

Pension transactions

The entries which follow illustrate accounting by an employer agency and an administrative agency for activity involving pension benefit transactions between the two entities.

- Note:** 1) The entries illustrated in this case study are to address FASAB Liability Standard (#5). This is not an authoritative guidance but an illustration of pension transactions using U.S. Standard General Ledger accounts. This case study does not include all situations.
- 2) One of the major revenue sources to the Civil Service Retirement and Disability Fund is from the general fund payment (appropriation) to the trust fund. It is not illustrated in this scenario because the objective was to show how the agencies and OPM record the pension expense and the pension liability as they relate to each other.

Assumptions:

- 1) The payroll and pension is paid out once a month to CSRS enrolled employees. The employees contribute 7% and the employer agency makes a matching contribution of 7%. Assume there is no other deduction in employees payroll except for the retirement contribution.
- 2) These assumptions do not reflect current CSRS contribution and withholding rates. See OPM Payroll Office letter +7-10 for guidance on future CSRS employer and employee rates.
- 3) These example transactions do not reflect FERS transactions and therefore, do not present situations where the pension expense is less than the total employer and employee contributions. See interpretation #4 to FASAB 5 for guidance.

EVENT DESCRIPTION	AGENCY ENTRIES ¹ (Appropriated Fd)	ADMINISTRATIVE PLAN'S ENTRIES (OPM)
<p>1) The entities record their funding.</p>	<p><i>proprietary</i></p> <p>1010 FBWT 150,000</p> <p>3100 Unexp Appropriation 150,000</p> <p><i>budgetary</i></p> <p>4119 Other Appro Real 150,000</p> <p>4510 Apportioned 150,000</p> <p>4510 Apportioned 150,000</p> <p>4610 Allotments 150,000</p>	<p><i>proprietary</i></p> <p>None</p> <p><i>budgetary</i></p> <p>None</p>
<p>2a) Assume the employer agency makes an accrual for retirement contributions and employee withholdings monthly. Rather than showing this entry 11 times, the total for 11 months is recorded in a single entry.</p> <p>Assume the following: each month the Payroll expense is 10,000</p> <p>\$700 - contributed by the agency for retirement \$700 - contributed by the employees for retirement</p>	<p><i>proprietary</i></p> <p>6100N Payroll expense 110,000</p> <p>6400G Benefit expense* 7,700</p> <p>2210N Acc. funded payroll 102,300 (Employees payroll, net)</p> <p>2211N Withholding pay 7,700</p> <p>2213G Employer Contrib pay 7,700</p> <p>3100 Unexp appropriation 117,700</p> <p>5700 Appropriation used 117,700</p> <p><i>budgetary</i></p> <p>4610 Allotments 117,700</p> <p>4901 Expended Auth - unpd 117,700</p>	<p><i>proprietary</i></p> <p>1311N Contribution receivable 7,700</p> <p>1311G Contribution receivable 7,700</p> <p>5400N Benefit revenue 7,700</p> <p>5400G Benefit revenue 7,700</p> <p><i>budgetary</i></p> <p>None</p>

¹ For more details, see "Entries to record Pension cost, including pension cost covered by imputed financing" scenario.

<p>2b) The agency pays its employees and makes a payment to the administrative agency.</p>	<p><i>proprietary</i> 2210N Acc. funded payroll 102,300 (Employees payroll, net) 2211N Withholding pay 7,700 2213G Employer Contrib pay 7,700 1010 FBWT 117,700</p> <p><i>budgetary</i> 4901 Expended Auth - unpd 117,700 4902 Expended Auth - pd 117,700</p>	<p><i>proprietary</i> 1010 FBWT 15,400 1311N Contribution receivable 7,700 1311G Contribution receivable 7,700</p> <p><i>budgetary</i> 4114* Trust Fund receipts 15,400 4620 Other Fds Ava for Comm/Oblig 15,400</p>
<p>3) Assume at the end of the 12th month, employees' salary, employees' withholdings, and agencies contributions were accrued.</p>	<p><i>proprietary</i> 6100N Payroll expense 10,000 6400G Benefit exp 700 2210N Acc. funded payroll 9,300 (Employees payroll, net) 2211N Withholding pay 700 2213G Employer Contrib pay 700</p> <p>3100 Unexp appropriation 10,700 5700 Appropriation used 10,700</p> <p><i>budgetary</i> 4610 Allotments 10,700 4901 Expended Auth - unpd 10,700</p>	<p><i>proprietary</i> 1311N Contribution receivable 700 1311G Contribution receivable 700 5400N Benefit revenue 700 5400G Benefit revenue 700</p> <p><i>budgetary</i> None</p>
<p>4) During the year retirement annuity benefit was paid to the retirees.</p> <p>Note: reclassification from</p>	<p><i>proprietary</i> None</p> <p><i>budgetary</i> None</p>	<p><i>proprietary</i> 2610N Actuarial Pension liab 10,000 1010 FBWT 10,000</p> <p>6400N Benefit Expense* 10,000 6800N Future Funded expense 10,000 </p>

<p>unfunded to funded accounts was done for Statement of Financing purpose.</p>		<p><i>budgetary</i> 4620 Other fds ava for comm/oblig 10,000 4902 Expended authority-pd 10,000</p>
<p>5) At the end of the year accrual for annuity benefits payable to retirees is made.</p>	<p><i>proprietary</i> None <i>budgetary</i> None</p>	<p><i>proprietary</i> 2610N Actuarial Pension liability 5,000 2216N Pension benefits due and payable 5,000 6400N Benefit Expense* 5,000 6800N Future Funded Expense 5,000 <i>budgetary</i> 4620 Other fds ava for comm/oblig 5,000 4901 Expended authority-unpd 5,000</p>
<p>6) At the end of the year, the unobligated balance was classified to receipts unavailable for obligations.</p>	<p><i>proprietary</i> None <i>budgetary</i> None</p>	<p><i>proprietary</i> None <i>budgetary</i> 4620 Other fds ava for comm/oblig 400 4389* Authority unavaliable 400</p>
<p>7) At the year end, the agency records cost that will be covered by imputed financing. Imputed financing is calculated to be \$7,200. Assume the cost factor is 20% of \$120,000. The cost of CSRS is \$24,000 for the year. Both employer and the employee</p>	<p><i>proprietary</i> 6730 Imputed cost 7,200 5780 Imputed Financing Source 7,200 <i>budgetary</i> None</p>	<p><i>proprietary</i> None <i>budgetary</i> None</p>

contributed 7%. $\$120,000 \times .07 \times 2 = 16,800$ $24,000 - 16,800 = 7,200$		
8) At the end of the year actuary estimates the pension expense to be \$26,000. OPM used estimated payroll amount to \$130,000 to calculate service cost. $130,000 \times .2 = 26,000$	<u>proprietary</u> None <u>budgetary</u> None	<u>proprietary</u> 6800N Future Funded Expense ² 26,000 2610N Actuarial Pension liability 26,000 <u>budgetary</u> None

² OPM calculates its service cost using the estimated payroll amount by the actuarial cost factor. The actual payroll amount is not available until later date. Currently service cost calculated by agencies and OPM is not reconciled and the difference is contributed by the different payroll amount that used in the calculations.

TRIAL BALANCE - For Administrative Entity Only

ACCOUNTS	OPENING BALANCE	TRANSACTIONS	PRE-CLOSING TRIAL BALANCE	CLOSING ENTRIES
<i>Proprietary</i>				
1010 FBWT	600,000	5,400	605,400	
1311 Contributions receivable		1,400	1,400	
2216 Pension Benefit payable		5,000	5,000	
2610 Actuarial Pension Liability	500,000	11,000	511,000	
3210 Cumulative result	100,000		100,000	9,200
5400 Benefits revenue		16,800	16,800	16,800
6400* Benefits expense		15,000	15,000	15,000
6800 Future Funding expense		<u>11,000</u>	<u>11,000</u>	
	<u>600,000</u> <u>600,000</u>	<u>32,800</u> <u>32,800</u>	<u>632,800</u> <u>632,800</u>	<u>26,000</u> <u>26,000</u>
<i>Budgetary</i>				
4114* Trust fund receipts		15,400	15,400	15,400
4201 Total actual resources	100,000		100,000	5,400
4389* Authority unavaliabe		400	400	
4620 Other fds ava comm/oblig	100,000		100,000	
4901 Expended authority - unpd		5,000	5,000	
4902 Expended authority - pd			-	<u>10,000</u>
	<u>100,000</u> <u>100,000</u>	<u>15,400</u> <u>15,400</u>	<u>115,400</u> <u>115,400</u>	<u>15,400</u> <u>15,400</u>

CLOSING ENTRIES FOR OPM

proprietary

5400	Benefit revenue	16,800		
3210	Cumulative results			16,800
3210	Cumulative results	26,000		
6400	Benefit expense		15,000	
6800	Future funding expense			11,000

budgetary

4201	Total actual resources	15,400		
4114	Trust fund receipts			15,400
4902	Expended authority - pd	10,000		
4201	Total actual resources			10,000

Total Resources	=	Total Status				
4201	=	4389	+	4620	+	4901
105,400	=	400	+	100,000	+	5,000

STATEMENT OF CHANGE IN NET POSITION - Administering entity		
1. Net Cost		<u>9,200</u>
3. Net results of Operation		<u>9,200</u>
5. NetChange in Cumulative Results		<u>9,200</u>
7. Change in Net Position		9,200
8. Net Position - Beginning of the Period		<u>100,000</u>
9. Net Position - End of the Period		<u><u>109,200</u></u>
STATEMENT OF NET COST - Administering entity		
6400	Benefits expense	15,000
6800	Future Funding expense	11,000
5400	Benefit Program revenue	<u>(16,800)</u>
	Net Cost	<u><u>9,200</u></u>
STATEMENT OF FINANCING - Administering entity		
1A. Obligations incurred		
4901	Expended Authority - unpd	5,000
4902	Expended Authority - pd	10,000
1B. Offsetting receipts		
4114-4389		(15,000)
1F. Exchange revenue not in the entity's budget		
1313N	Contribution receivable	(700)
1313G	Contribution recievable³	(700)
4389	Authority Unavailable	<u>(400)</u>
		(1,800)
4. Financing Sources Yet to be Provided		
6800	Future funded expenses	<u>11,000</u>
	Net Cost	<u><u>9,200</u></u>

³ Unlike the other Federal funds, Federal receivables are not considered as a budget authority in the trust fund. The trust receipt account only records cash, therefore recievable are not recognized as budget authority .

