



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

Number: 01-306

Date: January 10, 2001

Subject: Estimates of Imputed Costs

As announced in our Financial Management Letter (FML) F-00-07, we have attached to this letter our estimate of your imputed costs for the Federal civilian benefit programs -- Pensions, Health Benefits and Life Insurance. It is important that you recognize that these are estimates only, based on the information we have available to us. As such, you should NOT use these numbers to post to your internal accounts. Rather, these estimates of your imputed costs should be used solely as a baseline against which to gauge the reasonableness of your own calculation.

Basis of our Calculation of Imputed Costs

Although we think our estimates of your imputed costs for Pensions, Health Benefits and Life Insurance are "in the ballpark," we do not have the data needed to compute them with a high degree of precision. For instance, we have no knowledge of your employees' basic pay, which is a critical element in your calculation of the imputed cost for Pensions and Life Insurance Programs.

The following is presented so that you may have a basic understanding of the methodology we have used to estimate your imputed costs:

Pension: We first derived an estimate of annual basic pay subject to CSRS and FERS deductions by dividing our fiscal year 2000 balance in account 5400G.24 – Benefit Program Revenue – for CSRS and FERS by the agency contribution rate in effect for each in fiscal year 2000. We then multiplied the quotient by 8.29 percent for CSRS and a negative 0.4 percent for FERS. The 8.29 percent for CSRS is the cost factor for "regular" CSRS employees [24.2 percent] less total contributions [15.91 percent]. The negative 0.4 percent for FERS is the cost factor for "regular" FERS employees [11.5 percent] less total contributions [11.9 percent].

Life Insurance: We assumed that 90 percent of all eligible employees are covered by the Life Insurance Program. Thus, we derived the annual basic pay subject to Life Insurance deductions by multiplying the annual basic pay subject to CSRS and FERS by 0.9. We then multiplied the product by the Life Insurance cost factor of 0.2 percent.

Health Benefits: We followed the instructions we provided to you in FML F-00-07, using your September 1999, March 2000 and September 2000 Headcount submissions and applied the 2000 Health Benefits cost factor of \$2,733.

*Civil Service
Retirement
System*

*Federal Employees
Group Life
Insurance*

*Federal Employees
Health Benefits
Program*

*Federal Employees
Retirement
System*

Coordination with Reconciliation of Intragovernmental Account Balances

In FML F-00-09, we provided you with our fiscal year 2000 balance in account 5400G.24 to which you are now reconciling the balance in your reciprocal expense account 6400G.24 – Benefits Expense. As discussed above, our calculation of your imputed cost for Pensions and Life Insurance applies the same 5400G.24 account balance as we provided you in FML F-00-09. As a consequence, where our mutual intragovernmental account balance reconciliation effort results in a need for a material adjustment to our 5400G.24 balance, we will also adjust our estimate of your imputed cost for Pensions and Life Insurance.

New FACTS Disclosure Requirement

We want to remind you again of the new Federal Agencies' Centralized Trial-Balance System (FACTS) disclosure requirement for 2000 relating to imputed costs. Treasury requires that you disclose in Note 14 -- Federal Employee and Veteran Benefits Payable -- your imputed cost relating to Pensions, Health Benefits and Life Insurance. If there is a significant difference between what you report as imputed costs in Note 14 and the imputed costs we have provided to you on the attachment to this letter, Treasury staff may contact you about it.

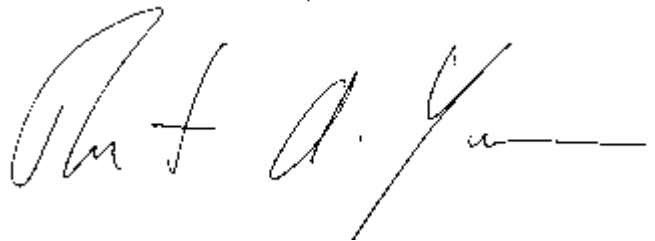
Accounting Entries

Again, as a reminder, your imputed costs for the Federal civilian benefit programs is recorded as a charge to standard general ledger (SGL) account 6730G. An "imputed financing source" must also be recognized in an amount equal to the imputed cost, as a credit to SGL account 5780G.

DR. 6730G.24 Imputed Cost
CR. 5780G.24 Imputed Financing Sources

Please note the "24" in the above entry. It is our two-digit department code, as we are your "trading partner" for reporting your imputed costs for the Federal civilian benefit programs via FACTS. It is *essential* that you use partner code "24", NOT "00", as was required for 1999.

If you have any questions about this letter, we would prefer that you email us at finance@opm.gov, so that we may have a record of them. You may also phone us on (202) 606-0606.



Robert A. Yuran, Chief
Financial Policy Staff

Attachment