UPDATE

NAPS Leg/Reg Update - March 25, 2015

NAPS Resists Budget Hits on Federal and Postal Employees, Retirees

In a letter today to the House of Representatives, NAPS President Louis Atkins urged lawmakers to oppose the Republican-proposed FY 2016 Budget Resolution, which would impose massive, unprecedented hits on the health and retirement benefits of federal and postal employees, as part of a $6 trillion deficit savings package.

If approved, the House budget resolution, H.Con.Res. 27, while non-binding, would open the door to subsequent legislation that places an unprecedented share of deficit reduction on the backs of federal and postal employees, both active and retirees -- amounting to more than $300 billion over the next 10 years.

"The House Fiscal Year 2016 budget resolution, H.Con.Res. 27, imposes sweeping budget savings on the backs of federal and postal employees and retirees," Atkins said in his letter to House Members. "More sensible deficit reduction alternatives remain that respect the value of public service."

At the same time, NAPS joined with 28 other federal and postal employee and retiree organizations, as members of the Federal-Postal Coalition, in calling upon House Members to defeat the Republican budget resolution.

Here's a rundown on the damage that could be inflicted on postal employees and retirees by the House budget resolution. The House budget resolution report is here. The relatively more moderate Senate budget resolution would impose $170 billion in savings upon the federal and postal workforce.

Paying More for Retirement Benefits, and Losing Some

The House and Senate budget resolutions would require FERS-covered federal and postal employees, along with members of Congress and staff, to contribute more toward their retirement benefits, along the lines proposed by the bipartisan Simpson-Bowles Commission in 2010. The Simpson-Bowles report called for the government and its workforce to pay an equal share toward the cost of retirement benefits.

The budget resolution calls for federal and postal employees to “make greater contributions toward their retirement.” As such, the Federal-Postal Coalition said in its letter that the resolution would "require all federal workers to pay an additional 6 percent of salary toward retirement with no increase in benefits. This is the same as a permanent 6 percent pay cut, or working without pay for three weeks every year."

The House budget plan also would end the “special retirement supplement” that pays benefits to FERS retirees who retire before they hit the age of eligibility for Social Security.

Greater Contributions for Health Insurance

The largest share of savings extracted from the federal and postal workforce by the House resolution comes through greater employee and retiree contributions toward health insurance premiums, achieving $127 billion in federal savings over 10 years.

The House resolution would reduce the government’s share of health care costs by tying that share to inflation, eliminating the current approach based on changes in health care costs in the major FEHBP plans. The proposal would shift a greater share of the health insurance premium to the employee because health care costs rise faster than general inflation, exposing the employee to higher costs and risk.

The House budget also would base federal retirees' health benefits on length of service, reducing premium subsidies for retirees who had "relatively short" careers with the government.

Eliminating Postal Union Bargaining Rights over Health Insurance

The House budget also would require postal employees to pay the same share of health and life insurance premiums as do federal employees, effectively stripping them of their right to bargain with the Postal Service over such terms. Historically, postal union-covered employees have enjoyed smaller health insurance premiums than their federal counterparts, because of union-negotiated agreements with the Postal Service, actions that have had beneficial impacts for supervisors and their levels of contribution as well. At the same time, the gap between the postal and federal employee health insurance contributions has been declining, due to more recent union concessions.

Making the G Fund "Virtually Worthless"

Finally, one of the most controversial changes proposed in the House budget resolution would lower the rate of return for the most popular fund within the Thrift Savings Plan – the G fund. The G fund invests primarily in short-term U.S. Treasury securities. The House-approved budget resolution notes that those securities are not subject to the risk of default, yet the interest rate paid by the G Fund is purportedly equivalent to a long-term bond. The budget resolution proposes to align the rate of return on U.S. Treasury securities within the G fund to its "investment risk profile" – in other words, a lower-returning rate of return that would permit the U.S. Treasury to pocket the difference in earnings, estimated as much as $32 billion over 10 years.

The G fund in February posted a return over the last 12 months of 2.22 percent, above returns for other short-term investments whose returns are guaranteed. The G fund is the largest TSP fund, holding 42 percent of the $452 billion in total assets under investment in the TSP. Of the roughly 4.7 million TSP participants, more than 4.3 million participants invest in the fund; 43 percent of investors have their entire account in it.

“We strongly oppose this change,” TSP spokeswoman Kim Weaver told the *Washington Post*. Weaver said the change would drop the fund’s monthly rate of return to 0.01 percent, which “would make the G Fund virtually worthless for TSP investors, as account growth would not keep pace with inflation.”

There's More ...

The House budget resolution also would support “greater flexibility” by the Postal Service to pursue changes in the frequency and type of mail delivery, along the lines proposed last year by Rep. Darrell Issa (R-CA) and former Postmaster General Patrick Donahoe. It also supports a 10-percent reduction in the size of the Federal civilian workforce in most agencies, permitting the hiring of only one employee for every three who leave federal service.

Bill Would Establish High-Five Average For Federal Pensions

Federal employees would see their pension calculations changed from the average of their highest three years of pay to the average of their highest five years of pay, under a new bill introduced March 4. NAPS opposes the measure.

The legislation, H.R. 1230, introduced by Rep. Bruce Westerman (R-AR), would go into effect Jan. 1, 2017 and would save $3.1 billion over a 10 year period, according to calculations by the Congressional Budget Office. The bill also applies to all members of Congress and their staffs. Military pensions would not be affected.

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Bruce Moyer
NAPS Counsel
bruce@moyergroup.net