

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
Acting 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, 2021. For comparative purposes, FY 2020 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 2021.

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, 2021 and 2020
(Data evaluated as of June 30, 2021)
(Thousands of Dollars) UNAUDITED

Agency	2021	2020
Agency for International Development	\$ 26,927.6	\$ 27,585.5
Corp. for National and Community Service	8,689.0	7,497.1
Department of Agriculture	662,953.0	678,903.3
Department of Commerce	173,792.2	146,325.0
Department of Education	13,938.0	13,421.8
Department of Energy	92,711.7	99,497.0
Department of Health and Human Services	269,342.1	283,394.3
Department of Homeland Security	2,532,177.7	2,494,936.1
Department of Justice	1,678,736.6	1,653,280.6
Department of Labor (1)	167,664.7	172,132.0
Department of State	102,046.5	97,657.4
Department of the Air Force	1,155,798.3	1,184,393.6
Department of the Army	1,561,987.7	1,593,860.4
Department of the Interior	571,738.5	575,023.7
Department of the Navy	1,884,127.6	1,916,557.6
Department of the Treasury	565,439.8	572,757.2
Department of Transportation	773,644.5	789,773.5
Department of Veterans' Affairs	2,447,452.8	2,463,980.7
Dept. of Housing and Urban Development	61,732.2	65,795.8
Environmental Protection Agency	51,143.0	50,451.4
Executive Office of the President	4,927.6	4,684.6
Federal Judiciary	85,996.2	93,242.6
General Services Administration	117,778.0	123,745.8
National Science Foundation	1,383.2	1,218.9
Natl. Aeronautics & Space Administration	29,799.8	29,747.0
Nuclear Regulatory Commission	4,129.0	4,572.6
Office of Peace Corps	4,153.4	4,085.9
Office of Personnel Management	8,800.4	7,118.3
Panama Canal Commission	44,321.6	46,108.2
Peace Corps Enrollees	130,102.8	134,340.1
Small Business Administration	30,128.3	30,575.8
Smithsonian Institution	40,661.1	41,457.1
Social Security Administration	273,528.4	280,438.3
Tennessee Valley Authority	327,282.4	343,840.0
United States Postal Service	15,808,523.3	15,744,757.5
US Government Publishing Office	49,062.9	50,776.2
All Other Defense	628,789.2	642,812.8
Other Identified Establishments (2)	283,445.9	285,205.4
Totals	\$ 32,674,857.0	\$ 32,755,951.1

(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.

In FY 2020, the methodology for billable projected liabilities was revised to include, 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 remained the same, but included adjustments to normalize the levels of payments in chargeback years 2021 and 2020 because payment levels in these years were not representative of what could be expected to occur absent the pandemic.

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 2021 and FY 2020 methodologies for averaging the COLA rates used OMB-provided rates; the FY 2020 methodology also considered updated information provided by program staff. The FY 2021 and FY 2020 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
2021	N/A	N/A
2022	2.11%	3.14%
2023	2.48%	3.55%
2024	2.55%	3.96%
2025	2.62%	3.89%
2026	2.68%	4.19%

[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 2021 and FY 2020, respectively. Interest rate assumptions utilized for FY 2021 discounting were as follows:

Discount Rates

For wage benefits:
2.231% in year 1 and years thereafter;

For medical benefits:
2.060% 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.