U.S. Department of Labor

Office of the Chief Financial Officer
Washington, D.C. 20210

September 29, 2023

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: KEVIN L. BROWN
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, 2023. For comparative purposes, FY 2022 amounts are 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 2023.

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, 2023 and 2022
(Data evaluated as of June 30, 2023)
[Thousands of Dollars (3)] UNAUDITED

Agency	2023	2022
Agency for International Development	$ 24,531	$ 26,333
Corp. for National and Community Service	8,368	8,384
Department of Agriculture	607,968	624,725
Department of Commerce	135,857	144,380
Department of Education	13,731	15,009
Department of Energy	89,953	92,262
Department of Health and Human Services	241,654	242,215
Department of Homeland Security	2,495,637	2,395,787
Department of Justice	1,650,154	1,585,720
Department of Labor (1)	159,742	158,273
Department of State	103,392	99,617
Department of the Air Force	1,088,743	1,086,522
Department of the Army	1,262,763	1,443,706
Department of the Interior	529,054	539,193
Department of the Navy	1,661,981	1,730,624
Department of the Treasury	508,586	520,309
Department of Transportation	723,943	735,605
Department of Veterans' Affairs	2,313,439	2,243,021
Dept. of Housing and Urban Development	58,942	61,646
Environmental Protection Agency	44,349	45,758
Executive Office of the President	3,740	4,688
Federal Judiciary	85,953	85,913
General Services Administration	97,703	103,702
National Science Foundation	1,389	1,264
Natl. Aeronautics & Space Administration	26,574	25,693
Nuclear Regulatory Commission	3,058	3,552
Office of Peace Corps	3,242	3,217
Office of Personnel Management	7,020	6,884
Panama Canal Commission	36,841	40,841
Peace Corps Enrollees	110,246	114,735
Small Business Administration	26,848	27,477
Smithsonian Institution	35,930	36,256
Social Security Administration	261,827	268,096
Tennessee Valley Authority	286,415	297,260
United States Postal Service	15,652,094	15,017,623
US Government Publishing Office	39,974	41,787
All Other Defense	813,989	604,620
Other Identified Establishments (2)	267,499	265,744
Totals	**$ 31,483,127**	**$ 30,748,441**

(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 2022 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. The FY 2022 and FY 2023 methodologies omitted pandemic-related adjustments to normalize the levels of payments. The FY 2023 methodology reduced the base factor for medical costs in the FECA Case Reserve Model.

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
historical trends over five years instead of conditions that exist in one year.

The FY 2023 and FY 2022 methodologies for averaging the COLA rates used OMB-provided rates. The FY 2023 and FY 2022 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 actual rates for these factors for the charge back year (CBY) 2022 were also used to adjust the methodology's historical payments to current year constant dollars. The compensation COLAs and CPI-Ms used in the projections for various CBY were as follows:

CBY	COLA	CPI-M
2023	n/a	n/a
2024	4.04%	3.25%
2025	4.29%	3.21%
2026	4.38%	3.51%
2027	4.13%	3.87%
2028	3.13%	4.03%

[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. Discount rates were based on averaging the TNC Yield Curves for the current and prior four years for FY 2023 and FY 2022, respectively. Interest rate assumptions utilized for FY 2023 discounting were as follows:

Discount Rates

For wage benefits:
2.326% in year 1 and years thereafter;
For medical benefits:
2.112% 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.