

## **House GOP Proposals to Reduce Federal Employee Retirement Benefits**

American Federation of Government Employees, AFL-CIO (AFGE)

The Republicans on the House Oversight and Accountability Committee have proposed reductions in federal employee rights and compensation worth \$50 billion over ten years as a partial offset of a \$4.5 trillion package of tax cuts for wealthy individuals and corporations. Taken together, they would simultaneously lower the value of the federal employees' retirement benefits and threaten the merit-based, non-political civil service.

The five proposals are as follows:

1. Require all federal employees, regardless of hire date, to pay 4.4% of salary for their Federal Employees' Retirement System (FERS) pension. This increased salary reduction amounts in a 3.6% pay cut for affected employees (those hired prior to 2013).
2. Require a change in the formula for calculating the FERS pension such that the annual benefit in retirement would be based upon a worker's highest five-years' salary instead of the current highest-five years' salary. Assuming annual salary adjustments of 2%, this would amount to a 2% pension reduction compounded each year.
3. Require elimination of the FERS supplement for federal workers who are not law enforcement officers. At a time when the administration has embarked on widespread layoffs, the elimination of this bridge payment for federal retirees under age 62 would be a substantial pension benefit reduction.
4. Require newly hired federal employees to "sell" their due process rights for anywhere from 9% (if #1 above fails to pass) to 4.4% of salary. If newly hired federal workers "choose" to obtain the due process rights that are currently automatically provided for all jobs in the competitive service, they would have to pay the entire cost of their FERS benefit. If they choose to relinquish their rights, they would pay 4.4% of salary for their FERS benefit.
5. Require federal workers who file appeals to the Merit Systems Protection Board in response to adverse actions by their employing agency to pay fees for doing so. This deters federal workers without adequate resources from holding agencies accountable for unlawful discrimination, political retaliation, or other abuse.

Below are two charts that demonstrate the cost to federal workers of two proposals under consideration that reduce benefits under the Federal Employees Retirement System (FERS). These data are meant to show the impact on a cross-section of federal workers in various parts of the country who perform typical federal job duties. These are not the aggregate savings data to the government; they are the reductions in compensation to individual workers that derive from higher mandatory contributions and a deleterious change in the formula for calculating post-retirement benefits.

We present data from five different pay localities: **Rest of US** (which covers locations outside major metropolitan areas), **Dallas, Texas**; **Detroit, Michigan**; **Phoenix, Arizona**; and **Birmingham, Alabama**. Each of these locations is home to significant concentrations of Social Security employees.

### **1. Effect of Change from High3 to High 5**

	Base Salary (Step 10)	Annuity with Hi-3	Annuity with Hi-5	10-Year Loss	Percentage Change
<b>Rest of US</b>					
GS-5 (Claims Specialist / Customer Service Rep)	\$51,446	\$16,578.39	\$16,257.58	\$3,208.17	-1.94%
GS-7 (Benefit Authorizer)	\$63,733	\$20,537.86	\$20,140.42	\$3,974.39	-1.94%
GS-9 (Case Technician)	\$77,955	\$25,120.88	\$24,634.75	\$4,861.28	-1.94%
GS-12 (Attorney Advisor)	\$113,047	\$36,429.22	\$35,724.26	\$7,049.61	-1.94%
<b>Dallas, TX</b>					
GS-5 (Claims Specialist / Customer Service Rep)	\$55,890	\$18,010.47	\$17,661.94	\$3,485.30	-1.94%
GS-7 (Benefit Authorizer)	\$69,238	\$22,311.84	\$21,880.07	\$4,317.68	-1.94%
GS-9 (Case Technician)	\$84,688	\$27,290.58	\$26,762.46	\$5,281.15	-1.94%
GS-12 (Attorney Advisor)	\$122,811	\$39,575.65	\$38,809.80	\$7,658.50	-1.94%
<b>Detroit, MI</b>					
GS-5 (Claims Specialist / Customer Service Rep)	\$56,731	\$18,281.48	\$17,927.70	\$3,537.75	-1.94%
GS-7 (Benefit Authorizer)	\$70,280	\$22,647.62	\$22,209.35	\$4,382.66	-1.94%
GS-9 (Case Technician)	\$85,963	\$27,701.44	\$27,165.38	\$5,360.65	-1.94%
GS-12 (Attorney Advisor)	\$124,659	\$40,171.17	\$39,393.80	\$7,773.74	-1.94%
<b>Phoenix, AZ</b>					
GS-5 (Claims Specialist / Customer Service Rep)	\$53,736	\$17,316.34	\$16,981.24	\$3,350.98	-1.94%
GS-7 (Benefit Authorizer)	\$66,570	\$21,452.08	\$21,036.95	\$4,151.31	-1.94%
GS-9 (Case Technician)	\$81,425	\$26,239.08	\$25,731.31	\$5,077.66	-1.94%
GS-12 (Attorney Advisor)	\$118,079	\$38,050.77	\$37,314.43	\$7,363.41	-1.94%
<b>Birmingham, AL</b>					
GS-5 (Claims Specialist / Customer Service Rep)	\$51,926	\$16,733.07	\$16,409.26	\$3,238.11	-1.94%
GS-7 (Benefit Authorizer)	\$64,328	\$20,729.60	\$20,328.45	\$4,011.50	-1.94%
GS-9 (Case Technician)	\$78,683	\$25,355.47	\$24,864.81	\$4,906.67	-1.94%
GS-12 (Attorney Advisor)	\$114,102	\$36,769.19	\$36,057.65	\$7,115.40	-1.94%

Chart One shows examples of the losses to federal employees if the formula for the FERS annuity is changed so that it is based on the average high-5 salary rather than the current formula, which uses the average high-3 years of salary. **Across-the-board**, federal retirees would suffer losses of **approximately 2%** of their retirement income if such a change were implemented. That amount is roughly equal to the expected annual cost-of-living adjustments that FERS retirees receive.

- A Claims Specialist/Customer Service Representative outside a major metropolitan area as a GS-5, would lose **\$3,208** in retirement benefits over ten years.
- A Benefit Authorizer who works in Dallas, Texas, as a GS-7, would lose **\$3,974** in retirement benefits over ten years.
- A Case Technician in Phoenix as a GS-9, would lose **\$5,077** in retirement benefits over ten years.
- An Attorney Advisor, a GS-12, would lose **\$7,773** in retirement benefits over ten years.

## 2. Effect of increase in salary reduction for FERS annuity

	Base Salary (Step 10)	10-Year Total @ 0.8%	10-Year Total @ 4.4%	10-Year Contribution	Percentage Change
<b>Rest of US</b>					
GS-5 (Claims Specialist / Customer Service Rep)	\$51,446	\$4,506.55	\$24,786.05	\$20,279.50	450%
GS-7 (Benefit Authorizer)	\$63,733	\$5,582.87	\$30,705.78	\$25,122.91	450%
GS-9 (Case Technician)	\$77,955	\$6,828.68	\$37,557.76	\$30,729.08	450%
GS-12 (Attorney Advisor)	\$113,047	\$9,902.66	\$54,464.66	\$44,561.99	450%
<b>Dallas, TX</b>					
GS-5 (Claims Specialist / Customer Service Rep)	\$55,890	\$4,895.84	\$26,927.12	\$22,031.28	450%
GS-7 (Benefit Authorizer)	\$69,238	\$6,065.09	\$33,358.02	\$27,292.92	450%
GS-9 (Case Technician)	\$84,688	\$7,418.48	\$40,801.64	\$33,383.16	450%
GS-12 (Attorney Advisor)	\$122,811	\$10,757.97	\$59,168.83	\$48,410.86	450%
<b>Detroit, MI</b>					
GS-5 (Claims Specialist / Customer Service Rep)	\$56,731	\$4,969.51	\$27,332.30	\$22,362.79	450%
GS-7 (Benefit Authorizer)	\$70,280	\$6,156.37	\$33,860.04	\$27,703.67	450%
GS-9 (Case Technician)	\$85,963	\$7,530.17	\$41,415.92	\$33,885.75	450%
GS-12 (Attorney Advisor)	\$124,659	\$10,919.85	\$60,059.18	\$49,139.33	450%
<b>Phoenix, AZ</b>					
GS-5 (Claims Specialist / Customer Service Rep)	\$53,736	\$4,707.15	\$25,889.35	\$21,182.19	450%
GS-7 (Benefit Authorizer)	\$66,570	\$5,831.38	\$32,072.61	\$26,241.23	450%
GS-9 (Case Technician)	\$81,425	\$7,132.65	\$39,229.57	\$32,096.92	450%
GS-12 (Attorney Advisor)	\$118,079	\$10,343.46	\$56,889.01	\$46,545.56	450%
<b>Birmingham, AL</b>					
GS-5 (Claims Specialist / Customer Service Rep)	\$51,926	\$4,548.60	\$25,017.31	\$20,468.71	450%
GS-7 (Benefit Authorizer)	\$64,328	\$5,634.99	\$30,992.44	\$25,357.45	450%
GS-9 (Case Technician)	\$78,683	\$6,892.46	\$37,908.50	\$31,016.05	450%
GS-12 (Attorney Advisor)	\$114,102	\$9,995.08	\$54,972.94	\$44,977.86	450%

Chart Two shows examples of the losses to federal employees if those hired prior to 2013 are forced to take a salary reduction of 4.4% instead of 0.8% to help fund their FERS annuities. It is important to note that when FERS was established in order to bring federal employees into the Social Security system, the employee cost for the defined benefit portion of FERS was set so that the combination of the Thrift Savings Plan match plus the Social Security payroll tax plus the annuity contribution would be equivalent to what an employee paid for the Civil Service Retirement System (CSRS) that FERS replaced. Imposing these new costs on federal employees in order to fund tax cuts for corporations and the wealthy is entirely unwarranted.

The enormous toll that these changes would take are exemplified as follows:

- A Claims Specialist or Customer Service Representative who works outside a major metropolitan area as a GS-5, would lose **\$20,279 in salary** over ten years.
- A Benefit Authorizer who works in Dallas, Texas, as a GS-7, would lose **\$27, 292** in salary over ten years.
- A Case Technician who works in Phoenix as a GS-9, would lose **\$32,096 in salary** over ten years.
- An Attorney Advisor who works in Detroit a GS-12, would lose **\$49,139 in salary** over ten years.

It should also be noted that in response to these mandatory increases in FERS contributions, many federal workers at lower grades would forgo voluntary contributions to the Thrift Savings Plan (TSP) and thereby miss out on the government match of up to 5% of salary.