

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: JAMES E. WILLIAMS  
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, 2018. For comparative purposes, FY 2017 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 2018.

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, 2018 and 2017**  
**(Data evaluated as of June 30, 2018)**  
**(Thousands of Dollars) UNAUDITED**

<b>Agency</b>	<b>2018</b>	<b>2017</b>
Agency for International Development	\$ 23,404.6	\$ 26,937.8
Corp. for National and Community Service	7,168.3	7,328.2
Department of Agriculture	891,519.4	900,586.1
Department of Commerce	187,092.0	200,335.9
Department of Education	13,014.6	13,763.1
Department of Energy	95,132.4	95,746.3
Department of Health and Human Services	275,574.3	278,421.9
Department of Homeland Security	2,963,318.4	2,881,906.5
Department of Justice	1,835,942.6	1,785,919.7
Department of Labor (1)	219,824.9	220,322.0
Department of State	93,080.9	94,687.2
Department of the Air Force	1,220,778.6	1,230,530.9
Department of the Army	1,750,309.3	1,774,529.1
Department of the Interior	759,629.2	756,730.8
Department of the Navy	2,108,690.7	2,144,429.6
Department of the Treasury	583,212.4	593,168.8
Department of Transportation	874,090.8	886,192.6
Department of Veterans' Affairs	2,399,241.9	2,396,056.6
Dept. of Housing and Urban Development	62,584.7	64,879.8
Environmental Protection Agency	43,679.2	45,244.6
Executive Office of the President	6,576.7	6,646.7
Federal Judiciary	92,484.6	93,060.8
General Services Administration	111,734.5	113,260.9
National Science Foundation	1,264.5	1,249.2
Natl. Aeronautics & Space Administration	38,289.2	37,855.8
Nuclear Regulatory Commission	5,259.0	5,369.8
Office of Peace Corps	3,958.5	4,312.8
Office of Personnel Management	24,939.3	25,000.3
Panama Canal Commission	30,097.1	32,445.4
Peace Corps Enrollees	134,384.3	137,262.7
Small Business Administration	34,854.2	34,888.6
Smithsonian Institution	56,216.7	57,920.9
Social Security Administration	314,462.8	319,429.1
Tennessee Valley Authority	331,756.2	356,582.9
United States Postal Service	16,548,700.3	16,556,553.9
US Government Printing Office	56,625.2	57,551.1
All Other Defense	778,241.2	786,478.8
Other Identified Establishments (2)	310,717.6	337,579.2
<b>Totals</b>	<b>\$ 35,287,851.1</b>	<b>\$ 35,361,166.4</b>

(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.

DOL selected the COLA factors, CPIM factors, and discount rate by averaging the COLA rates, CPIM rates, and interest rates for the current and prior four years for FY 2018 and FY 2017, respectively. Using averaging renders estimates that reflect historical trends over five years. 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 2018 and FY 2017, respectively. Interest rate assumptions utilized for FY 2018 discounting were as follows:

Discount Rates

For wage benefits:  
 2.716% in year 1 and years thereafter;  
 For medical benefits:  
 2.379% in year 1 and years thereafter.

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 CPIMs) were applied to the calculation of projected future benefits. The actual rates for these factors for the charge back year (CBY) 2018 were also used to adjust the methodology’s historical payments to current year constant dollars. The compensation COLAs and CPIMs used in the projections for various CBY were as follows:

CBY	COLA	CPIM
2018	N/A	N/A
2019	1.31%	3.21%
2020	1.51%	3.48%
2021	1.89%	3.68%
2022	2.16%	3.71%
2023	2.21%	4.09%

[and 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 well.