



Retirement and Insurance Service
Benefits Administration Letter

Number: 03- 302

Date: January 15, 2003

Subject: Cost Factors for First Quarter of FY 2003

This letter provides the "costs factors" for the Federal civilian benefit programs for the first quarter of FY 2003. Agencies will use these cost factors to calculate their imputed costs relating to the "pensions" (the Civil Service Retirement and Federal Employees' Retirement Systems), the Federal Employees Health Benefits Program and the Federal Employees Group Life Insurance Program. To support the requirement to produce quarterly financial statements, we will provide updated cost factor information prior to the beginning of each quarter as well as at fiscal year-end for annual reporting purposes.

PENSIONS

CSRS. For most or "regular" CSRS employees, the cost factor for the first quarter of FY 2003 will be **24.4 percent of basic pay**; this is an increase from the 24.2 percent used for FY 2002 annual reporting. The cost factors for other categories of CSRS coverage are attached.

FERS. For regular FERS employees, the cost factor for the first quarter of FY 2003 remains 11.5 per cent of basic pay. The cost factors for other categories of FERS coverage are also on the attachment.

Calculating the Imputed Cost for Pensions

- Step 1:** Sort all employees covered by the CSRS or FERS by their coverage category.
- Step 2:** Aggregate the basic pay paid to all employees in each CSRS and FERS coverage category during the first quarter of FY 2003.
- Step 3:** Multiply the aggregated basic pay for each coverage category computed in Step 2 by the applicable cost factor.
- Step 4:** Compute the grand total of each of the individual calculations in Step 3 - this is total cost to provide CSRS and FERS benefits to agency employees or the "service cost" for the first quarter of FY 2003.
- Step 5:** Determine the total employee withholdings and agency contributions for all CSRS and FERS-covered employees during the first quarter of FY 2003.
- Step 6:** From the service cost derived in Step 4, subtract the total contributions (agency and employee) for all employees covered by the CSRS and FERS - this is the *imputed cost* for the CSRS and FERS for the first quarter of FY 2003.

<i>Civil Service Retirement System</i>	<i>Federal Employees' Group Life Insurance Program</i>	<i>Federal Employees Health Benefits Program</i>	<i>Federal Employees Retirement System</i>	<i>Federal Long Term Care Insurance Program</i>
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FEDERAL EMPLOYEE HEALTH BENEFIT PROGRAM

The cost factor for the first quarter of FY 2003 for the Federal Employee Health Benefit Program (FEHB) is \$918.

Calculating the Imputed Cost for the FEHB

- Step 1: Ascertain the actual FEHB enrollment at the beginning and end of the quarter: October 1, 2002 and December 31, 2002 -- include ALL enrolled employees, both full-time and less than full-time.
- Step 2: Add the October 1, 2002 and December 31, 2002 enrollment and divide by two to derive the "constructed FEHB enrollment".
- Step 3: Multiply the constructed FEHB Program enrollment, computed in Step 2, by the FY 2003 cost factor of \$918 - this is the *imputed* cost for the FEHB for the first quarter of FY 2003.

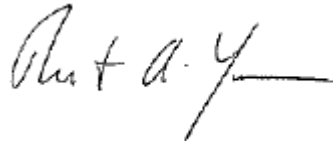
FEDERAL EMPLOYEES LIFE INSURANCE PROGRAM

The cost factor for the first quarter of FY 2003 for the Federal Employees Life Insurance Program (FELI) remains at 0.02 percent of basic pay.

Calculating the Imputed Cost for in FELI

- Step 1: Determine the aggregate basic pay of ALL employees covered by Basic life insurance during the first quarter of FY 2003.
- Step 2: Multiply the amount determined in Step 1 by 0.02 per cent of basic pay to determine *imputed* cost for FELI for the first quarter of FY 2003.

If you have any questions about this letter, we would prefer that you email us at finance@opm.gov, so we have a record of them. You may of course call us on 202-606-0606.



Robert A. Yuran, Chief
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Attachment

COST FACTORS FOR THE CSRS AND FERS

<i>CSRS</i>	
CATEGORY	COST FACTOR (%)
Regular	24.4
Regular offset	18.8
Law enforcement officers	38.9
Law enforcement officers - offset	34.4
Air traffic controllers	32.4
Air traffic controllers – offset	27.6
Members of Congress	27.6
Members of Congress – offset	25.3
Congressional employees	33.1
Congressional employees – offset	27.8

<i>FERS</i>	
CATEGORY	COST FACTOR (%)
Regular	11.5
Law enforcement officers	24.0
Air traffic controllers	23.2
Members of Congress	17.1
Congressional employees	17.2
Military reserve technicians	14.0
CIA Special Overseas	16.5