

**UPDATED FECA CASE STUDY  
USING THE NEW PROPOSED  
SGL ACCOUNT 6850 ,  
Employer Contribution to Employee Benefit  
Program Not Requiring Current Year Budget  
Authority (Unobligated)**

**June 12, 2000**

## **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)

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

FECA ACTUARIAL LIABILITY<sup>1</sup>

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

proprietary

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.<sup>2</sup> 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.

proprietary

<b>6850(G)</b>	<b>Employer Contribution to Employee Benefit Program Not Requiring Current Year Budget Authority (Unobligated)</b>	<b>25</b>	
2225(G)	Unfunded FECA Liabilities		25

budgetary

<sup>1</sup> 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.

<sup>2</sup> 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.

None

### **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>&lt;138,680,000.00&gt;</u>
FY 1998 FECA Actuarial Expense	<u><u>\$ 26,215,000.00</u></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
<b>6850(G)</b>	<b>Employer Contribution to Employee Benefit Program Not Requiring Current Year Budget Authority (Unobligated)</b>		<b>25</b>

*budgetary*

None

Post-closing Trial Balance

<b>2225G</b>	<b>Unfunded FECA Liability</b>	25	
<b>2650N</b>	<b>Actuarial FECA Liabilities</b>		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)**

<b>ASSETS</b>			
<b>LIABILITIES</b>			
	2650 (N)	Actuarial FECA Liabilities	100
(updated 6/12/00)	<del>2225</del> 2215 (G)	Unfunded FECA Liabilities	25
<b>EQUITY</b>			
	3310N	Cumulative Results of Operations	<100>
	3310G	Cumulative Results of Operations	< 25>

**STATEMENT OF NET COST  
FOR YEAR 1**

7600N	Change in Actuarial Liability	100
<b>6850(G)</b>	<b>Employer Contribution to Employee Benefit Program Not Requiring Current Year Budget Authority (Unobligated)</b>	<u>25</u>
	Net Cost	<u>125</u>

**STATEMENT OF CHANGE IN NET POSITION  
FOR YEAR 1**

Net cost of operation	125	<u>125</u>
Net change in cumulative results of operations	125	
Net Position -Beginning of the Period	<u>-0-</u>	
Net Position - End of the Period		<u>125</u>

**Note: Statement of Financing was not prepared since there was no budgetary impact in year 1. No transactions are recorded in year 2.**

**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	
(updated 3/27/00)	<del>2190(G)</del>	<del>Other Accrued Liabilities</del>	<del>25</del>	
	2215(G)	Other Post Employment Benefit Due and Payable		25

6400(G)	Benefit Expense	25	
<b>6850(G)</b>	<b>Employer Contribution to Employee Benefit Program Not Requiring Current Year Budget Authority (Unobligated)</b>		<b>25</b>

*(This entry is made for Statement of Financing purpose)*

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 Liabilities 25~~ "updated 3/27/00"  
2215(G) Other Post Employment Benefit Due and Payable 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	
<b>6850(G)</b>	<b>Employer Contribution to Employee Benefit Program</b>			
	<b>Not Requiring Current Year Budget Authority</b>			
	<b>(Unobligated)</b>		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>	<u>    </u>
			125	125

*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)

<b>ASSETS</b>		
	1010 Fund Balance with Treasury	25
<b>LIABILITIES</b>		
	2650 (N) Actuarial FECA Liabilities	100
<b>EQUITY</b>		
	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**

<b>1A</b>	<b>Obligations Incurred</b>	
	4902 Expended Authority	25
<b>2D</b>	<i>Financing Sources That Do Not Fund Net Costs of Operations</i>	
	<b>6850(G) Employer Contribution to Employee Benefit Program</b>	
	<b>Not Requiring Current Year Budget Authority</b>	
	<b>(Unobligated)</b>	<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>