

September 21, 2005

## **MEMORANDUM**

TO: Chapter Presidents and Legislative Coordinators

RE: Attacks on Federal Employee Retirement and Other Benefits

**SUMMARY:** The Congressional Republican Study Committee has proposed severe cuts in federal retirement benefits as well as other objectionable cuts to pay for the spending related to the Katrina disaster while continuing to press for further tax cuts that primarily benefit the wealthy.

At a Capitol Hill press conference today, an organization of conservative GOP members of the House of Representatives called the Republican Study Committee (RSC), outlined a package of budget cuts they propose to pay for federal expenditures resulting from the Katrina disaster. Most disturbing is the call for radical changes in federal retirement. The RSC would change the "High 3" to a "High 5" for retirement purposes. As you know, currently in both the CSRS and the FERS program, initial pension benefits are based on average salary during a worker's three consecutive highest earning years. By switching to a "High 5" system, federal workers would lose \$5.2 billion in pension benefits over the next ten years.

The RSC also proposes to increase premiums for retiree health insurance. Under their plan, retirees with moderate lengths of federal service at the time of retirement would not be allowed to keep their FEHBP insurance in retirement at the same premium they paid during their working years. Retirees would pay an additional \$6.3 billion over ten years in premium costs.

Additionally, retirees in both the public and private sector would pay additional fees, copayments, and other charges totally to \$203.8 billion over ten years for Medicare.

Not only retirement benefits are under attack in this proposal. One of the most disturbing parts of this proposal is its suggestion that the safety and security of federal employees is a luxury. In the aftermath of Oklahoma City, the World Trade Center, and now Hurricane Katrina, I am shocked that any responsible person would consider the structure and security of federal buildings and facilities a secondary concern. The RSC proposal calls for new construction and repairs to federal buildings to be curtailed, takes away funding from the General Services Administration to make determinations as to building deficiencies and needed repairs, and particularly slashes the building and facilities maintenance budget at the Department of Agriculture. The rationale for this is that these needed repairs and improvements can wait in time when money is tight.

The proposal also calls for federal employees to pay \$1.5 billion over ten years for parking at their place of work. This is really an insignificant amount in the big picture but seems designed to target federal workers for any work benefit they may have.

The administrative and operating budgets of several NTEU represented agencies are also cut under the proposal. The entire Department of Energy Environmental Management (DOE-EM) program is eliminated. These employees are represented by NTEU. An additional \$209 million in administrative and operating expenses would be cut at DOE. IRS would be forced to turn its user fees over to the general fund for a cut of \$989 million and at the Departmental level, Treasury would suffer an additional \$167 million cut. Additionally, even with this cut in resources, the IRS would be called upon to produce an additional savings of \$85 billion from enforcement of the Earned Income Tax Credit.

Lastly, many of the needed programs administered by NTEU represented agencies would face cuts including the School Lunch program and the activities of the Federal Election Commission and the Environmental Protection Agency. The Securities and Exchange Commission appears to be asked to contribute its fee revenue to the general fund. The proposal pushes several ideological positions as well by allowing federal contractors in the construction industry to pay substandard wages and for "Heath Savings Accounts" to be added to TRICARE.

This is a massive, serious, and deeply flawed proposal. Even if only parts of it move forward, federal employees are in danger. It is important that you discuss this matter with your chapter. If you have any questions or need further information, please feel free to contact Kurt Vorndran in the Legislation Department at 202.572.5500, ext. 7056. We will update you with more information as soon as it becomes available. Thank you.

Sincerely

Colleen M. Kelley  
National President