Director of Retired Members

A brief history of CSRS and FERS

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With the founding of the NALC in 1889, a fight was started. In particular, a fight for a pension. At the time, older carriers were sometimes referred to as superannuated carriers (which means obsolete through age). It was clear that retirement was a necessary benefit and worth fighting for.

In 1920, the Civil Service Retirement System (CSRS) was born. Participants had an employee contribution, but did not contribute to Social Security. CSRS is a defined benefit plan, which is when an annuity is predetermined by a formula—in this case, based on the years of service and the high-3 average salary. This provided a known benefit that would allow employees to plan for and have a dependable retirement, regardless of how the stock market performed.

The Federal Employees Retirement System (FERS) was created in 1987, but applied to those hired on or after Jan. 1, 1984. It was at this point that there were no new CSRS participants. FERS differed from CSRS in that it took advantage of Social Security and also added a third benefit, the Thrift Savings Plan (TSP). The FERS basic benefit was still a defined benefit plan, but it was reduced to compensate for Social Security and the TSP.

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Employee contributions for FERS started at 0.8 percent of basic pay. So, if you were a FERS employee prior to Jan. 1, 2013, you automatically contribute 0.8 percent of your basic pay. This contribution is not voluntary. For today's top-step carriers earning $65,037 per year, that amounts to approximately $520 in annual contributions. That's a pretty good deal for a pension, especially when you consider that some retirees collect an annuity for longer than they worked.

The employee contributions for FERS have changed over time. Effective Jan. 1, 2013, the category FERS-Revised Annuity Employee (or FERS-RAE) was created and applied only to new career employees. FERS-RAE changed employee contributions to 3.1 percent. It turned out that FERS-RAE was short-lived.

Effective Jan. 1, 2014, another new category, FERS-Further Revised Annuity Employee (FERS-FRAE) changed employee contributions for new career employees to 4.4 percent. That means that new career employees pay an additional 3.6 percent of their base pay for the same benefits as those prior to 2013. At the top step of $65,037 per year, this additional 3.6 percent represents an increase of approximately $2,341 per year in employee contributions. Surely a substantial increase. I would still point out that even for FERS-FRAE employees, it is my opinion that the pension remains a great benefit.

Why would one increase the employee contributions in 2013 and again in 2014? Was the pension fund failing? Was the fund paying out more than it was taking in? What was going on? Based on a 2016 report by the Office of Personnel Management (OPM), we can get a glimpse at the fund's history. Looking at the fund—technically, it's the Civil Service Disability Retirement Fund (CSDRF)—we can see from that from at least 1987 to 2014 (all the data available at the time the report was written), the fund increased year over year. By the end of 2012, the fund's net assets were a mere $829,100,000,000 (that is $829.1 billion). The report by OPM also makes projections of the future. From 2015 to 2090, OPM projected that the end-of-year net assets would continue to increase year after year. The fund's net assets were projected by 2090 to be $12.5 trillion!

This leads to my next question. If the fund is projected to continue to grow and grow and grow, why are our elected representatives again proposing to increase the cost to federal employees while simultaneously decreasing benefits? The White House 2021 budget proposal aims to reduce CSRS cost-of-living adjustments (COLAs) by 0.5 percent, eliminate FERS COLAs, eliminate the Special Retirement Supplement (which helps those retiring before age 62 to bridge the gap until they can start collecting Social Security), change the high-3 to a high-5 average salary and even reduce the G-fund interest rate within the TSP.

The question remains: Why should we pay more and receive less, when the system is working so well? Elections are around the corner. If you are retired or would like to retire someday, I encourage you to stay engaged in politics and consider casting your vote for the politicians who support unions, the middle class and especially federal employees. Remember that the party doesn't matter. We have politicians who support us on both sides of the aisle. Let's make sure that the individuals we vote for have a good track record when it comes to supporting America's dedicated federal workforce. Let's make sure the billions of dollars we've paid into the fund end up back in our pockets, so that we can age with dignity.