



# BUDGET THREATS TO FEDERAL EMPLOYEES AND RETIREES IN THE 115<sup>TH</sup> CONGRESS

*Federal employees and retirees face a number of threats to their earned pay and benefits in the 115<sup>th</sup> Congress. The congressional budget process represents the most likely path for passage of harmful proposals. NARFE is asking members of Congress to oppose any budget resolution, budget reconciliation legislation or any other bill that would allow or set the stage for these proposals to become law.*

## 1. Cuts to the Earned Retirement Benefits of Federal Retirees and Employees

- NARFE opposes proposals that would reduce the value of hard-earned federal retirement annuities that were promised to federal employees in exchange for their service to this country by:
  - Eliminating cost-of-living adjustments (COLAs) for current and future Federal Employees Retirement System (FERS) retirees. (President Trump's budget for fiscal year 2018)
    - This could reduce the value of a typical annuity (about \$13,000 per year) by more than \$150,000 over 25 years of retirement.
  - Reducing COLAs for Civil Service Retirement System (CSRS) retirees by 0.5 percent. (President Trump's budget for fiscal year 2018)
    - This could reduce the value of a typical CSRS annuity (about \$37,000 per year) by more than \$100,000 over 25 years of retirement.
  - Eliminating the FERS Annuity Supplement for new retirees starting in 2018. (President Trump's budget for fiscal year 2018).
    - This proposal would apply to already vested employees, including those who are near, at or even above retirement age. It would be particularly harmful to public servants subject to a mandatory retirement age, such as law enforcement officers, firefighters and air traffic controllers.
  - Basing federal annuities on the highest five years of salary instead of the highest three years of salary. (President Trump's budget for fiscal year 2018)
    - This proposal would apply to already vested employees, including those who are near, at or even over retirement age.
- In exchange for years of hard work over long careers, our government made a commitment to middle-class federal and postal workers that they would receive modest federal annuities in retirement. Those annuities are not gifts; they were earned. Diminishing their value in any way for current employees and retirees fails to honor the commitments made to our public servants.

## 2. Federal Retiree and Employee Health Benefits Cuts

- NARFE opposes proposals to undermine federal employee and retiree health insurance coverage by:
  - Reducing the government contribution toward Federal Employees Health Benefits Program (FEHBP) insurance premiums by limiting increases to inflation, rather than to increases in the cost of health insurance. (House Budget Resolution for fiscal year 2016)
    - This proposal could cost a federal employee or retiree family upwards of \$50,000 over 10 years.
  - Reducing the government contribution toward health insurance premiums for retirees with fewer years of service. (House Budget Resolution for FY 2016)
  - Eliminating retiree health benefits for new hires. (Heritage Foundation's Blueprint for Reform)
    - This proposal would destabilize this model program, which would negatively affect current employees and retirees.
- Federal retirees earned their health benefits in exchange for years of service. The value of these earned benefits should not be eroded. Doing so would renege on commitments made to current retirees, future retirees and their survivors.

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- FEHBP is a successful program that should not be undermined. It provides quality, affordable health care to more than 8 million people. Tampering with the program would put at risk the health care of individuals who receive these benefits in exchange for their federal service or their families and loved ones.

### **3. Effective Pay Cuts for Current Employees Through Benefit Reductions**

- NARFE opposes proposals that would effectively reduce the take-home pay or overall compensation of current federal employees by reducing their benefits. These proposals include:
  - Increasing federal employee payroll contributions toward retirement by as much as 6 percent of pay, without any added benefit. (House Budget Resolution for FY 2016; President Trump's budget for fiscal year 2018)
    - This amounts to an immediate 6 percent across-the-board pay cut.
  - Reducing the rate of return on the Thrift Savings Plan (TSP) G Fund (House Budget Resolution for FY 2016).
    - This proposal would not realize the \$32 billion in savings it seeks, as TSP participants would invest their money elsewhere.
    - The G Fund rate of return is the same interest rate earned by the Social Security Trust Fund, as well as the Civil Service Retirement and Disability Fund.

### **4. Elimination or Reduction of Retirement Security for New Hires**

- NARFE opposes proposals that would eliminate the Federal Employees Retirement System (FERS) annuity entirely for new hires. (House Budget Resolution for FY 2016; Heritage Blueprint for Reform)
  - This proposal amounts to a substantial reduction in compensation for new hires, and would threaten the 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.