

SECURING ANNUITIES FOR FEDERAL EMPLOYEES ACT
OF 2012

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FEBRUARY 9, 2012.—Ordered to be printed
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Mr. ISSA, from the Committee on Oversight and Government
Reform, submitted the following

R E P O R T

together with

MINORITY VIEWS

[To accompany H.R. 3813]

[Including cost estimate of the Congressional Budget Office]

The Committee on Oversight and Government Reform, to whom was referred the bill (H.R. 3813) to amend title 5, United States Code, to secure the annuities of Federal civilian employees, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

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The amendment is as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the “Securing Annuities for Federal Employees Act of 2012”.

SEC. 2. RETIREMENT CONTRIBUTIONS.

(a) CIVIL SERVICE RETIREMENT SYSTEM.—

(1) INDIVIDUAL CONTRIBUTIONS.—Section 8334(c) of title 5, United States Code, is amended—

(A) by striking “(c) Each” and inserting “(c)(1) Each”; and

(B) by adding at the end the following:

“(2) Notwithstanding any other provision of this subsection, the applicable percentage of basic pay under this subsection shall, for purposes of computing an amount—

“(A) for a period in calendar year 2013, 2014, or 2015, be equal to the applicable percentage under this subsection for the preceding calendar year (including as increased under this paragraph, if applicable), plus an additional 0.5 percentage point; and

“(B) for a period in any calendar year after 2015, be equal to the applicable percentage under this subsection for calendar year 2015 (as determined under subparagraph (A)).”.

(2) GOVERNMENT CONTRIBUTIONS.—Section 8334(a)(1)(B) of title 5, United States Code, is amended—

(A) in clause (i), by striking “Except as provided in clause (ii),” and inserting “Except as provided in clause (ii) or (iii),”; and

(B) by adding at the end the following:

“(iii) The amount to be contributed under clause (i) shall, with respect to a period in any year beginning after December 31, 2012, be equal to—

“(I) the amount which would otherwise apply under clause (i) with respect to such period, reduced by

“(II) the amount by which, with respect to such period, the withholding under subparagraph (A) exceeds the amount which would otherwise have been withheld from the basic pay of the employee or elected official involved under subparagraph (A) based on the percentage applicable under subsection (c) for calendar year 2012.”.

(b) FEDERAL EMPLOYEES’ RETIREMENT SYSTEM.—Section 8422(a)(3) of title 5, United States Code, is amended—

(1) by striking “(3) The” and inserting “(3)(A) The”; and

(2) by adding at the end the following:

“(B) Notwithstanding any other provision of this paragraph, the applicable percentage under this paragraph shall, for purposes of computing any amount—

“(i) for a period in calendar year 2013, 2014, or 2015, be equal to the applicable percentage under this paragraph for the preceding calendar year (including as increased under this subparagraph, if applicable), plus an additional 0.5 percentage point; and

“(ii) for a period in any calendar year after 2015, be equal to the applicable percentage under this paragraph for calendar year 2015 (as determined under clause (i)).”.

SEC. 3. AMENDMENTS RELATING TO SECURE ANNUITY EMPLOYEES.

(a) DEFINITION OF SECURE ANNUITY EMPLOYEE.—Section 8401 of title 5, United States Code, is amended—

(1) in paragraph (35), by striking “and” at the end;

(2) in paragraph (36), by striking the period and inserting “; and”; and

(3) by adding at the end the following:

“(37) the term ‘secure annuity employee’ means an employee or Member who—

“(A) first becomes subject to this chapter after December 31, 2012; and

“(B) at the time of first becoming subject to this chapter, does not have at least 5 years of civilian service creditable under the Civil Service Retirement System or any other retirement system for Government employees.”.

(b) INDIVIDUAL CONTRIBUTIONS.—Section 8422(a)(3) of title 5, United States Code (as amended by section 2(b)) is further amended—

(1) in subparagraph (B) (as added by section 2(b)), in the matter before clause (i), by striking “this paragraph, the” and inserting “this paragraph and except in the case of a secure annuity employee, the”; and

(2) by adding after subparagraph (B) (as so added) the following:

“(C) Notwithstanding any other provision of this paragraph, in the case of a secure annuity employee, the applicable percentage under this paragraph shall—

- “(i) in the case of a secure annuity employee who is an employee, Congressional employee, or Member, be equal to 10.2 percent; and
- “(ii) in the case of a secure annuity employee who is a law enforcement officer, firefighter, member of the Capitol Police, member of the Supreme Court Police, air traffic controller, nuclear materials courier, or customs and border protection officer, be equal to 10.7 percent.”
- (c) AVERAGE PAY.—Section 8401(3) of title 5, United States Code, is amended—
- (1) by striking “(3)” and inserting “(3)(A)”; and
 - (2) by adding “except that” after the semicolon; and
 - (3) by adding at the end the following:

“(B) in the case of a secure annuity employee, the term ‘average pay’ has the meaning determined applying subparagraph (A)—

 - “(i) by substituting ‘5 consecutive years’ for ‘3 consecutive years’; and
 - “(ii) by substituting ‘5 years’ for ‘3 years’.”
- (d) COMPUTATION OF BASIC ANNUITY.—Section 8415 of title 5, United States Code, is amended—
- (1) by striking subsections (a) through (e) and inserting the following:

“(a) Except as otherwise provided in this section, the annuity of an employee retiring under this subchapter is—

 - “(1) in the case of an employee other than a secure annuity employee, 1 percent of that individual’s average pay multiplied by such individual’s total service; and
 - “(2) in the case of an employee who is a secure annuity employee, 0.7 percent of that individual’s average pay multiplied by such individual’s total service.

“(b)(1) The annuity of a Member, or former Member with title to a Member annuity, retiring under this subchapter is computed under subsection (a)(1), except that if the individual has had at least 5 years of service as a Member or Congressional employee, or any combination thereof, so much of the annuity as is computed with respect to either such type of service (or a combination thereof), not exceeding a total of 20 years, shall be computed by multiplying 1.7 percent of the individual’s average pay by the years of such service.

“(2) The annuity of a Member, or former Member with title to a Member annuity, retiring under this subchapter is, if the individual is or was a secure annuity employee, computed—

 - “(A) under subsection (a)(2); and
 - “(B) disregarding paragraph (1) of this subsection.

“(c)(1) The annuity of a Congressional employee, or former Congressional employee, retiring under this subchapter is computed under subsection (a)(1), except that if the individual has had at least 5 years of service as a Congressional employee or Member, or any combination thereof, so much of the annuity as is computed with respect to either such type of service (or a combination thereof), not exceeding a total of 20 years, shall be computed by multiplying 1.7 percent of the individual’s average pay by the years of such service.

“(2) The annuity of a Congressional employee, or former Congressional employee, retiring under this subchapter is, if the individual is or was a secure annuity employee, computed—

 - “(A) under subsection (a)(2); and
 - “(B) disregarding paragraph (1) of this subsection.
- “(d) The annuity of an employee retiring under subsection (d) or (e) of section 8412 or under subsection (a), (b), or (c) of section 8425 is—
- “(1) in the case of an individual other than a secure annuity employee—
 - “(A) 1.7 percent of that individual’s average pay multiplied by so much of such individual’s total service as does not exceed 20 years; plus
 - “(B) 1 percent of that individual’s average pay multiplied by so much of such individual’s total service as exceeds 20 years; and
 - “(2) in the case of an individual who is a secure annuity employee—
 - “(A) 1.4 percent of that individual’s average pay multiplied by so much of such individual’s total service as does not exceed 20 years; plus
 - “(B) 0.7 percent of that individual’s average pay multiplied by so much of such individual’s total service as exceeds 20 years.
- “(e) The annuity of an air traffic controller or former air traffic controller retiring under section 8412(a) is computed under subsection (a)(1), except that if the individual has had at least 5 years of service as an air traffic controller as defined by section 2109(1)(A)(i), so much of the annuity as is computed with respect to such type of service shall be computed—
- “(1) in the case of an individual other than a secure annuity employee, by multiplying 1.7 percent of the individual’s average pay by the years of such service; and

“(2) in the case of an individual who is a secure annuity employee, by multiplying 1.4 percent of the individual’s average pay by the years of such service.”; and

(2) in subsection (h)—

(A) in paragraph (1), by striking “subsection (a)” and inserting “subsection (a)(1)”; and

(B) in paragraph (2), in the matter following subparagraph (B), by striking “or customs and border protection officer” and inserting “customs and border protection officer, or secure annuity employee.”.

SEC. 4. ANNUITY SUPPLEMENT.

Section 8421(a) of title 5, United States Code, is amended—

(1) in paragraph (1), by striking “paragraph (3)” and inserting “paragraphs (3) and (4)”; and

(2) in paragraph (2), by striking “paragraph (3)” and inserting “paragraphs (3) and (4)”; and

(3) by adding at the end the following:

“(4)(A) Except as provided in subparagraph (B), no annuity supplement under this section shall be payable in the case of an individual whose entitlement to annuity is based on such individual’s separation from service after December 31, 2012.

“(B) Nothing in this paragraph applies in the case of an individual separating under subsection (d) or (e) of section 8412.”.

SEC. 5. CONTRIBUTIONS TO THRIFT SAVINGS FUND OF PAYMENTS FOR ACCRUED OR ACCUMULATED LEAVE.

(a) AMENDMENTS RELATING TO CSRS.—Section 8351(b) of title 5, United States Code, is amended—

(1) by striking paragraph (2)(A) and inserting the following:

“(2)(A) An employee or Member may contribute to the Thrift Savings Fund in any pay period any amount of such employee’s or Member’s basic pay for such pay period, and may contribute (by direct transfer to the Fund) any part of any payment that the employee or Member receives for accumulated and accrued annual or vacation leave under section 5551 or 5552. Notwithstanding section 2105(e), in this paragraph the term ‘employee’ includes an employee of the United States Postal Service or of the Postal Regulatory Commission.”;

(2) by striking subparagraph (B) of paragraph (2); and

(3) by redesignating subparagraph (C) of paragraph (2) as subparagraph (B).

(b) AMENDMENTS RELATING TO FERS.—Section 8432(a) of title 5, United States Code, is amended—

(1) by striking paragraphs (1) and (2) and inserting the following:

“(1) An employee or Member—

“(A) may contribute to the Thrift Savings Fund in any pay period, pursuant to an election under subsection (b), any amount of such employee’s or Member’s basic pay for such pay period; and

“(B) may contribute (by direct transfer to the Fund) any part of any payment that the employee or Member receives for accumulated and accrued annual or vacation leave under section 5551 or 5552.

“(2) Contributions made under paragraph (1)(A) pursuant to an election under subsection (b) shall, with respect to each pay period for which such election remains in effect, be made in accordance with a program of regular contributions provided in regulations prescribed by the Executive Director.”; and

(2) by adding at the end the following new paragraph:

“(4) Notwithstanding section 2105(e), in this subsection the term ‘employee’ includes an employee of the United States Postal Service or of the Postal Regulatory Commission.”.

(c) REGULATIONS.—The Executive Director of the Federal Retirement Thrift Investment Board shall promulgate regulations to carry out the amendments made by this section.

(d) EFFECTIVE DATE.—The amendments made by subsections (a) and (b) shall take effect one year after the date of the enactment of this section, or upon such earlier date as may be established by the Executive Director of the Federal Retirement Thrift Investment Board under the regulations promulgated pursuant to subsection (c).

SEC. 6. COORDINATION WITH OTHER RETIREMENT SYSTEMS.

(a) FOREIGN SERVICE.—For provisions of law requiring maintenance of existing conformity—

(1) between the Civil Service Retirement System and the Foreign Service Retirement System, and

(2) between the Federal Employees' Retirement System and the Foreign Service Pension System, see section 827 of the Foreign Service Act of 1980 (22 U.S.C. 4067).

(b) CIARDS.—

(1) COMPATIBILITY WITH CSRS.—For provisions of law relating to maintenance of existing conformity between the Civil Service Retirement System and the Central Intelligence Agency Retirement and Disability System, see section 292 of the Central Intelligence Agency Retirement Act (50 U.S.C. 2141).

(2) APPLICABILITY OF FERS.—For provisions of law providing for the application of the Federal Employees' Retirement System with respect to employees of the Central Intelligence Agency, see title III of the Central Intelligence Agency Retirement Act (50 U.S.C. 2151 and following).

(c) TVA.—Section 3 of the Tennessee Valley Authority Act of 1933 (16 U.S.C. 831b) is amended by adding at the end the following:

“(c) The chief executive officer shall prescribe any regulations which may be necessary in order to carry out the purposes of the Securing Annuities for Federal Employees Act of 2012 with respect to any defined benefit plan covering employees of the Tennessee Valley Authority.”.

COMMITTEE STATEMENT AND VIEWS

PURPOSE AND SUMMARY

Personnel costs for both current and former federal employees continue to rise. The taxpayer spends about \$200 billion per year on the federal civilian workforce, and also bears the risk of the federal pension system, which has a liability nearing \$700 billion.¹ The Congressional Budget Office (CBO) recently found the Federal Government provides its civilian employees 48 percent more in benefits than does the private sector.²

Like other Americans, our Nation's civil servants, by and large, work hard, do a good job, and provide for their families. But it is unfair to ask taxpayers to keep footing the bill for unsustainable public sector pensions when those benefits far exceed what the private sector offers. State and local governments have already implemented reforms that strengthen their pension systems to help ensure solvency and ensure that current employees will be able to receive the annuities they have been promised.

The purpose of H.R. 3813 is to modernize the federal pension system to better reflect the reality of today's world. H.R. 3813 increases the employee retirement contribution by 1.5 percent of salary over three years. The bill also eliminates the supplemental payment to individuals who voluntarily retire before age 62. For new hires, H.R. 3813 increases the employee retirement contribution by 3.2 percent, changes the multiplier used in the pension formula, and uses a five-year average salary base. Asking federal employees to share more equitably in the cost of their retirement is a tough, but necessary choice to reduce our deficit.

BACKGROUND AND NEED FOR LEGISLATION

Most federal civilian employees are enrolled in one of two defined benefit, retirement programs: the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). In FY 2011, the Office of Personnel Management (OPM) paid \$69.79

¹Civil Service Retirement and Disability Fund, *Annual Report of the Board of Actuaries, Civil Service Retirement and Disability Fund, Fiscal Year Ended September 30, 2011*.

²Congressional Budget Office. Comparing the Compensation of Federal and Private-Sector Employees. January 2011, page ix. <http://www.cbo.gov/ftpdocs/126xx/doc12696/01-30-FedPay.pdf>.

billion in benefits from the Civil Service Retirement and Disability Fund (CSRDF).³

A combination of both employee and employer contributions fund the CSRDF based on statute and actuarial assumptions. Shortfalls accruing under the CSRS are covered by taxpayers through a transfer from the General Fund to the CSRDF.

The Federal Employee Pension System: An Unfunded Liability

Under the CSRS, most federal employees are required to contribute seven percent of their salaries to the Civil Service Retirement Disability Fund (CSRDF). The employing agency, with the exception of the United States Postal Service, matches the employee contribution.

OPM estimates the normal cost (i.e., the cost of providing future pension benefits in current dollars) of CSRS to be 26 percent of an employee's salary. The 14 percent combined employee and employer contribution is not enough to fully fund the retirement benefits provided under CSRS, leaving a shortfall that is covered by taxpayers through a transfer from the General Fund to the CSRDF. For FY 2011 and 2010, the government paid a combined \$64.5 billion to cover the shortfall. At the start of FY 2010, the CSRDF had an unfunded liability of \$663.4 billion for the CSRS.

In 1986, Congress established the FERS in part to help address the unfunded liability created by the CSRS. When it became effective on January 1, 1987, CSRS interim employees with less than five years of creditable civilian service on December 31, 1986, were automatically converted to FERS.

The FERS uses three sources to provide employees with retirement income: Social Security, a defined benefit annuity, and the Thrift Savings Plan, to which the employing agency contributes an amount equal to one percent of basic pay. Agencies match employee contributions up to five percent of basic pay.

Both FERS participants and their employing agencies are required by statute to make contributions to fully fund FERS coverage. FERS covered federal employees contribute the CSRS contribution amount minus the prevailing Old Age Survivor and Disability Insurance deduction rate. For most federal employees, the individual contribution rate is 0.8 percent of their basic pay. For Members of Congress, congressional employees, and other special occupational groups such as law enforcement, this amount equals 1.3 percent of basic pay.

The employing agency is responsible for paying the remaining normal cost not covered by the employee contribution. For most federal employees, the employing agency currently pays 11.9 percent of the salary (the 12.7 percent normal cost minus the employee's 0.8 percent contribution). For congressional employees, the employer pays 16.7 percent. For Members of Congress, the employer pays 18.3 percent. Employing agencies pay 16.7 percent for law enforcement officers, firefighters, nuclear materials couriers, customs and border protection officers, and air traffic controllers. OPM recalculates the normal cost each year based on actuarial assumptions.

³U.S. Office of Personnel Management. *Agency Financial Report: Fiscal Year 2011*. Office of Personnel Management. Web. <http://www.opm.gov/gpra/opmgpra/2011_AFR.pdf>.

The normal cost is subject to increase each year based on actuarial assumptions such as longer life expectancy, lower Treasury yields, and a deficit from the previous year. The employing agencies—and ultimately the taxpayers—are responsible for the additional expense incurred from increased normal costs.

The normal cost has steadily increased over the past decade: In FY 2002, the normal cost was 11.5 percent. At that time, the employee's contribution covered 6.9 percent of the normal cost. Today, because the normal cost continues to increase while employee contributions remain the same, employees only pay for 6.3 percent of their pension benefits, and the government pays an increasingly higher portion of the employee benefits. In FY 2012, the normal cost for most federal employees increased from 12.5 percent to 12.7 percent.

Further, the pre-funding of FERS benefits still represents a liability for the Federal Government. The CSRDF had an unfunded liability of \$681.7 billion at the start of FY 2011. The CSRDF is similar to the Social Security Trust Fund in that 100 percent of the monies deposited must be used to purchase special-issue, U.S. Treasury bonds. These bonds are I.O.U.s issued by one agency of the Federal Government and held by another agency of the same government. The bonds cannot be sold by the trust fund to the general public in exchange for cash. They can only be redeemed through the Treasury, which must either collect taxes or borrow from the public in order to obtain the required cash.

As the President's Fiscal Year 2010 Budget states:

“These [trust fund] balances are available for future benefit payments and other trust fund expenditures, but only in a bookkeeping sense. The holdings of the trust funds are not assets of the Government as a whole that can be drawn down in the future to fund benefits. Instead, they are claims on the Treasury. From a cash perspective, when trust fund holdings are redeemed to authorize the payment of benefits, the Department of the Treasury finances the expenditure in the same way as any other Federal expenditure—by using current receipts or by borrowing from the public. The existence of large trust fund balances, therefore, does not, by itself, increase the Government's ability to pay benefits. Put differently, these trust fund balances are assets of the program agencies and corresponding liabilities of the Treasury, netting to zero for the Government as a whole.”⁴

State and local government enacted pension reform

The recent economic recessions, first in 2000–2001 and more recently in 2008–2009, have made State and local governments painfully aware that their generous pension benefits are unsustainable and unfair to taxpayers. Since 2001, at least 30 states have made changes to their pension plans. According to the National Conference of State Legislatures (NCSL), more states enacted changes to their pension systems in 2010 than in any other year. Although some of these reforms are designed to shore up liabilities caused

⁴U.S. Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2010: Analytical Perspectives*, 2009, p. 245.

by the underfunding of the pension plans, the Center for State and Local Government Excellence (CSLGE) found that most pension funding shortfalls were a result of the weak economy. The CSLGE reported:

“The most common changes have been to increase employee contributions to pensions or to establish different tiers of benefits for newly hired employees. New hires might have higher vesting requirements, longer service requirements, a later retirement age, and/or a lower pension. There also are more restrictions on retired public workers returning to covered service while continuing to receive their retirement benefit.”⁵

During its review of public sector pensions, the Committee identified 29 states and 33 localities that had enacted major pension reform since 2000. These reforms include:⁶

- Moving from a high-three average salary to a high-five average salary calculation (The Virginia Retirement System, e.g.).
- Increasing employee contributions and decreasing employer contributions (The Florida Retirement System, e.g.).
- Closing the defined benefit to new hires and creating a Tier II retirement system for new employees, who choose between a defined contribution plan and a hybrid plan (The State of Utah, e.g.).
- Replacing an existing defined benefit plan with a defined contribution plan for new employees (Gwinnett County, Georgia, e.g.).

Many of these reforms require that employees pay a greater share of the normal cost of their pension benefits. State and local government employees covered by Social Security pay on average five percent of their salary toward pension benefits. The median employer contribution is 9.5 percent.⁷

Compared to the FERS, State and local government employees pay more as a percentage of their salaries and more as a percentage of total benefits. Meanwhile, taxpayers at the local level pay less toward public sector pensions as both a percentage of civil servant salaries and as a percentage of total benefits.

On average, State and local employees pay for 35 percent of their pension benefits while federal employees pay only 6 percent. H.R. 3813 requires current federal employees to contribute only 18 percent of the normal cost—phased in over three years.

New federal employees under H.R. 3813 will contribute four percent of their basic pay to the CSDRF—still less than the median five percent of salary State and local government employees pay.

Private sector trends

According to Towers Watson, only 13 of this year’s Fortune 100 companies offered new employees a traditional defined benefit plan in 2011, compared to 58 in 2003.⁸

⁵Center for State and Local Government Excellence, *State & Local Pensions, An Overview of Funding Issues and Challenges*, January 2011.

⁶Center for State and Local Government Excellence, (Pension Reform Map), <http://maps.google.com/maps/ms?hl=en&ie=UTF8&msa=0&msid=109918998022670131860.0004920a8519baf603a45&ll=39.639538,-98.789062&spn=26.989212,87.890625&z=3&source=embed>.

⁷Public Fund Survey, *Summary of Findings for FY 2010*, December 2011, p. 9.

⁸Towers Watson. *Prevalence of Retirement Plan Types in the Fortune 100 in 2011*, July 2011.

Only half of all private sector workers have no retirement plan other than Social Security, according to the Employee Benefit Research Institute. The average annual Social Security benefit of \$14,000 is meager when compared to the annual pension provided to Members retiring from Congress (\$53,940).

Calls for reform

The President's National Commission on Fiscal Responsibility and Reform (Simpson-Bowles) found that federal civilian employee pensions were out of line with pension benefits available to the average private sector worker. It therefore recommended that Congress change the federal employee pension system to bring it more in line with private sector practice. Simpson-Bowles recommended that an employee's highest five years average salary be used as the base for computing pensions, and that the employee and his employing agency make equal contributions toward pension costs.⁹ The FY 2012 Budget Resolution (H. Con. Res. 34) adopted by the House last April incorporates these reforms proposed by Simpson-Bowles.

On March 9, 2011, the Federal Workforce Subcommittee held a hearing to examine federal employee compensation.

In his *Plan for Economic Growth and Deficit Reduction: Living Within Our Means*, the President last September called on federal employees to contribute an additional 1.2 percent of their annual salary toward their defined benefit pension, and he proposed eliminating the FERS minimum supplement for new hires not subject to mandatory retirement.

Also last fall, the Committee recommended the Joint Select Committee on Deficit reduction eliminate FERS for new hires, allowing the Federal Government to gradually end the fiscally irresponsible practice of accumulating large unfunded liabilities for retiree pensions.

On December 13, 2011, the House passed H.R. 3630, the Middle Class Tax Relief and Job Creation Act, which requires federal employees to pay more to retain their defined benefit. The bill also establishes a new formula for the FERS defined benefit for new federal employees and Members of Congress that would increase its affordability by dramatically increasing contribution levels and reducing pension payouts.

On January 25, 2012, Federal Workforce Subcommittee Chairman Dennis Ross held a hearing to examine the federal employee pension system, including the benefits provided to Members of Congress. Mr. Ross introduced legislation, H.R. 3813, in connection with the hearing.

On January 31, 2012, the Congressional Budget Office (CBO) found that federal employees receive an average of 16 percent more in total compensation (salary + benefits) than private sector employees. The predominant factor in this gap is the generous benefits that federal employees receive. On average, federal employees receive 48 percent more in benefits than their private sector peers. For some federal employees, the benefits package they receive is worth more than their salary.

⁹United States. The White House. The National Commission on Fiscal Responsibility and Reform. *The Moment of Truth*. Web. http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/TheMomentofTruth12_1_2010.pdf.

H.R. 3813 encompasses the recommendations of the Simpson-Bowles Commission, the FY 2012 House Budget Resolution (H. Con. Res. 34), the President's Plan for Economic Growth and Deficit Reduction, and the Middle Class Tax Relief and Job Creation Act of 2011 (H.R. 3630).

H.R. 3813 increases current federal employee and Member of Congress contributions by 1.5 percent of salary over three years. The bill also eliminates the supplemental payment to individuals who voluntarily retire before age 62. For new hires, H.R. 3813 increases the employee retirement contribution by 3.2 percent, changes the multiplier used in the pension formula, and substitutes a five-year average salary computation base for the current three-year one. The pension formula established in H.R. 3813 for federal employees with less than 5 years of service hired after December 31, 2012 would apply equally to new Members of Congress (with less than 5 years of prior federal service).

The bill also allows retiring federal employees to deposit lump-sum payments for unused annual leave into their TSP accounts. These contributions would be subject to the existing Internal Revenue Service (IRS) annual contribution limits. The provision helps align federal employee benefits with the private sector. In September 2009, the IRS issued regulations allowing employees to deposit any cash payment they received from their employer for accumulated leave into their 401(k) plans. This provision allows such contributions to be deposited in the TSP. Similar legislation was ordered reported by the Committee on April 14, 2010 (H.R. 4865).

LEGISLATIVE HISTORY

The Civil Service Retirement Act of 1920¹⁰ established pension benefits for civilian federal employees. Federal civilian employees hired on or after January 1, 1984, were required to participate in Social Security,¹¹ which contributed to the development of the FERS.¹²

SECTION-BY-SECTION

Section 1. Short title

The short title of the bill is the "Securing Annuities for Federal Employees Act of 2012."

Section 2. Retirement contributions

Subsection (2)(a) increases the employee contribution to the Civil Service Retirement System (CSRS) by 1.5 percent of salary over three years, beginning in calendar year 2013. The employer contribution is reduced by the increased employee contribution.

Subsection (2)(b) increases the employee contribution to the Federal Employees Retirement System (FERS) by 1.5 percent of salary over three years, beginning in calendar year 2013. Under existing law, the employer contribution equals the normal retirement cost reduced by the employee contribution.

¹⁰ P.L. 66-215.

¹¹ P.L. 98-21.

¹² P.L. 99-335.

Section 3. Amendments relating to secure annuity employees

Subsection 3(a) establishes a new pension formula for federal employees and Members of Congress entering service after December 31, 2012, who have less than 5 years of creditable service for retirement purposes.

Subsection 3(b) sets the employee, congressional employee, and Member of Congress contribution to FERS at 4 percent of salary. Employees in special occupational groups with a higher accrual rate, such as law enforcement, will contribute 4.5 percent of their salary. Under existing law, Members of Congress, congressional employees, and special occupational groups contribute 0.5 percent more of their salary to FERS than the vast majority of federal employees.

Subsection 3(c) calculates pensions using the average of an employee's highest five years of salary. Current CSRS and FERS employees will continue to have their pensions calculated using the average of their highest three years of salary.

Subsection 3(d) sets the FERS pension formula multiplier for employees, congressional employees, and Members of Congress at 0.7 percentage points. Employees in special occupational groups such as law enforcement are subject to a proportional adjustment to the multiplier (0.3 percentage points lower than current law).

Under current law, employee pensions are calculated using a multiplier of 1 percentage point. Pensions for employees retiring at age 62 with more than 20 years of service are calculated using a multiplier of 1.1 percentage points. Pensions for Members of Congress, congressional employees, and special occupational groups such as law enforcement are calculated using a pension multiplier of 1.7 percentage points for the first 20 years of service, and 1 percentage point for service beyond 20 years. Pensions for air traffic controllers are calculated using a pension multiplier of 1.7 percentage points.

Section 4. Annuity supplement

Section 4 eliminates the FERS minimum supplement for individuals not subject to mandatory retirement who retire on or after January 1, 2013. Individuals subject to mandatory retirement include law enforcement officers, fire fighters, air traffic controllers, and nuclear materials couriers. Under current law, the FERS minimum supplement is paid to these employees and to Members of Congress and federal employees who retire before the age of 62. The FERS minimum supplement equals the amount the employee would have received from Social Security if he were 62 years old at age of retirement.

Section 5. Contributions to Thrift Savings Fund of payments for accrued or accumulated leave

Section 5 provides that employees (including postal employees and employees of the Postal Regulatory Commission) and Members may contribute in any pay period any part of any payment that the employee or Member receives as a lump-sum payment for accumulated and accrued annual or vacation leave upon separation or entering active duty.

Section 6. Coordination with other retirement systems

Section 6 references the conforming changes required for Foreign Service, CIA, and TVA employees.

EXPLANATION OF AMENDMENTS

Mr. Ross offered an amendment in the nature of a substitute (ANS). The amendment made technical and conforming changes to H.R. 3813.

Mr. Cummings offered an amendment limiting the increase in current employee pension contributions to those earning more than \$100,000 per year. The amendment was defeated by voice vote.

Ms. Norton offered an amendment expressing the sense of Congress that a portion of the savings from H.R. 3813 should be directed to the Office of Personnel Management to increase its capacity to process retirement claims and to help eliminate the backlog of claims. The amendment was defeated by voice vote.

Mr. Lynch offered an amendment to make increased employee contributions inapplicable during a pay freeze year. The amendment was defeated by a recorded vote of 17 ayes to 21 nays.

Mr. Davis offered an amendment to strike section 4 of the bill. The amendment was defeated by a recorded vote of 15 ayes to 22 nays.

Mr. Kucinich offered an amendment to strike section 3 of the bill. The amendment was defeated by a recorded vote of 15 ayes to 22 nays.

Mr. Lynch offered an amendment (with Mr. Chaffetz) to allow federal employees to deposit all or part of the lump-sum payment they receive for unused annual leave into their Thrift Savings Plan account. The amendment was agreed to by voice vote.

Mr. Cummings offered an amendment limiting the increase in current employee pension contributions to those earning more than \$30,000 per year. The amendment was defeated by voice vote.

COMMITTEE CONSIDERATION

On February 7, 2012, the Committee met in open session and ordered reported favorably the bill, H.R. 3813, as amended, by roll call vote, a quorum being present.

ROLLCALL VOTES

The following votes occurred during the consideration of H.R. 3813:

1. Mr. Lynch offered an amendment to the Ross ANS to make increased employee contributions inapplicable during a pay freeze year. The amendment was defeated by a roll call vote of 17 Ayes to 21 Nays.

Ayes: Platts, Cummings, Towns, Maloney, Norton, Kucinich, Tierney, Clay, Lynch, Connolly, Quigley, Davis, Braley, Welch, Yarmuth, Murphy, and Speier.

Nays: Issa, Burton, Mica, Turner, McHenry, Jordan, Chaffetz, Walberg, Lankford, Amash, Buerkle, Gosar, Labrador, Meehan, DesJarlais, Walsh, Gowdy, Ross, Guinta, Farenthold, and Kelly.

2. Mr. Davis offered an amendment to the Ross ANS to strike section 4 of the bill. The amendment was defeated by a roll call vote of 15 Ayes to 22 Nays.

Ayes: Cummings, Towns, Maloney, Norton, Kucinich, Tierney, Clay, Lynch, Connolly, Davis, Braley, Welch, Yarmuth, Murphy, and Speier.

Nays: Issa, Burton, Mica, Platts, Turner, McHenry, Jordan, Chaffetz, Walberg, Lankford, Amash, Buerkle, Gosar, Labrador, Meehan, DesJarlais, Walsh, Gowdy, Ross, Guinta, Farenthold, and Kelly.

3. Mr. Kucinich offered an amendment to the Ross ANS to strike section 3 of the bill. The amendment was defeated by a rollcall vote of 15 Ayes to 22 Nays.

Ayes: Cummings, Towns, Maloney, Norton, Kucinich, Tierney, Clay, Lynch, Connolly, Davis, Braley, Welch, Yarmuth, Murphy, and Speier.

Nays: Issa, Burton, Mica, Platts, Turner, McHenry, Jordan, Chaffetz, Walberg, Lankford, Amash, Buerkle, Gosar, Labrador, Meehan, DesJarlais, Walsh, Gowdy, Ross, Guinta, Farenthold, and Kelly.

4. The bill, H.R. 3813, as amended, was ordered favorably reported to the House, a quorum being present, by a recorded vote of 22 Ayes to 16 Nays.

Ayes: Issa, Burton, Mica, Platts, Turner, McHenry, Jordan, Chaffetz, Walberg, Lankford, Amash, Buerkle, Gosar, Labrador, Meehan, DesJarlais, Walsh, Gowdy, Ross, Guinta, Farenthold, and Kelly.

Nays: Cummings, Towns, Maloney, Norton, Kucinich, Tierney, Clay, Lynch, Connolly, Quigley, Davis, Braley, Welch, Yarmuth, Murphy, and Speier.

APPLICATION OF LAW TO THE LEGISLATIVE BRANCH

Section 102(b)(3) of Public Law 104–1 requires a description of the application of this bill to the legislative branch where the bill relates to the terms and conditions of employment or access to public services and accommodations. This bill increases the employee retirement contribution by 1.5 percent of salary over three years and eliminates the supplemental payment to individuals who voluntarily retire before age 62. For new hires, H.R. 3813 increases the employee retirement contribution by 3.2 percent, changes the multiplier used in the pension formula, and uses a five year average salary base. Legislative branch employees and their families, to the extent that they are otherwise eligible for the benefits provided by this legislation, have equal access to its benefits.

STATEMENT OF OVERSIGHT FINDINGS AND RECOMMENDATIONS OF THE COMMITTEE

In compliance with clause 3(c)(1) of rule XIII and clause (2)(b)(1) of rule X of the Rules of the House of Representatives, the Committee's oversight findings and recommendations are reflected in the descriptive portions of this report.

STATEMENT OF GENERAL PERFORMANCE GOALS AND OBJECTIVES

In accordance with clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the Committee's performance goals and objectives are reflected in the descriptive portions of this report.

FEDERAL ADVISORY COMMITTEE ACT

The Committee finds that the legislation does not establish or authorize the establishment of an advisory committee within the definition of 5 U.S.C. App., Section 5(b).

UNFUNDED MANDATE STATEMENT

Section 423 of the Congressional Budget and Impoundment Control Act (as amended by Section 101(a)(2) of the Unfunded Mandate Reform Act, P.L. 104-4) requires a statement as to whether the provisions of the report include unfunded mandates. In compliance with this requirement the Committee has received a letter from the Congressional Budget Office included herein.

EARMARK IDENTIFICATION

H.R. 3813 does not include any congressional earmarks, limited tax benefits, or limited tariff benefits as defined in clause 9 of rule XXI.

COMMITTEE ESTIMATE

Clause 3(d)(2) of rule XIII of the Rules of the House of Representatives requires an estimate and a comparison by the Committee of the costs that would be incurred in carrying out H.R. 3813. However, clause 3(d)(3)(B) of that rule provides that this requirement does not apply when the Committee has included in its report a timely submitted cost estimate of the bill prepared by the Director of the Congressional Budget Office under section 402 of the Congressional Budget Act.

BUDGET AUTHORITY AND CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

With respect to the requirements of clause 3(c)(2) of rule XIII of the Rules of the House of Representatives and section 308(a) of the Congressional Budget Act of 1974 and with respect to requirements of clause (3)(c)(3) of rule XIII of the Rules of the House of Representatives and section 402 of the Congressional Budget Act of 1974, the Committee has received the following cost estimate for H.R. 3813 from the Director of Congressional Budget Office:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, February 9, 2012.

Hon. DARRELL ISSA,
*Chairman, Committee on Oversight and Government Reform,
House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 3813, the Securing Annuities for Federal Employees Act of 2012.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Amber G. Marcellino.

Sincerely,

DOUGLAS W. ELMENDORF.

Enclosure.

H.R. 3813—Securing Annuities for Federal Employees Act of 2012

Summary: H.R. 3813 would make several changes to the current retirement system for federal employees. Specifically, the legislation would increase the percentage of salary that federal employees in the Civil Service Retirement System (CSRS), Federal Employee Retirement System (FERS), and smaller retirement systems are required to pay towards their retirement, make changes to the benefit formula used to calculate retirement annuities for certain employees, eliminate the FERS retirement supplement that would be paid under current law to certain future retirees under the age of 62, and allow employees to contribute to their Thrift Savings Plan (TSP) accounts any payment received for accumulated and accrued annual leave.

CBO estimates that implementing the legislation would increase revenues by \$42 billion and decrease direct spending by \$2 billion over the 2012–2022 period. Pay-as-you-go procedures apply because enacting the legislation would affect direct spending and revenues.

H.R. 3813 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

The bill would impose a private-sector mandate on federal workers under FERS who are eligible by December 31, 2012 to retire and receive an annuity supplement and were not going to do so. Because of a lack of information about the potential behavioral responses of individuals to such a change, CBO cannot determine whether the cost of the mandate would exceed the annual threshold established in UMRA for private-sector mandates (\$146 million in 2012, adjusted annually for inflation).

Estimated cost to the Federal Government: The estimated budgetary impact of H.R. 3813 is shown in the following table. The impacts of this legislation fall within all functions of the budget.

| | By fiscal year, in millions of dollars— | | | | | | | | | | | | |
|---|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-----------|-----------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2012–2017 | 2012–2022 |
| Estimated Revenues | 0 | 1,163 | 2,342 | 3,470 | 3,977 | 4,305 | 4,664 | 5,060 | 5,465 | 5,898 | 5,807 | 10,951 | 42,151 |
| | CHANGES IN REVENUES ^a | | | | | | | | | | | | |
| Estimated Budget Authority | 0 | -24 | -89 | -134 | -176 | -213 | -242 | -266 | -298 | -338 | -390 | -636 | -2,169 |
| Estimated Outlays | 0 | -24 | -89 | -134 | -176 | -213 | -242 | -266 | -298 | -338 | -390 | -636 | -2,169 |
| | CHANGES IN DIRECT SPENDING ^b | | | | | | | | | | | | |
| | NET INCREASE OR DECREASE (-) IN THE DEFICIT FROM CHANGES IN DIRECT SPENDING AND REVENUES | | | | | | | | | | | | |
| Impact on Deficit | 0 | -1,187 | -2,430 | -3,604 | -4,153 | -4,518 | -4,906 | -5,325 | -5,763 | -6,235 | -6,197 | -15,893 | -44,320 |
| | CHANGES IN SPENDING SUBJECT TO APPROPRIATION ^b | | | | | | | | | | | | |
| Estimated Authorization Level | 0 | -1,175 | -2,353 | -3,478 | -3,986 | -4,315 | -4,676 | -5,074 | -5,481 | -5,916 | -5,827 | -15,306 | -42,281 |
| Estimated Outlays | 0 | -1,175 | -2,353 | -3,478 | -3,986 | -4,315 | -4,676 | -5,074 | -5,481 | -5,916 | -5,827 | -15,306 | -42,281 |
| Memorandum: | | | | | | | | | | | | | |
| Reduction in Offsetting Receipts Resulting from Lower Employer Contributions ^c | 0 | 1,175 | 2,353 | 3,478 | 3,986 | 4,315 | 4,676 | 5,074 | 5,481 | 5,916 | 5,827 | 15,306 | 42,281 |

Sources: Congressional Budget Office and Joint Committee on Taxation.

a. For revenues, positive numbers indicate a decrease in the deficit.

b. For direct spending and changes in spending subject to appropriation, negative numbers indicate a decrease in the deficit.

c. Employer contributions are intragovernmental transactions that do not affect the deficit; positive numbers indicate a decrease in offsetting receipts.

Basis of estimate: CBO estimates that H.R. 3813 would increase revenues by \$42 billion over the 10-year period, stemming mostly from changes to the retirement contribution rates for federal employees (\$43 billion), offset slightly by lower revenues (\$367 million) from a proposal to allow employees to contribute any payment received for accumulated annual leave to their TSP accounts.

Proposed reductions in the rates that agencies pay into the Civil Service Retirement and Disability Fund (CSRDF) on behalf of their employees would reduce spending subject to appropriations by \$42 billion over the 2012–2022 period, CBO estimates; those lower payments from agencies would also reduce the amount of offsetting receipts received by the CSRDF; together those changes would have no impact on the deficit. However, since discretionary spending is currently subject to caps through 2021 (as specified in the Budget Control Act of 2011—Public Law 112–25) and the legislation does not reduce those caps, CBO assumes the reductions in such spending would not result in a net decrease in discretionary funding.

CBO also estimates that H.R. 3813 would reduce direct spending by \$2 billion over the 2012–2022 period, as a result of eliminating the FERS annuity supplement for certain employees who retire before the age of 62 (\$1.9 billion) and because of proposed changes to the retirement formula for federal employees (\$274 million).

Changes in employee and agency contributions

H.R. 3813 would increase the required contribution rate paid by federal employees and Members of Congress (in both CSRS and FERS) for their retirement by 1.5 percent of salary, phased in over three years (0.5 percent per year), beginning in January 2013. Under current law, most CSRS employees contribute 7 percent of their salary towards retirement and most FERS employees contribute 0.8 percent. The proposed rate increase would apply to all employees and Members with 5 or more years of federal service as of January 1, 2013.

For employees and Members who begin service on that date or later and have less than five years of prior federal service, H.R. 3813 would create a new retirement category of “secure annuity employees.” Such employees would be subject to a different contribution rate than CSRS and FERS employees: secure annuity employees would be required to pay 4 percent of their salary towards retirement (under current law this group would pay 0.8 percent of salary). A rate of 4.5 percent would apply to certain occupational groups—such as law enforcement officers, firefighters, air traffic controllers and nuclear materials couriers—who receive a higher pension benefit (the rate for this group under current law is 1.3 percent of salary).

For the purposes of this estimate, CBO assumes that the current population of approximately 2.8 million federal employees will be maintained throughout the period. As employees in place as of January 1, 2013, retire or otherwise withdraw from federal service, CBO assumes they would be replaced, in equal number, by secure annuity employees. The estimated annual rate of attrition for the group in place as of January 2013 increases from 17 percent in 2013 to 22 percent by 2022 for CSRS employees. The attrition rate for FERS employees is lower, ranging from 5 percent to 13 percent

over the same time period, because of differences in the average age of each group.

H.R. 3813 specifies that the following additional retirement systems must conform with the provisions outlined in the legislation: the Foreign Service Retirement System, the Central Intelligence Agency Retirement and Disability System, and any defined benefit program that covers employees of the Tennessee Valley Authority.

Contributions by federal employees for their retirement are shown as revenues to the federal government; CBO estimates that the increase in the contribution rates proposed in H.R. 3813 would boost revenues by \$43 billion over the 2012–2022 period.

Federal agencies are also required to make contributions toward their employees' retirement. For each of the proposed rate increases for employees described above, H.R. 3813 would make a corresponding reduction in the rate required to be paid by the employing agencies. Reducing the employer contribution rates would lower spending subject to appropriation by \$42 billion over the 2012–2022 period.¹ However, this bill—or any legislation that would reduce the funds available for a particular discretionary program or that would achieve savings by undertaking a particular discretionary activity—would only reduce projected total appropriations if the caps on discretionary spending were also lowered. Without a reduction in the caps, CBO assumes funding for other discretionary programs would fill the gap created by the specific reduction or savings.

Changes to the retirement annuity formula

For secure annuity employees, H.R. 3813 would make changes to the formula used to calculate retirement benefits. Instead of calculating benefits based on an employee's highest three consecutive years of salary, as under current law, the bill would calculate benefits based on the highest five consecutive years of salary. In addition, the multiplier used in the annuity calculation would be reduced by 0.3 percentage points, from 1.0 percent to 0.7 percent of salary, for most employees.² (Special occupational groups have a higher multiplier under current law, but would face the same proportional reduction under H.R. 3813.) The proposed changes in the multiplier and average pay calculations would reduce retirement annuities relative to current law. However, CBO expects that only a small number of secure annuity employees would retire in the 2012–2022 period; we estimate that the resulting drop in direct spending would total \$274 million over that 10-year period.

Eliminate the FERS annuity supplement

Under current law, certain FERS employees who retire before the age of 62 receive a supplement to their annuity that is intended to equal what they would receive from the Social Security Administration if they were eligible for Social Security benefits at the time of retirement. The supplement ends when the retiree turns 62 or becomes eligible to receive actual Social Security benefits. H.R.

¹The estimated reduction in spending subject to appropriation (from decreased employer contributions) does not exactly equal the increase in revenues (from increased employee contributions) because the Tennessee Valley Authority (TVA) does not receive funding through the appropriations process.

²The formula for calculating retirement benefits for most secure annuity employees under H.R. 3813 would be: average high-5 salary * number of years of service * 0.7.

3813 would eliminate that supplement for all FERS employees other than law enforcement officers, fire fighters, air traffic controllers and nuclear materials couriers who retire after December 31, 2012. Approximately 7,600 new retirees (that are not on the list of exceptions listed above) each year receive an annual supplement of just under \$8,000 (inflated in future years to account for increased salaries). As a result, CBO estimates that this provision will lower direct spending by \$1.9 billion over the 2012–2022 period.

Leave payout contributions to the Thrift Savings Plan

H.R. 3813 would allow any employee of the federal government who is eligible to make contributions to the TSP to contribute to it any payment received for accumulated annual leave. Such contributions would be subject to the annual limits that otherwise apply—annual contributions are currently limited to \$17,000 for individuals ages 49 or younger and \$22,500 for individuals ages 50 or older.

Because income taxes are deferred on contributions to regular (non-Roth) TSP accounts, and earnings within the accounts would not be taxable, the anticipated increase in contributions would initially result in lower revenues from income taxes. The staff of the Joint Committee on Taxation estimates that the legislation would reduce revenues by \$367 million over the 2012–2022 period.

Pay-as-you-go considerations: The Statutory Pay-As-You-Go Act of 2010 establishes budget reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays and revenues that are subject to those pay-as-you-go procedures are shown in the following table.

Estimated Impact on State, Local, and Tribal Governments: H.R. 3813 contains no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

Estimated impact on the private sector: The bill would impose a private-sector mandate on federal workers under FERS who are eligible by December 31, 2012 to retire and receive an annuity supplement and were not going to do so. The cost of the mandate would be the income some employees would forego as a result of losing the option to retire at a later date and draw the annuity supplement. Because of a lack of information about the potential behavioral responses of individuals to such a change, CBO cannot determine whether the cost of the mandate would exceed the annual threshold established in UMRA for private-sector mandates (\$146 million in 2012, adjusted annually for inflation).

Estimate prepared by: Federal Costs: Amber G. Marcellino; Impact on Federal Revenues: Joint Committee on Taxation; Impact on State, Local, and Tribal Governments: Elizabeth Cove-Delisle; Impact on the Private Sector: Paige Piper/Bach.

Estimate approved by: Theresa Gullo, Deputy Assistant Director for Budget Analysis.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

TITLE 5, UNITED STATES CODE

* * * * *

PART III—EMPLOYEES

* * * * *

SUBPART G—INSURANCE AND ANNUITIES

* * * * *

CHAPTER 83—RETIREMENT

* * * * *

SUBCHAPTER III—CIVIL SERVICE RETIREMENT

* * * * *

§ 8334. Deductions, contributions, and deposits

(a)(1)(A) * * *

(B)(i) **[**Except as provided in clause (ii),**]** *Except as provided in clause (ii) or (iii)*, an equal amount shall be contributed from the appropriation or fund used to pay the employee or, in the case of an elected official, from an appropriation or fund available for payment of other salaries of the same office or establishment. When an employee in the legislative branch is paid by the Chief Administrative Officer of the House of Representatives, the Chief Administrative Officer may pay from the applicable accounts of the House

of Representatives the contribution that otherwise would be contributed from the appropriation or fund used to pay the employee.

* * * * *

(iii) *The amount to be contributed under clause (i) shall, with respect to a period in any year beginning after December 31, 2012, be equal to—*

(I) the amount which would otherwise apply under clause (i) with respect to such period, reduced by

(II) the amount by which, with respect to such period, the withholding under subparagraph (A) exceeds the amount which would otherwise have been withheld from the basic pay of the employee or elected official involved under subparagraph (A) based on the percentage applicable under subsection (c) for calendar year 2012.

* * * * *

[(c) Each] *(c)(1) Each employee or Member credited with civilian service after July 31, 1920, for which retirement deductions or deposits have not been made, may deposit with interest an amount equal to the following percentages of his basic pay received for that service:*

| | Percentage of basic pay | Service period |
|---------------------------|---|---|
| Employee | 2 1/2 | August 1, 1920, to June 30, 1926. |
| | 3 1/2 | July 1, 1926, to June 30, 1942. |
| | 5 | July 1, 1942, to June 30, 1948. |
| | 6 | July 1, 1948, to October 31, 1956. |
| | 6 1/2 | November 1, 1956, to December 31, 1969. |
| | 7 | January 1, 1970, to December 31, 1998. |
| | 7.25 | January 1, 1999, to December 31, 1999. |
| | 7.4 | January 1, 2000, to December 31, 2000. |
| | 7 | After December 31, 2000. |
| | Member or employee for Congressional employee service | 2 1/2 |
| 3 1/2 | | July 1, 1926, to June 30, 1942. |
| 5 | | July 1, 1942, to June 30, 1948. |
| 6 | | July 1, 1948, to October 31, 1956. |
| 6 1/2 | | November 1, 1956, to December 31, 1969. |
| 7.5 | | January 1, 1970, to December 31 1998. |
| 7.75 | | January 1, 1999, to December 31, 1999. |
| 7.9 | | January 1, 2000, to December 31, 2000. |
| 7.5 | | After December 31, 2000. |
| Member for Member service | | 2 1/2 |
| | 3 1/2 | July 1, 1926, to June 30, 1942. |
| | 5 | July 1, 1942, to August 1, 1946. |
| | 6 | August 2, 1946, to October 31, 1956. |
| | 7 1/2 | November 1, 1956, to December 31, 1969. |
| | 8 | January 1, 1970, to December 31, 1998. |
| | 8.25 | January 1, 1999, to December 31, 1999. |
| | 8.4 | January 1, 2000, to December 31, 2000. |

| | Percentage of basic pay | Service period |
|---|--------------------------------|--|
| Law enforcement officer for law enforcement service, member of the Supreme Court Police for Supreme Court Police service, and firefighter for firefighter service | 8.5 | January 1, 2001, to December 31, 2002. |
| | 8 | After December 31, 2002. |
| | 2 1/2 | August 1, 1920, to June 30, 1926. |
| | 3 1/2 | July 1, 1926, to June 30, 1942. |
| | 5 | July 1, 1942, to June 30, 1948. |
| | 6 | July 1, 1948, to October 31, 1956. |
| | 6 1/2 | November 1, 1956, to December 31, 1969. |
| | 7 | January 1, 1970, to December 31, 1974. |
| | 7.5 | January 1, 1975, to December 31, 1998. |
| | 7.75 | January 1, 1999, to December 31, 1999. |
| Bankruptcy judge | 7.9 | January 1, 2000, to December 31, 2000. |
| | 7.5 | After December 31, 2000. |
| | 2 1/2 | August 1, 1920, to June 30, 1926. |
| | 3 1/2 | July 3, 1926, to June 30, 1942. |
| | 5 | July 1, 1942, to June 30, 1948. |
| | 6 | July 1, 1948, to October 31, 1956. |
| | 6 1/2 | November 1, 1956, to December 31, 1969. |
| | 7 | January 1, 1970, to December 31, 1983. |
| | 8 | January 1, 1984, to December 31, 1998. |
| | 8.25 | January 1, 1999, to December 31, 1999. |
| Judge of the United States Court of Appeals for the Armed Forces for service as a judge of that court | 8.4 | January 1, 2000, to December 31, 2000. |
| | 8 | After December 31, 2000. |
| | 6 | May 5, 1950, to October 31, 1956. |
| | 6 1/2 | November 1, 1956, to December 31, 1969. |
| | 7 | January 1, 1970, to (but not including) the date of the enactment of the Department of Defense Authorization Act, 1984 |
| | 8 | The date of enactment of the Department of Defense Authorization Act, 1984, to December 31, 1998. |
| | 8.25 | January 1, 1999, to December 31, 1999. |
| | 8.4 | January 1, 2000, to December 31, 2000. |
| | 8 | After December 31, 2000. |
| | United States Magistrate judge | 2 1/2 |
| 3 1/2 | | July 1, 1926, to June 30, 1942. |
| 5 | | July 1, 1942, to June 30, 1948. |
| 6 | | July 1, 1948, to October 31, 1956. |
| 6 1/2 | | November 1, 1956, to December 31, 1969. |
| 7 | | January 1, 1970, to September 30, 1987. |
| 8 | | October 1, 1987, to December 31, 1998 |
| 8.25 | | January 1, 1999, to December 31, 1999. |

| | Percentage of basic pay | Service period |
|---------------------------------------|-------------------------|---|
| Court of Federal Claims Judge | 8.4 | January 1, 2000, to December 31, 2000. |
| | 8 | After December 31, 2000. |
| | 2 1/2 | August 1, 1920, to June 30, 1926. |
| | 3 1/2 | July 1, 1926, to June 30, 1942. |
| | 5 | July 1, 1942, to June 30, 1948. |
| | 6 | July 1, 1948, to October 31, 1956. |
| | 6 1/2 | November 1, 1956, to December 31, 1969. |
| | 7 | January 1, 1970, to September 30, 1988. |
| | 8 | October 1, 1988, to December 31, 1998. |
| | 8.25 | January 1, 1999, to December 31, 1999. |
| Member of the Capitol Police | 8.4 | January 1, 2000, to December 31, 2000. |
| | 8 | After December 31, 2000. |
| | 2.5 | August 1, 1920, to June 30, 1926. |
| | 3.5 | July 1, 1926, to June 30, 1942. |
| | 5 | July 1, 1942, to June 30, 1948. |
| | 6 | July 1, 1948, to October 31, 1956. |
| | 6.5 | November 1, 1956, to December 31, 1969. |
| | 7.5 | January 1, 1970, to December 31, 1998. |
| | 7.75 | January 1, 1999, to December 31, 1999. |
| | 7.9 | January 1, 2000, to December 31, 2000. |
| Nuclear materials courier | 7.5 | After December 31, 2000 |
| | 7 | October 1, 1977 to October 16, 1998. |
| | 7.5 | October 17, 1998 to December 31, 1998. |
| | 7.75 | January 1, 1999 to December 31, 1999. |
| | 7.9 | January 1, 2000 to December 31, 2000. |
| Customs and border protection officer | 7.5 | After December 31, 2000. |
| | 7.5 | After June 29, 2008. |

(2) Notwithstanding any other provision of this subsection, the applicable percentage of basic pay under this subsection shall, for purposes of computing an amount—

(A) for a period in calendar year 2013, 2014, or 2015, be equal to the applicable percentage under this subsection for the preceding calendar year (including as increased under this paragraph, if applicable), plus an additional 0.5 percentage point; and

(B) for a period in any calendar year after 2015, be equal to the applicable percentage under this subsection for calendar year 2015 (as determined under subparagraph (A)).

* * * * *

§ 8351. Participation in the Thrift Savings Plan

(a) * * *

(b)(1) * * *

[(2)(A) An employee or Member may contribute to the Thrift Savings Fund in any pay period any amount not exceeding the

maximum percentage of such employee's or Member's basic pay for such pay period allowable under subparagraph (B).】

(2)(A) *An employee or Member may contribute to the Thrift Savings Fund in any pay period any amount of such employee's or Member's basic pay for such pay period, and may contribute (by direct transfer to the Fund) any part of any payment that the employee or Member receives for accumulated and accrued annual or vacation leave under section 5551 or 5552. Notwithstanding section 2105(e), in this paragraph the term "employee" includes an employee of the United States Postal Service or of the Postal Regulatory Commission.*

【(B) The maximum percentage allowable under this subparagraph shall be determined in accordance with the following table:

| 【In the case of a pay period beginning in fiscal year: | The maximum percentage allowable is: |
|--|--------------------------------------|
| 2001 | 6 |
| 2002 | 7 |
| 2003 | 8 |
| 2004 | 9 |
| 2005 | 10 |
| 2006 or thereafter | 100.】 |

【(C)】 (B) Notwithstanding any limitation under this paragraph, an eligible participant (as defined by section 414(v) of the Internal Revenue Code of 1986) may make such additional contributions to the Thrift Savings Fund as are permitted by such section 414(v) and regulations of the Executive Director consistent therewith.

* * * * *

CHAPTER 84—FEDERAL EMPLOYEES' RETIREMENT SYSTEM

SUBCHAPTER I—GENERAL PROVISIONS

§ 8401. Definitions

For the purpose of this chapter—

(1) * * *

* * * * *

(3)(A) the term "average pay" means the largest annual rate resulting from averaging an employee's or Member's rates of basic pay in effect over any 3 consecutive years of service or, in the case of an annuity under this chapter based on service of less than 3 years, over the total service, with each rate weighted by the period it was in effect; *except that*

(B) *in the case of a secure annuity employee, the term "average pay" has the meaning determined applying subparagraph (A)—*

(i) *by substituting "5 consecutive years" for "3 consecutive years"; and*

(ii) *by substituting "5 years" for "3 years".*

* * * * *

(35) the term "air traffic controller" or "controller" means—

(A) * * *

(B) a civilian employee of the Department of Transportation or the Department of Defense who is the immediate supervisor of a person described in section 2109(1)(B);
and

(36) the term “customs and border protection officer” means an employee in the Department of Homeland Security (A) who holds a position within the GS-1895 job series (determined applying the criteria in effect as of September 1, 2007) or any successor position, and (B) whose duties include activities relating to the arrival and departure of persons, conveyances, and merchandise at ports of entry, including any such employee who is transferred directly to a supervisory or administrative position in the Department of Homeland Security after performing such duties (as described in subparagraph (B)) in 1 or more positions (as described in subparagraph (A)) for at least 3 years**【.】**; *and*

(37) the term “secure annuity employee” means an employee or Member who—

(A) first becomes subject to this chapter after December 31, 2012; *and*

(B) at the time of first becoming subject to this chapter, does not have at least 5 years of civilian service creditable under the Civil Service Retirement System or any other retirement system for Government employees.

* * * * *

SUBCHAPTER II—BASIC ANNUITY

* * * * *

§ 8415. Computation of basic annuity

【(a) Except as otherwise provided in this section, the annuity of an employee retiring under this subchapter is 1 percent of that individual’s average pay multiplied by such individual’s total service.

【(b) The annuity of a Member, or former Member with title to a Member annuity, retiring under this subchapter is computed under subsection (a), except that if the individual has had at least 5 years of service as a Member or Congressional employee, or any combination thereof, so much of the annuity as is computed with respect to either such type of service (or a combination thereof), not exceeding a total of 20 years, shall be computed by multiplying 1 7/10 percent of the individual’s average pay by the years of such service.

【(c) The annuity of a Congressional employee, or former Congressional employee, retiring under this subchapter is computed under subsection (a), except that if the individual has had at least 5 years of service as a Congressional employee or Member, or any combination thereof, so much of the annuity as is computed with respect to either such type of service (or a combination thereof), not exceeding a total of 20 years, shall be computed by multiplying 1 7/10 percent of the individual’s average pay by the years of such service.

【(d) The annuity of an employee retiring under subsection (d) or (e) of section 8412 or under subsection (a), (b), or (c) of section 8425 is—

[(1) 1 7/10 percent of that individual's average pay multiplied by so much of such individual's total service as does not exceed 20 years; plus

[(2) 1 percent of that individual's average pay multiplied by so much of such individual's total service as exceeds 20 years.

[(e) The annuity of an air traffic controller or former air traffic controller retiring under section 8412(a) is computed under subsection (a), except that if the individual has had at least 5 years of service as an air traffic controller as defined by section 2109(1)(A)(i), so much of the annuity as is computed with respect to such type of service shall be computed by multiplying 1 7/10 percent of the individual's average pay by the years of such service.]

(a) Except as otherwise provided in this section, the annuity of an employee retiring under this subchapter is—

(1) in the case of an employee other than a secure annuity employee, 1 percent of that individual's average pay multiplied by such individual's total service; and

(2) in the case of an employee who is a secure annuity employee, 0.7 percent of that individual's average pay multiplied by such individual's total service.

(b)(1) The annuity of a Member, or former Member with title to a Member annuity, retiring under this subchapter is computed under subsection (a)(1), except that if the individual has had at least 5 years of service as a Member or Congressional employee, or any combination thereof, so much of the annuity as is computed with respect to either such type of service (or a combination thereof), not exceeding a total of 20 years, shall be computed by multiplying 1.7 percent of the individual's average pay by the years of such service.

(2) The annuity of a Member, or former Member with title to a Member annuity, retiring under this subchapter is, if the individual is or was a secure annuity employee, computed—

(A) under subsection (a)(2); and

(B) disregarding paragraph (1) of this subsection.

(c)(1) The annuity of a Congressional employee, or former Congressional employee, retiring under this subchapter is computed under subsection (a)(1), except that if the individual has had at least 5 years of service as a Congressional employee or Member, or any combination thereof, so much of the annuity as is computed with respect to either such type of service (or a combination thereof), not exceeding a total of 20 years, shall be computed by multiplying 1.7 percent of the individual's average pay by the years of such service.

(2) The annuity of a Congressional employee, or former Congressional employee, retiring under this subchapter is, if the individual is or was a secure annuity employee, computed—

(A) under subsection (a)(2); and

(B) disregarding paragraph (1) of this subsection.

(d) The annuity of an employee retiring under subsection (d) or (e) of section 8412 or under subsection (a), (b), or (c) of section 8425 is—

(1) in the case of an individual other than a secure annuity employee—

(A) 1.7 percent of that individual's average pay multiplied by so much of such individual's total service as does not exceed 20 years; plus

(B) 1 percent of that individual's average pay multiplied by so much of such individual's total service as exceeds 20 years; and

(2) in the case of an individual who is a secure annuity employee—

(A) 1.4 percent of that individual's average pay multiplied by so much of such individual's total service as does not exceed 20 years; plus

(B) 0.7 percent of that individual's average pay multiplied by so much of such individual's total service as exceeds 20 years.

(e) The annuity of an air traffic controller or former air traffic controller retiring under section 8412(a) is computed under subsection (a)(1), except that if the individual has had at least 5 years of service as an air traffic controller as defined by section 2109(1)(A)(i), so much of the annuity as is computed with respect to such type of service shall be computed—

(1) in the case of an individual other than a secure annuity employee, by multiplying 1.7 percent of the individual's average pay by the years of such service; and

(2) in the case of an individual who is a secure annuity employee, by multiplying 1.4 percent of the individual's average pay by the years of such service.

* * * * *

(h)(1) In applying [subsection (a)] subsection (a)(1) with respect to an employee under paragraph (2), the percentage applied under such subsection shall be 1.1 percent, rather than 1 percent.

(2) This subsection applies in the case of an employee who—

(A) * * *

* * * * *

but does not apply in the case of a Congressional employee, military technician (dual status), law enforcement officer, member of the Supreme Court Police, firefighter, nuclear materials courier, air traffic controller, [or customs and border protection officer] customs and border protection officer, or secure annuity employee.

* * * * *

§ 8421. Annuity supplement

(a)(1) Subject to [paragraph (3)] paragraphs (3) and (4), an individual shall, if and while entitled to an annuity under subsection (a), (b), (d), or (e) of section 8412, or under section 8414(c), also be entitled to an annuity supplement under this section.

(2) Subject to [paragraph (3)] paragraphs (3) and (4), an individual shall, if and while entitled to an annuity under section 8412(f), or under subsection (a) or (b) of section 8414, also be entitled to an annuity supplement under this section if such individual is at least the applicable minimum retirement age under section 8412(h).

* * * * *

(4)(A) Except as provided in subparagraph (B), no annuity supplement under this section shall be payable in the case of an individual whose entitlement to annuity is based on such individual's separation from service after December 31, 2012.

(B) Nothing in this paragraph applies in the case of an individual separating under subsection (d) or (e) of section 8412.

* * * * *

§ 8422. Deductions from pay; contributions for other service; deposits

(a)(1) * * *

* * * * *

[(3) The] (3)(A) The applicable percentage under this paragraph for civilian service shall be as follows:

| | | |
|---|------|---|
| Employee | 7 | January 1, 1987, to December 31, 1998. |
| | 7.25 | January 1, 1999, to December 31, 1999. |
| | 7.4 | January 1, 2000, to December 31, 2000. |
| Congressional employee | 7 | After December 31, 2000. |
| | 7.5 | January 1, 1987, to December 31, 1998. |
| | 7.75 | January 1, 1999, to December 31, 1999. |
| Member | 7.9 | January 1, 2000, to December 31, 2000. |
| | 7.5 | After December 31, 2000. |
| | 7.5 | January 1, 1987, to December 31, 1998. |
| | 7.75 | January 1, 1999, to December 31, 1999. |
| Law enforcement officer, firefighter, member of the Capitol Police, member of the Supreme Court Police, or air traffic controller | 7.9 | January 1, 2000, to December 31, 2000. |
| | 7.5 | After December 31, 2000. |
| | 7.5 | January 1, 1987, to October 16, 1998. |
| Nuclear materials courier | 7.5 | October 17, 1998, to December 31, 1998. |
| | 7.75 | January 1, 1999, to December 31, 1999. |
| | 7.9 | January 1, 2000, to December 31, 2000. |
| | 7.5 | After December 31, 2000. |
| Customs and border protection officer | 7.5 | After December 31, 2000. |
| | 7.5 | After June 29, 2008. |

(B) Notwithstanding any other provision of this paragraph and except in the case of a secure annuity employee, the applicable percentage under this paragraph shall, for purposes of computing any amount—

(i) for a period in calendar year 2013, 2014, or 2015, be equal to the applicable percentage under this paragraph for the preceding calendar year (including as increased under this subparagraph, if applicable), plus an additional 0.5 percentage point; and

(ii) for a period in any calendar year after 2015, be equal to the applicable percentage under this paragraph for calendar year 2015 (as determined under clause (i)).

(C) Notwithstanding any other provision of this paragraph, in the case of a secure annuity employee, the applicable percentage under this paragraph shall—

(i) in the case of a secure annuity employee who is an employee, Congressional employee, or Member, be equal to 10.2 percent; and

(ii) in the case of a secure annuity employee who is a law enforcement officer, firefighter, member of the Capitol Police, member of the Supreme Court Police, air traffic controller, nuclear materials courier, or customs and border protection officer, be equal to 10.7 percent.

* * * * *

SUBCHAPTER III—THRIFT SAVINGS PLAN

* * * * *

§ 8432. Contributions

(a) (1) An employee or Member may contribute to the Thrift Savings Fund in any pay period, pursuant to an election under subsection (b), an amount not to exceed the maximum percentage of such employee’s or Member’s basic pay for such pay period allowable under paragraph (2). Contributions under this subsection pursuant to such an election shall, with respect to each pay period for which such election remains in effect, be made in accordance with a program of regular contributions provided in regulations prescribed by the Executive Director.

(2) The maximum percentage allowable under this paragraph shall be determined in accordance with the following table:

| In the case of a pay period beginning in fiscal year: | The maximum percentage allowable is: |
|---|--------------------------------------|
| 2001 | 11 |
| 2002 | 12 |
| 2003 | 13 |
| 2004 | 14 |
| 2005 | 15 |
| 2006 or thereafter | 100.】 |

(1) An employee or Member—

(A) may contribute to the Thrift Savings Fund in any pay period, pursuant to an election under subsection (b), any amount of such employee’s or Member’s basic pay for such pay period; and

(B) may contribute (by direct transfer to the Fund) any part of any payment that the employee or Member receives for accu-

mulated and accrued annual or vacation leave under section 5551 or 5552.

(2) Contributions made under paragraph (1)(A) pursuant to an election under subsection (b) shall, with respect to each pay period for which such election remains in effect, be made in accordance with a program of regular contributions provided in regulations prescribed by the Executive Director.

* * * * *

(4) Notwithstanding section 2105(e), in this subsection the term "employee" includes an employee of the United States Postal Service or of the Postal Regulatory Commission.

* * * * *

TENNESSEE VALLEY AUTHORITY ACT OF 1933

* * * * *

SEC. 3. (a) * * *

* * * * *

(c) The chief executive officer shall prescribe any regulations which may be necessary in order to carry out the purposes of the Securing Annuities for Federal Employees Act of 2012 with respect to any defined benefit plan covering employees of the Tennessee Valley Authority.

* * * * *

MINORITY VIEWS

Committee Democrats strongly oppose H.R. 3813, the Securing Annuities for Federal Employees Act of 2012, as ordered reported by the Committee on February 7, 2012.

Federal workers are the backbone of our government. They support our troops in the battlefield and provide care upon their return. They protect our borders, safeguard our food supply, ensure that our seniors' social security checks are disbursed, and help hunt down terrorists like Osama bin Laden. They carry out each and every federal program, service, and initiative.

In return for their hard work and dedication, the majority has rewarded federal workers with an unprecedented assault on their compensation and benefits, including proposals to extend their current two-year pay freeze, to arbitrarily cut the number of federal employees, and now to slash their retirement benefits. H.R. 3813 breaks the promises made to federal workers and undermines morale, recruitment, and retention.

According to the Congressional Budget Office, H.R. 3813 would take more than \$45 billion out of the pockets of millions of middle-class American workers over the next ten years.¹ This is in addition to the \$60 billion that federal workers are already contributing as a result of the existing two-year pay freeze. While the majority would have federal workers contribute more than \$100 billion toward reducing the nation's deficit, they have refused to ask the wealthiest Americans to sacrifice even a penny toward this goal.

One of the most damaging aspects of H.R. 3813 is its provision eliminating FERS annuity supplements for workers who plan to retire beginning in 2013. Annuity supplements are payments intended to make up for amounts employees would receive as Social Security payments if they retire before becoming eligible for Social Security. Eliminating this benefit would throw into chaos the long-standing retirement plans of federal workers who have dedicated decades of service to this country.

During a hearing before the Federal Workforce Subcommittee, the majority's own witness, Andrew Biggs, Research Scholar at the American Enterprise Institute, made exactly this point. He testified:

Benefits already accrued should not be altered. Those benefits have been promised and earned, and the obligation to pay them should be honored.²

¹Letter from Douglas W. Elmendorf, Director, Congressional Budget Office, to Rep. Dave Camp, Chairman, Committee on Ways and Means (Dec. 9, 2011) (online at www.cbo.gov/ftpdocs/126xx/doc12609/hr3630.pdf).

²Andrew G. Biggs, Ph.D., Statement Before the House Committee on Oversight and Government Reform, Subcommittee on Federal Workforce, U.S. Postal Service and Labor Policy, Hearing on "Retirement Readiness: Strengthening the Federal Pension System" (Jan. 25, 2012).

The National Treasury Employees Union estimates that eliminating this benefit for the average employee eligible to retire at 55 would result in the “loss of over \$65,000 over seven years.”³

Many federal employees have been working for up to 30 years with the expectation of receiving this benefit, and many of them elected to switch out of CSRS and into FERS based on the promise of receiving these payments. For example, John Kelshaw, an employee working in the IRS’ appeals office in New Jersey, started out as a CSRS employee, but switched over to FERS partly because of the promised supplement. In speaking on the unfairness of the proposed pension rule modification, Mr. Kelshaw stated, “I have kept up my end of the bargain, but Congress wants to change the rules now.” As Mr. Kelshaw stated, “a promise made should be a promise kept.”⁴

Although Congressman Davis offered an amendment to strike this provision, the majority rejected it.

H.R. 3813 would also negatively affect millions of middle-class American workers by cutting by 1.5% the government portion of retirement contributions for federal employees covered by CSRS and FERS. The bill would force these employees to increase their own contributions by the same amount. These cuts would be phased in over three years, beginning in 2013, with a 0.5% decrease each year. These changes would also apply to Members of Congress, congressional staff, and employees of the U.S. Postal Service, Foreign Service, CIA, and Tennessee Valley Authority.

Finally, the bill would negatively affect new employees. It would create a separate retirement system for “secure annuity employees,” which would include new employees and Members, as well as returning employees or Members with fewer than five years of prior federal service. Those employees would face a decrease of 3.2% compared to current government pension contributions; pensions based on the highest five years’ average salary, rather than the current high three; and reductions in the pension formula multiplier to 0.7% of average pay. Law enforcement officers, firefighters, and air traffic controllers would receive a reduction in the multiplier from 1.7% to 1.4%. Current law provides a 1% multiplier for federal employees and a 1.7% multiplier for Members of Congress and congressional staff. The cumulative effect of these changes is that newly hired federal employees would contribute significantly more for an annuity worth roughly 40% less than under existing law.⁵

Although Congressman Kucinich offered an amendment to strike these provisions, the majority rejected them.

During the Committee’s consideration of H.R. 3813, Ranking Member Cummings offered several amendments intended to prevent the most destructive cuts in the legislation from being applied to low and middle income workers. He offered one amendment that would have prevented these cuts from applying to federal workers

³Letter from Colleen M. Kelly, National President, National Treasury Employees Union, to Members of Congress (Feb. 6, 2012).

⁴*Rep. Gerry Connolly, NTEU Blast Bill Cutting Feds’ Retirements*, Federal Times (Feb. 6, 2012) (<http://blogs.federaltimes.com/federal-times-blog/2012/02/06/rep-gerry-connolly-nteu-blast-bill-cutting-feds-retirements/>).

⁵Letter from Joseph A. Beaudoin, President, National Active and Retired Federal Employees Association, to the House Committee on Oversight and Government Reform (Feb. 7, 2012).

who make less than \$100,000, and he offered a second amendment to protect federal workers who make less than \$30,000. The majority rejected both amendments.

Congressman Lynch offered an amendment that would have deferred these cuts while federal workers continue to operate under an existing pay freeze. As he and others explained, it would be unfair to require federal workers to pay more toward their retirement benefits while effectively reducing the value of their compensation through a multi-year pay freeze, a result that would constitute a double hit to employee paychecks. This amendment was also rejected.

The Committee did approve one amendment offered by Congressman Lynch that would allow federal and postal employees enrolled in CSRS or FERS to deposit unused annual or vacation leave into their TSP accounts upon retirement. This change would be consistent with changes adopted by the IRS in 2009 for private sector 401(k) plans and would ensure parity between federal and private sector retirement plans. It would also allow federal employees to rebuild their TSP accounts to make up for losses from the recession and from the reductions in pay and benefits that would result from implementation of this bill.

Throughout debate on this legislation, the majority failed to offer any legitimate rationale for why these cuts are necessary or for what purpose the resulting savings would be used. After the Committee approved the bill, the House Republican leadership indicated that it intends to use the savings generated by this legislation not for deficit reduction efforts, but to pay for unrelated surface transportation and highway projects.

ELIJAH E. CUMMINGS.

