

Richard G. Thissen
National President



Jon Dowie
National Secretary/Treasurer

May 18, 2018

The Honorable Jeff T.H. Pon, PhD
Director
Office of Personnel Management
Theodore Roosevelt Building
1900 E Street, NW
Washington, DC 20415-1400

Dear Director Pon:

On behalf of the 5 million federal employees and retirees represented by the National Active and Retired Federal Employees Association (NARFE), I am writing to address several worrisome mischaracterizations you made before the House Committee on Oversight and Government on May 16, 2018, regarding cost-of-living adjustments (COLAs) to federal retirement annuities and adjustments to federal pay rates.

At a hearing, titled, “Workforce for the 21st Century: Analyzing the President’s Management Agenda,” you made the following statements in your testimony. I will address them in turn.

“When federal workers become annuitants, it’s not up to the federal government to determine where they move in retirement and pay for where they live.”

While the first portion of your sentence may be correct – it’s not up to the government to decide where federal retirees live – the claim that we pay for their living choices is incorrect. The federal government does *not* pay COLAs based on where federal annuitants live. Rather, COLAs are based on nation-wide changes in consumer prices, as measured by the Bureau of Labor Statistics through the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).

COLAs are not like locality pay adjustments for federal employees. COLAs provide inflation protection for the value of federal retirement benefits. Those retirement benefits are not gifts. They were earned in exchange for years of hard work over long careers. Diminishing their value in any way for those who have already earned them – including by eliminating or reducing COLAs, altering how they are calculated, or eliminating an entire element of the pension – fails to honor the basic commitments made to our public servants.

One thing to note, however, is that if the COLA is over 2 percent, retirees under the Federal Employees Retirement System (FERS) do not receive the full COLA amount. This little known

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policy already diminishes the value of a FERS pension. Further, COLAs to federal annuities are calculated and administered in the same manner as COLAs to Social Security benefits, which I'll address in the next section.

“I don’t know of any other retirement system that actually pays COLAs for annuitants.”

Over 66 million people rely on Social Security and Supplemental Security Income benefits to provide them with retirement security.¹ Those benefits, along with military pensions and veterans disability benefits, are adjusted by annual COLAs. Those COLAs are calculated using the CPI-W formula and thus provide the same inflation adjustment provided to federal annuitants.

According to the National Association of State Retirement Administrators, “cost-of-living adjustments (COLAs) in some form are provided on most state and local government pensions.”² Further, “approximately three-fourths of pension plans sponsored by states and local governments provide some form of an automatic cost-of-living-adjustment.”³

I urge you not to repeat the same misinformation in the future.

“When federal workers actually get COLAs...”

Federal workers do not receive COLAs. Rather, federal law directs the president to adjust federal pay rates, such as the General Schedule, annually based on changes in private-sector wages and salaries, as measured by the Bureau of Labor Statistics through the Employment Cost Index.⁴ Locality pay adjustments or comparability payments are designed to align pay rates in a given geographic area with private-sector pay rates for similar work. In both cases, pay rate adjustments are based on the comparable wages and salaries, not the cost of living, however correlated those two may be.

I am concerned that these misconceptions are guiding the flawed federal benefits policies proposed by this Administration. As the director of the agency responsible for overseeing the federal workforce, pay and benefits, I urge you to represent accurately the facts as they relate to your mission.

Your recent letter to congressional leaders containing legislative language for cuts to federal pay and benefits, coupled with your statements at this hearing, have alarmed NARFE members, many of whom have contacted me personally. I have enjoyed getting to know you and learn

¹ Cost-of-Living Adjustment. Social Security Administration, available at: <https://www.ssa.gov/pubs/EN-05-10526.pdf>.

² “Cost-of-Living Adjustments,” National Association of State Retirement Administrators. Available at: <https://www.nasra.org/cola>.

³ *Id.*

⁴ 5 U.S.C. § 5303 (unless the president considers the pay adjustment inappropriate due to “national emergency or serious economic conditions affecting the general welfare.”)

more about OPM's priorities moving forward and as such, I welcome a response or further discussion of your statements. If you have any questions or concerns, or to set up a meeting, please contact NARFE Staff Vice President for Advocacy Jessica Klement at jklement@narfe.org or 571-483-1264.

Sincerely,

A handwritten signature in black ink that reads "Richard Thissen". The signature is written in a cursive style with a large, stylized "R" and "T".

Richard G. Thissen
National President