

House Passes Budget Plan that Would Cut Federal Retirement and Other Benefits

The House's fiscal 2018 budget resolution passed Thursday includes \$32 billion in cuts to federal employees' retirement and benefits programs over 10 years under the jurisdiction of the House Committee on Oversight and Government Reform (OGR) .

While the legislation does not specifically outline how the OGR would cut spending, earlier this year the Trump administration proposed changes in federal retirement benefits including:

- An increase of 1 percent in retirement contributions for those in the Federal Employee Retirement System (FERS) -- phased over a period of several years.
- Replace the current high three average salary to calculate retirement annuities with a five year salary baseline.
- Eliminate the cost-of-living adjustments (COLA) to current and future FERS employees
- Reduce the COLA for CSRS employees by 0.5 percent.
- Eliminate the FERS annuity supplement for eligible employees.

The House [budget report](#) does, however, specifically propose reducing the rate of return to the Thrift Savings Plan's G fund. The resolution "assumes savings by correctly aligning the rate of return on U.S. Treasury securities within the Federal Employee Retirement System's Thrift Savings Plan with its investment risk profile. Securities within the G-Fund are not subject to risk of default. Payment of principal and interest is guaranteed by the U.S. Government. Yet the interest rate paid is equivalent to a long-term security. As a result, those who participate in the G Fund are rewarded with a long-term rate on what is essentially a short-term security."

"Such a change would make the G Fund virtually worthless from an investment standpoint for TSP participants who are saving for retirement," the Federal Retirement Thrift Investment Board [reported](#) in July.

The budget resolution also proposes gradually [decreasing the government's share of paying for employee and retiree health premiums](#). Currently, agencies pay an average of 72 percent of the total premium in the Federal Employees Health Benefit (FEHB) plan. Under the new budget proposal, government contributions would be linked to the cost of living, gradually lowering them while forcing workers and retirees to pay a larger portion of the total premium.

Groups representing federal employees and retirees have expressed concerns of the House's budget resolution.

"The 2018 budget resolution passed by the House today threatens the economic security of thousands of federal employees around the country and is yet another unfair attempt to make the nation's middle class civil servants suffer the brunt of deep spending and tax cuts, said National

Treasury Employees Union (NTEU) National President Tony Reardon on Thursday.

In a letter sent to every House member before Thursday's vote, Reardon said federal employees have already lost roughly \$200 billion in the name of deficit reduction in recent years with multi-year pay freezes and reduced raises and two increases in the amount they pay toward their retirement.

“The House passed a budget resolution that targets the hard-earned retirement and health benefits of federal and postal workers and retirees for at least \$32 billion in cuts,” said National Active and Retired Federal Employees Association (NARFE) President Richard G. Thissen. “The policies required to meet that target range from bad to worse – from imposing a ‘retirement tax’ on these workers by raising payroll contributions toward retirement without any benefit increase, to dramatically reducing the value of federal pensions for those nearing, or even in, retirement. These cuts would break promises to employees and retirees who have based career and retirement planning on long-standing, promised benefit calculations. Federal retirement benefits were earned through years of hard work – they are not gifts to rescind.”