OPM Proposes Legislation to Cut Retirement Benefits for Current and Former Feds

Office of Personnel Management Director Jeff Pon wrote a letter to House Speaker Paul Ryan late last week requesting a number of legislative changes that would cut retirement benefits for federal workers.

The request, which Pon said would save taxpayers $143.5 billion over the next decade, comes on the eve of the White House's planned introduction of $15 billion in spending cuts as part of a rescission package. Pon said his plans, which are a laundry list of previously proposed cuts to federal employee retirement programs, would "bring federal benefits more in line with the private sector."

Pon wrote that the proposed changes reflect the move by private sector businesses away from defined-benefit pensions in recent years.

"In summary, the employee retirement landscape continues to evolve as private companies are providing less compensation in the form of retirement benefits," the OPM chief stated. "The shift away from defined-benefit programs and cost-of-living adjustments for annuitants is part of that evolution."

Included in the proposals are plans to eliminate Federal Employees' Retirement System supplements for federal employees who retire before Social Security kicks in at age 62, going forward; change the basis of a retiree's defined benefit annuity payments from their highest three years of salary to their highest five years; and increase the amount federal employees contribute to FERS by 1 percentage point per year until they reach an overall contribution level of 7.25 percent, matching the government's contribution.
Pon wrote that after agencies and employees reach contribution parity, employee contributions to FERS should fluctuate on a year-by-year basis to maintain the 50-50 cost sharing.

OPM also proposed the elimination of cost-of-living adjustments for FERS retirees—both current and future—and the reduction of Civil Service Retirement System COLAs by 0.5 percent. Pon also recommended eliminating a provision of the law that requires FERS disability annuities to be reduced by the recipient's "assumed disability insurance benefit" through Social Security, instead basing the reduction on the individual's actual Social Security benefits.

"The assumed disability insurance benefit differs from the annuitant's actual Social Security disability insurance benefit because the assumed disability insurance benefit is based on the SSDI benefit amount increased by FERS COLAs, whereas the actual Social Security disability insurance benefit is updated by CPI increases," Pon wrote. "With the elimination of FERS COLAs, the reduction for SSDI would be based on the actual amount of SSDI benefit."

The American Federation of Government Employees blasted the proposals Monday as a "war on working people." In addition to the retirement cuts, the Trump administration in its fiscal 2019 budget request called for a pay freeze for all federal civilian workers next year, as well as a plan to significantly reduce the rate of return on the Thrift Savings Plan's G Fund.

"Federal offices across the country are struggling to recruit and retain workers because federal wages and benefits are falling further behind the private sector," said AFGE National President J. David Cox. "Yet the Trump administration wants to freeze employees' wages next year and now is proposing to take away the retirement benefits they've worked a lifetime to earn."
Officials at OPM did not respond to a request for comment Monday.