



Benefits Administration Letter

Number: 12-307

Date: June 2012

Subject: Fiscal Year 2012 Cost Factors for Calculating Imputed Costs

This Letter provides the fiscal year (FY) 2012 cost factors for the Federal civilian benefit programs. Agencies will use these factors to calculate their imputed costs relating to the Civil Service Retirement System (CSRS), the Federal Employees Retirement System (FERS), the Federal Employees Health Benefits Program (FEHB) and the Federal Employees' Group Life Insurance Program (FEGLI). The imputed costs are used to determine the actuarial liabilities which are included in Governmental financial statements.

Benefits Administration Letter 03-309, dated September 15, 2003, provides detailed instructions for the computation and accounting for imputed costs related to the Federal civilian benefit programs; see <http://www.opm.gov/retire/pubs/bals/2003/03-309.pdf> for more information.

COST FACTORS

Pensions. The economic assumptions used to calculate the FY 2012 cost factors under Statement of Federal Financial Accounting Standards (SFFAS) 33: *Pensions, Other Retirement Benefits, and Other Postemployment Benefits: Reporting the Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation Dates* are based on 10-year historical averages. These economic assumptions differ from those established by OPM under guidance from the CSRS Board of Actuaries for the determination of certain statutory funding payments for CSRS and FERS.

For most CSRS-covered employees, the FY 2012 cost factor is 29.8 percent of basic pay. The FY 2012 cost factors for all categories of CSRS coverage are attached. While agency payments under CSRS are not affected by the CSRS normal cost percentages for the vast majority of agencies, the CSRS normal cost percentages determined under SFFAS 33 are used to determine the actuarial liabilities which are included in Governmental financial statements.

The FY 2012 cost factors reported in this BAL also differ from the normal cost percentages used to determine the employer contributions agencies pay for FERS employees. For most FERS-covered employees, the FY 2012 cost factor is 13.7 percent of basic pay. The cost factors for all categories of FERS coverage are attached. Since the cost factors reported under SFFAS 33 are determined on a *different* basis than are the actual FERS normal cost contributions, agencies should expect to continue to report future imputed retirement costs for their FERS employees.

FEHB Program. For FY 2012, the cost factor is \$5,817 per enrolled employee. Please note that the cost factors shown below are based on the actuarial assumptions required by SFFAS 33, as calculated by the FEHB actuary.

Quarter	Factor
1 st	\$1,425
2 nd	1,444
3 rd	1,464
4 th	1,484
FY 2012	\$5,817

FEGLI Program. The FY 2012 cost factor for the FEGLI is 0.02 percent of basic pay, the same as in previous years.

STATEMENT FOR AUDITORS

The FY 2012 cost factors provided in this letter are being issued before an opinion by OPM's independent public accounting firm can be received for FY 2012. Nonetheless, the FY 2011 cost factors for "regular" CSRS and FERS coverage, as well as those for the FEHB and FEGLI Programs were disclosed in the footnotes accompanying OPM's consolidated FY 2011 financial statements. These statements received an unqualified audit opinion. The policies, procedures and controls pertaining to the calculations of the FY 2012 cost factors did not change from FY 2011. Consequently, auditors of FY 2012 financial statements can rely upon the disclosures in OPM's FY 2011 financial statements and the related audit opinion.

INQUIRIES

If you have any questions regarding this information, feel free to email us at FinancialBALs@opm.gov. You may also phone us at (202) 606-0606.

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Attachment

2012 COST FACTORS FOR THE CSRS AND FERS

<i>CSRS</i>	
CATEGORY	COST FACTOR (%)
Regular	29.8
Regular Offset	23.2
Law Enforcement Officers	50.9
Law Enforcement Officers - Offset	45.2
Air Traffic Controllers	46.3
Air Traffic Controllers – Offset	41.0
Members of Congress	33.3
Members of Congress – Offset	31.0
Congressional Employees	41.1
Congressional Employees – Offset	35.7

<i>FERS</i>	
CATEGORY	COST FACTOR (%)
Regular	13.7
Law Enforcement Officers	29.7
Air Traffic Controllers	29.4
Members of Congress	20.8
Congressional Employees	19.4
Military Reserve Technicians	16.9