

PAY AND POTENTIAL FURLOUGHS

Unfortunately, there is a great deal of misunderstanding about the subject of federal pay, much of it circulated by organizations who compare average wages between the private sector and the public sector, without paying any attention to the makeup of the workforce or the responsibilities of the positions. There are great differences between federal and private sector jobs. More than 54% of federal workers work in the nine highest paying occupation groups, including judges, engineers and scientists. Federal employees are more experienced, older, and have more years of education than private sector workers. Fifty-one percent have at least a college degree compared with 35 percent in the private sector. Twenty percent have advanced degrees compared with 13 percent in the private sector.

According to the Bureau of Labor Statistics (BLS), federal employees lag 24 percent behind the private sector when examining comparable jobs. Despite this fact, the federal workforce is currently operating under a two-year pay freeze that was enacted last December in the Continuing Resolution (*P.L. 111-322*). According to the Congressional Research Service, the average wages among all workers in the economy have risen by 632% since 1969, while salaries for civilian federal employees have increased by only 428% for the same period. (*CRS Rep. 94-971*). Reducing federal employee salaries even further, as some have proposed, could lead to a flood of retirements and a resulting brain drain.

Funding for federal agencies, which is currently included in a Continuing Resolution, runs out on March 4th. If Congress and the President do not reach agreement on new funding legislation by then federal employees could be looking at furloughs due to a government shutdown. That would not only be bad for federal employees, but for those who rely on their services. They protect our borders, review social security claims, keep our food and water safe and protect our environment. The draconian budget cuts passed by the House in H.R. 1, however, will also severely damage the delivery of needed services and should be rejected.

Additionally, legislation to require mandatory unpaid furloughs separate from a government shutdown has been introduced. Rep. Mike Coffman (R-CO) introduced H.R. 270, on January 12th. The bill requires a two-week unpaid mandatory furlough for federal employees during Fiscal Year 2012, beginning this October. Implementing a mandatory furlough is a misguided attempt to address the nation's fiscal challenges by reducing the services the public expects and deserves from its government. A furlough of federal employees is likely to damage the ability to keep important government systems running, and services intact and could lead to more costly outsourcing.

NTEU urges:

- **Opposition to further pay reductions for federal employees.**
- **Opposition to a government shutdown and support for adequate funding for agencies.**
- **Opposition to H.R. 270 or other legislation to require mandatory unpaid furloughs.**

AGENCY FUNDING AND CONTRACTING OUT



One of NTEU's top legislative priorities for the 112th Congress is to ensure that federal agencies are provided with the resources and staffing necessary to perform their critical missions.

At a time when federal agencies continue to face staffing shortages and an ever increasing workload, NTEU believes recent proposals that would drastically slash funding for federal agencies, would jeopardize their ability to accomplish their missions and result in billions in foregone revenue. In particular, NTEU is greatly concerned about the draconian cuts included in H.R. 1, legislation introduced by the Republican leadership that would slash government funding for the remainder of FY '11 to \$100 billion below the President's original budget request. At the IRS, such drastic funding reductions would severely hamper its ability to continue effectively providing taxpayers quality service, while at the FDA, these reductions would limit its ability to ensure the American public has food, drugs and medical devices that are safe. Reduced funding would also negatively impact the SSA by impeding its ability to continue reducing the backlog of disability claims, and would create a huge backlog of patent and trademark applications at the PTO. The proposed reductions in funding under H.R. 1 could also negatively impact the security of our nation by undermining CBP's ability to adequately protect our borders and facilitate trade, and impeding TSA's ability to ensure the safety of our nation's airports and the traveling public.

One way in which NTEU believes additional agency resources can be found is by reforming the broken competitive sourcing process and bringing contracted work back in-house. By ensuring federal employees are able to compete for work with contractors on an even playing field, and identifying areas in which the government could perform this work more effectively and efficiently, federal agencies will be better able to provide high quality services and will save taxpayer dollars. The Administration has already begun to reform federal contracting by requiring agencies to cut wasteful contract spending, reduce overreliance on contractors, and improve oversight and accountability. These efforts are expected to result in \$40 billion in annual savings by the end of 2011 which could be used to ensure agencies have the necessary resources and staffing. We also believe that Congress should continue the prohibition on the use of appropriated funds to hire private collection agencies to collect federal taxes.

NTEU urges:

- **Support for adequate funding to ensure that federal agencies have the resources and staffing necessary to perform their critical missions and provide needed services to taxpayers.**
- **Further savings in the federal contracting process by ending no-bid, cost-plus contracts and ensuring federal employees are able to compete for work on an even playing field.**

FEDERAL RETIREMENT ISSUES

The FERS system was created 24 years ago to replace a defined benefit system (CSRS) that had a serious and growing, unfunded liability problem similar to those faced by many state plans today. FERS solved that problem and has recently been referred to as a model by many diverse pension experts. Retirement age, COLAs, and the basic benefit formula for determining pension payments are less generous under FERS than under CSRS.

Proposals have been offered by the Deficit Commission and others that would reduce federal retirement benefits, including:

Change to a “high-5” formula instead of “high-3” for computing federal civilian pensions.

This proposal would cut the value of federal pensions. The federal workforce is an older workforce whose members have relied and planned on a retirement based on the present system. It is extremely unfair to change the goalposts for these employees as they reach the end of their careers.

Recommendation for federal workers to contribute more to the cost of their FERS pensions.

This proposal would increase federal workers' contributions to the FERS defined benefit by between 5 and 7% of salary, or the equivalent of a 5 to 7% pay cut. FERS is financially sound, 100% pre-funded, with no unfunded liability. A drastic increase in employee contributions to FERS is unnecessary and unfair.

“Reform” COLA payments to civil service early retirees.

NTEU opposes the use of a new “chained” CPI. As the Congressional Budget Office has noted, “The chained CPI-U might understate changes in the cost of living for retirees, whose spending patterns can differ from those of the general population.” Retirees received no COLA last year and will not receive one this year. At the same time, their rent has gone up; their groceries have gone up, as well as their health insurance and transportation costs. The notion that a lower measure of inflation is needed simply does not reflect the reality of the economy today.

A requirement to increase cost sharing for civilian retirees who participate in FEHB.

Retirees pay on average 30% of the cost of their FEHBP premiums and premiums have increased and benefits have shrunk dramatically in the last decade. In 2010, the enrollee portion of the FEHBP premium increased on average almost 9%. In 2009 it was 13%. Nearly 4 million participants in the largest plan paid increases of 12% to 15% last year.

According to an analysis by the House Federal Workforce Subcommittee, FEHBP pays from 15 to 45% more for its prescription drugs than any other federal program. NTEU would urge those who seek savings in FEHBP to look in areas such as this, rather than from enrollee premiums in retirement.

NTEU urges you to oppose proposals to decrease federal pensions and to require retirees to pay more for their health care.

IMPACT OF FINANCIAL REFORM ON NTEU AGENCIES



Last year, Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act. This legislation gives NTEU represented employees at FDIC, the Office of the Comptroller of the Currency (OCC), the Securities and Exchange Commission (SEC) and the National Credit Union Administration (NCUA) important new duties and tools to protect American consumers, investors and depositors.

Proposals have been made to repeal this legislation or try to find other means to block its implementation. NTEU strongly opposes repeal of the Wall Street Reform and Consumer Protection Act. We would also oppose any attempt to eliminate the important financial regulatory agency employee protections in the law, such as whistleblower rights, bargaining rights and restrictions on involuntary geographical transfers.

FDIC, OCC, NCUA and Bureau of Consumer Financial Protection

The above named agencies are all industry funded and do not contribute to the deficit nor are they subject to the appropriations process. Attempts to use the appropriations process to dictate agency policy is inappropriate and NTEU would oppose. The Senate will soon be considering new leaders for the FDIC, OCC and the Bureau of Consumer Financial Protection. While the Senate has a legitimate role in giving advice and consent we urge quick action to put permanent leadership in place at these critical agencies.

SEC Funding

Adequate funding of the SEC does not contribute to the deficit, as it collects fees from the securities industry to finance its budget. However, unlike the other financial regulatory agencies, SEC is subject to the Congressional appropriations process.

Starting in FY2005, the SEC suffered through three years of frozen or reduced budgets resulting in a 10% reduction in staff. Recent funding improvements at SEC have only now restored staffing to the 2005 levels. Yet during this time, SEC's workload has expanded. Trading volume has more than doubled since 2003. The number of investment advisers has grown by roughly 50 percent, and the funds they manage have increased nearly 55 percent, to \$33 trillion. The SEC's 3,800 employees currently oversee approximately 35,000 entities -- including 11,450 investment advisers, 7,600 mutual funds, 5,000 broker-dealers, and more than 10,000 public companies. With insufficient funding for even its historic duties, SEC now has significant new duties under the Dodd-Frank Consumer Protection legislation. The SEC is currently operating under a hiring freeze and its ability to police the markets and enforce the securities laws is being severely limited.

NTEU Urges:

- **Opposition to changes to or repeal of the Wall Street Reform and Consumer Protection Act.**
- **Support for adequate resources for financial regulatory agencies, including appropriations for the SEC.**

FEDERAL HEALTH INSURANCE ISSUES (FEHBP)

Every year, federal employees and retirees see their health insurance premiums rise. While they pay approximately 30 percent of their FEHBP insurance premium, more than many in the private sector, their coverage and benefits continue to decline while co-pays and out-of-pocket costs rise. In 2010, the enrollee portion of the FEHBP premium increased on average by almost 9%. Nearly 4 million participants paid increases of over 12%, or over 15%, if they were enrolled in the popular Blue Cross/Blue Shield plan. In 2011, the average premium increase was held to 7.2 percent, but many participating plans offered less prescription drug coverage, with higher drug copays and less generous coinsurance. Over the last decade, health insurance premiums have increased by over 50 percent.

NTEU believes savings can be found in FEHBP to keep overall costs down for enrollees. One area for savings is in FEHBP's current prescription drug pricing method. It is overly complex, non-transparent and results in the government paying more for prescription drugs under FEHBP than in other federal programs including the VA, DOD, Medicare and Medicaid. NTEU believes this is because drug prices are negotiated by middlemen, known as pharmacy benefit managers, (PBMs) who obtain drugs at discounted rates and then retain rebates and discounts from the drug manufacturers, instead of returning those savings to OPM to keep FEHBP costs down. In its FY 2012 budget the administration estimated that streamlining PBM contracting would save \$69 million in 2012, and more than \$1.76 billion over ten years. NTEU supports this reform and would back legislation to return rebates and discounts to FEHBP.

NTEU also opposes changing the basic structure of FEHBP. In December, the National Commission on Fiscal Responsibility and Reform, known as the Deficit Commission, called for turning the program into a defined contribution or voucher program which would limit the funds available to federal employees and retirees to a fixed subsidy, capped at GDP plus 1 percent. Employees would then shop around for health plans with fewer dollars. This proposal would simply cost-shift to require federal enrollees to pay more, with no heed to medical inflation which has skyrocketed in the last decade. Reneging on health benefits is something the federal government should not do, and NTEU would vehemently oppose the Commission's proposal or similar efforts to restructure FEHBP. This would be a great disservice to the 8 million participants in FEHBP.

NTEU urges:

- **Support for prescription drug reform in FEHBP.**
- **Opposition to a major restructuring of FEHBP to make it into a defined contribution or voucher plan.**

COLLECTIVE BARGAINING RIGHTS FOR TSA

The Transportation Security Administration was formed shortly after 9/11 to create a professional, stable, experienced federal security force at our nation's airports. When the legislation was passed, it contained language that gave the TSA administrator unlimited authority to create a personnel system for the Transportation Security Officers. One of the first directives implemented under that system was a determination that the screeners, now called Transportation Security Officers, would not be permitted to engage in collective bargaining. Since that time, TSA employees have labored under a system that has almost completely demoralized them. TSA has one of the highest attrition rates in the government, and high on-the-job injuries. Concerns have been voiced about increased costs and potential security gaps in our aviation systems because of the turnover and job dissatisfaction. In the last employee survey done by the Office of Personnel Management, TSA was rated 220 out of 224 agencies in the "best place to work" category. All of these issues contributed to Administrator Pistole's decision to allow limited collective bargaining at TSA. Workers will have an election for representation from March 9 to April 19 this year.

NTEU believes collective bargaining rights for TSA Officers should be permanently set through statute. We look forward to the introduction of language similar to HR 1881, introduced by Representative Lowey (D-NY) in the last Congress, offering full civil service protection and pay to employees at TSA. Many federal employees involved in securing our nation have these rights – Customs and Border Protection Officers, Border Patrol Officers, Bureau of Prison Guards. Like these federal employees, TSA employees must follow civil service rules that prohibit the right to strike and allow managers to move employees to different areas in the event of an emergency.

We can strengthen TSA by providing its workers with a pay and performance system that is fair, credible and transparent, and with a voice in their working conditions. Collective bargaining helps to develop fair, credible and transparent processes without interfering with management rights to accomplish agency missions. The Administrator's directive is a good first step to changing the tenor of an agency that has the lowest wages, high attrition rates, and one of the highest injury rates in the federal government. Legislation will complete the process.

NTEU urges your support for legislation ensuring collective bargaining rights for TSA employees.