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BEHIND THE MOVE *TO CUT* **FEDERAL BENEFITS**

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Behind the Move to Cut Federal Benefits

A White House proposal to bring federal benefits in line with private sector offerings would have major consequences for employees.

By Erich Wagner

In early May, Office of Personnel Management Director Jeff Pon wrote a [letter](#) to House Speaker Paul Ryan requesting a number of legislative changes that would cut retirement benefits for federal workers. The goal, Pon said, is to “bring federal benefits more in line with the private sector.”

The proposed changes, a laundry list of [previously proposed cuts](#) to federal employee retirement programs, reflect trends in the private sector, where businesses have moved away from defined-benefit pensions in recent years, Pon said.

“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.”

Specifically, OPM wants to:

- ▶ Eliminate Federal Employees Retirement System supplements for federal employees who retire before Social Security kicks in at age 62;
- ▶ Change the basis of retirees’ defined benefit annuity payments from their highest three years of salary to their highest five years;
- ▶ 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 (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);
- ▶ Eliminate cost-of-living adjustments for FERS retirees—both current and future—and reduce Civil Service Retirement System COLAs by 0.5 percent; and,
- ▶ Eliminate 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 is based on the SSDI benefit amount increased by FERS COLAs, whereas the actual Social Security disability insurance benefit is updated by CPI increases).

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JEFF PON

Office of Personnel Management Director

Not surprisingly, federal employee unions are deeply opposed to OPM’s proposal. The American Federation of Government Employees termed it a “war on working people.” In addition to the retirement cuts, in its fiscal 2019 budget request the Trump administration 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 government securities (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.”

Part of a Broader Reform Plan

At a civil service reform town hall in May hosted by the nonprofit Partnership for Public Service, Pon defended the plan to freeze the pay of all civilian federal employees in 2019 as needed to “collect data” on compensation and as a chance to “right-size” the pay for different government occupations.

“I’m not one for a peanut butter approach for how to compensate people,” Pon said, referring to across-the-board pay increases. “This is a chance to ask, ‘Hey, are we overpaying some

occupations and underpaying others?’ Then we can try to right-size the underpaid jobs, and then the overpaid ones will take care of themselves through attrition.”

Pon and Office of Management and Budget Deputy Director for Management Margaret Weichert discussed their visions for civil service reform, including overhauling the government’s compensation structure and providing greater retirement flexibility for feds to improve the hiring process and recruit the next generation of public servants. Weichert touted the White House’s proposed \$1 billion interagency workforce fund, which would fund pilot programs for innovative personnel systems.

“There’s a real competitive market for talent, and we need to apply much more market-driven competitive realities,” she said. “We have to take a total compensation perspective, and take a lot of data from different sources. Today, it’s much more than just looking at pay. In the marketplace, people look at total compensation, all the things a job package has to offer, including retirement, job security and other elements.”

Pon defended the proposed cuts to federal employee retirement programs as critical to overall civil service reform. “Those are annuities, not compensation,” Pon said. “[These] things, like the change from high three to high five, are very modest proposals. We want to restructure the whole compensation model for the federal



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government, and there'll be a lot of people who are relieved, because we'll be grandfathering in a lot of different types of things." Nonetheless, the changes to COLAs, as proposed, would impact current and future retirees.

Pon said the government must adjust how it provides retirement to adapt to a workforce that is far more likely to switch jobs frequently, rather than stay in one organization for decades. And federal workers in good standing should be able to be brought back to the workforce outside of the competitive hiring process, if they temporarily leave an agency to work in the private sector.

"We'd like to provide defined contribution programs, and we want to make sure the federal employee can own their investment, take it with them, and come in and come out

of government," he said. "I don't believe we should look at it as having a federal job for 30 years, retire and then have a lifetime retirement anymore."

Bipartisan Opposition

Despite widespread acknowledgement that civil service reform is needed, there seems to be little momentum behind the administration's initiative to reduce federal benefits.

The White House reportedly pushed for lawmakers to include the cuts in the fiscal 2019 National Defense Authorization Act ahead of a [committee mark-up](#), but lawmakers in both parties declined to consider it.

Others on Capitol Hill also seem reluctant to take up the administration's cause. A spokesperson for House Oversight and Government Reform Committee Chairman Trey Gowdy, R-S.C., did not respond to requests for comment on the proposal.

Meanwhile, Republicans and Democrats have come out in opposition to the plan. Rep. Elijah Cummings, D-Md., ranking member of the oversight committee, said that if Congress enacts these changes, it would be breaking a promise to public servants.

"The Trump administration's draconian proposal—to cut more than \$143 billion over the next 10 years from the pay and benefits of current federal workers, retirees, future retirees, and even children who suffer the loss of a parent—comes after the president and Republicans in Congress just enacted \$1.5 trillion in tax cuts for wealthy individuals and corporations," Cummings said in a statement. "Enacting these changes would betray the promises the nation has made to middle class

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ELIJAH CUMMINGS

Representative, D-MD

federal workers who dedicate their lives to public service—as well as their families—and it would severely degrade recruitment and retention.”

Rep. Mike Turner, R-Ohio, sent a [letter](#) to Pon urging him to rescind his proposal, arguing the move would make it harder, not easier to recruit the next generation of federal employees.

“Despite their hard work and dedication, few groups have been asked to sacrifice more than federal employees,” Turner wrote. “Since the start of the Great Recession in 2008, federal workers have foregone \$182 billion in the form of pay and benefit cuts . . . With the United States’ growing economy and a tightening labor market, we cannot afford to make the federal government a less attractive place to work by diminishing the very benefits that help the government keep pace with jobs in the (often higher-paying) private sector.”

Rep. Don Beyer, D-Va., also said he opposes the retirement cuts. He said an apparent lack of congressional willingness to enact the changes has not alleviated the fears of the federal employees he has met. “In fact, I spoke

today at a federal government luncheon, and a couple hands went up at the end for questions,” Beyer said in an interview May 10. “The first question was, ‘Are you going to fight this new OPM suggestion?’ I went on for a minute about how I would, and then when I looked around, there were no more hands up. I asked, ‘What happened?’ And someone replied, ‘We all had the same question.’ ”

Beyer said he has trouble seeing any path forward for Pon’s proposals. “I think it’s going to be tough slogging for them, because there are some prominent, powerful Republicans who are fairly fierce defenders of federal employees,” he said. “You’ve got Rob Bishop of Utah, Mike Simpson [of Idaho], and Tom Cole from Oklahoma . . . Virtually no Democrats will support this, and so you don’t need a whole lot of people upending it from the Republican side for this thing to be dead.” 

About the Author



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Erich Wagner is a staff correspondent covering pay, benefits and other federal workforce issues. He joined *Government Executive* in the spring of 2017 after extensive experience writing about state and local issues in Maryland and Virginia, most recently as editor-in-chief of the *Alexandria Times*. He holds a bachelor's degree in journalism from the University of Maryland.