Note 13. Federal Employee and Veteran Benefits Payable

Federal Employee and Veteran Benefits Payable as of September 30, 2020, and 2019

	Civilian		Military		Total	
(In billions of dollars)	2020	2019	2020	2019	2020	2019
Pension benefits	2,214.1	2,094.1	1,799.3	1,759.2	4,013.4	3,853.3
Veterans compensation and burial benefits	N/A	N/A	3,863.1	3,129.8	3,863.1	3,129.8
Post-retirement health benefits	418.7	415.1	848.6	830.2	1,267.3	1,245.3
Veterans education and training benefits	-	-	133.1	105.9	133.1	105.9
Life insurance benefits	57.6	54.6	5.1	5.7	62.7	60.3
FECA benefits	30.6	29.6	7.8	8.2	38.4	37.8
Unfunded leave*	10.0	-	15.7	-	25.7	-
Liability for other benefits	1.6	1.4	4.0	6.5	5.6	7.9
Total federal employee and veteran benefits payable	2,732.6	2,594.8	6,676.7	5,845.5	9,409.3	8,440.3

Note: "N/A" indicates not applicable.

*In FY 2020, unfunded leave was moved from Note 17—Other Liabilities.

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.

The TSP is a retirement related benefit that federal employees and federal entities contribute to the TSP. The FRTIB administers the TSP. The TSF maintains and holds in trust the assets of the TSP. The TSP is administered by an independent government entity, the FRTIB, which is charged with operating the TSP prudently and solely in the interest of the participants and their beneficiaries. Please refer to Note 22—Fiduciary Activities for additional information on the TSP.

OPM administers the largest civilian pension plan and post-retirement health benefits. DOD and VA administer the largest military pension and post-retirement health benefit plans. Other significant pension plans with more than $10 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.

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.

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.

To provide a sustainable, justifiable data resource for the affected entities, Treasury developed a new model and methodology for developing these interest rates in FY 2014. The model is based on the methodology used to produce the

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 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.

Pension Benefits

Change in Pension Benefits

(In billions of dollars)	Civilian 2020	Civilian 2019	Military 2020	Military 2019	Total 2020	Total 2019
Actuarial accrued pension liability, beginning of fiscal year	2,094.1	2,048.9	1,759.2	1,621.3	3,853.3	3,670.2
Pension expense:						
Prior (and past) service costs from plan amendments or new plans	-	-	-	-	-	-
Normal costs	44.4	44.0	37.2	32.3	81.6	76.3
Interest on liability	65.7	66.3	59.2	56.1	124.9	122.4
Actuarial (gains)/losses (from experience)	16.3	15.0	19.4	1.1	35.7	16.1
Actuarial (gains)/losses (from assumption changes)	88.7	12.5	(15.0)	108.9	73.7	121.4
Other	0.1	0.2	-	-	0.1	0.2
Total pension expense	215.2	138.0	100.8	198.4	316.0	336.4
Less benefits paid	(95.2)	(92.8)	(60.7)	(60.5)	(155.9)	(153.3)
Actuarial accrued pension liability, end of fiscal year	2,214.1	2,094.1	1,799.3	1,759.2	4,013.4	3,853.3

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

	Civilian 2020 FERS	Civilian 2020 CSRS	Civilian 2019 FERS	Civilian 2019 CSRS	Military 2020	Military 2019
Rate of interest	3.30%	2.70%	3.50%	2.90%	3.20%	3.40%
Rate of inflation	1.70%	1.70%	1.60%	1.60%	1.60%	1.80%
Projected salary increases	1.20%	1.20%	1.10%	1.10%	1.80%	1.80%
Cost of living adjustment	1.50%	1.70%	1.30%	1.60%	1.60%	1.80%

[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.

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, 2020, USPS has accrued, but not paid OPM, $11.4 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 receivable.

The actuarial liability for civilian pension and accrued benefits payable increased $120.0 billion. This increase is largely attributable to changes in actuarial assumptions: lower assumed interest rates and higher assumed salary increases and COLAs.

Military Employees' Pensions

The Military Retirement System consists of a funded, noncontributory, defined benefit plan for military personnel (Services of Army, Navy, Air Force, and the Marine Corps) 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 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 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 *National Defense Authorization Act for Fiscal Year 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 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 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.

The $40.1 billion increase in the Military Retirement Pension liability is primarily attributable to the ongoing cost of the plan: the cost of new accruals and interest on the liability, less benefits paid.

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, 2020, and 2019, was $110.6 billion and $100.2 billion, respectively.

Veterans Compensation and Burial Benefits

Change in Veterans Compensation and Burial Benefits

(In billions of dollars)	Compensation 2020	Compensation 2019	Burial 2020	Burial 2019	Total 2020	Total 2019
Actuarial accrued liability, beginning of fiscal year	3,122.7	2,949.1	7.1	7.2	3,129.8	2,956.3
Current year expense:						
Interest on the liability balance	106.8	103.8	0.2	0.3	107.0	104.1
Prior (and past) service costs from program amendments or new programs during the period	43.3	20.7	-	-	43.3	20.7
Actuarial (gains)/losses (from experience)	107.7	121.2	1.3	(0.1)	109.0	121.1
Actuarial (gains)/losses (from assumption changes)	574.9	20.9	0.5	-	575.4	20.9
Total current year expense	832.7	266.6	2.0	0.2	834.7	266.8
Less benefits paid	(101.1)	(93.0)	(0.3)	(0.3)	(101.4)	(93.3)
Actuarial accrued liability, end of fiscal year	3,854.3	3,122.7	8.8	7.1	3,863.1	3,129.8

Significant Economic Assumptions Used in Determining Veterans Compensation and Burial Benefits as of September 30, 2020, and 2019

	2020	2019
Rate of interest	3.23%	3.42%
Rate of inflation	2.16%	2.23%

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, 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. The liability increased by $733.3 billion in FY 2020 primarily due to assumption changes and experience losses. As discussed in more detail in the following paragraph, the total loss from assumption changes of $575.4 billion was primarily due to a loss of $415.8 billion attributable to assumption updates based on experience studies. The total loss from assumption changes was also impacted by a decrease in the discount rate assumptions, which was somewhat offset by a decrease in COLA rate assumptions, and by changes in demographic assumptions such as mortality and future military separations. The major impact of experience losses of $109 billion was an increase in veterans who first became eligible for benefits during FY 2020.

In FY 2020, VA conducted in-depth experience studies to refine several assumptions that currently exist in the compensation and burial benefits liability models. Specifically, VA enhanced the degree of disability transition rates, veterans' withholding lag and veterans' termination rates. The use of these updated assumptions increased the compensation liability by approximately, $415.8 billion for FY 2020. The degree of disability transition rates caused the largest change on the compensation liability balance. This factor measures the rate at which individuals transition from one combined degree of disability to another during one fiscal year. The experience study indicated there was an increasing degree of transition to higher levels of disability rating as a result of new disability conditions being rated, the worsening of an existing disability, or combination of both. The updates in assumptions significantly increased the current year expenses and is included in the actuarial losses from assumption changes.

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. Additionally, on June 25, 2019, the President signed into law the *Blue Water Navy Vietnam Veterans Act of 2019* (P.L. 116-23) which extends the presumption of herbicide exposure, such as Agent Orange, to veterans who served in the offshore of the Republic of Vietnam between January 9, 1962 and May 7, 1975. The estimated cost of P.L. 116-23 was included as part of the prior service costs in the FY 2019 liability estimate. In FY 2020, there was an expansion of the coverage related to the P.L. 116-23, and this was included as part of the prior service costs in the FY 2020 liability estimate. 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.

Post-Retirement Health Benefits

Change in Post-Retirement Health Benefits

	Civilian		Military		Total	
(In billions of dollars)	2020	2019	2020	2019	2020	2019
Actuarial accrued post-retirement health benefits liability, beginning of fiscal year....	415.1	403.3	830.2	787.0	1,245.3	1,190.3
Post-Retirement health benefits expense:						
Prior (and past) service costs from plan amendments or new plans....................	-	-	-	-	-	-
Normal costs	17.7	16.3	23.0	21.5	40.7	37.8
Interest on liability	14.4	14.3	29.4	28.6	43.8	42.9
Actuarial (gains)/losses (from experience)	(16.6)	6.4	(9.8)	(15.3)	(26.4)	(8.9)
Actuarial (gains)/losses (from assumption changes)	4.5	(9.0)	(2.4)	30.1	2.1	21.1
Total post-retirement health benefits expense	20.0	28.0	40.2	64.9	60.2	92.9
Less claims paid.....................................	(16.4)	(16.2)	(21.8)	(21.7)	(38.2)	(37.9)
Actuarial accrued post-retirement health benefits liability, end of fiscal year............	418.7	415.1	848.6	830.2	1,267.3	1,245.3

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

	Civilian		Military	
	2020	2019	2020	2019
Rate of interest	3.40%	3.50%	3.30%	3.50%
Single equivalent medical trend rate	4.40%	4.40%	4.06%	4.25%
Ultimate medical trend rate	3.20%	3.10%	3.60%	4.05%

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, 2020, the USPS has accrued but not paid to the Postal Service Retiree Health Benefits Fund $51.9 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 receivable.

The post-retirement civilian health benefit liability increased $3.6 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 MTFs 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 Defense Health Agency 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 MTFs 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 MTFs and civilian providers (including payments to U.S. Family Health Plans for grandfathered beneficiaries), plus the costs associated with claims administration.

DOD 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 $18.4 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 – offset by favorable plan experience. In particular, there was an actuarial gain to the use of lower medical trend rate assumption offset by actuarial losses due to updated demographic actuarial assumptions.

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, medical care expenses are recognized in the period the medical care services are provided and included on the Statement of Net Cost. For the FYs 2016 through 2020, the average medical care cost per year was $74.2 billion.

Veterans Education and Training Benefits

Change in Veterans Education and Training Benefits

(In billions of dollars)	2020	2019
Actuarial accrued liability, beginning of fiscal year	105.9	65.7
Current year expense:		
Interest on liability	3.8	1.5
Actuarial (gains)/losses (from experience)	9.4	12.7
Actuarial (gains)/losses (from assumption changes)	27.3	37.1
Total current year expense	40.5	51.3
Less benefits paid	(13.3)	(11.1)
Actuarial accrued liability, end of fiscal year	133.1	105.9

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

- Post 9/11 GI Bill
- VR&E
- Survivors' & Dependents' Educational Assistance
- 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 $27.2 billion in FY 2020. The $27.2 billion increase is primarily attributable to experience losses and assumption changes. The addition of new projections for inclusion of future new enrollees for the Survivors' and Dependents Educational Assistance in its actuarial models significantly increased the current year expenses and is included in the actuarial losses from assumption changes.

In FY 2019, VA conducted an in-depth experience study to refine the impact of the potential new enrollee assumption to be used in the estimates. As a result of the in-depth study, VA's September 30, 2019 education and training liability includes an estimate of $48.3 billion for potential new enrollees who are eligible for Post-9/11 GI Bill and VR&E benefits.

In FY 2020, VA developed and implemented the Survivors' and Dependents' Educational Assistance liability valuation model for future new enrollees by completing an in-depth experience study for new enrollees who are eligible for benefits but have not used them. As a result, VA's September 30, 2020 Survivors' & Dependents' Educational Assistance liability now includes an estimate of $26.9 billion for future new enrollees. In addition, VA conducted experience studies for the Post 9/11 GI Bill, and VR&E programs, which decreased the education benefits liability by approximately $3.8 billion, and increased the education benefits liability by $1.9 billion, respectively. The addition of new projections for inclusion of future new enrollees and the enhancements in assumptions increased the current year expenses and is included in the actuarial losses from assumption changes.

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)	2020	2019
Actuarial accrued life insurance benefits liability, beginning of fiscal year	54.6	54.9
Life insurance benefits expense:		
New entrant expense	0.5	0.5
Interest on liability	1.9	1.8
Actuarial (gains)/losses (from experience)	0.1	(0.4)
Actuarial (gains)/losses (from assumption changes)	1.0	(1.6)
Total life insurance benefits expense	3.5	0.3
Less costs paid	(0.5)	(0.6)
Actuarial accrued life insurance benefits liability, end of fiscal year	57.6	54.6

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

	Civilian	
	2020	2019
Rate of interest	3.10%	3.30%
Rate of increase in salary	1.20%	1.10%

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, 2020, the total amount of FEGLI insurance in-force is estimated at $726.7 billion ($621.8 billion for employees and $104.9 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 consists 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, 2020, and 2019, was $5.1 billion and $5.7 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, 2020, and 2019, was $1,183.7 billion and $1,167.3 billion, respectively. The face value for administered programs as of September 30, 2020, and 2019, was $6.0 billion and $6.6 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. 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 (COLA) and medical inflation factors (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. In FY 2020, the COLA and CPIM averaging methodologies also considered updated information for the current year: for COLA, the information was provided by program staff; for CPIM, program staff obtained the information from the Bureau of Labor Statistics public releases for CPI. 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 FY 2020 are listed below in the table.

Fiscal Year	COLA	CPIM
2021	1.87%	3.21%
2022	2.14%	3.23%
2023	2.19%	3.60%
2024	2.23%	4.01%
2025+	2.30%	3.94%

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 12.1 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 2.414 percent and 2.303 percent, respectively.

For the COLAs, CPIMs, average durations, and interest rate assumptions used in the projections for FY 2019, refer to the FY 2019 *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. As of September 30, 2020, unfunded leave total was $25.7 billion.

As of September 30, 2019, unfunded leave was previously reported in Note 17—Other Liabilities of $21.3 billion, but for FY 2020, unfunded leave is being reported in Federal Employee and Veteran Benefits Payable.

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 $1.9 billion as of September 30, 2020.