



***Retirement and Insurance Service
Benefits Administration Letter***

Number: 01-326

Date: October 15, 2001

Subject: Fiscal Year 2001 Cost Factors for CSRS, FERS, FEHB and FEGLI

As required by Statement of Federal Financial Standards No. 5 (SFFAS-5) -- *Liabilities of the Federal Government*— we are providing you with the “costs factors” for the Federal civilian benefit programs. The use of these factors will enable you to determine your “Imputed Costs” for 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 CSRS, FEHB and FEGLI do not fully cover the Government's cost to provide these benefits to your employees after they retire. As a consequence, you must recognize an *Imputed Cost* equal to the difference between the Government's cost of providing these benefits to your employees and the contributions you remit currently by and for them. You will record your Imputed Cost as a charge to standard general ledger (SGL) account 6730F.24. You must also record an “imputed financing source,” in an amount equal to your Imputed Cost, by crediting SGL account 5780F.24.

IMPUTED COST FOR 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; it, generally, excludes bonuses, allowances, overtime, and holiday pay. For a complete definition of basic pay, you should refer to the CSRS/FERS Handbook, which is available on the OPM website at <http://www.opm.gov/asd/hod/hod.htm>.

<i>Civil Service Retirement System</i>	<i>Federal Employees’ Group Life Insurance Program</i>	<i>Federal Employees Health Benefits Program</i>	<i>Federal Employees Retirement System</i>	<i>Long Term Care Insurance Program</i>
--	--	--	--	---

CIVIL SERVICE RETIREMENT SYSTEM

For most (“regular”) CSRS employees, the fiscal year 2001 cost factor is 24.2 per cent of basic pay, the same as that for fiscal year 2000. This is the Government’s actual future cost of providing a CSRS benefit to your employees after they retire. As you can see, the actual cost of a CSRS benefit exceeds the total percentage of basic pay you remit by and for your covered employees. The cost factors for other categories of CSRS coverage are attached.

FEDERAL EMPLOYEES RETIREMENT SYSTEM

For most (“regular”) FERS employees, the fiscal year 2001 cost factor is 11.5 per cent of basic pay, the same as that for fiscal year 2000. Unlike the CSRS, the cost of providing a FERS benefit to your participating employees after they retire is fully funded by the contributions you remit by and for them. In fact, the total contributions for “regular” FERS-covered employees may actually exceed the cost of providing a FERS benefit. The cost factors for other categories of FERS coverage are also on the attachment.

GUIDELINES FOR CALCULATING IMPUTED COST FOR THE CSRS AND FERS

To determine your Imputed Cost for the CSRS and FERS:

1. Sort all employees covered by the 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 annual basic pay for each category of CSRS and FERS coverage computed in step 2 by the associated Cost Factor.
4. Compute the grand total of each of the individual calculations in step 3 for *both* the CSRS and FERS -- this is the total *Service Cost* of providing CSRS and FERS benefits.
5. Subtract, from the total Service Cost derived in step 4, the total contributions (agency and employee) for all employees covered by the CSRS and FERS – this is your *Imputed Cost* for the CSRS and FERS.
6. Record the Imputed Cost computed in Step 5 as a charge to SGL account 6730F.24 - *Imputed Cost* - with a corresponding credit to SGL account 5780F.24 - *Imputed Financing Sources*.

ILLUSTRATION: CALCULATION OF IMPUTED COST FOR CSRS AND FERS

In fiscal year 2001, Agency XYZ has “regular” CSRS employees, who earned basic pay of \$500,000, and “regular” FERS employees, who earned basic pay of \$250,000. Agency XYZ computes its fiscal year 2001 Service Cost, as follows:

COMPUTE SERVICE COST			
	A	B	C
	Annual Basic Pay	Cost Factor	Service Cost [A * B]
CSRS	\$500,000	24.2%	\$121,000
FERS	\$250,000	11.5%	\$28,750
TOTAL SERVICE COST			\$149,750

TOTAL CONTRIBUTIONS						
	A	B	C	D	E	F
	Annual Basic Pay	Employee Withholding Rate	Employee Withholdings	Agency Contribution Rate	Agency Contributions	Total Contributions [C + E]
CSRS	\$500,000	⊕ 7.1%	\$35,500	8.51%	\$42,550	\$78,050
FERS	\$250,000	⊕ 0.9%	\$2,250	10.70%	\$26,750	\$29,000
TOTAL CONTRIBUTIONS						\$107,050

- ⊕ These are NOT actual employee withholdings rates, but hypothetical rates used for this illustration only. They reflect that new, lower CSRS/FERS employee withholdings rates of 7.0 and 0.8 percent, respectively, took effect with the first pay period that began on or after January 1, 2001.

Agency XYZ computes its fiscal year 2001 Imputed Cost by subtracting the total contributions by and for its covered employees from its Service Cost:

COMPUTE IMPUTED COST			
	A	B	C
	Service Cost	Total Contributions	Imputed Cost [A less B]
CSRS	\$121,000	\$78,050	\$42,950
FERS	28,750	29,000	-250
TOTAL IMPUTED COST	\$149,750	\$107,050	\$42,700

Agency XYZ posts the following entry to record its Imputed Cost for CSRS and FERS:

6730F.24	Imputed Cost	42,700	
5780F.24	Imputed Financing Sources		42,700

FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM

The FEHB Program provides post-retirement benefits to Federal employees, their dependents and survivors. SFFAS-5 requires that the cost of these future benefits be recognized on your books over the active working careers of your covered employees. Since neither you nor your participating employees make any contributions for post-retirement FEHB coverage, you must recognize the Government's entire cost of providing post-retirement

health benefits to your employees as an Imputed Cost. To compute your Imputed Cost attributed to fiscal year 2001, you will use the cost factor of \$2,999 per employee enrolled in the FEHB Program.

GUIDELINES FOR CALCULATION OF IMPUTED COST OF FEHB PROGRAM

To determine your fiscal year 2001 Imputed Cost:

1. Ascertain actual enrollment in the FEHB at three points in time: October 1, 2000; March 31, 2001; and September 30, 2001.
2. Multiply the October 1 enrollment by one; the March 31 enrollment by two; and the September 30 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 your constructed FEHB enrollment, computed in step 4, by the fiscal year 2001 cost factor of \$2,999 – this is your *Imputed Cost*.
6. Record your Imputed Cost as a charge to SGL account 6730F.24, with a corresponding credit to SGL account 5780F.24.

ILLUSTRATION OF CALCULATION OF IMPUTED COST OF FEHB PROGRAM

	10/1/00	3/31/01	9/30/01
Actual enrollment	72	66	60
Multiplier	1	2	1
Product	72	132	60
Grand Total	264		
Constructed Enrollment [Grand Total Divided by Four]	66		
Fiscal Year 2001 Cost Factor	\$2,999		
IMPUTED COST [Constructed Enrollment Times Cost Factor]	\$197,934		

Agency XYZ posts the following entry:

6730F.24	Imputed Cost	197,934	
5780F.24	Imputed Financing Sources		197,934

FEDERAL EMPLOYEES LIFE INSURANCE PROGRAM

The FEGLI Program provides life insurance benefits to eligible Federal retirees, their dependents and survivors. The contributions remitted by and for covered employees do not fully cover the Government's cost of providing post-retirement FEGLI benefits. Thus, you must recognize the "unfunded" portion of the cost of providing post-retirement Basic life insurance benefits as an Imputed Cost. Our actuaries have computed the fiscal year 2001 cost factor for FEGLI as *0.02 per cent of basic pay*, the same as in previous years.

GUIDELINES FOR CALCULATING THE IMPUTED COST OF FEGLI PROGRAM

Agencies will determine their Imputed Cost 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 [*0.02 per cent of basic pay*] – this is your *Imputed Cost*.
3. Record your Imputed Cost computed in step 2 as a charge to SGL account 6730F.24, with a corresponding credit to SGL account 5780F.24.

ILLUSTRATION OF CALCULATION OF IMPUTED COST OF FEGLI PROGRAM

For fiscal year 2001, Agency XYZ has determined the aggregate annual basic pay of its employees covered by Basic life insurance to be \$500,000. It determines its fiscal year 2001 Imputed Cost for the FEGLI Program, as follows:

A	B	C
Annual Basic Pay	Cost Factor (%)	Imputed Cost [A x B]
\$500,000	.02	\$100

Agency XYZ posts the following entry:

6730F.24	Imputed Cost	100
5780F.24	Imputed Financing Sources	100

2001 FACTS REPORTING

Note the "F" attribute in the SGL accounts used in this Letter to reflect Imputed Cost -- 6730F.24 -- and imputed financing sources -- 5780F.24. Treasury requires that the "F" attribute now be used in all SGL accounts that reflect "intragovernmental transactions." It replaces the previously used "G" attribute, which is no longer valid. When reported on your ATBs, these accounts must also have the two-digit agency partner code for OPM -- "24."

BASELINE TO GAUGE REASONABLENESS OF IMPUTED COST CALCULATIONS

In early January 2002, we will provide you with a calculation of your fiscal year 2001 Imputed Costs for the CSRS, FERS, FEHB and FEGLI. Our calculation will be based on our estimate of the basic pay your employees earned in fiscal year 2001 [for CSRS, FERS, and FEGLI] and your employees' fiscal year 2001 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 as a baseline to gauge the reasonableness of your own calculations.

PROPOSED LEGISLATION TO FUND IMPUTED COSTS

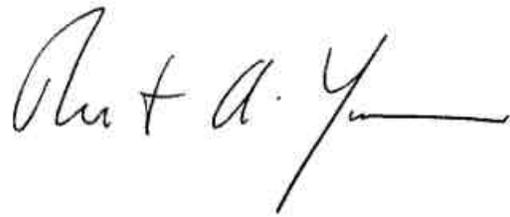
The Administration will propose legislation that will require agencies, beginning in 2003, to fund the Imputed Cost of providing CSRS and post-retirement FEHB benefits. You will probably be contacted by your budget staff for assistance in preparing estimates of the impact of this legislation on 2003 budgets, which are due to OMB by October 19. Please cooperate to the extent feasible.

ASSURANCE FOR AUDITORS

Due to the need to provide you with these cost factors so soon after the end of fiscal year 2001, our independent public accounting firm, KPMG, has had insufficient time to opine on them. Nonetheless, the fiscal year 2000 cost factors for regular CSRS and FERS coverage, as well as those for FEHB and FEGLI were disclosed in the footnotes accompanying our fiscal year 2000 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 fiscal year 2001, 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 fiscal year 2000 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", with a horizontal line extending from the end of the signature.

**Robert A. Yuran, Chief
Financial Policy Staff**

Attachment

2001 COST FACTORS FOR THE CSRS AND FERS

CSRS	
CATEGORY	COST FACTOR (%)
Regular	24.2
Regular offset	19.3
Law enforcement officers	40.0
Law enforcement officers - offset	36.2
Air traffic controllers	31.9
Air traffic controllers – offset	28.2
Members of Congress	29.3
Members of Congress – offset	27.0
Congressional employees	32.5
Congressional employees – offset	27.8

FERS	
CATEGORY	COST FACTOR (%)
Regular	11.5
Law enforcement officers	24.6
Air traffic controllers	23.1
Members of Congress	16.5
Congressional employees	16.7
Military reserve technicians	11.9