



Benefits Administration Letter

Number: 18-303

Date: August 2018

Subject: Fiscal Year 2018 Cost Factors for Calculating Imputed Costs

This Letter provides the fiscal year (FY) 2018 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 (BAL) 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 2018 cost factors under Statement of Federal Financial Accounting Standard (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 2018 cost factor is 37.4 percent of basic pay. The FY 2018 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 2018 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 2018 cost factor is 16.2 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 2018, the cost factor is \$7,151 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 | \$1,757 |
| 2 nd | 1,777 |
| 3 rd | 1,798 |
| 4 th | 1,819 |
| FY 2018 | \$7,151 |

FGLI Program. The FY 2018 cost factor for the FGLI is 0.02 percent of basic pay, the same as in previous years.

STATEMENT FOR AUDITORS

The FY 2018 cost factors provided in this letter are being issued before an opinion by OPM's independent public accounting firm can be received for FY 2018. Nonetheless, the FY 2017 cost factors for "regular" CSRS and FERS coverage, as well as those for the FEHB and FGLI Programs, were disclosed in the footnotes accompanying OPM's consolidated FY 2017 financial statements. These statements received an unqualified audit opinion. The policies, procedures and controls pertaining to the calculations of the FY 2018 cost factors did not change from FY 2017. Consequently, auditors of the FY 2018 financial statements can rely upon the disclosures in Office of Personnel Management's FY 2017 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

2018 COST FACTORS FOR THE CSRS AND FERS

| CSRS | |
|-----------------------------------|------------------------|
| CATEGORY | COST FACTOR (%) |
| Regular | 37.4 |
| Regular Offset | 27.9 |
| Law Enforcement Officers | 62.0 |
| Law Enforcement Officers - Offset | 53.2 |
| Air Traffic Controllers | 50.7 |
| Air Traffic Controllers – Offset | 43.6 |
| Members of Congress | 42.8 |
| Members of Congress – Offset | 39.6 |
| Congressional Employees | 50.7 |
| Congressional Employees – Offset | 41.5 |

| FERS | |
|------------------------------|------------------------|
| CATEGORY | COST FACTOR (%) |
| Regular | 16.2 |
| Law Enforcement Officers | 33.8 |
| Air Traffic Controllers | 33.5 |
| Members of Congress | 23.2 |
| Congressional Employees | 23.1 |
| Military Reserve Technicians | 19.3 |

FERS-Revised Annuity Employees (RAE)

| CATEGORY | COST FACTOR (%) |
|---|------------------------|
| Regular - RAE | 16.7 |
| Law Enforcement Officers - RAE | 34.3 |
| Air Traffic Controllers - RAE | 33.9 |
| Military Reserve Technicians - RAE | 19.7 |

FERS-Further Revised Annuity Employees (FRAE)

| CATEGORY | COST FACTOR (%) |
|--|------------------------|
| Regular - FRAE | 16.9 |
| Law Enforcement Officers - FRAE | 34.5 |
| Air Traffic Controllers - FRAE | 34.1 |
| Military Reserve Technicians - FRAE | 20.0 |