

Cuts to Federal Employee Benefits Could Be Deep Under Trump Administration

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The Trump administration is planning for decreases in government spending -- and the cuts could be dramatic, [The Hill](#) reported Thursday.

"Similar proposals have in the past won support from Republicans in the House and Senate, who believe they have an opportunity to truly tackle spending after years of warnings about the rising debt," *The Hill* reported. "Many of the specific cuts were included in the 2017 budget adopted by the conservative Republican Study Committee (RSC), a caucus that represents a majority of House Republicans. The RSC budget plan would reduce federal spending by \$8.6 trillion over the next decade."

The RSC's [Blueprint For A Balanced Budget 2.0](#) (released in March 2016) included several proposals affecting federal employee and retiree benefits. A few of them are highlighted below.

Reform Federal Employee Pension Plans

"Federal employees hired since 1984 are entitled to a two-part retirement program, including the Federal Retirement System (FERS) defined benefit plan and a 401k-style plan with up to a 5 percent government matching contribution. Under FERS, federal workers contribute only 0.8 percent of their pay, while the taxpayers contribute 11.7 percent of employees' salaries. A CBO report found that, on average, federal civilian employees receive 48 percent more in benefits than the average private-sector employee with similar characteristics."

Change Basis for Calculating Retirement Cost of Living Adjustments (COLA)

"To ensure that the purchasing power of benefits stays constant each year, the Social Security cost of living adjustment (COLA) increases the dollar amount of benefits by a formula tied to inflation. The formula uses an old index, the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W), which overstates the true effects of inflation according to economists and the CBO.¹¹³ This outdated formula contributes to the current program's impending bankruptcy.

This budget recommends switching to a more accurate index for all government programs called chained CPI-U, which economists across the political spectrum agree tracks the effects of inflation more accurately. This proposal would both put the program on sounder financial footing and ensure that Social Security beneficiaries do not see their benefits eroded by inflation. According to CBO, this proposal would save \$142 billion over 10 years. More importantly, according to the Social Security Trustees 2015 report, this proposal would close about 21

percent of Social Security's long-term funding shortfall."

Adopt Premium Support for Federal Employees Health Benefit Plan (FEHB)

"The Federal Employee Health Benefits Program (FEHB) provides health insurance coverage for federal employees and their dependents. Participants choose from a range of plans and pay for about 30 percent of premiums, with the federal government covering the remaining 70 percent. Because this ratio does not change with the higher-priced coverage options, federal employees have the incentive to choose the more expensive plans on the government's dime. This budget would transition to a premium support system for the FEHBP. The government would offer a standard federal contribution towards the purchase of health insurance and employees would be responsible for paying the rest. This option would encourage employees to purchase plans with the appropriate amount of coverage that fits their needs."

Reduce The Annual Across-The-Board Adjustment For Federal Civilian Employees Pay

"Unlike most Americans, federal workers receive an automatic pay increase every year under the Federal Employees Pay Comparability Act of 1990. If the president determines that a national emergency exists, he can limit the size of the increase. President Obama signed legislation blocking pay increases in 2011, 2012, and 2013. However, with the national debt topping \$19 trillion, and projected to skyrocket to almost \$30 trillion over the next decade, a fiscal state of emergency exists whether the current administration is willing to admit it or not. Beginning in FY 2017, the annual across-the-board increase for federal workers should be reduced by half a percentage point below the expected automatic increases. "