



September 30, 2024

MEMORANDUM FOR CHIEF FINANCIAL OFFICERS OF EXECUTIVE DEPARTMENTS
AND AGENCIES SUBJECT TO THE CHIEF FINANCIAL OFFICERS ACT OF 1990 AND
THE GOVERNMENT MANAGEMENT REFORM ACT OF 1994

FROM:

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Deputy Chief Financial Officer

SUBJECT:

Estimated Actuarial Liability for Future Workers' Compensation Benefits
under the Federal Employees' Compensation Act (Unaudited)

This memorandum transmits Federal agencies' unaudited estimated actuarial liability for Future Workers' Compensation (FWC) benefits as of September 30, 2024. For comparative purposes, amounts as of September 30, 2023 also presented. We anticipate that the Department of Labor's Office of Inspector General will issue the results of its audit of overall FWC liability in October 2024.

Per Office of Management and Budget (OMB) guidance, each reporting entity preparing financial statements under the Chief Financial Officers (CFO) Act and the Government Management Reform Act (GMRA) should include its respective portion of the actuarial liability for workers' compensation benefits as a liability in its financial statements, if such amounts are material.

The amounts presented in the attachment were developed by DOL's Office of Workers' Compensation Programs (OWCP). A description of the methodology used to estimate the actuarial liability is also included in the attachment.

Amounts are reported for CFO Act agencies, including amounts for the Agency for International Development, the National Science Foundation, the Nuclear Regulatory Commission, the Office of Personnel Management, and the Small Business Administration to facilitate implementation of GMRA requirements. Agencies not specifically listed are included in the "Other" category. DOL/OWCP is unable to estimate the actuarial liability for individual agencies comprising the "Other" category.

This guidance is for the purpose of financial statement presentation only and is not intended for use as a standard for incorporating actuarial liabilities in fees, prices, and reimbursements. Federal entities should comply with laws and regulations related to pricing policies in general and for specific types of goods and services. Additional guidance on recording this actuarial liability is contained in guidance issued by the U.S. Department of the Treasury.

Attachment



Attachment

United States Department of Labor
Estimates of Total FECA Future Liabilities,
As of September 30, 2024 and 2023
(Data evaluated as of June 30, 2024)
[Thousands of Dollars (3)] UNAUDITED

| Agency | 2024 | 2023 |
|--|----------------------|----------------------|
| Agency for International Development | \$ 26,010 | \$ 24,531 |
| Corp. for National and Community Service | 6,316 | 8,368 |
| Department of Agriculture | 599,733 | 607,968 |
| Department of Commerce | 136,876 | 135,857 |
| Department of Education | 13,014 | 13,731 |
| Department of Energy | 91,981 | 89,953 |
| Department of Health and Human Services | 247,090 | 241,654 |
| Department of Homeland Security | 2,606,852 | 2,495,637 |
| Department of Justice | 1,716,230 | 1,650,154 |
| Department of Labor (1) | 162,125 | 159,742 |
| Department of State | 103,454 | 103,392 |
| Department of the Air Force | 1,072,896 | 1,088,743 |
| Department of the Army | 1,231,805 | 1,262,763 |
| Department of the Interior | 519,334 | 529,054 |
| Department of the Navy | 1,593,228 | 1,661,981 |
| Department of the Treasury | 493,713 | 508,586 |
| Department of Transportation | 689,321 | 723,943 |
| Department of Veterans' Affairs | 2,349,227 | 2,313,439 |
| Dept. of Housing and Urban Development | 55,286 | 58,942 |
| Environmental Protection Agency | 40,359 | 44,349 |
| Executive Office of the President | 3,512 | 3,740 |
| Federal Judiciary | 79,509 | 85,953 |
| General Services Administration | 90,986 | 97,703 |
| National Science Foundation | 1,294 | 1,389 |
| Natl. Aeronautics & Space Administration | 25,451 | 26,574 |
| Nuclear Regulatory Commission | 3,092 | 3,058 |
| Office of Peace Corps | 4,064 | 3,242 |
| Office of Personnel Management | 6,509 | 7,020 |
| Panama Canal Commission | 32,849 | 36,841 |
| Peace Corps Enrollees | 107,530 | 110,246 |
| Small Business Administration | 29,273 | 26,848 |
| Smithsonian Institution | 34,373 | 35,930 |
| Social Security Administration | 262,657 | 261,827 |
| Tennessee Valley Authority | 256,707 | 286,415 |
| United States Postal Service | 16,799,467 | 15,652,094 |
| US Government Publishing Office | 38,005 | 39,974 |
| All Other Defense | 806,537 | 813,989 |
| Other Identified Establishments (2) | 259,001 | 267,499 |
| Totals | \$ 32,595,665 | \$ 31,483,127 |

(1) Excludes FECA benefits not chargeable to other Federal agencies payable by DOL's Federal Employees' Compensation Act Special Benefit Fund and FECA benefits due to eligible workers of the Panama Canal Commission Compensation Fund. (2) "Other Identified Establishments" includes all other agencies receiving annual FECA bills that are not specifically listed in the above table. (3) Values have been rounded.



In FY 2024 and FY 2023, the methodology for billable projected liabilities included, among other things: (1) an algorithmic model that relies on individual case characteristics and benefit payments (the FECA Case Reserve Model) and (2) incurred but not reported claims were estimated using the patterns of incurred benefit liabilities in addition to those of payments.

To provide more specifically for the effects of inflation on the liability for future workers' compensation benefits, wage inflation factors (cost of living adjustments or COLAs) and medical inflation factors (consumer price index medical or CPI-Ms) were applied to the calculation of projected future benefits.

DOL selected the COLA factors, CPI-M factors, and discount rate by averaging the COLA rates, CPI-M rates, and interest rates for the current and prior four years. Using averaging renders estimates that reflect historical trends over five years instead of conditions that exist in one year.

The FY 2024 and FY 2023 methodologies for averaging the COLA rates used OMB-provided rates. The FY 2024 and FY 2023 methodologies for averaging the CPI-M rates used OMB-provided rates and information obtained from the Bureau of Labor Statistics public releases for CPI.

The compensation COLAs and CPI-Ms used in the projections on a charge back year (CBY) basis were as follows:

| CBY | COLA | CPI-M |
|------|-------|-------|
| 2024 | n/a | n/a |
| 2025 | 4.27% | 2.55% |
| 2026 | 4.42% | 2.85% |
| 2027 | 4.17% | 3.21% |
| 2028 | 3.17% | 3.37% |
| 2029 | 2.57% | 3.98% |
| 2030 | 2.39% | 3.93% |
| 2031 | 2.30% | 3.93% |
| 2032 | 2.30% | 3.93% |
| 2033 | 2.30% | 3.93% |
| 2034 | 2.30% | 3.93% |

[and thereafter]

DOL selected the interest rate assumptions whereby projected annual payments were discounted to present value based on interest rate assumptions on the U.S. Department of the Treasury's Yield Curve for Treasury Nominal Coupon Issues (the TNC Yield Curve) to reflect the average duration of income payments and medical payments. FY 2024 and 2023 discount rates were based on averaging the TNC Yield Curves for the current and prior four years, respectively. Interest rate assumptions utilized for FY 2024 discounting were as follows:



Discount Rates

For wage benefits:
2.648% in year 1 and years thereafter;
For medical benefits:
2.399% in year 1 and years thereafter.

To test the reliability of the model, comparisons were made between projected payments in the last year to actual amounts, by agency. Changes in the liability from last year's analysis to this year's analysis were also examined by agency, with any significant differences by agency inspected in greater detail. The model has been stable and has projected the actual payments by agency reasonably well.

The American Rescue Plan Act of 2021 (ARPA), P.L. 117-2, section 4016, "Eligibility for Workers' Compensation Benefits for Federal Employees Diagnosed with COVID-19," mandated that the FECA Special Benefits Fund assume an **unreimbursed** liability (i.e., a liability that is not chargeable to the agencies) for approved claims of certain covered employees for injuries proximately caused by exposure to the novel coronavirus that causes COVID-19 (or another coronavirus declared to be a pandemic by public health authorities) while performing official duties during the covered exposure period. Pursuant to the ARPA, COVID-19 claims filed or adjudicated under the ARPA standards after March 11, 2021 and where COVID-19 is diagnosed on or before January 27, 2023 are included in the non-billable liabilities; accordingly, the methodology properly omits these future benefits.