



September 30, 2022

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, 2022. For comparative purposes, FY 2021 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 2022.

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, 2022 and 2021
(Data evaluated as of June 30, 2022)
[Thousands of Dollars (3)] UNAUDITED

Agency	2022	2021
Agency for International Development	\$ 26,333	\$ 26,928
Corp. for National and Community Service	8,384	8,689
Department of Agriculture	624,725	662,953
Department of Commerce	144,380	173,792
Department of Education	15,009	13,938
Department of Energy	92,262	92,712
Department of Health and Human Services	242,215	269,342
Department of Homeland Security	2,395,787	2,532,178
Department of Justice	1,585,720	1,678,737
Department of Labor (1)	158,273	167,665
Department of State	99,617	102,046
Department of the Air Force	1,086,522	1,155,798
Department of the Army	1,443,706	1,561,988
Department of the Interior	539,193	571,738
Department of the Navy	1,730,624	1,884,128
Department of the Treasury	520,309	565,440
Department of Transportation	735,605	773,645
Department of Veterans' Affairs	2,243,021	2,447,453
Dept. of Housing and Urban Development	61,646	61,732
Environmental Protection Agency	45,758	51,143
Executive Office of the President	4,688	4,928
Federal Judiciary	85,913	85,996
General Services Administration	103,702	117,778
National Science Foundation	1,264	1,383
Natl. Aeronautics & Space Administration	25,693	29,800
Nuclear Regulatory Commission	3,552	4,129
Office of Peace Corps	3,217	4,153
Office of Personnel Management	6,884	8,800
Panama Canal Commission	40,841	44,322
Peace Corps Enrollees	114,735	130,103
Small Business Administration	27,477	30,128
Smithsonian Institution	36,256	40,661
Social Security Administration	268,096	273,528
Tennessee Valley Authority	297,260	327,282
United States Postal Service	15,017,623	15,808,523
US Government Publishing Office	41,787	49,063
All Other Defense	604,620	628,789
Other Identified Establishments (2)	265,744	283,446
Totals	\$ 30,748,441	\$ 32,674,857

(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 an annual FECA bill that are not specifically listed in the above table. (3) Values have been rounded.



In FY 2021, 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 2021 methodology also included adjustments to normalize the levels of payments in chargeback year 2021 because payment levels in 2021 were not representative of what could be expected to occur absent the pandemic. The FY 2022 methodology remained the same, except it omitted the pandemic-related adjustments to normalize the levels 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 2022 and FY 2021 methodologies for averaging the COLA rates used OMB-provided rates. The FY 2022 and FY 2021 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) 2021 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
2022	n/a	n/a
2023	3.37%	3.13%
2024	3.97%	3.62%
2025	4.10%	3.55%
2026	4.16%	3.84%
2027	3.91%	4.20%

[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 2022 and FY 2021, respectively. Interest rate assumptions utilized for FY 2022 discounting were as follows:



Discount Rates

For wage benefits:
2.119% in year 1 and years thereafter;
For medical benefits:
1.973% 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, 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 section 4016, these claims must be accepted on or after March 12, 2021 and through September 30, 2030 and cover benefits for disability compensation and medical services and survivor benefits. Accordingly, section 4016 future benefits are properly omitted from the table of Estimates of Total FECA Future Liabilities as of September 30, 2021 and 2022, respectively.