

July 24, 2019

Committee on Ways and Means
1100 Longworth House Office Building
Washington, DC 20515

Dear Chairman Neal, Ranking Member Brady and Members of the House Committee on Ways and Means:

On behalf of the National Active and Retired Federal Employees Association (NARFE), I commend the committee for tackling the crucial issue of Social Security reform. Millions of Americans paid into and rely on this important program for their financial security in retirement. As the committee considers the Social Security 2100 Act, H.R. 860, I wish to provide NARFE's views on and concerns with the legislation. Notably, NARFE urges you to consider amending the legislation to strengthen the retirement security of our nation's retired federal employees.

As you are aware, the Social Security 2100 Act would change cost-of-living adjustments (COLAs) for Social Security recipients from the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) to the Consumer Price Index for the Elderly (CPI-E). NARFE fully supports this change, as the CPI-W inadequately calculates COLAs for seniors. However, any change Congress makes to one federal program in this area it should do for all, and this legislation fails to provide this change to federal annuities.

As the Social Security 2100 Act accurately contends, the current CPI-W calculation fails to account for seniors' spending habits, notably that of health care. Simply, seniors spend more on health care – while health care accounts for about 8 percent of spending for the general population, it accounts for 12 percent of spending for those age 62 and older. Meanwhile, health care costs have risen faster than the cost of other goods. In the past 20 years, medical care prices have increased by 101 percent, while overall prices have increased by just 52 percent.

Retirees under the Civil Service Retirement System (CSRS) and Federal Employees Retirement System (FERS) receive federal annuities that currently provide COLAs based on the CPI-W; they would benefit from the change to the CPI-E. Retirees under CSRS do not receive Social Security benefits for their government work, and only a portion of FERS retirement income is derived from this important program. Failing to extend the CPI-E to CSRS and FERS retirees' annuities creates a class system of retirement benefits and disadvantages federal retirees.

Federal retirees face the same medical inflation as all other seniors. For these reasons, I urge you to add language to the Social Security 2100 Act ensuring federal retirees' annuities are calculated under the CPI-E rather than the current CPI-W. I recognize this

is beyond the committee's jurisdiction, so absent amending the bill, I ask that you work with your colleagues on the House Oversight and Reform Committee to move CPI-E legislation, such as the Fair COLA for Seniors Act, H.R. 1553, in tandem with H.R. 860.

The Social Security 2100 Act also provides an excellent opportunity to bring fairness to federal retirees by including a provision to repeal the Windfall Elimination Provision (WEP) and Government Pension Offset (GPO). The WEP and GPO burden nearly 2 million Social Security beneficiaries and spouses by reducing the Social Security benefits of local, state and federal retirees who worked in employment covered by Social Security and who also receive an annuity from their government employment not covered by Social Security. Repeal of these provisions that unduly target civil servants is long overdue, and I urge the committee to seize this opportunity to fix this injustice. Absent full repeal, NARFE also supports reform efforts such as the Equal Treatment of Public Servants Act and would welcome its inclusion in any reform legislation.

NARFE has further concerns with the bill's current language, namely that the Social Security 2100 Act increases the replacement rate for lower incomes, which is a laudable goal, but does not change the WEP, thereby increasing the "WEP penalty" – the difference between what a recipient receives with the application of WEP and without it. This provision should be reformed to prevent federal retirees affected by the WEP from experiencing additional unfair penalties.

Additionally, the bill would reduce taxes paid on Social Security benefits, which NARFE supports, but neglects to do the same for CSRS annuities, which are analogous to Social Security benefits. This, too, should be amended to provide equitable tax treatment for federal retirees.

For these reasons, I urge you to amend the Social Security 2100 Act to bring fairness to retired civil servants. Thank you for your consideration of our views. If you have any questions or comments, please contact NARFE's Staff Vice President of Advocacy Jessica Klement at 571-483-1264 or jklement@narfe.org.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ken Thomas', with a stylized flourish at the end.

Ken Thomas
National President