



PROTECT *America's Heartbeat*

Singling Out Middle-Class Federal Workers to Offset the Payroll Tax Holiday Extension

In late 2011, the House passed its version of the so-called "extenders" bill, H.R. 3630, designed to pay for an extension of the middle-class payroll tax holiday. In the House version, half of the funding comes from the paychecks of our nation's middle-class federal employees – most of whom earn between \$25,000 and \$75,000 each year.

Specifically, the bill includes the following attacks on the pay and benefits of federal workers:

- Extends the federal worker pay freeze by one more year. (Federal employees are already undergoing a two-year pay freeze, which will save the government \$52 billion.)
- Requires Civil Service Retirement System (CSRS) and Federal Employee Retirement System (FERS) employees to contribute an additional 1.5 percent of their salary toward their retirement, even though they will not receive any additional benefits.
- Eliminates the FERS Social Security supplement, (starting in 2013) except those in age-based mandatory retirement positions.
- Enacts a new retirement plan with higher costs and fewer benefits in lieu of FERS for those hired in 2013 and workers already on the rolls but with fewer than five years of federal service (non-vested employees). In this plan, employees would pay 10.2 percent of their salary to the FERS defined benefit. Their annuity would be based on their highest five years of service (not the current highest three) and the annuity calculation would be based on a .7 percent multiplier (not the current 1.1 percent). This amounts to a reduction of close to 40 percent from the current retirement benefit calculation.

The bill will be the subject of the congressional conference committee that is meeting to determine the final legislation. As members of Congress consider how to offset the payroll tax holiday, they must remember it is not fair to expect middle-class federal workers to pay for half of the extenders bill while the nation's wealthiest remain unscathed. For fiscal austerity to work, all Americans must do their part – not only federal employees.