




United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, D.C. 20240

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Financial Statement Guidance Memorandum 99-03

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 "Employee Benefit Expense" and a credit to "Imputed Financing Sources." According to the version of the government standard general ledger used by the majority of the Department in fiscal year 1999, these are Account 6730.G.24 and Account 578A.G.24, respectively.

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 1999. 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 11.5% during the fiscal year 1999. The actual payments to OPM for FERS retirement costs represent the fiscal year 1999 expense, and no imputed cost is required for FERS employees.
- 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.

	Gross Rate	Paid by Agency	Paid by Employee	Net Rate
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 1999 base pay by bureau sorted by retirement type is attached (See attachment B). This schedule is based on salaries paid during fiscal year 1999, and accordingly ends with pay period 9920. These number 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 \$2,731 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 1999. The fiscal year 1999 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.

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: 99-09

Date: October 15, 1999

Subject: 1999 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 "costs factors" for the Federal civilian benefit programs. These factors will enable you to determine your 1999 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 remitted to OPM by and for covered employees do not generally cover the actual cost of the benefits those employees will receive after their careers are over. As a consequence, agencies must recognize an "imputed" cost equal to the difference between the true cost of providing future benefits to their employees and the employee and employer contributions they remit to OPM. The imputed cost will be recorded as a charge to standard general ledger (SGL) account 6730G. An "imputed financing source" must also be recognized in an amount equal to the imputed cost -- this will be recorded as a credit to SGL account 5780G.

PENSIONS: CSRS AND FERS

CIVIL SERVICE RETIREMENT SYSTEM

For most "regular" CSRS covered employees, the 1999 cost factor is 24.2 per cent of basic pay*, which is the same as the 1997 and 1998 factors. Accordingly, employing agencies must recognize, as an *imputed cost*, the difference between this cost factor and the total contributions (employee and employer) remitted to OPM for covered employees (15.76 per cent of basic pay). The 1999 cost factors for CSRS are presented as Attachment A.

FEDERAL EMPLOYEES RETIREMENT SYSTEM

Unlike the CSRS, FERS is fully funded. That is, the future cost of providing a FERS benefit is covered entirely by the contributions made by and for covered employees. Please note that the 1999 cost factor for "regular" coverage, under which the vast majority of employees are covered --

* See CSRS/FERS Handbook, Section 30A1.1-2 for definition of basic pay.

11.5 per cent of basic pay -- is the same as the 1997 and 1998 factors. The 1999 cost factors for FERS are presented as Attachment B.

GUIDELINES: CALCULATION OF IMPUTED COST OF 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 Standard General Ledger (SGL) account 6730G - *Imputed Cost* with a corresponding credit to SGL account 5780G - *Imputed Financing Sources*.

ILLUSTRATION: CALCULATION OF IMPUTED COST OF CSRS AND FERS

Agency XYZ has "regular" CSRS employees, who earn total annual basic pay of \$500,000, and "regular" FERS employees, who earn total annual basic pay of \$250,000. After it receives the cost factors, Agency XYZ computes its imputed cost, as follows:

	A	B	C	D	E
	Annual Basic Pay	Cost Factor (%)	Service Cost [A * B]	Total Contributions (See below)	Imputed Cost [C - D]
CSRS	\$500,000	24.2	\$121,000	\$78,800	\$42,200
FERS	\$250,000	11.5	\$28,750	\$29,375	\$(625)**
TOTAL			\$149,750	\$108,175	\$41,575

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

Agency XYZ computed employer and employee contributions during 1999, as follows:

	A	B	C	D	E	F
	Annual Gross Basic Pay	Employee Withholding Rate*** (%)	Agency Contribution Rate (%)	Employee Deductions [A * B]	Employer Contributions [A * C]	Total Contributions [D + E]
CSRS	\$500,000	7.25	8.51	\$36,250	\$42,550	\$78,800
FERS	\$250,000	1.05	10.7	\$2,625	\$26,750	\$29,375
TOTAL				\$38,875	\$69,300	\$108,175

Agency XYZ posts the following transaction:

6730G (00) Imputed Cost	41,575
5780G (00) Imputed Financing Sources	41,575

OTHER RETIREMENT BENEFITS: FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM

BACKGROUND

The FEHB Program provides benefits to eligible Federal retirees, their dependents and survivors. Neither the employing agency nor the active employee, however, makes contributions for postretirement health benefits. As a consequence, employing agencies must recognize the entire cost of providing postretirement health benefits to their employees as an imputed cost. We have computed the cost factor you will need to calculate your imputed cost for postretirement health benefits; for 1999, it is \$2,731 per employee enrolled in the FEHB.

GUIDELINES: CALCULATION OF IMPUTED COST OF POSTRETIREMENT HEALTH BENEFITS

To determine imputed cost, perform the following steps:

1. Ascertain actual enrollment in the FEHB at three points in time: October 1, 1998; March 31, 1999; and September 30, 1999.

*** For the sake of simplicity, it is assumed for this illustration, that these withholding rates were in effect for the entire fiscal year. In reality, they became effective in January 1999.

2. Multiply the October 1, 1998 enrollment by one; the March 31, 1999 enrollment by two; and the September 30, 1999 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, with a corresponding credit to SGL account 5780G.

ILLUSTRATION: CALCULATION OF IMPUTED COST OF POSTRETIREMENT HEALTH BENEFITS

	10/1/98	3/31/99	9/30/99
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			\$2,731
IMPUTED COST <i>[Constructed Enrollment times Cost Factor]</i>			\$180,246

Agency XYZ posts the following transaction:

6730G (00) Imputed Cost	180,248
5780G (00) Imputed Financing Sources	180,246

OTHER RETIREMENT BENEFITS: FEDERAL EMPLOYEES LIFE INSURANCE PROGRAM

BACKGROUND

The FEGLI Program provides life insurance benefits to eligible Federal retirees, their dependents and survivors. Part of the premiums remitted by and for active covered employees funds their postretirement life insurance benefits. As a consequence, employing agencies must recognize a relatively small amount of the cost of providing postretirement life insurance as an imputed cost. The 1999 cost factor for FEGLI is the same as in 1998 and 1997; that is, *.02 per cent of basic pay*.

GUIDELINES: CALCULATION OF IMPUTED COST OF POSTRETIREMENT LIFE INSURANCE

Agencies will determine their imputed cost for postretirement 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, with a corresponding credit to SGL account 5780G.

ILLUSTRATION: IMPUTED COST OF POSTRETIREMENT LIFE INSURANCE

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 of postretirement life insurance, 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 (00) Imputed Cost	100	
5780G (00) Imputed Financing Sources		100

1999 FACTS I REPORTING

As we advised in Financial Management Letter No. 99-08, the balance on the books of employing agencies in accounts 6730G and 5780G must be equal. It is critical that you ensure that the balances in these accounts are equal before submitting your 1999 FACTS I reporting.

Note the "00" in the above illustrative entries. As these SGL accounts are intragovernmental ["G"], agencies must use the two-digit department code of their "trading partner" for FACTS I reporting. It is *essential*, when reporting the balances in accounts 5780G and 6730G to FACTS I, that agencies use partner code "00".

ASSURANCE FOR AUDITORS

Due to the need to distribute these cost factors to employing agencies shortly after the end of the fiscal year, insufficient time is available for our independent public accounting firm to opine on them. Nonetheless, the 1998 cost factors for regular CSRS and FERS coverage, as well as those for FEHB and FEGLI, were disclosed in the footnotes accompanying OPM's 1998 financial statements. These financial statements were audited by the public accounting firm of KPMG, LLP (KPMG), which issued an unqualified opinion on them. The cost factors for CSRS, FERS, and FEGLI did not change for 1999, nor did the policies, procedures and controls pertaining to the calculation of any of the cost factors, including the FEHB factor. Thus, your auditors can rely upon the disclosures in the 1998 financial statements and KPMG's opinions thereon.

INQUIRIES

If you have any questions about the cost factors, please contact the Financial Policy Staff on 202-806-0606 or email us at finance@opm.gov



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

Attachments (2)

Attachment A

COST FACTORS - CSRS

CATEGORY	1999 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

Attachment B

COST FACTORS - FERS

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



OCT 5 1999

Retirement and Insurance Service
Financial Management Letter

Number: F-99-08

Date: September 30, 1999

Subject: Accounting for and Reporting Imputed Costs

In Financial Management Letter F-99-06, we discussed two principal causes for the difficulties we experienced at the end of fiscal year 1998 in reconciling the intragovernmental transactions related to the Federal employee benefit programs with employing agencies. We would like to present a third, and also apparently wide-spread, cause for these difficulties: the incorrect accounting for and reporting of "imputed costs".

For the Civil Service Retirement System, the Federal Employees Health Benefits Program, and Federal Employees Life Insurance Program, imputed costs are the excess of the costs actually incurred by employing agencies for covered employees over the total contributions made by and for covered employees.

For example, the cost incurred in 1998 by employing agencies for "regular" CSRS coverage was 24.2 percent of basic pay -- this was the "cost factor" furnished in Financial Management Letter F-98-07. On the other hand, only 14 percent of basic pay was actually contributed by and for regular CSRS-covered employees in 1998. Thus, employing agencies should have recognized the difference between 24.2 and 14 percent of basic pay [10.2 percent of the basic pay of the covered employees] as an imputed cost. Since the cost of FERS is fully funded by the contributions by and for covered employees, employing agencies had no FERS-related imputed costs.

Thus, if an agency had 20 regular CSRS covered employees during 1998, who were paid \$2 million of basic pay, that agency's imputed cost would have been \$204,000 [\$2 million times 10.2%].

Agencies must record imputed costs related to the Retirement, Health Benefits, and Life Insurance Programs as a charge to Standard General Ledger (SGL) account 6730G - *Imputed Cost* and a corresponding credit to SGL account 5780G - *Imputed Financing Sources*. If this entry is posted correctly, the balance on the books of the employing agency in the accounts 6730G and 5780G will be equal. It is critical that you ensure that the balances in these accounts are equal before submitting your 1999 FACTS reporting.

Based on the example above, the illustrative agency would post the following entry to record its imputed cost related to CSRS coverage:

6730G (00) Imputed Cost	204,000
5780G (00) Imputed Financing Sources	204,000

*Civil Service
 Retirement
 System*

*Federal Employees
 Group Life
 Insurance*

*Federal Employees
 Health Benefits
 Program*

*Federal Employees
 Retirement
 System*

**Base Salary
By Bureau and Retirement Plan**

Ret Code:	1	CSRS	6	CSRS Special (Law Enforcement)	C	CSRS + FICA (CSRS Offset)	E	CSRS + FICA (Law Enforcement)	K	
										Count
IN 01	OS	617	38,613,396	3	181,769	103	4,942,429	1	49,760	964
IN 21	SOL	119	8,921,803			11	556,407			262
IN 24	OIG	98	6,493,993	13	989,376	3	111,153			101
IN 05	BLM	3,914	193,747,351	190	8,804,275	328	12,940,184	42	1,646,215	4,282
IN 06	BIA	3,143	79,911,408	56	2,607,772	522	10,358,057	11	359,821	5,670
IN 07	BOR	2,417	107,360,782	6	233,647	236	8,230,760			2,870
IN 08	GS	3,887	228,321,196			230	10,077,355			5,071
IN 10	NPS	4,310	163,926,118	442	20,557,479	552	17,345,800	50	2,041,168	9,593
IN 15	FWS	2,205	110,640,346	139	8,067,912	220	8,649,857	4	209,308	5,154
IN 22	OSM	363	23,066,634			38	1,997,357			237
IN 23	MMS	860	53,173,609			74	3,146,648			837
Total		21,933	1,014,176,635	849	41,442,230	2,317	78,356,006	108	4,306,272	35,041

Gross Rate:	24.20%	40.00%	19.30%	36.20%
Agency Rate:	-7.00%	-7.50%	-7.00%	-7.50%
Employee Rate:	-7.00%	-7.50%	-0.80%	-1.30%
Net Rate:	10.20%	25.00%	11.50%	27.40%

Base Salary By Bureau and Retirement Plan

Ret Code:	Bureau	FERS + FICA		M Count	FERS + FICA (Law Enforcement)		2 Count	FICA		4 Count	None		5 Count
		Amount	Count		Amount	Count		Amount	Count		Amount	Count	
IN 01	OS	43,927,416	4	213,992	75	1,636,812	2			103,625			
IN 21	SOL	16,336,396			4	100,243							
IN 24	OIG	4,784,742	24	1,459,350	9	184,730							
IN 05	BLM	145,081,518	622	18,752,884	900	16,185,537	37			1,227,990			
IN 06	BIA	81,279,944	266	8,908,252	1,091	9,934,547	16			338,990			
IN 07	BOR	88,067,239	1	27,538	222	2,932,074	5			50,184			
IN 08	GS	207,623,091			675	14,197,557	30			2,102,914			
IN 10	NPS	225,509,689	1,560	56,695,655	5,000	76,354,689	20			490,313			190
IN 15	FWS	169,874,062	233	8,912,327	879	14,294,069	6			330,945			
IN 22	OSM	11,751,274			3	41,783	1			13,362			
IN 23	MMMS	38,190,359			34	589,264							
Total		1,032,425,730	2,710	94,969,998	8,892	136,451,306	117			4,658,323			190

Gross Rate: 11.50%
 Agency Rate: -10.60%
 Employee Rate: -0.80%
 Net Rate: 0.10%

24.60%
 -23.30%
 -1.30%
 0.00%

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		Annuitants	Count	Amount
		Amount	Count	Amount	Count	Amount
IN 01	OS				1,769	89,669,199
IN 21	SOL				396	25,914,850
IN 24	OIG				248	14,023,344
IN 05	BLM				10,315	398,385,954
IN 06	BIA				10,775	193,698,790
IN 07	BOR				5,757	206,902,224
IN 08	GS				9,893	462,322,113
IN 10	NPS	10,655,728			21,717	573,576,638
IN 15	FWS				8,840	320,978,827
IN 22	OSM				642	36,870,410
IN 23	MMS				1,805	95,099,880
Total		10,655,728	-	-	72,157	2,417,442,230

Gross Rate: Neither FERS
Agency Rate: nor CSRS
Employee Rate: 0.00%
Net Rate: 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
		10/1/98	3/31/99	9/30/99			
IN 01	OAS/OS	670	838	1200	886.50	\$ 2,731	\$ 2,421,032
IN 01 / 21	SOL	331	345	345	341.50	2,731	932,637
IN 24	OIG	217	217	220	217.75	2,731	594,675
IN 05	BLM	8,013	8,019	8,065	8,029.00	2,731	21,927,199
IN 06	BIA	5,698	5,802	5,710	5,753.00	2,731	15,711,443
IN 07	BOR	5,065	5,142	4,825	5,043.50	2,731	13,773,799
IN 08	GS	8,131	8,016	7,963	8,031.50	2,731	21,934,027
IN 10	NPS	14,382	14,429	14,257	14,374.25	2,731	39,256,077
IN 15	FWS	6,500	6,684	6,800	6,667.00	2,731	18,207,577
IN 22	OSM	574	575	567	572.75	2,731	1,564,180
IN 23	MMS	1,512	1,528	1,540	1,527.00	2,731	4,170,237
Total		51,093	51,595	51,492	51,443.75		\$ 140,492,881

* computed as: (Oct-98 * 1) + (Mar-99 * 2) + (Sep-99 * 1) / 4
data as of pay periods 9821, 9907 and 9920

**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	OS	1,437 \$	0.02%	\$ 14,390
IN 21	SOL	292	0.02%	3,731
IN 24	OIG	192	0.02%	2,174
IN 05	BLM	7,888	0.02%	63,732
IN 06	BIA	6,885	0.02%	29,674
IN 07	BOR	4,753	0.02%	33,947
IN 08	GS	7,322	0.02%	70,098
IN 10	NPS	14,606	0.02%	84,958
IN 15	FWS	6,709	0.02%	57,027
IN 22	OSM	510	0.02%	5,846
IN 23	MMS	1,488	0.02%	15,723
Total		52,082 \$ 1,906,497,812		\$ 381,300

as of pay period 9920