

March 23, 1999

FECA

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease.

Accrued Unfunded FECA Liability

Before August 15 of each year, Department of Labor shall furnish to each agency a statement showing the total cost of benefits and other payments made from the Employees' Compensation Fund during the preceding July 1 through June 30 for injury or death of employees or individuals under the jurisdiction of the agency. Each agency shall include in its annual budget estimates for the *fiscal year beginning in the next calendar year* a request for an appropriation for the amount equal to the costs. Sums appropriated pursuant to the request shall be deposited in the Treasury to the credit of the Fund within 30 days after they are available. (Please refer to 5USC section 8147, Employees' Compensation Fund for more details)

Note: This package illustrates those agencies that receive annual appropriations to fund the FECA liability. Those entities that are not dependent on annual appropriations for funding may not have unfunded FECA liability recorded at the time the bill is received from the Department of Labor.

I. ACCOUNTING FOR UNFUNDED ITEMS IN YEAR 1
Reported by the agencies

FECA ACTUARIAL LIABILITY¹

1) Department of Labor provides an agency FECA Actuarial Liability and the agency records the change in the FECA actuarial liability.

<i>proprietary</i>			
7600(N)	Change in Actuarial Liability (Unfunded)	100	
2650(N)	Actuarial FECA Liabilities		100

budgetary
None

ACCRUED UNFUNDED FECA LIABILITY

2) To record accrued unfunded FECA liability.² On 8/1/X1, the Department of Labor issues a bill for the actual amount of workmen's compensation it has paid on the agency's behalf. Assume after 15 months, the agency receives funding to reimburse Department of Labor.

<i>proprietary</i>			
6800(G)	Future Funded Expense (Unfunded CY)	25	
2225(G)	Unfunded FECA Liabilities		25

budgetary
None

¹ The **FECA actuarial liability** includes the expected liability for death, disability, medical, and other approved costs. It is estimated using the paid-loss extrapolation method. This method uses historical benefit payment patterns related to a specific incurred period to predict the entire payments related to that period. The payments are discounted to present value.

² From an agency or fund perspective, the **accrued unfunded FECA liability** is the difference between the FECA benefits paid by the FECA Special Benefits Fund and the agency's actual cash payment to the Fund. For example, the Special Benefits Fund will pay benefits on behalf of an agency or fund through the current year. However, most agencies' actual cash payments to the FECA Special Benefit Fund for the current FY will reimburse the Fund for benefits paid through a prior fiscal year. The difference between these two amounts -- benefits paid by the Fund and reimbursements made by the agencies -- is the accrued unfunded liability.

FECA Actuarial Liability Example

In this example, the actuarial liability for FECA at fiscal year end is as follows:

FY End 1997	\$138,680,000.00
FY End 1998	\$164,895,000.00

FECA Actuarial Liability and Expense FY 1998:

FY 1998 FECA Actuarial Liability	\$164,895,000.00
FY 1997 FECA Actuarial Liability	<u><138,680,000.00></u>
FY 1998 FECA Actuarial Expense	<u>\$ 26,215,000.00</u>

YEAR 1 FINANCIAL STATEMENTS
Reported by the agencies

To make closing entries

proprietary

3310(N)	Cumulative Results of Operations		100
3310(G)	Cumulative Results of Operations		25
7600(N)	Change in Actuarial Liability (Unfunded)		100
6800(G)	Future Funded Expense (Unfunded CY)		25

budgetary

None

Post-closing Trial Balance

2225G	Unfunded FECA Liability		25
2650N	Actuarial FECA Liabilities		100
3310G	Cumulative Results of Operations	25	
3310N	Cumulative Results of Operations	<u>100</u>	<u> </u>
		125	125

**BALANCE SHEET
FOR YEAR 1
(After Closing)**

ASSETS

LIABILITIES

	2650 (N) Actuarial FECA Liabilities	100
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	2215 (G) Unfunded FECA Liabilities	25
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EQUITY

	3310N Cumulative Results of Operations	<100>
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	3310G Cumulative Results of Operations	< 25>
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STATEMENT OF NET COST

FOR YEAR 1

7600N	Change in Actuarial Liability	100
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6800G	Future Funded Expenses	<u>25</u>
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	Net Cost	<u>125</u>
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STATEMENT OF CHANGE IN NET POSITION

FOR YEAR 1

Net cost of operation	<u>125</u>
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Net change in cumulative results of operations	125
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Net Position -Beginning of the Period	<u>-0-</u>
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Net Position - End of the Period	<u>125</u>
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Note: Statement of Financing was not prepared since there was no budgetary impact in year 1

**II. ACCOUNTING FOR FUNDED ITEMS IN YEAR 3
(FECA ACCRUED LIABILITY)**

1) To realize, apportion, and allot appropriation which includes funding for the accrued FECA liability.

proprietary

1010	Fund balance with Treasury	50	
3100	Unexpended Appropriation		50

budgetary

Assume the budget resource is apportioned and allotted

4119	Other Appropriation Realized	50	
4450	Unapportioned authority - ava		50
4450	Unapportioned authority - ava	50	
4510	Apportionments		50
4510	Apportionments	50	
4610	Allotments - realized resources		50

TO RECORD FUNDING FOR FECA LIABILITY

2) To reclassify unfunded liability and expense to funded liability and expense. On 10/30/X3 (after 15 months) the funding was available to pay Department of Labor.

proprietary

2225(G)	Unfunded FECA Liability	25	
2190(G)	Other Accrued Liability		25
6400(G)	Benefit Expense	25	
6800(G)	Future Funded Expense		25
	<i>(This entry is made for Statement of Financing purpose)</i>		
3100	Unexpended Appropriations	25	
5700	Appropriations Used		25

budgetary

4610	Allotments Realized Resources	25	
4901	Expended Authority - unpd		25

3) To record a payment of FECA liability to Department of Labor.

proprietary

2190(G)	Other Accrued Liability	25	
1010	Fund Balance with Treasury		25

budgetary

4901	Expended Authority - unpd	25	
4902	Expended Authority - pd		25

YEAR 3 FINANCIAL STATEMENTS
Reported by the agencies

To make a closing entry

5700	Appropriations used	25	
6800(G)	Future Funded Expense	25	
3310	Cumulative results of operation		50
3310	Cumulative results of operation	25	
6400(G)	Benefit Expense		25

Post-closing Trial Balance

proprietary

1010	Fund Balance with Treasury	25	
2650 (N)	Actuarial FECA Liabilities		100
3100	Unexpended Appropriation		25
3310	Cumulative Results of Operations	<u>100</u>	
		125	<u>125</u>

budgetary

4119	Other Appropriation Realized	50	
4610	Allotments Realized Resources		25
4902	Expended Authority - pd	<u>—</u>	<u>25</u>
		50	50

BALANCE SHEET
YEAR 3
 (After Closing)

ASSETS		
	1010 Fund Balance with Treasury	25
LIABILITIES		
	2650 (N) Actuarial FECA Liabilities	100
EQUITY		
	3100 Unexpended Appropriation	25
	3310 Cumulative Results of Operations	<100>

STATEMENT OF NET COST
YEAR 3

Net Cost	0
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STATEMENT OF FINANCING
YEAR 3

1A	Obligations Incurred	
	4902 Expended Authority	25
2D	Financing Sources That Do Not Fund Net Costs of Operations	
	6800 Future funded expenses	<u>(25)</u>
	<i>Net Cost</i>	-0-

FECA Accrued Liability Example

In this example, the FECA bills for an agency are as follows:
(The program year for Employee Compensation Fund is 7/1 - 6/30)

1995-1996	\$15,387,260.73
1996-1997	\$16,086,105.39
1997-1998	\$17,865,647.88

And the liabilities for quarter ended September 30 are as follows:

1997	\$4,027,214.84
1998	\$4,164,098.96

FECA Expense FY 1998:

Program Year Ending 6/30/98	\$17,865,647.88
Quarter Ending 9/30/97	<4,027,214.88>
Quarter Ending 9/30/98	<u>4,164,098.96</u>
FY 1998 FECA Expense	<u>\$18,002,532.00</u>

Accrued FECA Liability FY 1998:

Chargeback Year Ended 6/30/97	\$16,086,105.39
Chargeback Year Ended 6/30/98	17,865,647.88
Quarter Ending 9/30/98	<u>4,164,098.96</u>
FY 1998 Accrued FECA Liability	<u>\$38,115,852.23</u>