



## ***Benefits Administration Letter***

**Number: 10-306**

**Date: August, 2010**

Subject: Fiscal Year 2010 Factors for Calculating Imputed Costs

This Letter provides the fiscal year (FY) 2010 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 Systems, the Federal Employees Health Benefits Program (FEHB) and the Federal Employees' Group Life Insurance Program (FEGLI) which are used to determine the actuarial liabilities which are included in Governmental financial statements. Beginning in FY 2010, with the implementation of SFFAS 33 *Statement of Federal Financial Accounting Standards 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* (SFFAS 33), there are significant changes to the actuarial assumptions for the benefit programs.

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

### **COST FACTORS**

*Pensions.* SFFAS 33 requires a change to the long term economic assumptions used in the reporting of actuarial liabilities for CSRS and FERS. In addition, the Defense Authorization Act for Fiscal Year 2010 included provisions to provide credit under FERS for unused sick leave balances at retirement, and to allow for redeposit of refunded FERS contributions for employees returning to federal service. OPM's actuary has applied these changes to derive the cost factors for the CSRS and the FERS. These retirement cost factors should be applied with the FY 2010 year end financial reporting. These new cost factors are determined under SFFAS 33 and differ from the normal cost percentages used to determine the employer contributions agencies pay for FERS employees.

We note that there will be an increase in employer contributions that agencies pay for FERS employees beginning in FY 2011 – please see BAL 10-304 for details. However, agencies should expect to continue to report future imputed retirement costs for their FERS employees, as the cost factors reported under SFFAS 33 are determined on a different basis than are the actual FERS normal cost contributions.

For most CSRS-covered employees, the FY 2010 cost factor is 30.1 percent of basic pay. The

FY 2010 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.

For most FERS-covered employees, the FY 2010 cost factor is 13.8 percent of basic pay. Due to the change in actuarial assumptions required with the FY 2010 implementation of SFFAS 33, **agencies will need to calculate an imputed cost for FERS**. The cost factors for all categories of FERS coverage are attached.

*FEHB Program.* For FY 2010, the cost factor is \$5,906 per enrolled employee. Please note that the cost factors shown below are based on the new actuarial assumptions required with the implementation of SFFAS 33.

| Quarter         | Factor  |
|-----------------|---------|
| 1 <sup>st</sup> | \$1,437 |
| 2 <sup>nd</sup> | 1,463   |
| 3 <sup>rd</sup> | 1,489   |
| 4 <sup>th</sup> | 1,517   |
| FY 2010         | \$5,906 |

*FEGLI Program.* The FY 2010 cost factor for the FEGLI is 0.02 percent of basic pay, the same as in previous years.

#### STATEMENT FOR AUDITORS

The cost factors provided in this letter are being issued before an opinion by OPM’s independent public accounting firm can be received. Nonetheless, the FY 2009 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 2009 financial statements; these statements received an unqualified audit opinion. Although the actuarial assumptions for the benefit programs have changed for FY 2010, with the implementation of SFFAS 33, the overall processes, procedures, and controls pertaining to the calculations of the cost factors did not change from FY 2009.

## INQUIRIES

If you have any questions regarding this information, we would prefer you email us at [finance@opm.gov](mailto:finance@opm.gov), so we have a record of our communication. You may also phone us on (202) 606-0606.

Robert D. Wurster  
Acting Associate Chief Financial Officer  
Financial Services

Attachment

Attachment

*2010 COST FACTORS FOR THE CSRS AND FERS*

| <i>CSRS</i>                       |                 |
|-----------------------------------|-----------------|
| CATEGORY                          | COST FACTOR (%) |
| Regular                           | 30.1            |
| Regular Offset                    | 23.5            |
| Law Enforcement Officers          | 51.1            |
| Law Enforcement Officers - Offset | 45.6            |
| Air Traffic Controllers           | 46.6            |
| Air Traffic Controllers – Offset  | 41.4            |
| Members of Congress               | 33.4            |
| Members of Congress – Offset      | 31.2            |
| Congressional Employees           | 41.3            |
| Congressional Employees – Offset  | 35.9            |

| <i>FERS</i>                  |                 |
|------------------------------|-----------------|
| CATEGORY                     | COST FACTOR (%) |
| Regular                      | 13.8            |
| Law Enforcement Officers     | 29.8            |
| Air Traffic Controllers      | 29.6            |
| Members of Congress          | 20.9            |
| Congressional Employees      | 19.6            |
| Military Reserve Technicians | 17.0            |