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***If Veterans don't help Veterans, who will?***

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**Government  
Executive**

**SPECIAL REPORT**

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# The President's Budget and Your Benefits

June 2017

# Proposing Retirement Reductions

BY ERICH WAGNER

*In its fiscal 2018 budget proposal, the Trump administration formalized proposals to cut federal employees' retirement benefits.*

Specifically, the president's budget would:

- Eliminate cost-of-living allowances for current and future retirees in the Federal Employees Retirement System.
- Reduce cost-of-living allowances for retirees in the Civil Service Retirement System by 0.5 percent each year from what they would have been otherwise.
- Increase FERS employees' contributions to their annuities by 1 percent each year for the next six years.
- Eliminate the FERS annuity supplement for new retirees starting in 2018, saving the government \$5 billion by 2026.
- Base federal pensions on the average of the highest five years of salary instead of the highest three.

The budget proposal cited a report from the Congressional Budget Office that concluded federal employees on average received 17 percent more in total compensation (pay and benefits combined) when compared

with their private sector counterparts from 2011 through 2015.

"The federal government continues to offer a generous package of retirement benefits," the budget document stated. "CBO found that on average the cost of benefits was 47 percent higher for federal civilian employees than for private sector employees, with the federal defined benefit pension plan being the most important contributing factor to cost differences."

Office of Management and Budget Director Mick Mulvaney said the changes proposed would more closely align federal benefits with those offered by the private sector.

"For one program, we got rid of cost-of-living adjustment increases, but keep in mind, those folks will be participating in Social Security, which is cost-of-living adjusted," Mulvaney said.

Groups representing federal workers condemned the changes.

"President Trump's first full budget is nothing

## TAKE ONE

*The federal government continues to offer a generous package of retirement benefits.*

THE TRUMP ADMINISTRATION BUDGET PROPOSAL

## TAKE TWO

*President Trump's first full budget is nothing short of an egregious, unprecedented attack on federal employees and retirees.*

RICHARD THISSEN, President of the National Active and Retired Federal Employees Association

short of an egregious, unprecedented attack on federal employees and retirees," said Richard Thissen, president of the National Active and Retired Federal Employees Association. "It goes far beyond previous attacks on the federal community by taking aim at the already-earned benefits of our nation's public servants."

The budget blueprint is only the first step in the congressional budgeting process. Any changes to retirement benefits would have to be approved by Congress. ■

Erich Wagner is a staff correspondent at *Government Executive*.

# An Uphill Battle

BY TAMMY FLANAGAN

According to the Congressional Budget Office, the Trump administration's proposed changes to federal retirement benefits would lessen the attractiveness of the overall compensation package provided by the federal government, hampering its ability to attract and retain a highly qualified workforce. Positions requiring professional and advanced degrees might become particularly difficult to fill, because federal workers with those qualifications already receive less compensation than their private-sector counterparts do, on average.

Another argument against the president's proposals is that they would reduce the amount of income that federal workers have to sustain themselves in their retirement years.

In 2018, for example, using a five-year salary average would reduce the FERS annuities of about 55,000 new retirees by an average of roughly 2 percent. The elimination of the FERS supplement would affect a much smaller portion of new



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*If you're a federal employee or retiree, I encourage you to follow this process closely and be prepared to adjust your retirement plans if necessary.*

retirees, because most federal employees do not retire until after reaching age 62. However, many of the workers who did retire before 62 would see a large reduction in their income until they reached that age. That period of reduced income could exceed 10 years for employees in law enforcement

and the other groups of employees who qualify for annuities at an early age.

Under the current budget and political circumstances, it will be an uphill battle to avoid negative changes to CSRS and FERS. But remember, the budget process is lengthy, with multiple stages. If you're a federal employee or retiree, I encourage you to follow this process closely and be prepared to adjust your retirement plans if necessary.

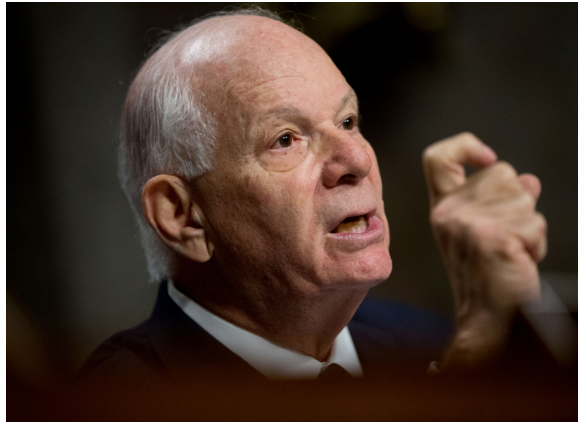
For example, if you are financially and mentally prepared to retire and the demise of the FERS retirement supplement or a change from the high-three to the high-five average salary for retirement computations are included when the budget is signed into law, then be prepared to retire before Jan. 1, 2018. Congress must realize how many federal employees are eligible to retire and how these changes would cause a mass exodus of experienced and valuable employees from federal service. ■

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Tammy Flanagan, *Government Executive's* Retirement Planning columnist, has spent 30 years helping federal employees take charge of their retirement by understanding their benefits. She runs her own consulting business at [www.tammyflanagan.com](http://www.tammyflanagan.com).

# An ‘Assault on the Federal Workforce’

BY BEN CARDIN



Andrew Harnik, Associated Press

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*Federal workers increasingly have been asked to do more with less.*

In early May, President Trump issued a proclamation declaring May 7-13 Public Service Recognition Week. He stated: “Throughout my first 100 days, I have seen the tremendous work civil servants do to fulfill our duty to the American people. At all levels of government, our public servants put our country and our people first.”

The appreciation apparently was short-lived, however, as immediately thereafter President Trump released a budget request that punishes federal workers by making them pay much more for their pensions—an additional \$5,000 for the average federal worker—while making those pensions much smaller.

The relentless assault on the federal workforce must end. The civilian workforce was smaller last year than it was 40 years ago, according to data from OPM. Like private sector workers, federal workers increasingly have been asked to do more with less. Also like private sector workers,

federal workers have made sacrifices during tough financial times.

Federal workers contributed \$190 billion to deficit reduction since 2011 alone. Workers hired since 2012 already are paying more for smaller pensions; sequestration-related furloughs cost federal workers more than \$1 billion in lost pay; and from 2011 to 2013, there was the pay freeze. Annual raises since then have been microscopic.

I am proud to represent so many feds who live or work in Maryland, but it’s important to understand that 85 percent of the federal workforce is located beyond the Washington metropolitan area. They are working to ensure that our grandchildren inherit an economy and an Earth that is still livable. When we punish federal workers—30 percent of whom are veterans—with one of the worst budgets put forward in decades, we aren’t just harming them and their families. We are harming each and every American. ■

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U.S. Sen. Ben Cardin (D) is Maryland’s senior senator. He is the ranking member of the Senate Committee on Foreign Relations, a senior member of the Environment and Public Works Committee, and a member of the Committees on Finance and Small Business and Entrepreneurship.