2011 Legislative Priority Issues

FEDERAL RETIREMENT ISSUES

The FERS system was created 24 years ago to replace a defined benefit system (CSRS) that had a serious and growing, unfunded liability problem similar to those faced by many state plans today. FERS solved that problem and has recently been referred to as a model by many diverse pension experts. Retirement age, COLAs, and the basic benefit formula for determining pension payments are less generous under FERS than under CSRS.

Proposals have been offered by the Deficit Commission and others that would reduce federal retirement benefits, including:

Change to a "high-5" formula instead of"high-3" for computing federal civilian pensions.
This proposal would cut the value of federal pensions. The federal workforce is an older workforce whose members have relied and planned on a retirement based on the present system. It is extremely unfair to change the goalposts for these employees as they reach the end of their careers.

Recommendation for federal workers to contribute more to the cost of their FERS pensions. This proposal would increase federal workers' contributions to the FERS defined benefit by between 5 and 7% of salary, or the equivalent of a 5 to 7% pay cut. FERS is financially sound, 100% pre-funded, with no unfunded liability. A drastic increase in employee contributions to FERS is unnecessary and unfair.

"Reform" COLA payments to civil service early retirees.
NTEU opposes the use of a new "chained" CPI. As the Congressional Budget Office has noted, "The chained CPI-U might understate changes in the cost of living for retirees, whose spending patterns can differ from those of the general population." Retirees received no COLA last year and will not receive one this year. At the same time, their rent has gone up; their groceries have gone up, as well as their health insurance and transportation costs. The notion that a lower measure of inflation is needed simply does not reflect the reality of the economy today.

A requirement to increase cost sharing for civilian retirees who participate in FEHB.
Retirees pay on average 30% of the cost of their FEHBP premiums and premiums have increased and benefits have shrunk dramatically in the last decade. In 2010, the enrollee portion of the FEHBP premium increased on average almost 9%. In 2009 it was 13%. Nearly 4 million participants in the largest plan paid increases of 12% to 15% last year.

According to an analysis by the House Federal Workforce Subcommittee, FEHBP pays from 15 to 45% more for its prescription drugs than any other federal program. NTEU would urge those who seek savings in FEHBP to look in areas such as this, rather than from enrollee premiums in retirement.

NTEU urges you to oppose proposals to decrease federal pensions and to require retirees to pay more for their health care.