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how decisions
made today
can affect your
federal health care and
retirement benefits
tomorrow.



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NARFE membership is open to all federal employees, retirees and survivors, as well as workers and retirees hired by the District of Columbia government before October 1, 1987.



NARFE

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FEDERAL EMPLOYEES

Pop Quiz

Laws Can Change.
So Can You?

- 1) Thrift Savings Plan
- 2) Retirement Annuity
- 3) Health Benefits

4) ALL OF THE
ABOVE

Can Your Benefits Be Reduced or Even Eliminated?

YES! WITH A SIMPLE ACT OF CONGRESS

Every year, Congress generates a federal budget that sets forth total levels of spending. Funding for our federal benefits is dependent on this process. It's important to know that Congress has the power to make changes to federal benefits at any time.

The Congressional Budget Office (CBO) proposes options for cutting budget costs. These options are reported to Congress for its consideration. Here are some of the federal employee/retiree benefit-cutting options the CBO provided to Congress for trimming costs in the Fiscal Year 2008 Budget and reducing the nation's deficit.

CBO Options Affecting Federal Workers and Annuitants

REDUCTION TO HEALTH BENEFITS

Shifting a Growing Share of Health Insurance Costs to Workers and Retirees:

Eliminates the current funding structure wherein the government pays an average of 71 percent of the cost of the Federal Employees Health Benefits Program (FEHBP) and instead provides employees and retirees with a flat dollar amount towards the purchase of health insurance. The amount would be adjusted annually by the rate of inflation, which historically has risen at a much slower pace than health care costs and insurance premiums. The percentage workers and retirees pay would grow every year that health plan rate hikes were higher than general inflation.

Require Certain Future Retirees to Pay More for Their FEHBP Premiums: Future

federal retirees with less than 20 years of service would be required to pay a substantially higher percentage share of their FEHBP premiums in retirement. The government's premium share would be reduced by 2 percent for every year of service less than 20.

REDUCTION TO ANNUITIES

Cut Annuities by Basing Them on Highest Four or Five Years of Salary:

Future retirement annuities for employees would be based on the average high-four or high-five years of salary, in lieu of the current high-three years. This proposal is estimated to result in future Civil Service Retirement System (CSRS) retirees receiving an average of \$1,250 less, and Federal Employees Retirement System (FERS) retirees would lose an average of \$420 in 2008 under the high-five scenario. The average new CSRS retiree would receive \$600 less, the FERS retiree \$200 less, under a high-four formula.

Underestimate Inflation to Cut Cost-of-Living Adjustments (COLAs):

Base the federal civilian and military retirement COLAs on an alternative measure of inflation which is likely to result in a COLA lowered by 0.3 percentage points annually. As a result, the reduction would be compounded over time, resulting in smaller annuities.

REDUCTION TO TSP

Require Workers to Double Their TSP Contribution to Receive Full Employer Match:

The government would provide its current full 5 percent of salary match to a FERS employee's Thrift Savings Plan (TSP) account only when the employee contributed 10 percent

of their salary instead of the 5 percent contribution that currently qualifies them.

REDUCTION TO SALARIES

Increase Employee's Contributions to the Retirement Fund:

Hike the contribution federal workers must make toward their defined retirement annuity by 0.5 percent of salary. For most CSRS workers, this would result in a 7.5 percent contribution; most FERS employees would pay 1.3 percent. This proposal translates into the equivalent of an immediate 0.5 percent pay cut.

* * *

None of the options were adopted in this year's budget but these proposals continue to be put forward. Federal health care and retirement benefits are always vulnerable, particularly with a budget deficit.

We fear that in the not too distant future, lawmakers will want to cut federal retirement in response to the tremendous pressure 77 million retiring baby boomers will place on the budget.

It's NARFE's job to safeguard your benefits and to alert you when budget cuts threaten to reduce or even eliminate your earned retirement benefits. Since 1921, NARFE's lobbying efforts have been indispensable in preventing Congress from taking action against your retirement income.

NARFE is the *only* organization dedicated solely to protecting the health care and retirement benefits of federal employees and their survivors.
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