NARFE FEDERAL BENEFITS EXPERTS

FACT SHEET

Proposals Threatening the Federal Community

Proposal	Source	Summary	Projected Savings	Consequence
Eliminate cost-of-living adjustments (COLAs) for Federal Employees Retirement System (FERS) annuities. Reduce COLAs for Civil Service Retirement System (CSRS) annuities by 0.5 percent.	President Trump FY20 budget.	Eliminates COLAs for FERS retirees and reduces COLAs for CSRS retirees by 0.5 percent each year from what it would have been otherwise.	$56 billion – the cost to federal retirees (and savings to U.S. government) over 10 years.	Eliminating and reducing COLAs is tantamount to a cut to annuities. COLAs are vital to preserve the earned value of annuities as inflation rises and to protect retirees from undue losses in purchasing power.
Increase current federal employee retirement contributions by as much as 6 percent.	House-passed FY16 budget (H.Con.Res. 27). Assumed savings were also included in the Senate-passed FY16 budget (S.Con.Res. 11). President Trump FY20 budget.	Numerous proposals over the past several years have sought to increase federal retirement contributions for <u>current</u> employees. Many included a policy change that would increase the employee share of federal retirement contributions by about 6 percent.	Up to $127 billion – estimated cost to federal workers (and savings to U.S. government) over 10 years. $78.8 billion over 10 years under the Trump FY20 budget, which phased in the increase over six years.	This is nothing more than an immediate (and thinly-veiled) pay cut for federal workers. It would drive our most talented and mission-critical employees to the private sector. It widens the wage gap between the public and private sectors and hinders the ability of the federal government to recruit the best and brightest.
Reduce the rate of return on the Thrift Savings Plan (TSP) G Fund.	Originally appeared in the House-passed FY16 budget (H.Con.Res. 27). Also floated as a possible Highway Trust Fund extension pay-for in the Senate in 2015. President Trump FY20 budget.	Reduces the rate of return on the Thrift Savings Plan (TSP) Government Securities (G) Fund from an average of 2.5 percent annually to 0.02 percent.	$32 billion – the cost to federal employees and retirees, as well as military personnel and retirees (and savings to U.S. government) over 10 years. $16.5 billion over 10 years when assuming behavioral changes.	Disincentivizes investing in a stable retirement fund. In reality, the estimated savings would not be realized. The Federal Retirement Thrift Investment Board would divest $21 billion of L Fund holdings from the G Fund and would advise TSP participants to divest as well, drastically reducing G Fund holdings and any resulting savings.

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Tie Federal Employees Health Benefits (FEHB) program premiums to years of service for retirees.	Included in the House-passed FY16 budget (H.Con.Res. 27). Assumed savings also included in the Senate-passed FY16 budget (S.Con.Res. 11).	Increases some federal retirees' FEHB premiums by basing the government contribution on years of service. Presumably the retiree would pay more the fewer years worked.	$1.2 billion – estimated cost to federal retirees (and savings to the U.S. government) over 10 years.	Tying the government's share of FEHB premiums in retirement to years of service would result in higher premiums for retirees with a shorter amount of time worked. Doing so could make premiums unaffordable and cause retirees to leave the program altogether and rely solely on Medicare, increasing costs to the program.
Tie the government's employer contribution towards FEHB program premiums to inflation.	Included in the House-passed FY16 budget (H.Con.Res. 27) and the Senate-passed FY16 budget (S.Con.Res. 11).	This proposal would increase the share of the FEHB program premiums paid by employees and retirees by tying increases in the government's employer contribution to inflation rather than increases in the cost of health care, which has historically outpaced overall inflation. This essentially turns the FEHB program into a voucher program.	$38.9 billion – estimated cost to federal workers (and savings to the U.S. government) over 10 years. $21.7 billion – estimated cost to federal retirees (and savings to U.S. government) over 10 years.	Each year, employees and retirees would be forced to pay a greater share of rising health insurance premiums, increasing from roughly 30 percent of premiums now to greater than 50 percent in as little as seven years, and an even greater percentage thereafter. This could cost a federal family as much as $50,000 over 10 years, and even more thereafter. The government's employer contribution currently is set at 72 percent of the weighted average of all FEHB plan premiums (but limited to 75 percent of an individual plan premium). For 2019, the enrollee share is, on average, $2,327.36 for Self Only coverage, $4,977.42 for Self Plus One, and $5,311.55 for Self and Family coverage. If forced to pay 50 percent of total premiums, in 2019, enrollees would pay $4,156, $8,888, or $9,484.92, respectively. The Congressional Budget Office found that this proposal would drive retirees to drop FEHB and rely solely on Medicare, increasing costs to the program.

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Reduce the federal civilian workforce through attrition.	FY16 budget (H.Con.Res. 27), the Fiscal Commission Report, and the Contract with the American Voter.	Although proposals have varied, a 10 percent reduction in the federal civilian workforce through attrition, whereby one employee would be hired for every three who leave government service, is commonly referenced.	$43-$59 billion over 10 years.	Arbitrarily cutting the workforce would not result in the projected savings. It may make for a good sound bite, but it ignores needed positions and existing workloads. Despite claims to the contrary, there are fewer federal employees working now than in 1967, despite the U.S. population increasing 60 percent over that time. It also would undoubtedly lead to the hiring of more expensive contractors, negating any savings, as reported by the Government Accountability Office.
Eliminate the Federal Employees Retirement System (FERS) annuity for new hires.	House-passed FY16 budget (H.Con.Res. 27) "recognizes the need" for the federal government to offer a defined contribution retirement system only. Standalone legislation to eliminate the defined-benefit portion of FERS was introduced in the Senate in the 113th Congress (S.1678). A Heritage Foundation report also calls for changes in FERS benefits, based on the number of years of federal work.	The House budget proposed eliminating the FERS pension altogether. The Heritage Foundation report calls for the elimination of FERS contributions for non-vested employees. The plan grandfathers in workers with more than 25 years of federal work and creates a set of three options for vested employees with fewer than 25 years of work.	Little to no savings over 10 years.	This move eliminates one leg of the three-legged retirement stool and reduces overall compensation, making federal employment less desirable for our nation's best and brightest, leaving only Social Security and the Thrift Savings Plan for FERS employees in retirement. For current employees, the Heritage proposal breaks the retirement benefits promise made when they were hired.
Use the highest five years, instead of the current three years, of earnings to calculate pension benefits in both CSRS and FERS.	H.R. 1230 (114th Congress) and Fiscal Commission Report. President Trump FY20 budget.	This change would reduce retirement benefits by basing federal employees' annuities on their highest five years of salary, as opposed to the current three years.	$7 billion – the cost to federal workers (and savings to U.S. government) over 10 years.	Such a change would significantly reduce a federal retiree's monthly income. Depending upon whether the retiree is in the older CSRS or the newer FERS, this could amount to cuts of $2,000-$7,000 over the next five years. It also breaks a basic promise made to these employees when they were hired.

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Eliminate the FERS Annuity Supplement.	Included in the House-passed FY16 budget (H.Con.Res. 27). Also proposed in President Obama's budgets for new hires. President Trump FY20 budget for new retirees.	This proposal would end the FERS Annuity Supplement, which pays the equivalent of a retiree's Social Security benefit if he or she retires before being eligible to collect Social Security benefits, including those with mandatory retirement age limits.	$2 billion over 10 years for new hires only. $18.7 billion over 10 years in the Trump FY20 budget, which includes current employees/new retirees.	Those who are eligible for the supplement plan their retirement around this promised, and paid for, benefit. These workers contributed more than 20 years of service to the nation. Taking away this supplement ignores years of planning and puts retirement security at risk. This especially affects employees who are mandated to retire earlier, such as federal law enforcement officers and firefighters.
Use the Chained CPI to determine COLAs to retiree benefits.	This proposal regularly appears in the annual Republican Study Committee (RSC) budget. It was also included in the Fiscal Commission Report and Blueprint for Reform (Heritage Foundation). It appeared in one of President Obama's budgets (FY14).	Changes how inflation is calculated for purposes of determining annual COLAs to federal retirement annuities, Social Security benefits, military retirement and veterans' disability benefits by switching from the current CPI-W to the Chained CPI.	$233 billion over 10 years, but varies among sources.	Would lower annuities by an estimated: 0.3 percent per year; 3 percent after 10 years; 6.2 percent after 20 years; and 9.4 percent after 30 years. For the median CSRS annuity of $38,052 per year, this amounts to a loss of: $7,449.17 after 10 years; $34,531.15 after 20 years; and $93,209.43 after 30 years. It would have the same percentage impact on Social Security benefits. The Chained CPI does not accurately reflect seniors' largest expense – medical care – and any change to the COLA formula should do so.
Require current U.S. Postal Service (USPS) retirees to sign up for Medicare in order to keep their earned federal health insurance coverage.	H.R. 756, H.R. 6076 and S. 2629 (115th Congress).	Would require current postal retirees and their family members to enroll in Medicare or forfeit the FEHB program coverage they earned as a benefit of long years of employment, even if they previously declined Medicare coverage.	A cost *shift* of $10.7 billion over 10 years from USPS to Medicare.	The move changes the bargain regarding health benefits for postal retirees after they have retired, setting a dangerous precedent, and removes choice for postal retirees with regard to their health insurance coverage.

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