode Island	8,347	0.3%
South Carolina	43,342	1.7%
South Dakota	10,031	0.4%
Tennessee	45,734	1.8%
Texas	165,562	6.6%
Utah	34,531	1.4%
Vermont	4,415	0.2%
Virginia	140,993	5.6%
Washington	65,247	2.6%
West Virginia	17,447	0.7%
Wisconsin	26,587	1.1%
Wyoming	5,642	0.2%
U.S. Territories and other countries	41,384	1.6%
Total	2,520,531	100%

Source: Office of Personnel Management.

Note: Includes retirees in interim pay status.

Average Age and Years of Service at Retirement

In FY2011, 82,837 civilian federal employees (including U.S. Postal Service employees) retired. (See **Table 4.**) Of this number, 66,343 (80%) were normal retirements⁵ and another 2,201 (3%) were voluntary early retirements. Under CSRS, normal retirement can occur as early as age 55 for an employee with 30 years of service. Under FERS, the minimum retirement age is currently 56, and it will increase to 57 for workers born in 1970 or later. Under both programs, normal retirement can be taken at age 60 with 20 years of service or age 62 with five years of service. The average age of workers taking voluntary, normal retirement in FY2011 was 60.7 for employees under CSRS and 63.5 for those under FERS. Workers taking normal retirement under CSRS in FY2011 had completed an average of 35.5 years of service, whereas those retiring under FERS had an average of 20.9 years of service.

More than 2,000 federal employees took voluntary early retirement in FY2011. These workers were younger on average (53.9 years old for CSRS employees; 54.5 years old for FERS employees) than those who took normal retirement, and their average length of service (30.8 years for CSRS employees; 25.3 years for FERS employees) was less than that of those who took normal retirement. Approximately 6% of all retirements among federal employees in FY2011 were taken for reasons of disability. CSRS disability retirees were, on average, 53.7 years old with 27.2 years of service. The average age of FERS disability retirees, who had 14.6 years of service, was 50.4. Involuntary retirements (such as those resulting from agency down-sizing) accounted for 2.2% of all retirements by federal employees in FY2011.

Average Annuity Amounts Under CSRS and FERS

The average monthly annuity among civilian federal employees who retired under CSRS in FY2011 was \$4,270, whereas new FERS annuitants received an average annuity of \$1,383 per month. Employees retiring under CSRS received larger annuities than those covered by FERS both because of their longer average length of service and because CSRS was designed to provide an adequate retirement income from a single source. FERS was designed to provide a smaller annuity than CSRS for any given length of service and level of compensation because federal employees under FERS participate in Social Security and they also can elect to save for retirement with agency matching contributions through the TSP.⁶ Employees enrolled in FERS who retire at the minimum retirement age or older with 30 years of federal service also receive a supplement to their FERS annuity between their retirement date and age 62. The supplement is equal to the Social Security benefit that they earned while employed by the federal employment and enrolled in FERS. Employees who retire at age 60 or 61 with 20 or more years of service also receive this supplement. The FERS supplement terminates at age 62, regardless of whether the individual applies for Social Security at that age.

⁵ Normal retirements include all retirements except disability retirements, voluntary early retirements, involuntary retirements, and special provision retirements.

⁶ In 2013, federal employees can contribute up to \$17,500 of pay to the TSP. Employees enrolled in FERS receive matching contributions up to a maximum of 5% of pay. Employees enrolled in CSRS do not receive matching contributions. For more information on the TSP, see CRS Report RL30387, *Federal Employees' Retirement System: The Role of the Thrift Savings Plan*, by Katelin P. Isaacs.

Table 4. Number, Average Age and Years of Service, and Average Annuity of Civil Service Annuitants Who Retired in FY2011

Civilian Federal Retirements	CSRS	FERS ^a	Average or Total
Normal Retirements			
Number	39,337	27,006	66,343
Average age at retirement	60.7	63.5	61.8
Average years of service	35.5	20.9	29.6
Average monthly annuity	\$4,384	\$1,239	\$3,104
Disability Retirements			
Number	608	4,305	4,913
Average age at retirement	53.7	50.4	50.8
Average years of service	27.2	14.6	16.2
Average monthly annuity	\$2,540	\$1,324	\$1,474
Involuntary Retirements			
Number	934	853	1,787
Average age at retirement	57.1	56.5	56.8
Average years of service	31.7	26.0	29.0
Average monthly annuity	\$3,674	\$1,478	\$2,626
Voluntary Early Retirements			
Number	1,178	1,023	2,201
Average age at retirement	53.9	54.5	54.2
Average years of service	30.8	25.3	28.2
Average monthly annuity	\$3,645	\$1,620	\$2,704
Special Provision Retirements^b			
Number	1,266	2,336	3,602
Average age at retirement	55.8	54.0	54.6
Average years of service	31.8	25.2	27.5
Average monthly annuity	\$6,444	\$3,388	\$4,462
Total Retirements in FY2011^c			
Number	44,998	37,839	82,837
Average age at retirement	60.2	60.8	60.5
Average years of service	34.5	20.4	28.0
Average monthly annuity	\$4,270	\$1,383	\$2,951

Source: CRS analysis of data from the Office of Personnel Management.

- Employees covered by FERS also participate in Social Security. In January 2012, the average monthly Social Security benefit for workers retiring at age 62 was \$1,167.
- Includes law enforcement officers, firefighters, air traffic controllers, and Members of Congress.
- Includes other, unclassified retirements that are not shown separately.

Average Age at Retirement of New Federal Retirees

In FY2011, the average age of federal employees taking normal retirement was 61.8, slightly higher than in FY1990 when the average age of federal employees taking normal retirement was 61.3. (See **Table 5.**) The average age for all retirements in FY2011 was 60.5, also higher than in FY1990 (59.4). Federal agencies undergoing a major reorganization can request permission from the Office of Personnel Management to offer their employees voluntary early retirement or

voluntary separation incentive payments (“buyouts”). Under voluntary early retirement, an employee with 20 or more years of service can retire as early as age 50. Voluntary separation incentives are cash payments of up to \$25,000 (before taxes) offered to employees who retire or otherwise separate from federal employment voluntarily. Because these incentives are generally offered to retirees who have not yet reached the combined age and years of service that are required for normal retirement, they tend to reduce the average age of employees who retire in any given year.

Table 5. Average Age at Retirement for New Federal Retirees, by Fiscal Year

Fiscal Year	Average Age at Retirement		Normal Retirements as a Percentage of All Retirements
	All Retirements	Normal Retirements	
1990	59.4	61.3	79.0
1994	58.1	61.8	56.8
1998	57.6	61.5	57.1
2002	58.1	60.6	67.6
2006	59.1	61.0	73.1
2010	59.9	61.6	77.1
2011	60.5	61.8	80.1

Source: Office of Personnel Management.

Note: Normal retirements include all retirements except disability retirements, voluntary early retirements, involuntary retirements, and special provision retirements.

Total and Median Annuity Payments to Retirees and Survivors

The Civil Service Retirement and Disability Fund (CSRDF) paid annuities to 1,893,748 retired federal employees and 585,761 survivor annuitants in FY2011. Of these beneficiaries, 2,047,994 individuals (83%) received benefits earned under CSRS and 431,515 (17%) received benefits under FERS. Employee annuitants under CSRS received a median monthly annuity of \$2,620. Survivors of CSRS annuitants received a median monthly CSRS annuity of \$1,230. Employee annuitants under FERS received a median monthly payment of \$823. The median survivor benefit under FERS was \$358. As was noted earlier, FERS benefits are smaller than those under CSRS both because employees retiring under FERS had fewer years of service than workers who retired under CSRS, and because FERS benefits are intended to be supplemented by Social Security and the TSP.⁷

⁷ In December 2011, the average monthly Social Security benefit among all retired workers was \$1,229. The average monthly benefit for a nondisabled surviving spouse was \$1,184.

Table 6. Monthly Annuity Payments to Retirees and Survivors in FY2011
(in thousands of dollars)

	CSRS	FERS	All Retirees and Survivors
Retired Employees Annuitants	1,502,293	391,455	1,893,748
<i>Percentage of Total</i>	79.3	20.7	100
Mean monthly annuity	\$3,002	\$1,097	\$2,608
Median monthly benefit	\$2,620	\$823	\$2,287
Survivor Annuitants	545,701	40,060	585,761
<i>Percentage of Total</i>	93.2	6.8	100
Mean monthly benefit	\$1,384	\$461	\$1,320
Median monthly benefit	\$1,230	\$358	\$1,174
Total Annuitants	2,047,994	431,515	2,479,509
<i>Percentage of Total</i>	82.6	17.4	100

Source: Office of Personnel Management, Statistical Abstract of Federal Employee Benefits Program.

Cost-of Living Adjustments Under CSRS and FERS

Cost-of-living adjustments (COLAs) for both CSRS and FERS are based on the rate of inflation as measured by the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). COLAs are determined by the percentage change in the average monthly CPI-W during the third quarter (July to September) of the current calendar year compared to the third quarter of the last year in which a COLA was applied. If consumer prices as measured by the CPI-W do not increase (or decrease) between the third quarter of the base year and the third quarter of the current calendar year, there is no COLA for annuities paid under CSRS or FERS (and the base year used for the COLA calculation remains the last year that a COLA was applied). The “effective date” for COLAs is December, but they first appear in benefit checks issued in January.

Under FERS, COLAs are paid only to retired workers who are 62 or older and to disabled and survivor beneficiaries of any age. COLAs paid under FERS are less than the rate of inflation whenever the increase in the CPI-W is greater than 2.0%. If the rate of inflation during the measurement period is between 2.0% and 3.0%, the FERS COLA is 2.0%. If inflation is greater than 3.0%, then the COLA for FERS benefits is equal to the CPI-W minus one percentage point.⁸

From the third quarter of 2011 to the third quarter of 2012, the CPI-W increased by 1.7%. Therefore, the CSRS COLA beginning in January 2013 is 1.7%. The January 2013 FERS COLA is also 1.7%. (See **Table 7**.)

⁸ Workers who switched from CSRS to FERS receive a COLA that is weighted by the proportion of their federal service that was spent under each retirement system.

Table 7. Cost-of-Living Adjustments Under CSRS and FERS
(in percentage)

Date Paid	CSRS COLA	FERS COLA	Change in CPI from 3 rd Qtr to 3 rd Qtr
January 1990	4.7%	3.7%	4.7%
January 1991	5.4	4.4	5.4
January 1992	3.7	2.7	3.7
January 1993	3.0	2.0	3.0
April 1994	2.6	2.0	2.6
April 1995	2.8	2.0	2.8
April 1996	2.6	2.0	2.6
January 1997	2.9	2.0	2.9
January 1998	2.1	2.0	2.1
January 1999	1.3	1.3	1.3
January 2000	2.4	2.0	2.4
January 2001	3.5	2.5	3.5
January 2002	2.6	2.0	2.6
January 2003	1.4	1.4	1.4
January 2004	2.1	2.0	2.1
January 2005	2.7	2.0	2.7
January 2006	4.1	3.1	4.1
January 2007	3.3	2.3	3.3
January 2008	2.3	2.0	2.3
January 2009	5.8	4.8	5.8
January 2010	0.0	0.0	-2.1
January 2011	0.0	0.0	-0.6
January 2012	3.6	2.6	3.6
January 2013	1.7	1.7	1.7

Source: Office of Personnel Management.

Income and Expenditures of the Civil Service Retirement and Disability Fund

The CSRDF began FY2011 with a balance of \$774.2 billion. By law, these assets are invested in special-issue U.S. Treasury bonds. The balance of the trust fund represents budget authority available to pay benefits under both CSRS and FERS. The fund's end-of-FY2011 balance of \$797.5 billion was more than 11 times the value of the CSRS and FERS annuities paid from the fund that year. (See **Table 8**.)

The CSRDF receives income from several sources. Some of the fund's income results from cash transactions. Other income comes from intra-governmental transfers. The largest cash transaction (\$3.3 billion in FY2011) consists of employee contributions to CSRS and FERS. These contributions are equal to 7.0% of base pay under CSRS; 0.8% of base pay under FERS for employees first hired before 2013; and 3.1% of pay under FERS for employees first hired after

2012.⁹ Smaller cash payments are received from the District of Columbia to finance retirement benefits for its employees and from additional cash contributions made by federal workers. These usually are former federal employees who are returning to government service and who had previously withdrawn their retirement contributions under CSRS.

The civil service retirement trust fund's largest sources of income are (1) interest payments on the U.S. Treasury bonds it holds, (2) annual payments from the general fund of the Treasury to make up for the insufficient funding of benefits accrued under CSRS, and (3) payments from federal agencies and the Postal Service on behalf of their employees. Agency contributions under CSRS are equal to 7.0% of payroll, and are supplemented by transfers from the general fund of the Treasury equal to approximately 12% of payroll. Agency contributions to FERS are required by law to be equal to the full actuarial cost of the program minus employee contributions. Agency contributions to FERS are equal to 11.9% of pay in FY2013 for employees first hired before 2013 and 9.6% of pay in FY2013 for employees first hired after 2012. These three sources of income are intra-governmental transfers that increase the fund's budget authority, as recorded in the accounts of the U.S. Treasury. The fund receives Treasury bonds as a record of this budget authority, which it redeems periodically as annuity payments come due.¹⁰

Expenditures from the CSRDF consist mainly of payments to retired federal employees and their surviving dependents. Annuity payments totaled \$70.2 billion in FY2011. Payments to the estates of decedents and payments to separating employees accounted for another \$321 million. The administrative expenses of the fund were \$144 million, or 0.2% of obligations.

Table 8. Receipts and Obligations of the Civil Service Retirement and Disability Fund, FY2011-FY2013
(in millions of dollars)

	FY2011	FY2012 (est.)	FY2013 (est.)
Beginning balance	\$774,161	\$797,479	\$812,479
Receipts to the fund			
<i>Cash receipts:</i>			
—Employee contributions	\$3,310	\$3,576	\$4,216
—District of Columbia	\$30	\$23	\$20
—Other employee deposits	\$651	\$695	\$747

⁹ Under the Balanced Budget Act of 1997 (P.L. 105-33), employee contribution rates under CSRS and FERS rose by 0.25% in January 1999 and by a further 0.15% in January 2000. They were scheduled to increase by another 0.1% in January 2001 before reverting to their previous levels—7.0% under CSRS and 0.8% under FERS—after December 31, 2002, but the increased contributions were repealed by P.L. 106-346. The Middle Class Tax Relief and Job Creation Act of 2012 (P.L. 112-96) increased the FERS employee contributions by 2.3% for FERS employees hired (or rehired with less than five years of FERS service) after December 31, 2012. Therefore, the FERS employee contribution rate for most newly hired/rehired FERS employees is 3.1% of pay rather than 0.8% of pay.

¹⁰ See CRS Report RL30023, *Federal Employees' Retirement System: Budget and Trust Fund Issues*, by Katelin P. Isaacs.

	FY2011	FY2012 (est.)	FY2013 (est.)
<i>Intragovernmental transfers:</i>			
—Agency contributions	\$21,018	\$20,987	\$21,257
—Postal Service contributions	\$2,182	\$3,874	\$3,933
—Interest on securities	\$34,988	\$33,546	\$32,167
—General fund receipts	\$31,281	\$31,976	\$31,838
—Re-employment offset	\$50	\$51	\$52
Total receipts to the fund	\$93,994	\$95,119	\$94,230
Obligations from the fund			
—Employee and survivor annuities	-\$70,209	-\$74,342	-\$77,719
—Refunds and payments to estates	-\$321	-\$225	-\$207
—Administration	-\$144	-\$99	-\$103
Transfer to Merit Systems Protection Board	\$4	\$4	\$4
Total obligations from the fund	-\$70,676	-\$74,669	-\$78,031
Ending balance	\$797,479	\$812,479	\$823,228

Source: U.S. Office of Management and Budget, Budget of the United States Government, FY2013.

Recent Trends in the Balance of the Civil Service Retirement and Disability Fund

Between FY1990 and FY2013 (estimated), the balance of the CSRDF rose from \$238 billion to \$879 billion, an increase of 270%. (See **Table 9**.) The balance of the fund has been rising partly because the civil service retirement programs are in a long-term transition from pay-as-you-go financing under CSRS to advance-funding under FERS.

Until 1969, CSRS benefits were funded on a pay-as-you-go basis with a small reserve equal to about one year of benefit payments to meet unexpected contingencies. Employee contributions and agency contributions were less than the actuarial value of the benefits that were accrued each year by federal employees. In 1969, P.L. 91-93 mandated annual payments to the fund from the general revenues of the U.S. Treasury to make up most of this shortfall.¹¹ When Congress passed the legislation that created FERS in 1986, the law required that the full actuarial value of benefits accrued each year by federal employees under FERS (including the value of future COLAs) must be funded by the sum of employee and agency contributions. The Office of Personnel Management estimates that at some time in the 21st century, the trust fund will reach a steady state in which it holds sufficient budget authority to finance about 18 to 20 years of retirement and disability benefits.

¹¹ The Office of Management and Budget has estimated that employee and agency contributions and the transfers from the general fund are sufficient to meet all of the actuarial costs of CSRS except for the increase in benefits represented by COLAs.

Table 9. Income and Expenses of the Civil Service Retirement and Disability Fund, FY1990-FY2013

(in billions of dollars)

Fiscal Year	CSRDF Income	CSRDF Expenditures	Net Assets at End of Year
1990	\$52.7	-\$31.4	\$238.0
1995	66.1	-38.6	371.3
1996	67.7	-39.9	398.9
1997	70.4	-41.8	427.5
1998	72.8	-43.2	457.1
1999	73.7	-44.0	486.8
2000	76.0	-45.2	521.5
2001	77.9	-47.1	548.2
2002	80.1	-48.7	579.5
2003	77.8	-50.0	607.1
2004	82.1	-52.0	637.1
2005	83.5	-55.4	665.9
2006	87.0	-57.6	695.0
2007 ^a	89.5	-78.1	706.4
2008	90.8	-63.5	733.7
2009	92.7	-67.6	758.7
2010	95.2	-69.3	784.6
2011 ^b	102.2	-70.0	816.8
2012 ^b	104.8	-73.0	848.6
2013 ^b	107.3	-76.5	879.4

Source: Office of Personnel Management.

a. Expenditures for 2007 include a \$17.1 billion payment to the Postal Service Retiree Health Fund.

b. Data for FY2011-FY2013 are estimated.

Number of Civil Service Annuitants and Total Annuity Payments

The number of people receiving civil service annuity payments has risen more than 160% since 1970, but the rate of increase has slowed since 1985. (See **Table 10.**) The rapid rise in the number of civil service annuitants from less than 1 million in 1970 to approximately 2 million in 1985 resulted from the increase in federal employment that occurred between 1940 and 1955. Throughout the 1930s, civilian federal employment (including postal employees) was less than 1 million. The first year in which there were more than 1 million people in the federal workforce was 1940. By 1955, civilian federal employment had reached 2.4 million. After 1955, civilian federal employment increased much more slowly. It reached nearly 3 million in 1970, due in part to the war in Vietnam and the creation of such large-scale social programs as Medicare and Medicaid in the 1960s. The slower but still steady increase in the number of federal employees in the years between 1955 and 1970 had as one of its consequences the steady increase in the number of civil service annuitants in the years since 1985. Between 1985 and 2011, the number of civil service annuitants rose from just under 2 million to approximately 2.5 million.

Expenditures for civil service annuities have grown by a greater percentage than the number of annuitants because they are affected not only by the number of people employed by the federal government, but also by increases in average life-span, growth in real wages, and inflation. Cost-of-living adjustments—which have been applied to civil service annuities since 1962—increase the nominal value of civil service annuities, but do not increase in the real value of these annuities. COLAs are intended to keep purchasing power from eroding due to the effects of inflation.¹²

Under current law, the real value of a civil service annuity either remains constant (CSRS) or declines (FERS) during retirement.¹³ Therefore, the increase in the real value of annuities has been the result of increases in the average value of the “high-three” average pay on which these annuities are based. Rates of increase in the high-three average pay of retiring federal employees are in turn affected by (1) adjustments to pay for each grade-and-step level, (2) special pay increases such as locality pay adjustments, (3) the distribution of federal employees among various grade-and-step levels over time, and (4) average length of service (because each additional year of service tends to increase the high-three average pay). The average real value of civil service annuities per annuitant can be expected to decline in the future as a growing number of new retirees will be workers who were enrolled in FERS rather than CSRS. FERS annuities are smaller than CSRS annuities, but they are supplemented by Social Security benefits and the TSP.

Table 10. Annuitants and Annuity Payments, by Fiscal Year

Fiscal Year	Total Annuitants (thousands)	Payments in Nominal Dollars (millions)	Payments in Constant 2011 Dollars (millions)
1970	962	\$2,746	\$15,920
1975	1,391	7,048	29,468
1980	1,675	14,662	40,025
1985	1,971	23,012	48,107
1990	2,143	31,036	53,414
1995	2,311	38,319	56,558
2000	2,372	45,072	58,876
2001	2,380	47,244	60,006
2002	2,383	48,838	61,065
2003	2,290	50,248	61,428
2004	2,404	52,048	61,978
2005	2,423	54,593	62,878
2006	2,449	57,809	64,501
2007	2,463	60,860	66,025
2008	2,471	63,432	66,271
2009	2,510	67,618	70,897
2010	2,522	69,261	71,447

¹² Federal tax revenues increase each year partly as a result of inflation. Income tax brackets are indexed in recognition of increases in personal income that result solely from inflation.

¹³ Some CSRS COLAs in the 1970s exceeded the rate of inflation because P.L. 91-93, enacted in 1969, called for COLAs of “CPI plus one percentage point.” The additional one percentage point was repealed by P.L. 94-440, enacted in 1976.

Fiscal Year	Total Annuitants (thousands)	Payments in Nominal Dollars (millions)	Payments in Constant 2011 Dollars (millions)
2011	2,530	70,209	70,209
2012 ^a	2,557	74,342	72,742
2013 ^a	2,582	77,719	76,270

Source: Office of Personnel Management and Office of Management and Budget.

Note: Depending on the day that the fiscal year begins, a year can have 11, 12, or 13 payments.

a. Estimated number of annuitants and nominal outlays from the *Budget of the United States*.

Total Civilian Federal Employment

Between FY1994 and FY2011, the number of civilian federal employees (including the U.S. Postal Service, which participates in both CSRS and FERS) fell from 2,972,000 to 2,820,000. (See **Table 11.**) Civilian federal employment outside the Postal Service fell from 2,149,000 in FY1994 to 1,943,000 in FY2006, a decline of 9.6%. From FY2006 to FY2011, total federal employment rose from 2,700,000 to 2,820,000, an increase of 4.4%. Non-postal employment rose from 1,943,000 to 2,210,000, an increase of 13.7%. Much of the FY2006 to FY2011 increase in federal employment was driven by growth in the executive branch, which is the largest branch of government in terms of federal employees. The executive branch experienced an increase in employees over this period of 4.5% (2,637,000 employees in FY2006; 2,756,000 employees in FY2011). Employment in the judicial branch (34,000) exceeded employment in the legislative branch (30,000) in FY2011. From FY1994 to FY2011, employment in the legislative branch declined from 35,000 employees to 30,000 employees. Over the same period, employment in the judicial branch rose from 28,000 to 34,000 employees.

Table 11. Civilian Federal Employment, by Fiscal Year
(total employment, in thousands, as of September 30 each year)

Year	Legislative Branch	Judicial Branch	Executive Branch	Postal Service	Total
1994	35	28	2,908	823	2,972
1996	32	30	2,786	852	2,847
1998	31	32	2,727	872	2,790
2000	31	32	2,645	861	2,708
2002	31	35	2,650	812	2,716
2004	30	34	2,649	768	2,713
2006	29	34	2,637	757	2,700
2008	30	34	2,694	728	2,758
2010	31	34	2,777	643	2,841
2011	30	34	2,756	610	2,820

Source: Office of Personnel Management. *The Fact Book: 2005 Edition* (p. 7) and *2007 Edition* (p. 8), and *Employment and Trends*, various years (Table 2).

Age Distribution of CSRS and FERS Employees

Under CSRS, an employee with 30 or more years of service can retire with an immediate, unreduced annuity at age 55. The minimum retirement age under FERS is 56. In both CSRS and FERS, an employee with 20 or more years of service can retire at 60. About one in three federal employees will reach age 55 within 10 years, but not all of them will have 30 years of service at that age. Of those who have 30 or more years of service, not all will retire as soon as they are eligible. The average age among all federal employees who retired in FY2011 was 60.5. The average age among individuals who took normal retirement—as opposed to early retirement or disability retirement—was 61.8.¹⁴

Since CSRS has been closed to new entrants since 1984, the distribution of current CSRS employees is older than FERS. Very few CSRS employees (less than one-hundredth of a percent) were under age 45 in September 2010. Forty-two percent of FERS employees, however, were under age 45 during this same period. Nearly 5% of CSRS employees and 18% of FERS employees were between the age of 45 and 54. Most CSRS employees (68%) were age 55 or older, while only 22% of FERS employees were age 55 or older. (See **Table 12.**)

Table 12. Age Distribution of CSRS and FERS Employees, FY2010

(number as of September 30, 2010)

Age	Under Age 45	45 -49	50 -54	55 -59	60 -64	65 or Older	Total
Number of CSRS employees	42	17,873	100,978	137,473	84,937	31,698	373,000
Percentage	0.01	4.8	27.1	36.9	22.8	8.5	100%
Number of FERS employees	1,043,719	449,901	417,452	310,485	179,404	57,037	2,458,000
Percentage	42.5	18.3	17.0	12.6	7.3	2.3	100%

Source: Office of Personnel Management.

Notes: Due to rounding columns may not sum exactly to totals.

¹⁴ Retirements other than normal retirements include disability retirements, voluntary early retirements, involuntary retirements, special retirements for law enforcement officers and firefighters, and other unclassified retirements.

Author Contact Information

Katelin P. Isaacs
Analyst in Income Security
kisaacs@crs.loc.gov, 7-7355

Acknowledgments

This report was originally prepared by former CRS Specialist Patrick Purcell. Please direct any inquiries to the listed author.