

UPDATE

NAPS Leg/Reg Update - December 13, 2013

Four Ways the Budget Deal Will Impact Postal Employees

The bipartisan [budget agreement](#), [approved](#) by the House of Representatives on Thursday and expected to be [considered](#) by the Senate this coming week, will affect postal employees in at least four ways.

First, it will require new (and only new) federal and postal employees to contribute more toward their retirement benefits. Current employees will not be required to contribute more.

Federal employees hired after December 31, 2013 will be required to pay an additional 4.4 percent of their salary. This is the result of an additional 1.3 percent added by the budget agreement, on top of the 3.1 percent added by the 2011 budget law.

Second, the deal will essentially create a three-tiered system for pension contributions among federal and postal employees. Current employees hired any time before 2013 will continue to pay 0.8 percent of their salary. Employees hired in 2013 will pay 3.1 percent of their salary. And those hired after December 31, 2013 will pay the largest amount of their salary -- 4.4 percent.

Third, the deal could heighten expectations among postal employees for a pay increase in 2014. While the budget agreement does not clear

the way for a postal pay raise as it does to federal employees, there is a rough, corresponding relationship between federal and postal pay raises. The President earlier proposed a 1 percent raise for January 2014, and the budget agreement does not intervene to stop it, although Republicans pressed to continue the freeze during the budget negotiations. As a result, federal workers will get their first salary adjustment in four years, after three consecutive years of pay freezes. President Obama has announced that he plans to enact the pay raise for federal workers with a presidential order by the end of December.

And fourth, the budget agreement will allow the Office of Personnel Management to permit health insurance carriers participating in the Federal Employees Health Benefits Program to offer "self plus one" coverage to federal employees and retirees, in addition to "self" and "family coverage." This is expected to lower premiums for some federal and postal employees and retirees in the future.

Overall, the additional retirement contributions by new federal and postal employees will save the government an estimated \$6 billion over the next 10 years. While these changes will be painful for newly hired employees and depress federal and postal workforce compensation levels generally over the long term, they are markedly less than what some Congressional lawmakers -- and the White House -- originally proposed.

NAPS' lobbying efforts (for example, [see here](#)), the [advocacy](#) of a broader coalition of federal, postal employee and retiree groups, and the [strong support](#) of Democratic budget negotiators were instrumental in reducing the magnitude of the budget cuts inflicted on the federal and postal workforce. Democratic lawmakers said retirement contributions were the last remaining issue of contention during the budget negotiations.

=====

Bruce Moyer
Legislative Counsel to NAPS
bruce@moyergroup.net