

Office of Personnel Management

Retirement and Insurance Service



1920



1954



1959



1986

Federal Employee Benefit Programs FINANCIAL MANAGEMENT LETTER

Number: F-98-02

Date: January 30, 1998

SUBJECT: Material Relating to Accounting for Pension Costs

This Financial Management Letter transmits illustrative guidance prepared by the U.S. Department of the Treasury, Financial Management Service, for recording pension expense using the cost factors we provided in Financial Management Letter F-97-08, Cost Factors for Pensions and Other Retirement Benefits, dated October 23, 1997.

In addition, subject to the signature of the Federal Accounting Standards Advisory Board (FASAB), Interpretation of Federal Financial Accounting Standards Number 4, Accounting for Pension Payments in Excess of Pension Expense, has been issued.

We asked FASAB to provide guidance regarding the entries to be made by employer agencies should payments to the Civil Service Retirement and Disability Fund exceed their pension expense. A copy of Interpretation Number 4 can be found in the "financenet" website:

<http://www.financenet.gov/financenet/fed/fasab/intprt4.ht>.

If you have any questions, please call Judy Yuran, Manager, U.S. Government Standard General Ledger Staff, Financial Management Service, (202) 874-6308 or Internet email, Judy.Yuran@FASD.FININFO-FMS.fms.sprint.com.

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Enclosure

Entries to Record Pension Cost, Including Pension Cost Covered by Imputed Financing

Your agency received a Financial Management Letter, dated October 23, 1997, from OPM that provides factors from which agencies' total pension cost for the year is derived. The factor for your Civil Service Retirement System (CSRS) cost for the year is 24.2%. How do you do the proper accounting entries?

NOTE: The entry illustrated in paragraph 78 of Statement of Federal Financial Accounting Standards Number 5 needs clarification.

Assumptions: The agency has one employee, who makes \$26,000 per year or \$1,000 per pay period. Since he is a regular CSRS employee, he contributes 7% of his salary to the pension fund and the agency contributes a matching 7%. For the sake of simplicity, the only deduction made from the employee's salary is contributions to the CSRS. Entries to record payroll expense and the employer's portion of pension expense for contributions are made biweekly. Note: For simplicity, budgetary entries are excluded.

Biweekly entries to record payroll and agency contributions to the pension fund are as follows.

Note: Entries are coded as N or G for elimination purposes on the Consolidated Financial Statements.

6100N	Operating/Program Expense (payroll)	1,000.
6400G	Benefit Program Expense (6100G may also be used)	70.
2210N	Accrued Funded Payroll & Benefits (Employees pay, net)	930.
2210N	Accrued Funded Payroll & Benefits (Employee contribution to CSRS)	70.
2210G	Accrued Funded Payroll & Benefits (Employer contribution to CSRS)	70.

When the employee is paid, the entries are as follows.

2210N	Accrued Funded Payroll & Benefits (Employees pay, net)	930.
2210N	Accrued Funded Payroll & Benefits (Employee contribution to CSRS)	70.
2210G	Accrued Funded Payroll & Benefits (Employer contribution to CSRS)	70.
1010	Fund Balance with Treasury	1,070.

and

If paid from an appropriation.

3100	Unexpended Appropriations	1,070.
5700	Appropriations Used	1,070.

Note: If the fiscal year-end falls in the middle of a pay period, the cost for the portion of the pay period that represents an expense of the closing fiscal year must be accrued. This accrual must be reversed at the beginning of the new year.

At fiscal year-end, the entry to record cost that will be covered by imputed financing is calculated as follows.

Assume the cost factor is 25% for simplicity. 25% of \$26,000, or \$6,500, is the cost of CSRS for your agency for this year. Employees have contributed 7% or \$1,820, for the year and the agency has contributed another 7% or \$1,820. \$2,860. (\$6,500 - \$1,820 - \$1,820) of additional cost will be “financed” by an imputed financing source.

For **FY 1997** the entry would be:

6400G	Benefit Program Expense (6100G may also be used)	2,860.
5790	Other Financing Sources (Imputed)	2,860.

For **FY 1998** reporting, the SGL Board implemented an Imputed Financing account. The entry will be:

6400G	Benefit Program Expense (Cost paid by another agency which is covered by Imputed Financing) (6100G may also be used)	2,860.
5780	Imputed Financing Sources (Account is G by definition)	2,860.

For **FY 1999** reporting, the SGL Board has voted to implement an “Imputed Cost” account. This represents the cost not paid by the agency but needed to recognize full cost of programs. Also, account 6400 was approved for deletion. The entry will be:

6730	Imputed Cost (This account is G by definition)	2,860.
5780	Imputed Financing Sources (G by definition)	2,860.