



***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 (FEGLI).

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.

*Civil Service
Retirement
System*

*Federal Employees
Group Life
Insurance*

*Federal Employees
Health Benefits
Program*

*Federal Employees
Retirement
System*

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] for a complete definition of basic pay.

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.

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)
TOTAL	\$149,750	\$109,300	\$40,450

Agency XYZ posts the following transaction:

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

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.

* 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.

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

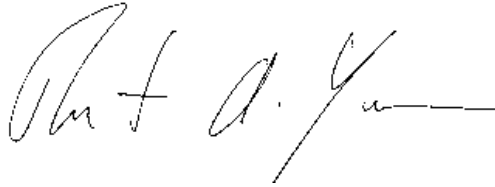
In early January 2001, we will provide you with our own calculation of your imputed costs for the CSRS, FERS, FEHB and FEGLI. Our calculation will be based on the cost factors and our estimate of the basic pay your employees earned in 2000 [for CSRS, FERS, and FEGLI] and your employees' enrollment in 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, so we have a record of them. You may of course call 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 horizontal line extending from the end of the name.

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

Attachments (2)