

January 29, 2025

Sent via e-mail

Dear Representative/Senator:

On behalf of the National Active and Retired Federal Employees Association (NARFE), I urge you to oppose including cuts to earned federal employment benefits as a cost offset for budget reconciliation legislation.

Proposals that would diminish the value of federal employment benefits have been [circulated](#) as [options](#) to achieve budget savings to offset deficit increases from other legislative provisions, such as changes in tax policy or spending increases on alternative priorities. Such proposals either (i) reduce the value of hard-earned federal retirement benefits promised to federal employees in exchange for their service to this country, breaking the government's end of the bargain after the work has been performed; (ii) effectively reduce the take-home pay or overall compensation of current federal employees, hampering the government's ability to recruit and retain valuable employees necessary to ensure effective government operations; (iii) undermine the merit-based system that guards against the politicization and corruption of the civil service; or (iv) combine elements of the above. NARFE opposes such proposals, as described more fully below.

NARFE opposes the proposal to “Move FEHB from a Premium-share Model to a Voucher Model.” This proposal would reduce the government contribution towards Federal Employees Health Benefits (FEHB) plan premiums by switching to a flat-rate voucher model. Currently, the government contribution is set at 72 percent of the weighted average of all FEHB plan premiums and therefore increases as health costs and premiums increase. Presumably, the voucher would be indexed to consumer price increases. When health care prices increase at a faster rate than other consumer prices, this would result in the government contribution towards premiums decreasing as a percentage of the overall premium, shifting substantial costs on federal employees and retirees.

Since 1999, when FEHB's current fair share formula was first used, total FEHB premiums have increased by an average of 6.4 percent annually, while the Consumer Price Index for Urban Wage Earners and Clerical Workers (the index used to determine cost-of-living adjustments to federal annuities) has increased by an average of 2.5 percent annually. Applying such averages over 10 years, the voucher model would force employees and retirees to pay more than 50 percent of premium costs (from 28 percent now). This could cost an employee/annuitant more than \$21,000 over 10 years, and \$4,500 annually by the 10th year for self only; more than \$47,000 over 10 years, and more than \$9,800 annually by the 10th year for self plus one; and more than \$52,000 over 10 years, and more than \$10,700 annually by the 10th year for self and family

coverage.¹ The costs would be even greater if the voucher model reduced the initial government share to 70 percent or if it used a cheaper measure of inflation, such as the Chained CPI, as some lawmakers have previously proposed.

This proposal would undermine the viability of the entire FEHB program, forcing federal employees to pay a significantly higher percentage of premiums than their private-sector counterparts. According to the Kaiser Family Foundation, employers pay an average of 83 percent of premium costs for individuals, and 71 percent for families.² As noted, this proposal would decrease the government (employer) share of premiums to below 50 percent after 10 years, and significantly less thereafter. At some point, the benefit of the subsidy would be negligible when compared to alternative options.

This proposal would also break promises to retirees by making earned, retiree health benefits unaffordable. Retiree health benefits are provided as part of the compensation to middle-class federal and postal workers for their work over long careers in public service. The health benefits are not gifts; they were earned. Diminishing their value in any way fails to honor the commitments made to these public servants.

NARFE opposes the proposal to “[Eliminate the TSP G Fund subsidy](#).” This proposal would shift retirement savings for federal employees and retirees and uniformed servicemembers from the current G Fund investment into an investment product with a substandard rate of return. If enacted, the government’s continued offering of the G Fund as an investment likely would run afoul of its fiduciary duty to provide investment options in the best interest of plan participants. If the G Fund remained, Thrift Savings Plan (TSP) participants would likely divest from the G Fund to invest their money in an alternative fund. This would eliminate any suggested budget savings from this proposal. If not, the government would be taking advantage of its employees and uniformed servicemembers’ hard-earned retirement savings.

The G Fund rate of return is not some boondoggle for federal employees and uniformed servicemembers. It receives the same rate of interest earned by the Social Security Trust Fund, as well as the Civil Service Retirement and Disability Fund. Further, recent analysis by the Federal Retirement Thrift Investment Board indicates that allocating 100 percent of fixed income investments to the F fund rather than the G fund would result in a greater rate of return with lower risk.³ In essence, even given the current rate of return, the G Fund arguably performs worse than an existing alternative as part of an ideal retirement asset allocation mix.

Overall, this proposal would target the hard-earned retirement savings of federal employees, retirees and uniformed servicemembers, providing either phantom savings, or savings resulting from an abdication of fiduciary duty.

¹ Calculations available upon request.

² “Summary of Findings: Employer Health Benefits Survey.” Kaiser Family Foundation, available at: [Employer Health Benefits Survey 2023 Annual Survey - Summary of Findings](#).

³ See L Funds Asset Allocation Review, available at: <https://www.frtib.gov/pdf/minutes/2024/May/Att5-L-Funds-Asset-Allocation-Review-May-2024.pdf>, p. 16.

NARFE opposes the proposal to “Raise the FERS Contribution Rate to 4.4 percent.” This is nothing more than a thinly veiled, across-the-board pay cut. According to the Federal Salary Council, federal employees are already paid nearly 25 percent less than their private-sector counterparts.⁴ This would exacerbate that problem, and the recruitment and retention issues that accompany the pay disparity. It would also force vested employees to pay more into their retirement system, without any added benefit.

NARFE opposes the proposal to “Convert New Employees to At-Will Unless They Accept a Higher FERS Contribution.” For the reasons stated above, NARFE opposes increasing the employee contribution to the Federal Employees Retirement System (FERS). Proposing it as a trade-off for at-will employment only makes the proposal worse. The merit-based civil service does not exist to protect federal employees; it exists to protect against cronyism and corruption in the civil service and fill the ranks of government with qualified individuals. Congress should protect the merit-based civil service, not encourage employees to undermine it.

NARFE opposes the proposal to “Charge a Fee for Federal Employee MSPB Appeals.” Again, the merit-based civil service does not exist to protect federal employees; it exists to protect against cronyism and corruption in the civil service and fill the ranks of government with qualified individuals. Congress should not make it more difficult for individuals to challenge potentially illegal and politically motivated actions.

NARFE opposes the proposal to “Base FERS Retiree Benefit on High-5 Instead of High-3 Salary.” This proposal could apply to already vested employees, including those who are near, at or even above retirement age, reducing the value of their FERS annuity. In so doing, it would break promises to retirees by reducing the value of their vested benefits. Retirement annuities are provided as part of the compensation to middle-class federal and postal workers for their work over long careers in public service. The annuities are not gifts; they were earned. Diminishing their value in any way fails to honor the commitments made to these public servants.

NARFE opposes the proposal to “Eliminate FERS Supplemental Retirement Payments.” The FERS supplement is provided to FERS retirees who retire before they are eligible for Social Security. This proposal could cost a federal employee who is mandated to retire at age 57, with an expected Social Security benefit of \$2,000/month, over \$105,000 in just the five years before becoming eligible for Social Security at age 62.

Many of those eligible for this supplement work in jobs with a mandatory retirement age, such as law enforcement officers, firefighters and air traffic controllers. This has been proposed to apply to already vested employees, including those who are nearing retirement, and would be particularly harmful to public servants subject to a mandatory

⁴ Report of the Federal Salary Council Working Group:
https://www.govexec.com/media/general/2024/11/fsc_wg_report_for_2026_loc_pay.pdf.

retirement age. Eliminating this supplement for vested employees fails to honor the commitments made to these public servants, and should be rejected on those grounds.

NARFE does not oppose the proposal to “Enact Federal Employees Health Benefits Protection Act,” even as we have some concerns regarding its implementation. If individuals are not legally eligible for FEHB benefits, they should not be receiving them. Our only concern is the potential that efforts to prevent those who are ineligible for benefits inadvertently take away benefits from individuals who are eligible family members, perhaps by placing overly burdensome requirements for proof of eligibility. If enacted, we would urge care in implementation.

NARFE also does not oppose the proposal “Adjustment to Limit of Federal Employee Buy-Outs,” even as we have concerns regarding the overuse of buyouts to reduce the size of the federal workforce. NARFE opposes large-scale reductions in the size of the federal workforce. Efforts to substantially reduce the size of the federal workforce rely on false assumptions regarding its size and growth. The reality is that the workforce has decreased in size by 2.8 percent since 1968, while the total labor force in the United States has increased by 140 percent, and the U.S. population has increased by about 77 percent. To the extent the workforce serving the federal government has grown, that growth originated from an increase in government contractors, which are nearly double the number of federal employees.

But if the current or a future administration aims to reduce the size of the workforce within an agency or more broadly, it may benefit both the government, and the federal employees impacted to raise the allowable amount permitted for a voluntary separation agreement and lower the service years threshold for voluntary early retirement. However, rather than a flat amount that is not indexed to inflation, it may be more effective to set a higher amount, and one that is relative to an employee’s pay (e.g., 50 percent). If the goal is to mitigate the negative impact on employees separated from service, and reduce litigation and administrative appeal costs, providing greater flexibility to the administration in this regard is likely to be more effective.

Recent action by the administration to offer deferred resignations - showing a deep lack of appreciation for the work carried out by federal employees - stands on dubious legal ground. While the action is certain to cause widespread disruption in government operations, Congress may be able to mitigate the potential damage to federal employees accepting the deferred resignations by ensuring they are paid pursuant to the offer.

Conclusion

Day-in and day-out federal employees work with little fanfare to ensure our national defense, protect our citizens from terrorism and other crime, care for our veterans, deliver our mail, run indispensable programs such as Social Security and Medicare to provide income and health security in retirement, provide critical information regarding the weather and relief to those devastated by it, ensure the water we drink and the air we breathe is clean, and much more. They are an essential part of the solution to the challenges facing our government and our nation. We ought not to treat them as

expendable through benefit cuts, mass layoffs or otherwise, when they are anything but that.

For that reason, and the specific reasons stated above, I urge you to oppose proposals to cut earned federal employment benefits as a cost offset for budget reconciliation legislation

Thank you for your consideration of our views. If you have any questions or concerns about this request, please contact NARFE Staff Vice President for Policy and Programs John Hatton at jhatton@narfe.org or 571-483-1267.

Sincerely,

A handwritten signature in black ink that reads "William Shackelford". The signature is written in a cursive style with a large initial "W" and a long, sweeping underline.

William Shackelford
NARFE National President