# Note 13. Federal Employee and Veteran Benefits Payable

**Federal Employee and Veteran Benefits Payable as of September 30, 2024, and 2023**

| | Civilian | | Military | | Total | Total |
|---|---|---|---|---|---|---|
| (In billions of dollars) | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Pension benefits | 2,882.8 | 2,756.7 | 2,814.9 | 2,616.5 | 5,697.7 | 5,373.2 |
| Veterans compensation and burial benefits | N/A | N/A | 7,209.4 | 7,095.8 | 7,209.4 | 7,095.8 |
| Post-retirement health benefits | 443.1 | 396.7 | 1,297.8 | 1,125.2 | 1,740.9 | 1,521.9 |
| Veterans education and training benefits | N/A | N/A | 212.5 | 197.5 | 212.5 | 197.5 |
| Life insurance benefits | 70.1 | 66.3 | 3.2 | 3.6 | 73.3 | 69.9 |
| Liability for other benefits | 54.0 | 51.1 | 45.6 | 38.2 | 99.6 | 89.3 |
| Total federal employee and veteran benefits payable | 3,450.0 | 3,270.8 | 11,583.4 | 11,076.8 | 15,033.4 | 14,347.6 |

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 pension, compensation and burial, and post-retirement health benefit plans related to military service. Other significant pension plans with more than $10.0 billion in actuarial accrued liability include those of Foreign Service (State), TVA, DHS, USPS, 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 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.

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

# Pension Benefits

**Change in Pension Benefits**

| (In billions of dollars) | Civilian 2024 | Civilian 2023 | Military 2024 | Military 2023 | Total 2024 | Total 2023 |
|---|---|---|---|---|---|---|
| Actuarial accrued pension liability, beginning of fiscal year | 2,756.7 | 2,556.0 | 2,616.5 | 2,513.5 | 5,373.2 | 5,069.5 |
| **Pension expense:** | | | | | | |
| Normal costs | 73.8 | 64.5 | 74.6 | 62.7 | 148.4 | 127.2 |
| Interest on liability | 75.3 | 66.8 | 75.7 | 70.2 | 151.0 | 137.0 |
| Actuarial (gains)/losses (from experience) | 31.9 | 22.9 | 20.9 | 33.3 | 52.8 | 56.2 |
| Actuarial (gains)/losses (from assumption changes) | 55.9 | 154.2 | 105.0 | 11.2 | 160.9 | 165.4 |
| Total pension expense | 236.9 | 308.4 | 276.2 | 177.4 | 513.1 | 485.8 |
| Less benefits paid | (110.8) | (107.7) | (77.8) | (74.4) | (188.6) | (182.1) |
| Actuarial accrued pension liability, end of fiscal year | 2,882.8 | 2,756.7 | 2,814.9 | 2,616.5 | 5,697.7 | 5,373.2 |

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

| | Civilian | | | | Military | |
|---|---|---|---|---|---|---|
| | 2024 | | 2023 | | 2024 | 2023 |
| | FERS | CSRS | FERS | CSRS | | |
| Rate of interest | 3.00% | 2.50% | 3.00% | 2.40% | 3.00% | 2.90% |
| Rate of inflation | 2.80% | 2.80% | 2.60% | 2.60% | 2.80% | 2.60% |
| Projected salary increases | 2.50% | 2.50% | 2.10% | 2.10% | 2.80% | 2.60% |
| Cost of living adjustment | 2.40% | 2.80% | 2.30% | 2.60% | 2.80% | 2.60% |

## Civilian Employees' Pension

OPM administers the largest civilian pension plan, which covers substantially all full-time, permanent civilian federal employees. This plan includes two components of defined benefits, the CSRS and the FERS. The basic benefit components of the CSRS and the FERS are financed and operated through the CSRDF, a trust fund. CSRDF monies are generated primarily from employees' contributions, federal entity contributions, payments from the General Fund, and interest on investments in Treasury securities. As of September 30, 2024, USPS has accrued, but not paid OPM, $27.3 billion in CSRS and FERS retirement benefit expenses for amortization of unfunded liabilities since 2014. USPS made a partial payment of $1.0 billion and $0.6 billion in 2024 and 2023, 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 required 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.

## Military Employees' Pensions

The MRS consists of a funded, noncontributory, defined benefit plan for military personnel (Services of Army, Navy, Air Force, Marine Corps, Space Force, and the U.S. Coast Guard) 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 MRS 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 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. 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 10 U.S.C. §1461-1467) and accumulates funds to finance, on an accrual basis, the liabilities of DOD military retirement and survivor benefit programs. This fund receives income from three sources: monthly normal cost payments from the services to pay for DOD's portion of the current year's service cost; annual payments from Treasury to amortize the unfunded liability and pay for the increase in the normal cost attributable to Concurrent Receipt (certain beneficiaries with combat-related injuries who are receiving payments from VA) per P.L. 108-136; and investment income.

DOD's Office of the Actuary calculates the actuarial liability annually using economic and demographic assumptions about the future (e.g., mortality and retirement rates).

The 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 2024 | Compensation 2023 | Burial 2024 | Burial 2023 | Total 2024 | Total 2023 |
|---|---|---|---|---|---|---|
| Actuarial accrued liability, beginning of fiscal year | 7,084.0 | 5,953.4 | 11.8 | 11.7 | 7,095.8 | 5,965.1 |
| **Current year expense:** | | | | | | |
| Prior (and past) service costs from program amendments or new programs during the period | 18.6 | 468.7 | - | - | 18.6 | 468.7 |
| Interest on the liability balance | 200.8 | 167.9 | 0.3 | 0.3 | 201.1 | 168.2 |
| Actuarial (gains)/losses (from experience) | 105.0 | 86.3 | (0.9) | (0.1) | 104.1 | 86.2 |
| Actuarial (gains)/losses (from assumption changes) | (33.7) | 549.2 | - | 0.2 | (33.7) | 549.4 |
| Total current year expense | 290.7 | 1,272.1 | (0.6) | 0.4 | 290.1 | 1,272.5 |
| Less benefits paid | (176.2) | (141.5) | (0.3) | (0.3) | (176.5) | (141.8) |
| Actuarial accrued liability, end of fiscal year | 7,198.5 | 7,084.0 | 10.9 | 11.8 | 7,209.4 | 7,095.8 |

### Significant Long-Term Economic Assumptions Used in Determining Veterans Compensation and Burial Benefits as of September 30, 2024, and 2023

| | 2024 | 2023 |
|---|---|---|
| Discount Rate, Single Equivalent | 2.97% | 2.87% |
| Long-Term COLA Rate | 2.40% | 2.40% |

The government compensates disabled veterans and their survivors to replace lost earnings as a result of their military service. Veterans' disability 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 disability 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 disability 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.

# Post-Retirement Health Benefits

**Change in Post-Retirement Health Benefits**

| (In billions of dollars) | Civilian 2024 | Civilian 2023 | Military 2024 | Military 2023 | Total 2024 | Total 2023 |
|---|---|---|---|---|---|---|
| Actuarial accrued post-retirement health benefits liability, beginning of fiscal year | 396.7 | 427.4 | 1,125.2 | 1,045.0 | 1,521.9 | 1,472.4 |
| **Post-retirement health benefits expense:** | | | | | | |
| Normal costs | 20.4 | 18.6 | 37.5 | 33.7 | 57.9 | 52.3 |
| Interest on liability | 12.2 | 13.1 | 33.3 | 30.9 | 45.5 | 44.0 |
| Actuarial (gains)/losses (from experience) | 0.8 | (1.9) | (5.0) | (38.8) | (4.2) | (40.7) |
| Actuarial (gains)/losses (from assumption changes) | 29.6 | (43.0) | 131.7 | 78.3 | 161.3 | 35.3 |
| Total post-retirement health benefits expense | 63.0 | (13.2) | 197.5 | 104.1 | 260.5 | 90.9 |
| Less claims paid | (16.6) | (17.5) | (24.9) | (23.9) | (41.5) | (41.4) |
| Actuarial accrued post-retirement health benefits liability, end of fiscal year | 443.1 | 396.7 | 1,297.8 | 1,125.2 | 1,740.9 | 1,521.9 |

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

| | Civilian 2024 | Civilian 2023 | Military 2024 | Military 2023 |
|---|---|---|---|---|
| Rate of interest | 3.20% | 3.10% | 3.00% | 2.90% |
| Single equivalent medical trend rate | 5.20% | 4.90% | 5.10% | 4.90% |
| Ultimate medical trend rate | 4.20% | 4.00% | 4.80% | 4.60% |

## Civilian Employees' Post-Retirement Health Benefits

The post-retirement civilian health benefit liability is an estimate of the government's future cost of providing post-retirement health benefits to current employees and retirees. Although active and retired employees pay insurance premiums under the Federal Employee Health Benefits Program, these premiums cover only a portion of the costs. The OPM actuary applies economic and demographic assumptions to historical cost information to estimate the liability. The increase in post-retirement health benefit liability of $46.4 billion is primarily attributable to actuarial losses from assumption changes and normal cost.

## 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.

To fund the TFL, 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. The liability for military post-retirement health and accrued benefits payable increased $172.6 billion.

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 2020 through 2024, the average medical care cost per year was $102.6 billion.

## Veterans Education and Training Benefits

**Change in Veterans Education and Training Benefits**

| (In billions of dollars) | 2024 | 2023 |
|---|---|---|
| Actuarial accrued liability, beginning of fiscal year | 197.5 | 170.0 |
| **Current year expense:** | | |
| Prior (and past) service costs from plan amendments or new plans | 0.3 | 2.0 |
| Interest on liability | 4.8 | 4.0 |
| Actuarial (gains)/losses (from experience) | 26.2 | 24.0 |
| Actuarial (gains)/losses (from assumption changes) | (4.0) | 9.4 |
| Total current year expense | 27.3 | 39.4 |
| Less benefits paid | (12.3) | (11.9) |
| Actuarial accrued liability, end of fiscal year | 212.5 | 197.5 |

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

- Post 9/11 GI Bill;
- Vocational Rehabilitation and Employment;
- Dependents' Educational Assistance; and
- MGIB-AD.

Based on the actuarial estimates of future payments, the total liability for the four education and training programs increased by $15.0 billion in FY 2024.

On April 16, 2024, the Supreme Court issued a decision in a case that potentially impacts individuals with multiple periods of active-duty service who are entitled to MGIB-AD benefits under one period of service and Post 9/11 GI Bill benefits under another period of service, and whether they are entitled to combined total of 36 months of benefits (which was VA's prior interpretation) or 36 months of benefits under each program subject to the 48-month aggregate cap. The Supreme Court determined that the latter entitlement subject to the 48-month rule applies in this scenario. VA is currently assessing the effect of this decision on benefits entitlement and needs additional data and analysis to develop a measurable estimate in accordance with SFFAS No. 5, *Accounting for Liabilities of the Federal Government.* VA plans to incorporate the impact of the Supreme Court decision into experience studies in FY 2025.

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

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.

The civilian's life insurance liability for future policy benefits as of September 30, 2024, and 2023, was $70.1 billion and $66.3 billion, respectively. The total amount of coverage provided by an insurer as of the end of the reporting period is referred to as insurance in-force. As of September 30, 2024, the total amount of FEGLI insurance in-force is estimated at $858.3 billion ($748.6 billion for employees and $109.7 billion for annuitants). For additional information on civilian's life insurance liability, please refer to OPM's financial statements.

### 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.

The veteran's life insurance liability for future policy benefits as of September 30, 2024, and 2023, was $3.2 billion and $3.6 billion, respectively. For additional information on veteran's life insurance liability, please refer to VA's financial statements.

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. The supervised programs' policies and face values are not reflected as 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 and is unaudited. The face value for supervised programs as of September 30, 2024, and 2023, was $1,440.2 billion and $1,481.4 billion, respectively. The face value for administered programs as of September 30, 2024, and 2023, was $5.4 billion and $5.2 billion, respectively.

## Liability for Other Benefits

Liability for other benefits primarily consists of $54.2 billion of accrued payroll and leave benefits and $36.3 billion of FECA benefits.

As discussed in Note 1.W—Changes in Presentation, the FY 2023 presentation of federal employee and veteran benefits payable was changed to conform to the FY 2024 presentation.