National Federation of Federal Employees, IAMAW, AFL-CIO

NFFE-IAM Opposes Bill to Undermine Federal Workers' Retirement Security (S. 644)

Position: **S. 644 would eliminate federal employee pensions for all new hires into the federal government. Congress already cut federal employees' pensions roughly in half in 1986 when legislation was passed establishing the Federal Employees Retirement System (FERS). This bill would eliminate the remaining, modest pension that federal workers rely on for their retirement security. NFFE-IAM strongly opposes S. 644.**

The inappropriately named Public-Private Employee Retirement Parity Act (S. 644) would eliminate federal pensions for all new government hires starting in 2013. New employees would no longer receive the pension portion of the Federal Employees Retirement System (FERS). Instead, federal workers would receive only the Thrift Savings Plan (TSP) portion of FERS in addition to their Social Security.

While the bill's sponsors claim that federal retirement benefits are excessive, and must be brought in line with those in the private sector, the facts tell a much different story. The most comprehensive study comparing retirement benefits under the FERS and retirement benefits provided to employees in medium and large firms in the U.S. was prepared by the Social Security Administration's Office of Policy and published in 2004. This study found unequivocally that the FERS basic pension – the defined benefit that is the target of those who support cuts – replaces about 36 percent of pre-retirement earnings for federal workers, while private sector basic pension benefits replace 47.3 percent of a retiree's final salary. Even when the basic pension is added to the Thrift Savings Plan (TSP) and Social Security, FERS comes up short compared to private sector plans, replacing a smaller percentage of pre-retirement salary as compared to private plans with the same components. When examined closely, it becomes clear that this bill has little to do with parity, and much more to do with unfairly targeting federal employees.

Claims that federal pension benefits are inflated are at best, wrong, and at worst, outright lies. In fact, federal workers' pensions represent only a modest portion of the larger federal retirement picture. For example, a career federal employee who retires with a final salary of $50,000 per year and 30 years of service will receive a pension of merely $15,000 per year – hardly an exorbitant figure by any measure.

The reason that federal pension benefits are so modest is because they were effectively cut in half when the government moved from the old Civil Service Retirement System (CSRS) to FERS. Legislation was passed in 1986 and went into effect January 1, 1987. From then onward, new employees received the smaller pension benefit, in addition to the 401(k) style TSP account and Social Security. Often referred to as the "three-legged stool" of federal retirement, these three small pieces coalesce to create the modest retirement plan currently available to government employees.

The result of S.644 would be to destroy federal retirement security and severely hamstring the government's efforts to recruit the next generation of federal workers. With a retirement wave expected to hit the workforce in the coming years, slashing retirement benefits will make it much more difficult to recruit doctors, nurses, intelligence analysts, scientists, and other highly-sought-after workers into the federal service. NFFE-IAM strongly opposes S.644.