

Retirement on the chopping block



**Dan
Toth**

They put their plan in writing. We read the plan and knew it was coming. Here it is. The retirement cuts proposed in Project 2025 (the Trump administration transition plan) that I discussed in my September/October 2024 article have reared their ugly, anti-worker heads. To me, this is a slap in the face to every active employee. It breaks the promise and alters the benefits that we accepted when starting this job. This proposal should have everyone up in arms and calling their senators.

Let's take a look at the cuts. As part of the budget reconciliation process, the House Committee on Oversight and Accountability passed a measure that drastically reduces Federal Employees Retirement System (FERS) benefits while increasing employees' contributions. The measure has three components.

First, the measure increases the contribution rate for existing employees up to 4.4 percent of the base pay. This means that active employees who were hired prior to 2013, who currently contribute 0.8 percent, would suddenly have to pay an additional 3.6 percent of their base pay. For a top-step carrier at approximately \$80,000, this amounts to a \$2,880 pay cut. This pay cut on its own could be devastating for those on a tight budget, but the fact that the measure also proposes to reduce the retirement benefits is crazy.

The second component is to eliminate the Special Annuity Supplement. The supplement is a vital component to help people retire prior to age 62, and it's available only to those at their Minimum Retirement Age (usually referred to as the MRA) with 30 years of service, or age 60 with 20 years of service. The supplement isn't just handed out to everyone willy-nilly. We don't sit behind a desk. Carrying mail to age 62 after decades of hard labor wears down the body and is no easy task. This proposal also ignores the history of FERS. When lawmakers were bargaining over the benefits of FERS, the reduced, or "diet" cost-of-living adjustment was the tradeoff FERS employees paid to get the supplement. And now Republicans want to remove the supplement as well.

The third component is to change the high-3 average salary to a high-5 average salary. This variable is part

of the annuity calculation, and changing to the highest five years means that two years of lower salary are added to the average. Any reduction to the average salary proportionally reduces the annuity.

So why are Republicans once again trying to cut benefits of hardworking, middle-class federal employees? We serve our country day in and day out. Not even the pandemic stopped us. And this is our reward?

Let's examine our bias and give the cuts the benefit of the doubt. How is FERS funded, and how is it doing? Maybe FERS needs to be bailed out? Are our retirement benefits too generous?

The Civil Service Retirement and Disability Fund is the fund or account where FERS and Civil Service Retirement System contributions are stored and paid out of. As of Fiscal Year 2023¹, the fund has a total of \$1,036,690,612,000 (more than \$1 trillion). That's a lot of commas, so things seem good so far. But maybe the fund is being depleted and moving in the wrong direction, and we need to course-correct by increasing employee contributions and reducing benefits? In 2013, the fund was more than \$844 billion. So clearly the fund has been going up over time. Well, how does the future look? The projection for 2033 is that the fund will grow to \$1.6 trillion. And the fund will continue to grow. By the year 2100, it's projected to reach nearly \$14 trillion. Why the heck do letter carriers need to pay more and get less from this fund when it continues to grow?

Once these proposed cuts were passed by the Republican-controlled House Committee, the NALC went to work. Fortunately, two of these proposals were axed from the bill when it was passed by the full House, but the elimination of the Special Annuity Supplement remains in the bill. This means that active employees who want to retire before the age of 62 might no longer be able to afford it. Changing our benefits mid-career and adding five to seven years in a physically demanding job is unconscionable. At the time of writing this article, the reconciliation bill remains under consideration in the Senate. If it's not too late, please contact your senators and let them know you oppose these cuts.

Correction: The May column "Where to live in retirement" stated that utilities were included at Nalcrest. Not all utilities are included in the rent. Prospective residents should inquire directly with Nalcrest at 863-695-1121.

¹ [opm.gov/about-us/reports-publications/agency-reports/fy-2023-civil-service-retirement-and-disability-fund-annual-report.pdf](https://www.opm.gov/about-us/reports-publications/agency-reports/fy-2023-civil-service-retirement-and-disability-fund-annual-report.pdf)