Note 13. Federal Employee and Veteran Benefits Payable

Federal Employee and Veteran Benefits Payable as of September 30, 2023, and 2022

	Civilian		Military		Total	Total
(In billions of dollars)	2023	2022	2023	2022	2023	2022
Pension benefits	2,756.7	2,556.0	2,616.5	2,513.5	5,373.2	5,069.5
Veterans compensation and burial benefits	N/A	N/A	7,095.8	5,965.1	7,095.8	5,965.1
Post-retirement health benefits	396.7	427.4	1,125.2	1,045.0	1,521.9	1,472.4
Veterans education and training benefits	N/A	N/A	197.5	170.0	197.5	170.0
Life insurance benefits	66.3	62.9	3.6	3.9	69.9	66.8
FECA benefits	26.7	25.9	7.1	7.1	33.8	33.0
Unfunded leave	10.4	10.3	16.8	16.6	27.2	26.9
Liability for other benefits	1.8	1.8	6.3	6.4	8.1	8.2
Total federal employee and veteran benefits payable	3,258.6	3,084.3	11,068.8	9,727.6	14,327.4	12,811.9

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 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.[1] 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

[1] Treasury's HQM resource is available at: https://home.treasury.gov/data/treasury-coupon-issues-and-corporate-bond-yield-curves/treasury-coupon-issues.

TSP prudently and solely in the interest of the participants and their beneficiaries. Please refer to Note 23—Fiduciary Activities for additional information on the TSP.

Pension Benefits

Change in Pension Benefits

(In billions of dollars)	Civilian 2023	Civilian 2022	Military 2023	Military 2022	Total 2023	Total 2022
Actuarial accrued pension liability, beginning of fiscal year	2,556.0	2,361.8	2,513.5	1,933.6	5,069.5	4,295.4
Pension expense:						
Prior (and past) service costs from plan amendments or new plans	-	-	-	-	-	-
Normal costs	64.5	55.9	62.7	38.0	127.2	93.9
Interest on liability	66.8	64.6	70.2	55.6	137.0	120.2
Actuarial (gains)/losses (from experience)	22.9	96.0	33.3	112.9	56.2	208.9
Actuarial (gains)/losses (from assumption changes)	154.2	142.9	11.2	376.7	165.4	519.6
Other	-	(63.7)	-	63.6	-	(0.1)
Total pension expense	308.4	295.7	177.4	646.8	485.8	942.5
Less benefits paid	(107.7)	(101.5)	(74.4)	(66.9)	(182.1)	(168.4)
Actuarial accrued pension liability, end of fiscal year	2,756.7	2,556.0	2,616.5	2,513.5	5,373.2	5,069.5

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

	Civilian				Military	
	2023		2022		2023	2022
	FERS	CSRS	FERS	CSRS		
Rate of interest	3.00%	2.40%	2.90%	2.30%	2.90%	2.80%
Rate of inflation	2.60%	2.60%	2.00%	2.00%	2.60%	2.30%
Projected salary increases	2.10%	2.10%	1.60%	1.60%	2.60%	2.30%
Cost of living adjustment	2.30%	2.60%	1.80%	2.00%	2.60%	2.30%

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, 2023, USPS has accrued, but not paid OPM, $22.7 billion in CSRS and FERS retirement benefit expenses since 2014. USPS made a partial payment of $0.6 billion and $0.5 billion in 2023 and 2022, respectively, towards the required payment for FERS amortization. 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 all 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.

The civilian pension liability increased by $200.7 billion, primarily due to higher inflation and salary increase assumptions.

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, Space Force, and the USCG) 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, Concurrent Retirement and Disability Pay, 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 and P.L. 113-291 includes provisions for a three-month reduction in the reserve retirement age from age 60 for each aggregate of 90 days of certain active-duty service served in any fiscal year after January 28, 2008, or in any two consecutive fiscal years after September 30, 2014. However, in no case may the retirement age drop 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.

The NDAA for FY 2021, §§ 8224-8225 requires the USCG be covered by the MRF no later than the beginning of FY 2023. For additional information regarding DOD's USCG actuarial liability, please refer to DOD's financial statements.

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 $103.0 billion increase in the Military Retirement Pension liability is primarily attributable to interest on the liability and normal cost.

The VA provides eligible veterans and/or their dependents with pension benefits if the veteran died, is over age 65 or is totally disabled, based on annual eligibility reviews. Unlike a traditional pension program, VA pension is only available to veterans who meet the financial means test. As such, only the amounts currently due and payable are reflected as a liability on VA's balance sheet, which is consistent with federal accounting standards. No actuarial liability is recognized for the NPV of projected future benefit payments.

Veterans Compensation and Burial Benefits

Change in Veterans Compensation and Burial Benefits

(In billions of dollars)	Compensation 2023	Compensation 2022	Burial 2023	Burial 2022	Total 2023	Total 2022
Actuarial accrued liability, beginning of fiscal year	5,953.4	4,291.7	11.7	10.6	5,965.1	4,302.3
Current year expense:						
Prior (and past) service costs from program amendments or new programs during the period	468.7	7.0	-	-	468.7	7.0
Interest on the liability balance	167.9	126.6	0.3	0.3	168.2	126.9
Actuarial (gains)/losses (from experience)	86.3	144.6	(0.1)	(0.4)	86.2	144.2
Actuarial (gains)/losses (from assumption changes)	549.2	1,505.2	0.2	1.5	549.4	1,506.7
Total current year expense	1,272.1	1,783.4	0.4	1.4	1,272.5	1,784.8
Less benefits paid	(141.5)	(121.7)	(0.3)	(0.3)	(141.8)	(122.0)
Actuarial accrued liability, end of fiscal year	7,084.0	5,953.4	11.8	11.7	7,095.8	5,965.1

Significant Long-Term Economic Assumptions Used in Determining Veterans Compensation and Burial Benefits as of September 30, 2023, and 2022

	2023	2022
Discount Rate, Single Equivalent	2.87%	2.82%
Long-Term COLA Rate	2.40%	2.40%

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 veterans' 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.

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.

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.

The actuarial liability for compensation and burial benefits as of September 30, 2023, was $7.1 trillion, which represents an increase of $1.1 trillion from September 30, 2022, liability of $6.0 trillion. This increase was primarily the result of actuarial losses from assumption changes and prior (past) service costs from program amendments or new programs during the period, which together increased the liability by $1.0 trillion.

In FY 2023, VA conducted in-depth experience studies and refined several assumptions and methods within the compensation and burial model. These refinements led to an overall increase from assumption changes of $549.4 billion in the compensation and burial liability as of September 30, 2023.

On August 10, 2022, the PACT Act, P.L. 117-168, was signed into law expanding and extending eligibility for VA benefits and health care for veterans with toxic exposures and veterans of the Vietnam, Gulf War and Post-9/11 eras. The PACT Act is the most significant expansion of benefits for toxic exposed veterans in more than 30 years. Provisions of the PACT Act that directly impact compensation benefits include the addition of over 20 presumptive medical conditions from exposures to burn pits and other toxins. VA reviewed the requirements for estimating the liability impact of the new law in accordance with SFFAS No. 5, *Accounting for Liabilities of the Federal Government* and determined that the impact on the compensation liability is measurable using disability compensation claims data to establish an estimate liability impact of the PACT Act.

In FY 2023, VA assessed the impact of the PACT Act and applied certain updates to the disability compensation model. These modifications led to an increase of $468.7 billion as prior service costs from plan amendments to the disability compensation liability as of September 30, 2023.

Post-Retirement Health Benefits

Change in Post-Retirement Health Benefits

(In billions of dollars)	Civilian 2023	Civilian 2022	Military 2023	Military 2022	Total 2023	Total 2022
Actuarial accrued post-retirement health benefits liability, beginning of fiscal year	427.4	427.3	1,045.0	868.7	1,472.4	1,296.0
Post-Retirement health benefits expense:						
Prior (and past) service costs from plan amendments or new plans	-	(28.3)	-	-	-	(28.3)
Normal costs	18.6	21.3	33.7	25.4	52.3	46.7
Interest on liability	13.1	13.5	30.9	29.0	44.0	42.5
Actuarial (gains)/losses (from experience)	(1.9)	0.4	(38.8)	(5.6)	(40.7)	(5.2)
Actuarial (gains)/losses (from assumption changes)	(43.0)	10.2	78.3	150.2	35.3	160.4
Total post-retirement health benefits expense	(13.2)	17.1	104.1	199.0	90.9	216.1
Less claims paid	(17.5)	(17.0)	(23.9)	(22.7)	(41.4)	(39.7)
Actuarial accrued post-retirement health benefits liability, end of fiscal year	396.7	427.4	1,125.2	1,045.0	1,521.9	1,472.4

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

	Civilian 2023	Civilian 2022	Military 2023	Military 2022
Rate of interest	3.10%	3.10%	2.90%	2.90%
Single equivalent medical trend rate	4.90%	4.50%	4.90%	4.60%
Ultimate medical trend rate	4.00%	3.40%	4.60%	4.30%

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. The decrease in post-retirement health benefit liability of $30.7 billion is primarily attributable to actuarial gains from assumption changes.

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 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 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) in accordance with SFFAS No. 33. 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 $80.2 billion. The increase is primarily attributable to interest on the liability, normal cost, and changes in 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. For the FYs 2019 through 2023, the average medical care cost per year was $94.8 billion.

Veterans Education and Training Benefits

Change in Veterans Education and Training Benefits

(In billions of dollars)	**2023**	**2022**
Actuarial accrued liability, beginning of fiscal year	170.0	151.2
Current year expense:		
Prior (and past) service costs from plan amendments or new plans	2.0	-
Interest on liability	4.0	3.7
Actuarial (gains)/losses (from experience)	24.0	7.4
Actuarial (gains)/losses (from assumption changes)	9.4	19.8
Total current year expense	39.5	30.9
Less benefits paid	(11.9)	(12.1)
Actuarial accrued liability, end of fiscal year	197.5	170.0

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

- Post 9/11 GI Bill;
- VR&E;
- DEA; 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 $27.5 billion in FY 2023.

In FY 2023, VA performed updates to the Post 9/11 GI Bill, DEA, Montgomery GI Bill-Active Duty and VR&E programs, which resulted in the liability increase of $27.5 billion with a $24.0 billion attributed to experience losses, $9.4 billion increase attributed to assumption changes, and an offset of $(11.9) billion due to amounts paid.

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)	2023	2022
Actuarial accrued life insurance benefits liability, beginning of fiscal year	62.9	60.1
Life insurance benefits expense:		
New entrant expense	0.7	0.9
Interest on liability	1.7	1.7
Actuarial (gains)/losses (from experience)	0.5	(0.4)
Actuarial (gains)/losses (from assumption changes)	1.2	1.3
Total life insurance benefits expense	4.1	3.5
Less costs paid	(0.7)	(0.7)
Actuarial accrued life insurance benefits liability, end of fiscal year	66.3	62.9

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

	Civilian	
	2023	2022
Rate of interest	2.80%	2.80%
Rate of increase in salary	2.10%	1.60%

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, 2023, the total amount of FEGLI insurance in-force is estimated at $800.8 billion ($669.2 billion for employees and $108.6 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, 2022, and 2021, was $3.6 billion and $3.9 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, 2022, and 2021, was $1,213.2 billion and $1,219.0 billion, respectively. The face value for administered programs as of September 30, 2022, and 2021, was $4.8 billion and $5.3 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. Actuarial liability includes the non-billable and unreimbursed costs from claims covered by Section 4016, "Eligibility for Workers' Compensation Benefits for Federal Employees Diagnosed with COVID-19," of the ARP Act. However, claims for COVID-19 diagnosed after January 27, 2023, are billable to other federal entities. In addition, the NDAA of 2023, P.L. 117-263 enacted December 23, 2022, section 5305, "Fairness for Federal firefighters," amended the FECA and established that certain illnesses and diseases are to be deemed to be proximately caused by the employment in federal fire protection activities and the costs are billable to the entities that employ federal firefighters.

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 2023 methodology for averaging the COLA rates used OMB provided rates; the FY 2023 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 2023 are listed below in the table.

Fiscal Year	COLA	CPIM
2024	4.04%	3.25%
2025	4.29%	3.21%
2026	4.38%	3.51%
2027	4.13%	3.87%
2028+	3.13%	4.03%

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 14.5 years and 10.3 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 2.3 percent and 2.1 percent, respectively.

For the COLAs, CPIMs, average durations, and interest rate assumptions used in the projections for FY 2022, refer to the FY 2022 *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 total unfunded leave as of September 30, 2023, and 2022, was $27.2 billion and $26.9 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 $4.8 billion and $4.7 billion as of September 30, 2023, and 2022, respectively.