Note 12. Federal Employee and Veteran Benefits Payable

Federal Employee and Veteran Benefits Payable as of September 30, 2017, and 2016

(In billions of dollars)	Civilian 2017	Civilian 2016	Military 2017	Military 2016	Total 2017	Total 2016
Pension and accrued benefits	2,013.8	1,910.7	1,568.0	1,490.6	3,581.8	3,401.3
Veterans compensation and burial benefits	N/A	N/A	2,810.0	2,496.3	2,810.0	2,496.3
Post-retirement health and accrued benefits	375.7	352.3	781.6	799.7	1,157.3	1,152.0
Veterans education benefits	N/A	N/A	50.7	59.6	50.7	59.6
Life insurance and accrued benefits	53.1	50.9	6.9	7.7	60.0	58.6
FECA benefits	28.9	30.1	8.3	8.3	37.2	38.4
Liability for other benefits	1.1	1.0	2.0	2.2	3.1	3.2
Total federal employee and veteran benefits payable	2,472.6	2,345.0	5,227.5	4,864.4	7,700.1	7,209.4

Change in Pension and Accrued Benefits

(In billions of dollars)	Civilian 2017	Civilian 2016	Military 2017	Military 2016	Total 2017	Total 2016
Actuarial accrued pension liability, beginning of fiscal year	1,910.7	1,945.0	1,490.6	1,563.2	3,401.3	3,508.2
Pension expense:						
Prior (and past) service costs from plan amendments or new plans	-	(1.0)	(0.9)	(18.7)	(0.9)	(19.7)
Normal costs	38.8	39.2	27.4	26.9	66.2	66.1
Interest on liability	69.5	73.9	57.6	63.4	127.1	137.3
Actuarial (gains)/losses (from experience)	(12.0)	(27.1)	(1.6)	(25.5)	(13.6)	(52.6)
Actuarial (gains)/losses (from assumption changes)	94.3	(33.0)	52.9	(61.2)	147.2	(94.2)
Other	-	0.1	-	-	-	0.1
Total pension expense	190.6	52.1	135.4	(15.1)	326.0	37.0
Less benefits paid	(87.5)	(86.4)	(58.0)	(57.5)	(145.5)	(143.9)
Actuarial accrued pension liability, end of fiscal year	2,013.8	1,910.7	1,568.0	1,490.6	3,581.8	3,401.3

Change in Post-Retirement Health and Accrued Benefits

(In billions of dollars)	Civilian 2017	Civilian 2016	Military 2017	Military 2016	Total 2017	Total 2016
Actuarial accrued post-retirement health benefits liability, beginning of fiscal year	352.3	364.0	799.7	731.2	1,152.0	1,095.2
Post-Retirement health benefits expense:						
Prior (and past) service costs from plan amendments or new plans	-	(0.2)	-	(5.8)	-	(6.0)
Normal costs	13.4	14.1	20.5	19.4	33.9	33.5
Interest on liability	13.9	14.8	32.3	30.3	46.2	45.1
Actuarial (gains)/losses (from experience)	4.5	(11.1)	(20.6)	40.9	(16.1)	29.8
Actuarial (gains)/losses (from assumption changes)	7.5	(14.0)	(28.8)	3.6	(21.3)	(10.4)
Total post-retirement health benefits expense	39.3	3.6	3.4	88.4	42.7	92.0
Less claims paid	(15.9)	(15.3)	(21.5)	(19.9)	(37.4)	(35.2)
Actuarial accrued post-retirement health benefits liability, end of fiscal year	375.7	352.3	781.6	799.7	1,157.3	1,152.0

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. Large fluctuations in actuarial amounts can result from changes in estimates to future outflows for benefits based on complex assumptions and cost models.

OPM administers the largest civilian plan. DOD and VA administer the largest military plans. Other significant pension plans with more than $10 billion in accrued benefits payable include those of the Coast Guard (DHS), Foreign Service (DOS), TVA, USPS, and HHS's Public Health Service Commissioned Corps Retirement System. Please refer to the financial statements of the agencies listed for further details regarding their pension plans and other benefits.

Change in Civilian Life Insurance and Accrued Benefits

(In billions of dollars)	2017	2016
Actuarial accrued life insurance benefits liability, beginning of fiscal year	50.9	49.6
Life insurance benefits expense:		
New entrant expense	0.4	0.4
Interest on liability	1.9	1.9
Actuarial (gains)/losses (from experience)	(0.4)	(0.8)
Actuarial (gains)/losses (from assumption changes)	0.9	0.4
Total life insurance benefits expense	2.8	1.9
Less costs paid	(0.6)	(0.6)
Actuarial accrued life insurance benefits liability, end of fiscal year	53.1	50.9

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

	Civilian				Military	
	2017		2016		2017	2016
	FERS	CSRS	FERS	CSRS		
Rate of interest	3.80%	3.20%	4.00%	3.50%	3.70%	3.90%
Rate of inflation	1.80%	1.80%	1.90%	1.90%	1.70%	1.70%
Projected salary increases	1.50%	1.50%	1.50%	1.50%	2.10%	2.10%
Cost of living adjustment	1.40%	1.80%	1.60%	1.90%	N/A	N/A

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

	Civilian		Military	
	2017	2016	2017	2016
Rate of interest	3.80%	4.00%	3.80%	4.00%
Single equivalent medical trend rate	4.80%	5.00%	4.12%	4.56%
Ultimate medical trend rate	3.40%	3.50%	4.20%	4.45%

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

	Civilian	
	2017	2016
Rate of interest	3.60%	3.80%
Rate of increase in salary	1.50%	1.50%

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*, agencies are required to separately present gains and losses from changes in long-term assumptions used to estimate liabilities associated with pensions, Other Retirement Benefits (ORB), and Other Postemployment Benefits (OPEB) on the Statement of Net Cost. SFFAS No. 33 also provides a standard for selecting the discount rate assumption for present value 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.

To provide a sustainable, justifiable data resource for the affected agencies, Treasury developed a new model and methodology for developing these interest rates in fiscal year 2014. The new method that was developed is based on methodology used to produce the High Quality Market (HQM) Yield Curve pursuant to the Pension Protection Act of 2006.[2] As of July 2014, Treasury began releasing interest rate yield curve data using this new U.S. Department of the Treasury's Yield Curve for Treasury Nominal Coupon Issues (TNC yield curve), which is derived from Treasury notes

[2] Treasury's HQM resource is available at: https://www.treasury.gov/resource-center/economic-policy/corp-bond-yield/Pages/Corp-Yield-Bond-Curve-Papers.aspx.

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.

Civilian Employees

Pensions

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 Civil Service Retirement System (CSRS) and the Federal Employees' Retirement System (FERS). The basic benefit components of the CSRS and the FERS are financed and operated through the Civil Service Retirement and Disability Fund (CSRDF), a trust fund. CSRDF monies are generated primarily from employees' contributions, agency contributions, payments from the General Fund, and interest on investments in Treasury securities.

The Federal Retirement Thrift Investment Board administers the TSP. The TSP investment options include two fixed income funds (the G and F Funds), three stock funds (the C, S, and I Funds) and five lifecycle funds (L 2050, L 2040, L 2030, L 2020, and L Income). The L Funds diversify participant accounts among the G, F, C, S, and I Funds, using professionally determined investment mixes (allocations) that are tailored to different time horizons. Treasury securities held in the G Fund are included in federal debt securities held by the public and accrued interest on the Balance Sheet. The G Fund held $217.9 billion and $220.9 billion in nonmarketable Treasury securities as of September 30, 2017, and 2016, respectively.

The liability for civilian pension and accrued benefits payable increased $103.1 billion. This increase is largely attributable to changes in actuarial assumptions. The assumption loss results primarily from decreases to the assumed rates of interest and to changes in demographic assumptions.

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 Employees Health Benefits Program (FEHB), 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.

The *Postal Accountability and Enhancement Act of 2006* (Postal Act of 2006) (P.L. No 109-435, Title VIII), made significant changes in the funding of future retiree health benefits for employees of the USPS, including the requirement for the USPS to make scheduled payments to the Postal Service Retiree Health Benefits (PSRHB) Fund. Various legislation requires the USPS to make scheduled payments to the PSRHB Fund ranging from $5.4 billion to $5.8 billion per year from fiscal year 2007 through fiscal year 2016. Thereafter, the law requires USPS to make annual payments in the amount of the normal cost plus or minus an amount to amortize the unfunded liability or surplus. USPS currently owes the PSRHB Fund a total of $38.2 billion consisting of: $11.1 billion for fiscal year 2012, $5.6 billion for fiscal year 2013, $5.7 billion for both fiscal years 2014 and 2015, $5.8 billion for fiscal year 2016, and $4.3 billion for fiscal year 2017. As of September 30, 2017, USPS has not indicated its intention regarding payment of the $38.2 billion due. At this time, Congress has not taken further action on these payments due to the PSRHB Fund from USPS. The cost for each year's payment, including any defaulted payment, along with all other benefit program costs, are included in USPS' net cost for that year in the consolidated Statements of Net Cost.

The post-retirement civilian health benefit liability increased $23.4 billion. This increase is due to the accruing cost of benefits, interest on the existing liability and an actuarial loss primarily attributable to updated demographic assumptions used in the fiscal year 2017 calculation.

Life Insurance Benefits

One of the other significant employee benefits is the Federal Employee Group Life Insurance (FEGLI) Program. Employee and annuitant contributions and interest on investments fund a portion of this liability. The actuarial life insurance liability is the expected present value of future benefits to pay to, or on behalf of, existing FEGLI participants, less the expected present value 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.

Workers' Compensation Benefits

The DOL determines both civilian and military agencies' liabilities for future workers' compensation benefits for civilian federal employees, as mandated by the Federal Employees' Compensation Act (FECA), for death, disability, medical, and miscellaneous costs for approved compensation cases, and a component for incurred, but not reported, claims. The FECA liability is determined annually using historical benefit payment patterns related to injury years to predict the future payments.

The actuarial methodology provides for the effects of inflation and adjusts historical payments to constant dollars by applying wage inflation factors (cost-of-living adjustments or COLA) and medical inflation factors (consumer price index-medical or CPIM) to the calculation of projected benefits.

DOL selects 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. Using averaging renders estimates that reflect historical trends over five years instead of conditions that exist in one year.

The COLAs and CPIMs used in the projections for fiscal year 2017 are listed below in the table.

Fiscal Year	COLA	CPIM
2018	1.22%	3.20%
2019	1.35%	3.52%
2020	1.59%	3.80%
2021	1.99%	3.99%
2022+	2.26%	3.91%

DOL selected the interest rate assumptions whereby projected annual payments were discounted to present value 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 14.7 years and 9.5 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 2.68% and 2.22%, respectively.

For the COLAs, CPIMs, average durations, and interest rate assumptions used in the projections for fiscal year 2016, refer to the *Fiscal Year 2016 Financial Report of the U.S. Government.*

Military Employees (Including Veterans)

Pensions

The military retirement system consists of a funded, noncontributory, defined benefit plan. It applies to military personnel (Departments of Army, Navy, Air Force, and the Marine Corps). This system 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 3 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 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 Blended Retirement System (BRS) enacted in the *National Defense Authorization Act for Fiscal Year 2016*, effective January 1, 2018. The BRS is a new retirement benefit merging aspects of both a defined benefit annuity with a defined contribution account, through the Thrift Savings Plan (TSP). The date an individual enters the military determines which retirement system they would fall under and if they have the option to pick 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 are grandfathered under the existing retirement system, Active Duty, National Guard and Reserve personnel meeting established criteria may opt 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 more information on these benefits, see DOD's Office of Military Compensation website https://militarypay.defense.gov.

The DOD Military Retirement Fund was established by P.L. 98-94 (currently Chapter 74 of Title 10, U.S.C.) 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 and Treasury to pay for the current years' service cost; annual payments from the Treasury to amortize the unfunded liability and pay for the increase in the normal cost attributable to Concurrent Receipt per P.L. 108-136; and investment income.

The $77.4 billion increase in the Military Retirement Pension liability is primarily attributable to a reduction in the discount rate related to requirements prescribed by SFFAS No. 33, *Pensions, Other Retirement Benefits, and Other Postemployment Benefits*, and the expected increase from normal and interest costs offset by benefit payments. Liabilities in the future will depend on expected changes due to interest and benefit accruals, future benefit changes, assumption changes, and actuarial experience.

Post-Retirement Health Benefits

Military retirees who are not yet eligible for Medicare (and their eligible 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 military treatment facilities (MTFs) on a space-available basis or from civilian providers. This TRICARE coverage is available in Indemnity (health plan that allows you to visit almost any doctor or hospital you choose), preferred provider organization [(PPO) – 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 health maintenance organization [(HMO) – 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] designs, with varying levels of cost sharing. These postretirement medical benefits are paid by the Defense Health Agency on a pay-as-you-go basis.

Since fiscal year 2002, DOD has provided medical coverage to Medicare-eligible retirees (and their eligible Medicare-eligible dependents). This coverage, called TRICARE for Life (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 MTFs on a space-available basis or from civilian providers.

10 U.S.C., Chapter 56 created the DOD Medicare-Eligible Retiree Health Care Fund (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 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 (the U.S. Treasury contribution). The Secretary of Defense directs the Secretary of Treasury to make DOD's normal cost payments. The MERHCF pays for medical costs incurred by Medicare-eligible beneficiaries at MTFs and civilian providers (including capitated payments to U.S. Family Health Plans for grandfathered beneficiaries), plus the costs associated with claimed administration. The actuaries calculate the actuarial liabilities annually using assumptions and actual experience (e.g., mortality and retirement rates, health care costs, medical trend rates, and the discount rate).

Military post-retirement health and accrued benefits payable decreased $18.1 billion. This decrease is due primarily to changes in key actuarial assumptions, and actuarial experience being more favorable from what has been assumed (demographic and claims data).

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. In accordance with 38 CFR 17.36 (c), VA's Secretary makes an annual enrollment decision that defines the veterans, by priority, who will be treated for that fiscal year subject to change based on funds appropriated, estimated collections, usage, the severity index of enrolled veterans, and changes in cost. While VA expects to continue to provide medical care to veterans in future years, an estimate of such future benefits cannot be reasonably made. Accordingly, VA recognizes the medical care expenses in the period the medical care services are provided. For the fiscal years 2013 through 2017, the average medical care cost per year was $58.0 billion.

Veterans Compensation and Burial Benefits

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 having been incurred in, or aggravated during, active military service; death while on duty; or death resulting from service-connected disabilities, if not on active duty.

Eligible veterans who die or are disabled from military service-related causes, as well as their dependents, receive compensation benefits. Also, veterans are provided with burial flags, headstones/markers, and grave liners 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, Chapter 23 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 and increased by $313.7 billion in fiscal year 2017. The $313.7 billion increase is primarily attributable to assumption changes and experience. The major experience impact was a higher than expected number of veterans who became eligible for benefits during fiscal year 2017. The major assumption change impacts were from a decrease in the discount rate and an increase in assumed future new compensation case rates.

Several significant actuarial assumptions were used in the valuation of compensation and burial benefits to calculate the present value 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 will in the future become beneficiaries of the compensation program; and 3) a proportional share of those in active military service as of the valuation date who will become eligible disabled veterans in the future. Future benefit payments to survivors of those veterans in classes 1, 2, and 3 above are also incorporated into the projection. The projected liability does not include any administrative costs.

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.

Change in Veterans Compensation and Burial Benefits

	Compensation		Burial		Total	
(In billions of dollars)	2017	2016	2017	2016	2017	2016
Actuarial accrued liability, beginning of fiscal year	2,491.4	2,014.0	4.9	4.6	2,496.3	2,018.6
Current year expense:						
Interest on the liability balance	97.9	82.2	0.2	0.2	98.1	82.4
Actuarial (gains)/losses (from experience)	50.7	91.9	(0.2)	0.2	50.5	92.1
Actuarial (gains)/losses (from assumption changes)	244.3	377.4	0.2	0.1	244.5	377.5
Total current year expense	392.9	551.5	0.2	0.5	393.1	552.0
Less benefits paid	(79.2)	(74.1)	(0.2)	(0.2)	(79.4)	(74.3)
Actuarial accrued liability, end of fiscal year	2,805.1	2,491.4	4.9	4.9	2,810.0	2,496.3

Significant Economic Assumptions Used in Determining Veterans Compensation and Burial Benefits as of September 30, 2017, and 2016

	2017	2016
Rate of interest	3.66%	3.93%
Rate of inflation	2.28%	2.30%

Veterans Education Benefits

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

- Post 9/11 GI Bill
- Montgomery GI Bill-Active Duty (MGIB-AD)
- Vocational Rehabilitation and Employment (VR&E)
- Dependent Education Assistance (DEA)

In fiscal year 2016, VA reported an estimated liability for the Post 9/11 GI Bill of $59.6 billion. This was the first time VA had reported this estimated liability and the models and assumptions used were conservative with limited experience studies or assumptions. At that time, VA had not developed models or estimates for the other three programs listed; however, it was management's assertion that the amount recorded for the Post 9/11 GI Bill was large enough to include any liability for the other three programs. In fiscal year 2017, VA broke out each program and developed individual estimates based on actuarial standards. While not reported last year, VA did develop an estimate for fiscal year 2016 for each of the new programs to be used for comparisons only. These estimates reflect an increase in the liability of $8.7 billion. This amount is presented as "Other" in the schedule of "Changes in Veterans Education Benefits" provided below.

The decrease in the liability of $14.8 billion from "Actuarial (gains)/losses from assumption changes" included the impacts of refinements to the modeling of the Post 9/11 GI Bill program (liability decrease of $29.3 billion); prior service costs associated with the "Forever GI Bill of 2017," which eliminated the 15-year limitation for using the benefit (liability increase of $8.2 billion); and other assumption changes (liability increase of $6.3 billion).

For details regarding actuarial assumptions and the four unique education/retraining type programs, please refer to VA's financial statements.

Change in Veterans Education Benefits

(In billions of dollars)	2017	2016
Actuarial accrued liability, beginning of fiscal year	59.6	53.1
Current year expense:		
Interest on liability	0.7	0.2
Actuarial (gains)/losses (from experience)	9.3	18.0
Actuarial (gains)/losses (from assumption changes)	(14.8)	-
Other	8.7	-
Total current year expense	3.9	18.2
Less benefits paid	(12.8)	(11.7)
Actuarial accrued liability, end of fiscal year	50.7	59.6

Life Insurance Benefits

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

- National Service Life Insurance (NSLI) covers policyholders who served during World War II.
- Veterans' Special Life Insurance (VSLI) 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 (S-DVI) program was established in 1951 to meet the insurance needs of veterans who received a service-connected disability rating.

The components of veteran life insurance liability for future policy benefits are presented below:

Veterans Life Insurance Liability as of September 30, 2017, and 2016

(In billions of dollars)	2017	2016
Insurance death benefits:		
NSLI	2.8	3.4
VSLI	1.2	1.3
S-DVI	0.7	0.6
Other	0.3	0.3
Total death benefits	5.0	5.6
Death benefit annuities	-	0.1
Disability income & waiver	0.8	0.8
Insurance dividends payable	1.1	1.2
Total veterans life insurance liability	6.9	7.7

Insurance dividends payable consists of dividends left on a deposit with VA, related interest payable, and dividends payable to policyholders.

The VA supervises Service members Group Life Insurance (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 (TSGLI) program, which provides for insurance payments to veterans who suffer a serious traumatic injury in service.

Pension Benefits

The VA also provides certain veterans and/or their dependents with pension benefits, based on annual eligibility reviews, if the veteran died or was disabled for nonservice-related causes. VA pension benefits are recognized as a non-exchange transaction due to the nature of the VA pension plan. Therefore, the actuarial present value of these future benefits is not required to be recorded on the Balance Sheet. The projected amounts of future payments for pension benefits (presented for informational purposes only) as of September 30, 2017, and 2016, was $87.6 billion and $87.2 billion, respectively.