

**VOLUME 4, CHAPTER 10: “PERSONNEL RELATED LIABILITIES”****SUMMARY OF MAJOR CHANGES**

Changes are identified in this table and also denoted by [blue font](#).

Substantive revisions are denoted by an asterisk (\*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by [\*\*\*bold, italic, blue, and underlined font\*\*\*](#).

The previous version dated [February 2016](#) is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Administrative updates were completed in accordance with the Department of Defense Financial Management Regulation Revision Standard Operating Procedures.	Revision
1.2	Added Authoritative Guidance section for policies and procedures.	Addition
2.1.4	Added a reference for disclosures.	Addition
2.1.5	Added information on imputed costs.	Addition

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## CHAPTER 10

**PERSONNEL RELATED LIABILITIES**

## 1.0 GENERAL

## 1.1 Purpose

This chapter prescribes the accounting policy for the Department of Defense (DoD) personnel-related liabilities. The Transaction Library and Standard Reporting Chart of Accounts is available on the Office of the Deputy Chief Financial Officer Standard Financial Information Structure ([SFIS](#)) web page. The web page also provides the required DoD U.S. Standard General Ledger (USSGL) proprietary and budgetary accounting entries and transaction illustrations.

## \*1.2 Authoritative Guidance

The accounting policy and related requirements prescribed in this chapter are in accordance with the applicable provisions of:

1.2.1. [Federal Accounting Standards Advisory Board \(FASAB\) Statement of Federal Financial Accounting Standards \(SFFAS\) 4](#): “Managerial Cost Accounting Standards and Concepts”;

1.2.2. FASAB [SFFAS 5](#): “Accounting for Liabilities of The Federal Government;”

1.2.3. FASAB [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;”

1.2.4. FASAB [SFFAS 55](#): “Amending Inter-entity Cost Provisions;”

1.2.5. [Title 5 United States Code Section 6303](#) “Annual leave; accrual;”

1.2.6. [Office of Management and Budget, Circular A-136](#): “Financial Reporting Requirements;”

1.2.7. FASAB [Interpretation 4](#): “Accounting for Pension Payments in Excess of Pension Expense;” and

1.2.8. [Office of Personnel Management \(OPM\) Number 24-304](#), “Benefits Administration Letter”

## 2.0 ACCOUNTING POLICY FOR PERSONNEL RELATED LIABILITIES

### 2.1 General Standards

2.1.1. Refer to Chapter 8 for the accounting principles and policy applicable to the financial control of liabilities. Adhere to the standards listed in the following subparagraphs in accounting for personnel-related liabilities.

2.1.2. Update the personnel-related accounting entries based on appropriate source documents reflecting the latest pay adjustments, leave balances, levels of benefits, and changes in benefit rules.

2.1.3. Do not limit the personnel-related accrued amounts to the amounts covered by available budgetary resources.

\* 2.1.4. Refer to Volume 6B for the required financial statement disclosure guidance for the personnel-related liabilities discussed in this chapter.

\* 2.1.5. Calculate the Civil Service Retirement System (CSRS), the Federal Employees Retirement System (FERS), the Federal Employees Health Benefits Program, and the Federal Employees Group Life Insurance Program imputed costs for the DoD Components Financial Statements. Base the calculations on the annual OPM Benefits Administration Letter.

### 2.2 Accounting for Personnel Entitlements

2.2.1. Accrue the DoD military and civilian employees' cost of services including overtime when a pay period does not coincide with the end of an accounting period. Accrue based on journal vouchers with supporting documentation (or automated programs) showing the data and calculations in the applicable accounting period. The appropriate authorized accounting official must sign the journal vouchers. Reverse these accruals when the related pay is disbursed, and actual costs are recorded.

2.2.2. Record probable and estimable annuities, adjudicated claims, and benefit payments as of the end of the applicable accounting period. Record amounts based on journal vouchers signed by the appropriate authorized accounting official and supporting documentation clearly showing the basis for the amounts.

2.2.3. Accrue bonuses and awards, if material, in the accounting period earned. DoD Components assess the materiality threshold.

2.2.4. Compensate employee absences (ordinarily for vacation or illness). When DoD employees accrue rights to take leave with pay, DoD Components incur an expense and liability measured by the salary cost when the leave may be taken.

2.2.5. **Accrue** unused annual leave, including restored leave, compensatory time, credit hours earned, and the **associated** fringe benefit costs.

2.2.5.1. **Record** the expense and related liability for annual leave at the regular **earned** hourly rate. **Calculating annual leave based on a** fringe benefit rate is also acceptable.

2.2.5.2. **Reflect** all pay increases and unused leave balances at least quarterly for annual leave, other leave (compensatory time and credit hours), and the **associated** fringe benefit costs, for financial statement purposes. For **general funds**, unused annual leave is typically unfunded until the leave is used. However, **in working capital funds** unused annual leave **must** be funded.

2.2.6. **Do not accrue** sick leave, home leave, and compensatory time for travel, as **unused** balances are not reimbursed by **the DoD**. **These entitlements are expensed as taken**.

2.2.7. **Accrue** Social Security, retirement funds, Thrift Savings Plan (**TSP**), and group health and life insurance programs in the same manner as gross compensation (see Volume 8, Chapter 3).

2.2.8. **Accrue** other benefits such as relocation-related real estate costs and personnel allowances in the period earned.

2.2.9. **Accrue** payments to the OPM for reemployed annuitants and severance pay for former employees in the same manner as gross compensation.

2.2.10. **Accrue** recruitment and relocation bonuses and retention allowances in the period earned.

## 2.3 Pensions

2.3.1. Pension benefits include all retirement, disability, and survivor benefits financed through a pension plan, including unfunded pension plans. **Three defined benefit retirement plans: CSRS, FERS, and Military Retirement System (MRS) cover DoD civilian and military employees.**

2.3.2. **Recognize** the **pension** liability **when** the employee's services are rendered and **report the liability** in the **DoD Components' financial statements**. **Report recoverable estimated amounts as receivables with the sources of expected repayments indicated** if legislation requires that **payments** to participants be recovered from others (e.g., employing agencies).

2.3.3. Defined contribution plans (e.g., TSP) do not **create** pension liabilities.

2.3.4. **DoD Components recognize a pension expense equaling the employee service cost for the applicable accounting period, less employee contributions, if any, for DoD Civilian pension plans (CSRS and FERS).** **DoD Components apply the cost factor provided by OPM, the administrative entity.**

### 2.3.5. Calculate the pension expense and liability using actuarial estimates for MRS.

2.3.5.1. Use the “aggregate entry age normal” actuarial cost method to calculate the pension expense and liability for the MRS financial statements. Calculate the liability using the actuarial present value of all future benefits, based on projected salaries and total service, less the actuarial present value of future normal cost contributions that would be made for and by the employees under the plan.

2.3.5.2. Base individual component expense on the actuarial cost. Recognize the difference between component expense and the amount paid by the component to OPM or MRS as an intragovernmental liability. Refer to Volume 12 for more information.

2.3.6. Maintain official communication between OPM and the DoD Office of the Actuary to support pension expense and any related liability.

## 2.4 Other Retirement Benefits

2.4.1. An employer provides Other Retirement Benefits (ORB) outside the pension plan to a former employee or the employee’s beneficiary upon retirement. ORB includes all retirement benefits other than pension plan benefits, such as retirement health care benefits.

2.4.2. Recognize the ORB liability when the employee’s services are rendered. Report the liability in the DoD Components’ financial statements. Report the recoverable estimated amount as a receivable with the sources of expected repayments indicated, if existing legislation requires that amounts paid to participants be recovered from others (e.g., employing agencies).

2.4.3. Account for and report the ORB expense, such as medical costs for retirees, in the DoD Component financial reports in a manner similar to that used for pensions. Recognize ORB expense in an amount equal to the total service cost (as determined by the DoD Office of the Actuary). Record and report the portion of the ORB liability in the DoD Component financial statements.

## 2.5 Other Postemployment Benefits

2.5.1. DoD Components provide Other Postemployment Benefits (OPEB) to former or inactive employees, their beneficiaries, and covered dependents outside pension or ORB plans. Inactive employees are not currently rendering services to the employer but have not been terminated, including those temporarily laid off or disabled. Postemployment benefits can include salary continuation, severance benefits, counseling and training, continuation of health care or other benefits, unemployment compensation, workers’ compensation, and veterans’ disability compensation benefits paid by the employer entity.

2.5.2. **Recognize** expense and liability when a future outflow or other sacrifice of resources is probable and measurable **based on** events occurring on or before the reporting date. **Report the estimated recoverable amount as a receivable with the sources of expected repayments indicated, if existing legislation requires that amounts paid to participants be recovered from employing agencies.** An OPEB example is **the** Federal Employees' Compensation Act (FECA).

2.5.3. FECA provides **workers' compensation benefits to** federal employees injured in the performance of duty. **Workers' compensation benefits include wage-loss benefits** for total or partial disability, monetary benefits for permanent loss or **loss of** use of a body part, medical benefits, and vocational rehabilitation. **Agencies' direct reimbursements finance** the FECA program.

2.5.4. The FECA fund pays benefits on behalf of Federal entities as costs are incurred and bills the entity annually for the **previous period**. Federal entities fund the FECA payments through appropriations reimbursed to the FECA fund. **Include annual budget estimates for the fiscal year beginning in the next calendar year equal to the costs (approximately 15 months) for the appropriation-funded agencies.** Once the appropriation is received, **pay** the Department of Labor (DOL) within 30 days.

2.5.5. The DOL sends each agency the actuarial liability estimates for future worker's compensation benefits amounts for both the current and prior years. The current **amount is** the new balance in the Actuarial FECA Liability. **The DoD Component determines** the change in actuarial liability by taking a difference of **DOL's** prior year **to current year** actuarial liability.

2.5.6. **Include** the following support with the Actuarial FECA Liability entry:

2.5.6.1. The DOL Memorandum for Chief Financial Officers of Executive Departments and Agencies, which contains the actuarial balances;

2.5.6.2. Agency-Wide Financial Statements Directorate allocation spreadsheet reflecting the percentage allocation to the entity level; and

2.5.6.3. A copy of the last three annual chargeback bills for the Department Level.

### 3.0 **AUDITABILITY AND INTERNAL PROCEDURES**

3.1. Each DoD Component must develop and implement internal **operating procedures** to ensure complete, consistent, timely, accurate, valid, and relevant financial data.

3.2. **Maintain** appropriate supporting records to provide **an** appropriate footnote disclosure in the financial statements **if personnel-related** liabilities are unfunded. DoD Components must **disclose according to** Volume 6B, Chapter 10.