



# United States Department of the Interior

OFFICE OF THE SECRETARY  
Washington, D.C. 20240

NOV 9 2000

Financial Statement Guidance Memorandum 2000-001

To: Bureau Finance Officers

From: R. Schuyler Leshner  
Deputy Chief Financial Officer

Subject: Recognition of Employee Pension and Post Retirement Benefit Expenses

The Office of Personnel Management (OPM) has issued a memorandum which provides rates for recording the estimated cost of pension and other future retirement benefits paid by OPM on behalf of federal agencies. Under Federal accounting standards, the cost of these benefits must be reflected on the financial statements of the agency that receives the benefit (i.e. the employer). This is accomplished by recording a debit to "Imputed Cost" **Account 6730.G.24** and a credit to "Imputed Financing Sources" **Account 578A.G.24**. These accounts must be used.

The benefits covered by this memo are summarized below. See the OPM memorandum (Attachment A) for full details.

## 1. Pension Expense

This memo presents the full cost of the various retirement benefits applicable to agencies in fiscal year 2000. The rates presented by OPM do not take into account the payments already made by agencies under CSRS and FERS, since the memo assumes that agencies will compute the theoretical Total Pension Expense by multiplying total base pay by the given rates. This theoretical total would be reduced by the pension expense actually paid by the agency and the employee to compute the estimated imputed pension expense that must be recognized.

The problem with this approach is twofold. First, the total pension expense paid to OPM is not necessarily identifiable (in most cases, these amounts would be commingled with other employee benefit costs paid to OPM by the agency and the employee). Second, this approach causes the actual known figure for expense incurred to be replaced by an estimate.

For these reasons, we recommend that the imputed cost be computed by multiplying base salary by the net rate, specifically the gross rate presented by OPM less the portion paid by the bureau and the employee.

- a. FERS. By law, the FERS rate must be paid entirely by agencies and employees.

OPM billed agencies and employees 11.9% during the fiscal year 2000, however the cost factor is 11.5%. The actual payments to OPM for FERS retirement costs represent the fiscal year 2000 expense. Under FASAB Interpretation #4, excess FERS service cost should be offset against the amount computed for CSRS at item “b” below. (See example in attached OPM memorandum).

- b. CSRS. The CSRS rates fall into several categories, specifically CSRS and CSRS Offset, and Law Enforcement and non-Law Enforcement. Each of these rates must be reduced by the amount that is partially paid by the agency and employee. These rates are summarized below.

	<b>Gross Rate</b>	<b>Paid by Agency</b>	<b>Paid by Employee</b>	<b>Net Rate</b>
CSRS	24.2%	7.0%	7.0%	10.2%
CSRS Law Enforcement	40.0%	7.5%	7.5%	25.0%
CSRS Offset	19.3%	7.0%	0.8%	11.5%
CSRS Offset Law Enforcement	36.2%	7.5%	1.3%	27.4%

A schedule presenting fiscal year 2000 base pay by bureau sorted by retirement type is attached (See attachment B). This schedule is based on salaries paid during fiscal year 2000. These numbers are not adjusted for either the beginning-of-year or end-of-year cut off, however, these timing differences will net such that the total should be sufficient for computing the estimate. The numbers to use are your bureau’s base salary amount multiplied by the net rate for each retirement plan.

## 2. Other Retirement Benefits

Federal retirees are entitled to benefits in addition to pensions, including health insurance and life insurance. The estimated cost of these benefits that will be provided to current employees in the future is a cost of doing business in the years in which those employees work.

- a. Federal Employee Health Benefits. The cost factor is \$2,733 per employee currently enrolled in the FEHB, based on the average number of employees for the year. Average employees per bureau, computed according to the guidance in the OPM memo is presented as Attachment C. (Note: The number of employees listed on the other schedules is informational, and includes all employees who worked at any point during the year. The employees count on this schedule specifically includes only those enrolled in FEHB at the measurement dates.)
- b. Life Insurance. The cost factor is .02% of base pay during fiscal year 2000. The fiscal year 2000 base pay of employees enrolled in FEGLI is presented as

Attachment D.

If you have any questions, please contact Donna McKethan on (202) 208-5224.

Attachments

cc: Financial Statement Guidance Team

United States  
**Office of**  
**Personnel Management**  
 The Federal Government's Human Resources Agency



**Retirement and Insurance Service**  
**Financial Management Letter**

Number: F-00-07

Date: October 16, 2000

**Subject: 2000 Cost Factors for Pension and Other Retirement Benefits**

As required by Statement of Federal Financial Standards No. 5 (SFFAS-5) -- *Liabilities of the Federal Government* -- we are providing you with the fiscal year 2000 "costs factors" for the Federal civilian benefit programs. These factors will enable you to determine your imputed cost for Pensions and Other Retirement Benefits, as they relate to the Civil Service Retirement System (CSRS), Federal Employees Retirement System (FERS), Federal Employees Health Benefits Program (FEHB) and the Federal Employees' Group Life Insurance Program (FGLI).

**BACKGROUND**

The amounts you remit to OPM by and for employees covered by the Federal civilian benefit programs generally do not cover the actual cost of the benefits those employees will receive after they retire. As a consequence, you must recognize an "imputed cost" equal to the difference between the cost of providing benefits to your employees and the contributions you remit by and for them. Your imputed cost is recorded as a charge to standard general ledger (SGL) account 6730G -- Imputed Costs, with a corresponding credit to SGL account 5780G -- Imputed Financing Sources.

**IMPUTED COST OF THE CSRS AND FERS**

The cost factors for the CSRS and FERS are provided to you as a percentage of *basic pay*. Basic pay is the portion of gross pay from which you withhold CSRS and FERS deductions. Generally, basic pay excludes bonuses, allowances, overtime, and holiday pay. You should refer to the CSRS/FERS Handbook, Section 30A1.1-2 [[www.opm.gov/asd/hod/pdf/C030.pdf](http://www.opm.gov/asd/hod/pdf/C030.pdf)] for a complete definition of basic pay.

*Civil Service  
 Retirement  
 System*

*Federal Employees  
 Group Life  
 Insurance*

*Federal Employees  
 Health Benefits  
 Program*

*Federal Employees  
 Retirement  
 System*

### ***CIVIL SERVICE RETIREMENT SYSTEM***

For most "regular" CSRS-covered employees, the 2000 cost factor is 24.2 per cent of basic pay, the same as that for 1999. Accordingly, you must recognize, as an *imputed cost*, the difference between your actual cost, based on this factor, and the total contributions (employee and employer) you remit to OPM for covered employees (15.91 per cent of basic pay). The cost factors for the CSRS are presented as Attachment A.

### ***FEDERAL EMPLOYEES RETIREMENT SYSTEM***

Unlike the CSRS, the FERS is fully funded. This means that the cost of providing a future FERS benefit is covered entirely by the contributions you remit by and for covered employees. In fact, the contributions you made by and for FERS-covered employees may actually exceed the actual cost of providing a future FERS benefit. The 2000 cost factors for FERS, presented as Attachment B, are the same as those for 1999.

### ***GUIDELINES FOR CALCULATING THE IMPUTED COST OF THE CSRS AND FERS***

To determine your imputed cost for CSRS and FERS, follow these steps:

1. Sort all employees covered by CSRS and FERS by their category of coverage.
2. Aggregate the annual basic pay of all employees in each category of CSRS and FERS coverage.
3. Multiply the aggregate basic pay for each category of CSRS and FERS coverage computed in step 2 by the associated cost factor [for example, for "regular" CSRS and FERS employees the factors would be 24.2 and 11.5 per cent, respectively].
4. Compute the grand total of each of the individual calculations in step 3 for *both* CSRS and FERS - this is the *service cost* of providing CSRS and FERS benefits.
5. Subtract, from the amount derived in step 4, the total employer and employee contributions for all employees covered by CSRS and FERS. The result is your imputed cost for FERS and CSRS.
6. Record the imputed cost computed in step 5 as a charge to SGL account 6730G.24 - *Imputed Cost* - with a corresponding credit to SGL account 5780G.24 - *Imputed Financing Sources*.

### ***ILLUSTRATION: CALCULATION OF IMPUTED COST OF THE CSRS AND FERS***

Agency XYZ has "regular" CSRS employees, who earned basic pay of \$500,000, and "regular" FERS employees, who earned basic pay of \$250,000. Applying the 2000 cost factors, Agency XYZ computes its service cost:

	A	B	C
	Annual Basic Pay	Cost Factor (%)	Service Cost [A * B]
CSRS	\$500,000	24.2	\$121,000
FERS	\$250,000	11.5	\$28,750
<b>TOTAL</b>			<b>\$149,750</b>

Agency XYX then determines its employee withholdings and agency contributions for employees covered by the CSRS and FERS:

	A	B	C	D	E	F
	Annual Basic Pay	Employee Withholding Rate (%)	Employee Withholdings	Agency Contribution Rate (%)	Agency Contributions	Total Contributions [C + E]
CSRS	\$500,000	7.4	\$37,000	8.51	\$42,550	\$79,550
FERS	\$250,000	1.2	\$3,000	10.7	\$26,750	\$29,750
<b>TOTAL</b>						<b>\$109,300</b>

Agency XYZ will then compute its imputed cost by subtracting the total employee withholdings and agency contributions for employees covered by the CSRS and FERS from its service cost:

	A	B	C
	Service Cost	Total Contributions	Imputed Cost [A - B]
CSRS	\$121,000	\$79,550	\$41,450
FERS	28,750	29,750	* (1,000)
<b>TOTAL</b>	<b>\$149,750</b>	<b>\$109,300</b>	<b>\$40,450</b>

Agency XYZ posts the following transaction:

6730G.24 Imputed Cost	40,450	
5780G.24 Imputed Financing Sources		40,450

\* FASAB Interpretation Number 4 requires that any excess of FERS contributions over FERS service cost be offset against the excess of CSRS service cost over CSRS contributions.

## FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM

The FEHB Program provides post-retirement benefits to Federal employees, their dependents and survivors. Neither employing agencies nor employees, however, make contributions for post-retirement health benefits. As a consequence, you must recognize the entire cost of providing post-retirement health benefits to your employees as an imputed cost. Our actuaries have computed the 2000 cost factor as \$2,733 per employee enrolled in the FEHB Program.

### GUIDELINES FOR CALCULATION OF IMPUTED COST OF THE FEHB PROGRAM

To determine imputed cost, perform the following steps:

1. Ascertain actual enrollment in the FEHB at three points in time: October 1, 1999; March 31, 2000; and September 30, 2000.
2. Multiply the October 1, 1999 enrollment by one; the March 31, 2000 enrollment by two; and the September 30, 2000 enrollment by one.
3. Calculate the grand total of each of the individual calculations in step 2.
4. Divide the grand total in Step 3 by four – this is your *constructed FEHB enrollment*.
5. Multiply the constructed FEHB enrollment determined in step 4 by the cost factor – this is your *imputed cost*.
6. Record the imputed cost computed in step 5 as a charge to SGL account 6730G.24, with a corresponding credit to SGL account 5780G.24.

### ILLUSTRATION OF CALCULATION OF IMPUTED COST OF THE FEHB PROGRAM

	10/1/99	3/31/00	9/30/00
Actual enrollment	72	66	60
Multiplier	1	2	1
Product	72	132	60
Grand Total			264
Constructed Enrollment [ <i>Grand Total divided by 4</i> ]			66
Cost Factor			\$2,733
IMPUTED COST [ <i>Constructed Enrollment times Cost Factor</i> ]			\$180,378

Agency XYZ posts the following transaction:

6730G.24 Imputed Cost	180,378	
5780G.24 Imputed Financing Sources		180,378

### FEDERAL EMPLOYEES LIFE INSURANCE PROGRAM

The FEGLI Program provides life insurance benefits to eligible Federal retirees, their dependents and survivors. As with the FEHB Program, the imputed cost of FEGLI relates to post-retirement Basic life insurance coverage [the full cost of the optional life insurance coverages is borne by the retiree]. You must recognize the cost of providing post-retirement Basic life insurance as an imputed cost. The 2000 cost factor for FEGLI is the same as in previous years: that is, *.02 per cent of basic pay*.

#### ***GUIDELINES FOR CALCULATING THE IMPUTED COST OF THE FEGLI PROGRAM***

Agencies will determine their imputed cost for life insurance by the following steps:

1. Determine the aggregate annual basic pay of all employees covered by Basic life insurance.
2. Multiply the amount determined in Step 1 by the cost factor [*.02 per cent of basic pay*] – this is your *imputed cost*.
3. Record the imputed cost computed in step 2 as a charge to SGL account 6730G.24, with a corresponding credit to SGL account 5780G.24.

#### ***ILLUSTRATION OF CALCULATION OF IMPUTED COST OF THE FEGLI PROGRAM***

Agency XYZ has determined the aggregate annual basic pay of its employees covered by Basic life insurance to be \$500,000. It determines its imputed cost for the FEGLI Program, as follows:

A	B	C
Aggregate Annual Basic Pay	Cost Factor (%)	Imputed Cost [A x B]
\$500,000	.02	\$100

Agency XYZ posts the following transaction:

6730G.24 Imputed Cost	100	
5780G.24 Imputed Financing Sources		100



## 2000 FACTS REPORTING

### *New Footnote Requirement*

We direct your attention to a new Federal Agencies' Centralized Trial-Balance System (FACTS) reporting requirement for 2000. Treasury Financial Manual, Transmittal Letter No. 593, requires that you disclose in a footnote your imputed costs relating to the CSRS, FERS, FEHB, and FEGLI [see Note 14: Federal Employee and Veteran Benefits Payable].

### *Trading Partner is "24"*

Please note also the "24" in each of the above illustrative entries for imputed cost -- 6730G.24 -- and imputed financing sources -- 5780G.24. As these entries involve intragovernmental ["G"] transactions, it is important that you use our two-digit department code -- "24" -- in your FACTS reporting. Again, when reporting the balances in accounts 5780G and 6730G, that relate to the CSRS, FERS, FEHB, and FEGLI, use partner code "24", *not* "00", as was required for 1999.

### *Baseline to Gauge Reasonableness of Imputed Cost Calculations*

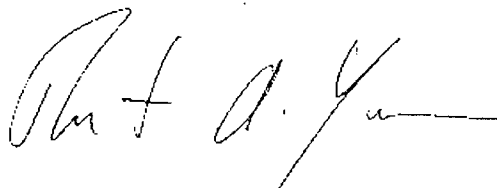
In early January 2001, we will provide you with our own calculation of your imputed costs for the CSRS, FERS, FEHB and FEGLI. Our calculation will be based on the cost factors and our estimate of the basic pay your employees earned in 2000 [for CSRS, FERS, and FEGLI] and your employees' enrollment in the FEHB Program. The imputed costs we calculate and report to you should *not*, however, be used to post to your accounts. Rather, they should be used only as a baseline to gauge the reasonableness of your calculation of your imputed costs.

## ASSURANCE FOR AUDITORS

Due to the need to provide you with these cost factors so soon after the end of fiscal year 2000, our independent public accounting firm, KPMG LLP (KPMG), has had insufficient time to opine on them. Nonetheless, the 1999 cost factors for regular CSRS and FERS coverage, as well as those for FEHB and FEGLI were disclosed in the footnotes accompanying our 1999 financial statements, which KPMG audited and upon which they issued an unqualified opinion. The cost factors for CSRS, FERS, and FEGLI did not change for 2000, nor did the policies, procedures and controls pertaining to the calculation of any of the cost factors, including that for FEHB. Thus, your auditors can rely upon the disclosures in the 1999 financial statements and KPMG's opinions thereon.

## INQUIRIES

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



Robert A. Yuran, Chief  
Financial Policy Staff  
Retirement and Insurance Service

### COST FACTORS - CSRS

CATEGORY	2000 COST FACTOR (%)
Regular	24.2 ✓
Regular offset	19.3 ✓
Law enforcement officers	40.0 ✓
Law enforcement officers - offset	36.2 ✓
Air traffic controllers	31.9
Air traffic controllers - offset	28.2
Members of Congress	29.3
Members of Congress - offset	27.0
Congressional employees	32.5
Congressional employees - offset	27.8

**COST FACTORS - FERS**

<b>CATEGORY</b>	<b>2000 COST FACTOR (%)</b>
<b>Regular</b>	<b>11.5</b> ✓
<b>Law enforcement officers</b>	<b>24.6</b> ✓
<b>Air traffic controllers</b>	<b>23.1</b>
<b>Members of Congress</b>	<b>16.5</b>
<b>Congressional employees</b>	<b>16.7</b>
<b>Military reserve technicians</b>	<b>11.9</b>

**Base Salary  
By Bureau and Retirement Plan**

Attachment B

Bureau	Ret Code:	1		6		C		E		K	
		Count	Amount	Count	Amount	Count	Amount	Count	Amount	Count	Amount
IN 01	OS	651	42,672,463	3	185,607	110	5,684,609	1	54,780	1,102	
IN 21	SOL	115	9,052,612			11	582,891			259	
IN 24	OIG	97	6,898,583	11	812,691	5	190,784			106	
IN 05	BLM	3,788	196,811,659	171	8,341,748	324	13,633,713	42	1,737,888	4,447	
IN 06	BIA	2,924	78,239,866	53	2,598,509	524	10,857,804	10	344,458	5,984	
IN 07	BOR	2,321	108,264,014	4	141,603	238	8,891,042			2,990	
IN 08	GS	3,762	231,171,986			230	10,774,213			5,240	
IN 10	NPS	4,164	167,313,072	413	20,329,397	566	18,804,628	54	2,349,382	10,204	
IN 15	FWS	2,122	111,784,289	125	7,506,169	224	9,435,546	4	222,057	5,455	
IN 22	OSM	354	23,460,744			38	2,138,741			246	
IN 23	MMS	840	54,231,914			78	3,635,013			830	
<b>Total</b>		<b>21,138</b>	<b>1,029,901,202</b>	<b>780</b>	<b>39,915,724</b>	<b>2,348</b>	<b>84,628,984</b>	<b>111</b>	<b>4,708,565</b>	<b>36,863</b>	

Gross Rate: **24.20%**  
 Agency Rate: **-8.51%**  
 Employee Rate: **-7.40%**  
 Net Rate: **8.29%**

**40.00%**  
**-9.01%**  
**-7.65%**  
**23.34%**

**19.30%**  
**-8.51%**  
**-0.95%**  
**9.84%**

**36.20%**  
**-9.01%**  
**-0.15%**  
**27.05%**

**Base Salary  
By Bureau and Retirement Plan**

Ret Code:	Bureau	FERS + FICA		M (Law Enforcement)	FICA		None	5	
		Amount	Count		Amount	Count			
IN 01	OS	52,313,808	4	223,426	92	2,010,502	2	19,100	
IN 21	SOL	16,960,745			4	105,899			
IN 24	OIG	5,702,963	34	2,310,174	8	173,897	2	114,767	
IN 05	BLM	158,239,557	682	21,553,734	1,468	27,650,790	26	987,340	
IN 06	BIA	88,924,729	348	11,771,779	1,026	9,775,916	8	272,312	
IN 07	BOR	95,245,667	13	417,716	250	3,407,664	5	33,540	
IN 08	GS	225,090,744			812	17,434,087	30	2,099,175	
IN 10	NPS	254,172,580	1,651	62,843,040	5,478	84,133,572	19	621,641	
IN 15	FWS	192,214,979	254	10,207,827	877	14,919,874	7	296,192	
IN 22	OSM	12,686,024			7	146,113			
IN 23	MMS	40,338,681	4		22	419,756	1	100,897	
<b>Total</b>		<b>1,141,890,477</b>	<b>2,986</b>	<b>109,327,697</b>	<b>10,044</b>	<b>160,178,071</b>	<b>100</b>	<b>4,544,964</b>	<b>156</b>

Gross Rate: 11.50%  
 Agency Rate: -10.70%  
 Employee Rate: -1.20%  
 Net Rate: -0.40%

24.60%  
 -23.30%  
 -1.45%  
 -0.15%

Neither FERS  
 nor CSRS 0.00%

Neither FERS  
 nor CSRS 0.00%

**Base Salary  
By Bureau and Retirement Plan**

Ret Code:	Bureau	Other	7	Re-Hired	Total (1)	
		DC Park Pol	Count	Annuitants		Amount
		Amount	Count	Amount	Count	
IN 01	OS				1,965	103,164,295
IN 21	SOL				389	26,702,148
IN 24	OIG				263	16,203,859
IN 05	BLM				10,948	428,956,428
IN 06	BIA				10,877	202,785,373
IN 07	BOR				5,821	216,401,246
IN 08	GS				10,074	486,570,205
IN 10	NPS	9,104,943			22,705	619,672,255
IN 15	FWS				9,068	346,586,934
IN 22	OSM				645	38,431,622
IN 23	MMS				1,771	98,726,261
<b>Total</b>		9,104,943	-	-	74,526	2,584,200,626

Gross Rate:  
Agency Rate:  
Employee Rate:  
Net Rate:

Neither FERS  
nor CSRS  
0.00%

Neither FERS  
nor CSRS  
0.00%

(1) The total reflects base pay only,  
and will differ from bureau total  
salary due to awards, bonuses, etc.

**Average Number of Employees by Bureau  
And Estimated Imputed Retirement Health Benefit Cost**

	Bureau	# of Employees			Weighted Average*	Rate per Employee	Est. Imputed Retirement Health Cost
		10/1/99	3/31/00	9/30/00			
IN 01	OS	1392	1459	1512	1,455.50	\$ 2,733	\$ 3,977,882
IN 01 / 21	SOL	343	347	348	346.25	2,733	946,301
IN 24	OIG	218	226	226	224.00	2,733	612,192
IN 05	BLM	8,057	8,088	8,145	8,094.50	2,733	22,122,269
IN 06	BIA	5,495	5,505	5,461	5,491.50	2,733	15,008,270
IN 07	BOR	4,822	4,860	4,831	4,843.25	2,733	13,236,602
IN 08	GS	7,927	7,930	7,912	7,924.75	2,733	21,658,342
IN 10	NPS	14,211	14,428	14,646	14,428.25	2,733	39,432,407
IN 15	FWS	6,786	6,973	7,007	6,934.75	2,733	18,952,672
IN 22	OSM	561	574	560	567.25	2,733	1,550,294
IN 23	MMS	1,537	1,551	1,530	1,542.25	2,733	4,214,969
<b>Total</b>		<b>51,349</b>	<b>51,941</b>	<b>52,178</b>	<b># 51,852.25</b>		<b>\$ 141,712,199</b>

\* computed as: (Oct-99 \* 1) + (Mar-00 \* 2) + (Sep-00 \* 1) / 4  
data as of pay periods 9921, 2008 and 0021

**Base Pay for Employees with FEGLI  
And Estimated Imputed Retirement Life Insurance Cost**

Bureau	Count	Amount	Rate	Est. Imputed Retirement Life Insurance Cost
IN 01	1,965	\$ 103,164,295	0.02%	20,633
IN 21	389	26,702,148	0.02%	5,340
IN 24	263	16,203,859	0.02%	3,241
IN 05	10,948	428,956,428	0.02%	85,791
IN 06	10,877	202,785,373	0.02%	40,557
IN 07	5,821	216,401,246	0.02%	43,280
IN 08	10,074	486,570,205	0.02%	97,314
IN 10	22,705	619,672,255	0.02%	123,934
IN 15	9,068	346,586,934	0.02%	69,317
IN 22	645	38,431,622	0.02%	7,686
IN 23	1,771	98,726,261	0.02%	19,745
<b>Total</b>	<b>74,526</b>	<b>\$ 2,584,200,626</b>		<b>\$ 516,840</b>