Note 14. Federal Employee and Veteran Benefits Payable

Federal Employee and Veteran Benefits Payable as of September 30, 2021, and 2020

(In billions of dollars)	Civilian 2021	Civilian 2020	Military 2021	Military 2020	Total 2021	Adjusted Total 2020
Pension benefits	2,361.8	2,214.1	1,933.6	1,799.3	4,295.4	4,013.4
Veterans compensation and burial benefits	N/A	N/A	4,302.3	3,863.1	4,302.3	3,863.1
Post-retirement health benefits	427.3	418.7	868.7	848.6	1,296.0	1,267.3
Veterans education and training benefits	-	-	151.2	133.1	151.2	133.1
Life insurance benefits	60.1	57.6	4.5	5.1	64.6	62.7
FECA benefits	29.2	30.6	7.7	7.8	36.9	38.4
Unfunded leave	10.3	10.0	16.8	15.7	27.1	25.7
Liability for other benefits	1.7	1.6	7.8	10.2	9.5	11.8
Total federal employee and veteran benefits payable	2,890.4	2,732.6	7,292.6	6,682.9	10,183.0	9,415.5

Note: "N/A" indicates not applicable.

The government offers its employees retirement and other benefits, as well as health and life insurance. The liabilities for these benefits, which include both actuarial amounts and amounts due and payable to beneficiaries and health care carriers, apply to current and former civilian and military employees. The actuarial accrued liability represents an estimate of the PV of the cost of benefits that have accrued, determined based on future economic and demographic assumptions. Actuarial accrued liabilities can vary widely from year to year, due to actuarial gains and losses that result from changes to the assumptions and from experience that has differed from prior assumptions.

OPM administers the largest civilian pension and post-retirement health benefits plans. DOD and VA administer the military pension and post-retirement health benefit plans. Other significant pension plans with more than $10.0 billion in actuarial accrued liability include those of the Coast Guard (DHS), Foreign Service (State), TVA, and HHS's Public Health Service Commissioned Corps Retirement System. Please refer to the financial statements of the entities listed for additional information regarding their pension plans and other benefits.

In accordance with SFFAS No. 33, *Pension, Other Retirement Benefits, and Other Postemployment Benefits: Reporting the Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation Dates*, entities are required to separately present gains and losses from changes in long-term assumptions used to estimate liabilities associated with pensions, ORB, and OPEB on the Statement of Net Cost. SFFAS No. 33 also provides a standard for selecting the discount rate assumption for PV estimates of federal employee pension, ORB, and OPEB liabilities. The SFFAS No. 33 standard for selecting the discount rate assumption requires it be based on a historical average of interest rates on marketable Treasury securities consistent with the cash flows being discounted. Additionally, SFFAS No. 33 provides a standard for selecting the valuation date for estimates of federal employee pension, ORB, and OPEB liabilities that establishes a consistent method for such measurements. This SFFAS No. 33 does not apply to the FECA program.

To provide a sustainable, justifiable data resource for the affected entities, Treasury developed a model and methodology for developing these interest rates in FY 2014.[2] The model is based on the methodology used to produce the HQM Yield Curve pursuant to the *Pension Protection Act of 2006*. As of July 2014, Treasury began releasing interest rate yield curve data using this new Treasury's TNC yield curve, which is derived from Treasury notes and bonds. The TNC yield curve provides information on Treasury nominal coupon issues and the methodology extrapolates yields beyond 30 years through 100 years maturity. The TNC yield curve is used to produce a Treasury spot yield curve (a zero coupon curve), which provides the basis for discounting future cash flows.

In addition to the benefits presented in this note, federal, civilian, and military employees and federal entities contribute to the TSP. The TSP is administered by an independent government entity, the FRTIB, which is charged with operating the

[2] Treasury's HQM resource is available at: https://www.treasury.gov/resource-center/economic-policy/corp-bond-yield/Pages/TNC-YC.aspx

TSP prudently and solely in the interest of the participants and their beneficiaries. Please refer to Note 24—Fiduciary Activities for additional information on the TSP.

For FY 2020, VA reported a retrospective change in accounting regarding obligations for hospital care or medical services. This change in accounting principle increased the prior year liability for other benefits line by $6.2 billion. In FY 2020, the $6.2 billion was previously reported in Note 12—Accounts Payable.

Pension Benefits

Change in Pension Benefits

	Civilian		Military		Total	
(In billions of dollars)	2021	2020	2021	2020	2021	2020
Actuarial accrued pension liability, beginning of fiscal year	2,214.1	2,094.1	1,799.3	1,759.2	4,013.4	3,853.3
Pension expense:						
Prior (and past) service costs from plan amendments or new plans	-	-	-	-	-	-
Normal costs	51.7	44.4	38.4	37.2	90.1	81.6
Interest on liability	65.6	65.7	57.0	59.2	122.6	124.9
Actuarial (gains)/losses (from experience)	46.2	16.3	47.4	19.4	93.6	35.7
Actuarial (gains)/losses (from assumption changes)	80.8	88.7	53.9	(15.0)	134.7	73.7
Other	-	0.1	-	-	-	0.1
Total pension expense	244.3	215.2	196.7	100.8	441.0	316.0
Less benefits paid	(96.6)	(95.2)	(62.4)	(60.7)	(159.0)	(155.9)
Actuarial accrued pension liability, end of fiscal year	2,361.8	2,214.1	1,933.6	1,799.3	4,295.4	4,013.4

Significant Long-Term Economic Assumptions Used in Determining Pension Liability and the Related Expense

	Civilian				Military	
	2021		2020		2021	2020
	FERS	CSRS	FERS	CSRS		
Rate of interest	3.10%	2.40%	3.30%	2.70%	2.90%	3.20%
Rate of inflation	1.70%	1.70%	1.70%	1.70%	1.60%	1.60%
Projected salary increases	1.30%	1.30%	1.20%	1.20%	2.00%	1.80%
Cost of living adjustment	1.50%	1.70%	1.50%	1.70%	1.60%	1.60%

Civilian Employees' Pension

OPM administers the largest civilian pension plan, which covers substantially all full-time, permanent civilian federal employees. This plan includes two components of defined benefits, the CSRS and the FERS. The basic benefit components of the CSRS and the FERS are financed and operated through the CSRDF, a trust fund. CSRDF monies are generated primarily from employees' contributions, federal entity contributions, payments from the General Fund, and interest on investments in Treasury securities. As of September 30, 2021, USPS has accrued, but not paid OPM, $14.6 billion in CSRS and FERS retirement benefit expenses since 2014. In order for USPS to preserve liquidity and to ensure the ability to fulfill its primary universal service mission was not placed at undue risk, USPS has not made any of the required payments for FERS or CSRS amortization. The cost of each year's payment, including defaulted payments, along with other benefit program costs, are included in USPS' net cost for that year in the consolidated Statements of Net Cost. The liability is not included on the government-wide Balance Sheet due to the USPS liability being eliminated with OPM's corresponding receivable due from USPS recording a loss allowance for doubtful accounts for the unpaid balances.

The civilian pension liability increased by $147.7 billion, primarily due to less favorable than assumed plan experience and the declining interest rate assumption.

Military Employees' Pensions

The Military Retirement System consists of a funded, noncontributory, defined benefit plan for military personnel (Services of Army, Navy, Air Force, Marine Corps, and Space Force) with an entry date prior to January 1, 2018 and the BRS, generally for military personnel with an entry date on or after January 1, 2018. The defined benefit plan includes non-disability retired pay, disability retired pay, survivor annuity programs, and Combat-Related Special Compensation. The Service Secretaries may approve immediate non-disability retired pay at any age with credit of at least 20 years of active duty service. Reserve retirees must be at least 60 years old and have at least 20 qualifying years of service before retired pay commences; however, in some cases, the age can be less than 60 if the reservist performs certain types of active service. P.L. 110-181 provides for a 90-day reduction in the reserve retirement age from age 60 for every three months of certain active duty service served within a fiscal year for service after January 28, 2008 (not below age 50). There is no vesting of defined benefits before non-disabled retirement. There are distinct non-disability benefit formulas related to four populations within the Military Retirement System: Final Pay, High-3, Career Status Bonus/Redux, and the BRS enacted in the NDAA for FY 2016, effective January 1, 2018. The BRS is a retirement benefit merging aspects of both a defined benefit annuity with a defined contribution account, through the TSP. The date an individual enters the military generally determines which retirement system they would fall under and if they have the option to select, via a one-time irrevocable election, their retirement system. Military personnel with a start date on or after January 1, 2018 are automatically enrolled in BRS. Although all members serving as of December 31, 2017 were grandfathered under the prior retirement system, Active Duty, National Guard and Reserve personnel meeting established criteria may have opted into BRS during calendar year 2018. Under the BRS, retiring members are given the option to receive a portion of their retired pay annuity in the form of a lump sum distribution. For additional information on these benefits, see DOD's Office of Military Compensation website https://militarypay.defense.gov.

The DOD MRF was established by P.L. 98-94 (currently 10 U.S.C. §1461-1467) and accumulates funds to finance, on an accrual basis, the liabilities of DOD military retirement and survivor benefit programs. This fund receives income from three sources: monthly normal cost payments from the Services to pay for DOD's portion of the current year's service cost; annual payments from Treasury to amortize the unfunded liability and pay for the increase in the normal cost attributable to Concurrent Receipt (certain beneficiaries with combat-related injuries who are receiving payments from VA) per P.L. 108-136; and investment income.

DOD's Office of the Actuary calculates the actuarial liability annually using economic and demographic assumptions about the future (e.g., mortality and retirement rates). The $134.3 billion increase in the Military Retirement Pension liability is primarily attributable to changes in assumptions and less favorable than assumed plan experience.

The NDAA for FY 2021, §§ 8224-8225 requires the USCG be covered by the MRF no later than the beginning of FY 2023. The USCG actuarial liability will be included on DOD's September 30, 2022 financial statements.

The VA also provides certain veterans and/or their dependents with pension benefits, based on annual eligibility reviews. The pension program for veterans is not accounted for as a "federal employee pension plan" under SFFAS No. 5, *Accounting for Liabilities of the Federal Government* due to differences between its eligibility conditions and those of federal employee pensions. Therefore, a future liability for pension benefits is not recorded. VA pension liabilities are recognized when due and payable. The projected amounts of future payments for pension benefits (presented for informational purposes only) as of September 30, 2021, and 2020, was $130.1 billion and $110.6 billion, respectively.

Veterans Compensation and Burial Benefits

Change in Veterans Compensation and Burial Benefits

(In billions of dollars)	Compensation 2021	Compensation 2020	Burial 2021	Burial 2020	Total 2021	Total 2020
Actuarial accrued liability, beginning of fiscal year	3,854.3	3,122.7	8.8	7.1	3,863.1	3,129.8
Current year expense:						
Interest on the liability balance	124.5	106.8	0.3	0.2	124.8	107.0
Prior (and past) service costs from program amendments or new programs during the period	26.3	43.3	1.1	-	27.4	43.3
Actuarial (gains)/losses (from experience)	47.7	107.7	(0.2)	1.3	47.5	109.0
Actuarial (gains)/losses (from assumption changes)	349.5	574.9	0.9	0.5	350.4	575.4
Total current year expense	548.0	832.7	2.1	2.0	550.1	834.7
Less benefits paid	(110.6)	(101.1)	(0.3)	(0.3)	(110.9)	(101.4)
Actuarial accrued liability, end of fiscal year	4,291.7	3,854.3	10.6	8.8	4,302.3	3,863.1

Significant Economic Assumptions Used in Determining Veterans Compensation and Burial Benefits as of September 30, 2021, and 2020

	2021	2020
Rate of interest	2.95%	3.23%
Rate of inflation	2.32%	2.16%

The government compensates disabled veterans and their survivors. Veterans' compensation is payable as a disability benefit or a survivor's benefit. Entitlement to compensation depends on the veteran's disabilities incurred in or aggravated during active military service, death while on duty, or death resulting from service-connected disabilities after active duty.

Eligible veterans who die or are disabled during active military service-related causes, as well as their dependents, and dependents of service members who died during active military service, receive compensation benefits. In addition, service members who die during active military service and veterans who separated under other than dishonorable conditions are provided with a burial flag, headstone/marker, and grave liner for burial in a VA national cemetery or are provided a burial flag, headstone/marker and a plot allowance for burial in a private cemetery. These benefits are provided under 38 U.S.C., Part 2, §2301-2308, in recognition of a veteran's military service and are recorded as a liability in the period the requirements are met.

The liability for veterans' compensation and burial benefits payable is based on an actuarial estimate of future compensation and burial payments. The liability increased by $439.2 billion in FY 2021 primarily due to assumption changes and interest on the liability balance. The total loss from assumption changes was mainly impacted by a decrease in the discount rate assumptions, increase in the COLA rate assumptions, and by changes in other assumptions such as life expectancy, new case rates, and mortality improvement rate. The interest on liability cost of $124.8 billion is based on the prior year liability balance multiplied by the single weighted average discount rate used to compute the liability for veterans' compensation and burial benefits payable in the prior year.

Several significant actuarial assumptions were used in the valuation of compensation and burial benefits to calculate the PV of the liability. A liability was recognized for the projected benefit payments to: 1) those beneficiaries, including veterans and survivors, currently receiving benefit payments; 2) current veterans who are expected in the future to become beneficiaries of the compensation program; and 3) a proportional share of those in active military service as of the valuation date who are expected to be future veterans and to become beneficiaries of the compensation program. Future benefit payments to survivors of those veterans in classes 1, 2, and 3 above are also incorporated into the projection.

In FY 2021, there were several regulatory changes impacting the prior year service cost component of the veterans' compensation and burial benefits payable liability. During FY 2021, the *Johnny Isakson and David P. Roe, M.D. Veterans Health Care and Benefits Improvement Act of 2020* (P.L. 116-315) contained various provisions for VA to care for homeless veterans during a covered public health emergency, to carry out a retraining assistance program for unemployed veterans, and other purposes. Several sections of this law affected the compensation and burial liability model. There were also two procedural advisory changes that impacted the liability:

- The section that addresses the musculoskeletal system within the VA's schedule for rating disabilities was revised to ensure the rating schedule uses current medical terminology, thus providing updated criteria for the evaluation of musculoskeletal disabilities; and
- VA amended its adjudication regulations to establish presumptive service connection for three chronic respiratory health conditions, i.e., asthma, rhinitis, and sinusitis, including rhinosinusitis, based on exposure to fine, particulate matter.

These regulatory changes resulted in a combined increase of $26.3 billion in the compensation liability and an increase of $1.1 billion in the burial liability as of September 30, 2021.

The changes in experience related to compensation benefits resulted from an increase in the number of beneficiaries receiving compensation benefits.

The veterans' compensation and burial benefits liability is developed on an actuarial basis. It is impacted by interest on the liability balance, experience gains or losses, changes in actuarial assumptions, prior service costs, and amounts paid for costs included in the liability balance.

Post-Retirement Health Benefits

Change in Post-Retirement Health Benefits

(In billions of dollars)	Civilian 2021	Civilian 2020	Military 2021	Military 2020	Total 2021	Total 2020
Actuarial accrued post-retirement health benefits liability, beginning of fiscal year	418.7	415.1	848.6	830.2	1,267.3	1,245.3
Post-Retirement health benefits expense:						
Prior (and past) service costs from plan amendments or new plans	-	-	-	-	-	-
Normal costs	19.8	17.7	25.5	23.0	45.3	40.7
Interest on liability	14.0	14.4	28.4	29.4	42.4	43.8
Actuarial (gains)/losses (from experience)	(16.1)	(16.6)	(40.4)	(9.8)	(56.5)	(26.4)
Actuarial (gains)/losses (from assumption changes)	7.3	4.5	28.9	(2.4)	36.2	2.1
Total post-retirement health benefits expense	25.0	20.0	42.4	40.2	67.4	60.2
Less claims paid	(16.4)	(16.4)	(22.3)	(21.8)	(38.7)	(38.2)
Actuarial accrued post-retirement health benefits liability, end of fiscal year	427.3	418.7	868.7	848.6	1,296.0	1,267.3

Significant Long-Term Economic Assumptions Used in Determining Post-Retirement Health Benefits and the Related Expense

	Civilian		Military	
	2021	2020	2021	2020
Rate of interest	3.20%	3.40%	3.00%	3.30%
Single equivalent medical trend rate	4.40%	4.40%	4.11%	4.06%
Ultimate medical trend rate	3.20%	3.20%	3.60%	3.60%

Civilian Employees' Post-Retirement Health Benefits

The post-retirement civilian health benefit liability is an estimate of the government's future cost of providing post-retirement health benefits to current employees and retirees. Although active and retired employees pay insurance premiums under the Federal Employee Health Benefits Program, these premiums cover only a portion of the costs. The OPM actuary applies economic and demographic assumptions to historical cost information to estimate the liability.

As of September 30, 2021, the USPS has accrued but not paid to the Postal Service Retiree Health Benefits Fund $57.0 billion in payments required under the *Postal Accountability and Enhancement Act of 2006* (P.L. 109-435, Title VIII). In order for USPS to preserve liquidity and to ensure the ability to fulfill its primary universal service mission was not placed at undue risk, USPS has not made these required payments. The cost for each year's payment, including defaulted payments, along with all other benefit program costs, are included in USPS' net cost for that year in the consolidated Statements of Net Cost. The liability is not included on the government-wide Balance Sheet due to the USPS liability being eliminated with the OPM's corresponding receivable due from USPS recording a loss allowance for doubtful accounts for the unpaid balances.

The post-retirement civilian health benefit liability increased $8.6 billion. This increase is due to the accruing cost of benefits and interest on the existing liability, largely offset by actuarial gains attributable to favorable plan experience.

Military Employees' Post-Retirement Health Benefits

Military retirees who are not yet eligible for Medicare (and their non-Medicare eligible dependents) are eligible for post-retirement medical coverage provided by DOD. Depending on the benefit plan selected, retirees and their eligible dependents may receive care from MTF on a space-available basis or from civilian providers through TRICARE. This TRICARE coverage is available as Select (a preferred provider organization a health plan that contracts with medical providers to create a network of participating providers; member cost-shares are typically higher for services received out-of-network) and Prime (a health maintenance organization a health plan that limits services to a specific network of medical personnel and facilities and usually by requiring referral by a primary-care physician for specialty care; coverage is also available for non-referred and out-of-network care, subject to higher cost-sharing). These post-retirement medical benefits are paid by the DOD Defense Health Program on a pay-as-you-go basis.

Since FY 2002, DOD has provided medical coverage to Medicare-eligible retirees (and their eligible Medicare-eligible dependents). This coverage, called TFL, is a Medicare Supplement plan which includes inpatient, outpatient and pharmacy coverage. Enrollment in Medicare Part B is required to maintain eligibility in TFL. Retirees with TFL coverage can obtain care from MTF on a space-available basis or from civilian providers.

10 U.S.C., Chapter 56 created the DOD MERHCF, which became operative on October 1, 2002. The purpose of this fund is to account for and accumulate funds for the health benefit costs of Medicare-eligible military retirees, and their dependents and survivors who are Medicare eligible. The Fund receives revenues from three sources: interest earnings on MERHCF assets, Uniformed Services normal cost contributions, and Treasury contributions. The DOD Medicare-Eligible Retiree Health Care Board of Actuaries (the MERHCF Board) approves the methods and assumptions used in actuarial valuations of the MERHCF for the purpose of calculating the per capita normal cost rates (to fund the annual accrued benefits) and determining the unfunded liability amortization payment (Treasury contribution). The Secretary of Defense directs the Secretary of the Treasury to make DOD's normal cost payments. The MERHCF pays for medical costs incurred by Medicare-eligible beneficiaries at MTF and civilian providers (including payments to U.S. Family Health Plans for grandfathered beneficiaries), plus the costs associated with claims administration.

DOD's Office of the Actuary calculates the actuarial liabilities annually using assumptions and experience (e.g., mortality and retirement rates, health care costs, medical trend rates, and the discount rate). Actuarial liabilities are calculated for all DOD retiree medical benefits, including both the benefits funded through the MERHCF and the benefits for pre-

Medicare retirees who are paid on a pay-as-you-go basis. Military post-retirement health and accrued benefits payable increased $20.1 billion. The increase is primarily attributable to the normal operation of the plan – the cost of benefit accruals and interest on the liability less benefits paid. The actuarial gain from experience of $40.4 billion is primarily due to increases in Military Retirement Health Benefits and MERHCF.

In addition to the health care benefits the federal government provides for civilian and military retirees and their dependents, the VA also provides medical care to veterans on an "as available" basis, subject to the limits of the annual appropriations. For the FYs 2017 through 2021, the average medical care cost per year was $80.9 billion.

Veterans Education and Training Benefits

Change in Veterans Education and Training Benefits

(In billions of dollars)	2021	2020
Actuarial accrued liability, beginning of fiscal year	133.1	105.9
Current year expense:		
Prior (and past) service costs from plan amendments or new plans	14.3	-
Interest on liability	3.6	3.8
Actuarial (gains)/losses (from experience)	17.4	9.4
Actuarial (gains)/losses (from assumption changes)	(4.1)	27.3
Total current year expense	31.2	40.5
Less benefits paid	(13.1)	(13.3)
Actuarial accrued liability, end of fiscal year	151.2	133.1

For eligible Veterans and their dependents, the VA provides four education/retraining type programs:

- Post 9/11 GI Bill;
- VR&E;
- Survivors' and Dependents' Educational Assistance; and
- Montgomery GI Bill-Active Duty.

Based on the actuarial estimates of future payments, the total liability for the four education and training programs increased by $18.1 billion in FY 2021. The $18.1 billion increase is primarily attributable to experience gains and prior service costs offset by benefits paid.

In FY 2021, VA conducted experience studies for the Post 9/11 GI Bill, Survivors' and Dependents' Educational Assistance and VR&E programs, which made up the decrease of $4.1 billion from assumption changes. The more significant changes included within this amount consisted of the change in the duration of the Post 9/11 GI Bill model was reduced to 30 years compared to 62 years used in the prior year, which decreased the liability by $13.8 billion, which is offset by an increase of $8.1 billion due to changes in the initial enrollment assumption.

In addition, P.L. 116-315 § 1025 eliminated the period of eligibility for training and rehabilitation for certain veterans with service-connected disabilities. Prior to this legislation, all veterans were required to use their benefits within 12 years of discharge or release from military service. This resulted in an increase of $14.3 billion in the VR&E liability. The change in legislation increased the current year expenses and is included in the prior (and past) service costs from plan amendments or new plans.

For additional information regarding actuarial assumptions and the four education and training type programs, please refer to VA's financial statements.

Life Insurance Benefits

Civilian Employees' Life Insurance Benefits

Change in Civilian Life Insurance Benefits

(In billions of dollars)	2021	2020
Actuarial accrued life insurance benefits liability, beginning of fiscal year	57.6	54.6
Life insurance benefits expense:		
New entrant expense	0.7	0.5
Interest on liability	1.6	1.9
Actuarial (gains)/losses (from experience)	(0.3)	0.1
Actuarial (gains)/losses (from assumption changes)	1.2	1.0
Total life insurance benefits expense	3.2	3.5
Less costs paid	(0.7)	(0.5)
Actuarial accrued life insurance benefits liability, end of fiscal year	60.1	57.6

Significant Long-Term Economic Assumptions Used in Determining Life Insurance Benefits and the Related Expense

	Civilian	
	2021	2020
Rate of interest	2.90%	3.10%
Rate of increase in salary	1.30%	1.20%

One of the other significant employee benefits is the FEGLI Program. Employee and annuitant contributions and interest on investments fund a portion of this liability. The actuarial life insurance liability is the expected PV of future benefits to pay to, or on behalf of, existing FEGLI participants, less the expected PV of future contributions to be collected from those participants. The OPM actuary uses salary increase and interest rate yield curve assumptions that are generally consistent with the pension liability.

As of September 30, 2021, the total amount of FEGLI insurance in-force is estimated at $770.3 billion ($664.4 billion for employees and $105.9 billion for annuitants).

Veterans' Life Insurance Benefits

The largest veterans' life insurance programs consist of the following:

- National Service Life Insurance covers policyholders who served during World War II.
- Veterans' Special Life Insurance was established in 1951 to meet the insurance needs of veterans who served during the Korean Conflict and through the period ending January 1, 1957.
- Service-Disabled Veterans Insurance program was established in 1951 to meet the insurance needs of veterans who received a service-connected disability rating.

Death benefit liabilities consist of reserves for permanent plan and term policies as well as policy benefits for Veterans Mortgage Life Insurance. Disability income and waiver liabilities consist of reserves to fund the monthly payments to disabled insureds under the Total Disability Income Provision and the policy premiums waived for qualifying disabled veterans. Insurance dividends payable consists of dividends left on deposit with VA and dividends payable to policyholders. Unpaid policy claims consist of insurance claims that are pending at the end of the reporting period, an estimate of claims that have been incurred but not yet reported, and disbursements in transit. The veteran's life insurance liability for future policy benefits as of September 30, 2021, and 2020, was $4.5 billion and $5.1 billion, respectively. For additional information on veteran's life insurance liability, please refer to VA's financial statements.

The VA supervises SGLI and Veterans Group Life Insurance programs that provide life insurance coverage to members of the uniformed armed services, reservists, and post-Vietnam Veterans as well as their families. VA has entered into a group policy with the Prudential Insurance Company of America to administer and provide the insurance payments under these programs. All SGLI insureds are automatically covered under the Traumatic Injury Protection program, which provides for insurance payments to veterans who suffer a serious traumatic injury in service.

The amount of insurance in-force is the total face amount of life insurance coverage provided by each administered and supervised program at the end of the fiscal year. It includes any paid-up additional coverage provided under these policies. The supervised programs' policies and face values are not reflected in VA's liabilities because the risk of loss on these programs is assumed by Prudential and its reinsurers through the terms and conditions of the group policy. As a result, the information provided for the supervised programs is for informational purposes only and is unaudited. The face value for supervised programs as of September 30, 2021, and 2020, was $1,219.0 billion and $1,183.7 billion, respectively. The face value for administered programs as of September 30, 2021, and 2020, was $5.3 billion and $6.0 billion, respectively.

Federal Employees' Compensation Act Benefits

Workers' Compensation Benefits

DOL determines both civilian and military entities' liabilities for future workers' compensation benefits for civilian federal employees, as mandated by the FECA, for death, disability, medical, and miscellaneous costs for approved compensation cases, and a component for incurred, but not reported, claims. Effective March 12, 2021, the ARP, Section 4016, "Eligibility for Workers' Compensation Benefits for Federal Employees Diagnosed with COVID-19," mandates that accepted COVID-19 claims (or other accepted claims resulting from a coronavirus pandemic) be paid by the fund and are not billable to other federal entities; related administrative costs, including the fair share costs of non-appropriated entities, are to be paid by the fund and are not billable. Beginning in FY 2021, the actuarial liability includes claims covered by Section 4016 of the ARP.

The FECA liability is determined annually using historical claim data and benefit payment patterns related to injury years to predict the future payments. The actuarial methodology provides for the effects of inflation and adjusts liability estimates to constant dollars by applying wage inflation factors (COLA) and medical inflation factors (CPIM) to the calculation of projected benefits. DOL selects the COLA factors and CPIM factors by averaging over five years the COLA rates and CPIM rates, respectively. The FY 2021 methodology for averaging the COLA rates used OMB provided rates; the FY 2021 methodology for averaging the CPIM rates used OMB-provided rates and information obtained from the Bureau of Labor Statistics public releases for CPI. Using averaging renders estimates that reflect trends over five years instead of conditions that exist in one year.

The COLAs and CPIMs used in the projections for FY 2021 are listed below in the table.

Fiscal Year	COLA	CPIM
2022	2.11%	2.74%
2023	2.48%	3.15%
2024	2.55%	3.56%
2025	2.62%	3.49%
2026+	2.68%	3.79%

DOL selects the discount rates by averaging 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. DOL selected the interest rate assumptions whereby projected annual payments were discounted to PV based on interest rate assumptions on the TNC Yield Curve to reflect the average duration of income payments and medical payments. The average durations for income payments and medical payments were 15 years and 11 years, respectively. Based on averaging the TNC Yield Curves for the current and prior four years, the interest rate assumptions for income payments and medical payments were 2.2 percent and 2.1 percent, respectively.

For the COLAs, CPIMs, average durations, and interest rate assumptions used in the projections for FY 2020, refer to the FY 2020 *Financial Report.*

Unfunded Leave

Unfunded leave are the amounts recorded by an employer federal entity for unpaid leave earned that an employee is entitled to upon separation and that will be funded by future years' budgetary resources. The unfunded leave total as of September 30, 2021 and 2020, was $27.1 billion and $25.7 billion, respectively.

Liability for Other Benefits

Liability for other benefits includes several programs. The largest program is VA's Community Care Program, with an estimated liability of $6.1 billion as of September 30, 2021.