



***Retirement and Insurance Service
Benefits Administration Letter***

Number: 02-302

Date: January 14, 2002

Subject: Estimates of Imputed Costs

For the second year, we are providing agencies with our estimate of their imputed costs for the Federal civilian benefit programs – Retirement (“Pensions”), Health Benefits and Life Insurance.

It is important that it be recognized that these are estimates only -- they should NOT be used to post to general ledger accounts. They are intended solely to be used as a baseline against which to gauge the reasonableness of the agency’s calculation of its imputed costs.

BASIS OF OUR CALCULATION

Although we think our estimates are “in the ballpark,” we do not have the data needed to compute them with a high degree of precision. For instance, we have no knowledge of the basic pay of agency employees, the critical element in the calculation of the imputed costs of the Pensions and Life Insurance Programs.

The following is presented so that agencies may have a basic understanding of the methodology we used to compute our imputed cost estimates:

Pensions: We first derived an estimate of the annual basic pay subject to CSRS and FERS withholdings for each agency. We did this by dividing our fiscal year (FY) 2001 ending balance for the agency in our account 5400F.24 – Benefit Program Revenue – for CSRS and FERS by the employer contribution rates in effect in FY 2001. We then multiplied the quotient by 8.59 percent for CSRS and a negative 0.1 percent for FERS. The 8.59 percent for CSRS is derived by subtracting the FY 2001 total contribution rate by and for “regular” CSRS employees [15.61 percent] from the cost factor for regular CSRS employees [24.2 percent]. For FERS, the negative 0.1 percent equals the cost factor for regular FERS employees [11.5 percent] less the total contribution rate by and for “regular” FERS employees [11.6 percent].

<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>Long Term Care Insurance Program</i>
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Life Insurance: We assumed that the Life Insurance Program covers 90 percent of employees covered by CSRS or FERS. Thus, we derived the annual basic pay subject to Life Insurance deductions by multiplying our derived annual basic pay subject to CSRS and FERS (see above) by 0.9. We then multiplied the product by the Life Insurance cost factor of 0.2 percent of annual basic pay.

Health Benefits: We followed the instructions provided we provided to agencies in BAL No. 01-326. We used agency Headcount submissions for September 2000, March 2001 and September 2001 and applied the 2001 Health Benefits cost factor of \$2,999 per enrollee.

FACTS DISCLOSURE REQUIREMENT

We want to remind agencies of the FY 2001 requirements for Federal Agencies' Centralized Trial-Balance System (FACTS) reporting of imputed cost information. The Financial Management Service (FMS) requires the disclosure in Note 13 -- Federal Employee and Veteran Benefits Payable -- of imputed costs relating to Pensions, Health Benefits and Life Insurance. FMS staff will contact agencies about any significant differences between what is reported as imputed costs in Note 13 and the estimated imputed costs we have provided with this letter.

SGL ENTRY

Again, as a reminder, agencies must record imputed costs relating to Pensions, Health Benefits and Life Insurance as a charge to standard general ledger (SGL) account 6730F.24 --Imputed Costs -- and an equal credit to SGL account 5780F.24 -- Imputed Financing Sources, as follows:

DR.	6730F.24		Imputed Costs
	CR.	5780F.24	Imputed Financing Sources

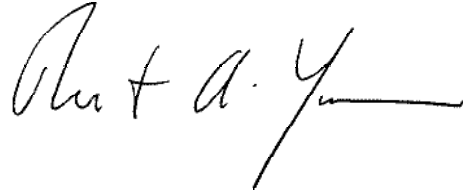
PROPOSED "FULL COST" LEGISLATION

On November 6, 2001, the Federal Employment Management Reform Act of 2001 was introduced in the Senate. The bill, when enacted, will require agencies to pay the full Government share of the cost of the CSRS and FEHB beginning in FY 2003. What this means, in short, is that instead of merely recognizing an imputed cost for CSRS and FEHB on their books, agencies will be required to actually remit these amounts to OPM.

We are working to determine the best way to collect these costs and will advise agencies in the near future. In the meantime, agency budgeteers will likely be approaching their accounting colleagues for help in estimating future costs under this legislation. Please provide all possible assistance.

INQUIRIES

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

A handwritten signature in black ink, appearing to read "Robert A. Yuran". The signature is fluid and cursive, with a long horizontal stroke at the end.

Robert A. Yuran, Chief
Financial Policy Staff

Attachment