Threats to Federal Employee and Retiree Earned Benefits

President Trump's budget for fiscal year 2021 included numerous proposals to cut earned federal benefits, totaling more than $179.7 billion. ***NARFE is asking members of Congress to oppose any legislation that would allow these proposals to become law.***

NARFE Position

NARFE opposes proposals that would reduce the value of hard-earned federal retirement benefits promised to federal employees in exchange for their service to this country. In exchange for years of hard work over long careers, our government made a commitment to provide modest benefits to middle-class federal and postal workers. Their annuities are not gifts; they were earned. Diminishing their value in any way fails to honor the commitments made to our public servants.

NARFE also opposes proposals that would effectively reduce the take-home pay or overall compensation of current federal employees; these proposals would hamper the government's ability to recruit and retain valuable employees at a time in which our country needs the best and the brightest to meet the many challenges the nation faces.

Budget Proposals Threatening the Earned Benefits of Federal Employees and Retirees

The following cuts were included in President Trump's budget for fiscal year 2021:

1. Eliminating cost-of-living adjustments (COLAs) for current and future Federal Employees Retirement System (FERS) retirees.
    - Eliminates FERS retirees' ability to keep up with inflation, decreasing purchasing power and quality of life.
    - Based on a historical average COLA, this would reduce the value of a typical FERS annuity (about $14,000 per year) by more than $257,000 over 30 years of retirement.
2. Reducing COLAs for Civil Service Retirement System (CSRS) retirees by 0.5 percent.
    - Based on a historical average COLA, this would reduce the value of a typical CSRS annuity (about $39,000 per year) by more than $175,000 over 30 years of retirement.
3. Eliminating the FERS Annuity Supplement for new retirees.
    - This fully-funded supplement is provided to FERS retirees who retire before they are eligible for Social Security. 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 proposal would apply to already vested employees, including those who are nearing retirement, and would be particularly harmful to public servants subject to a mandatory retirement age.

- 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.

4. Basing federal annuities on the highest five years of salary instead of the highest three years of salary.
   - This proposal would apply to already vested employees, including those who are near, at or even above retirement age, negating years of hard work.
   - This would cost a federal retiree anywhere from a few hundred to several thousands of dollars every year of retirement.
5. Reducing the rate of return on the Thrift Savings Plan (TSP) G Fund.
   - The G Fund rate of return is the same rate of interest earned by the Social Security Trust Fund, as well as the Civil Service Retirement and Disability Fund.
   - This proposal would not realize the savings it seeks, as TSP participants would invest their money elsewhere.
   - This not only hurts federal employees and retirees, but also would impact the increasing number of military personnel and retirees who invest in TSP.
6. Increasing federal employee payroll contributions toward retirement by as much as 7 percent of pay, without any added benefit.
   - This is nothing more than a thinly-veiled 7 percent across-the-board pay cut.