

FEDERAL-POSTAL COALITION

January 13, 2011

The President
The White House
1600 Pennsylvania Avenue, N.W.
Washington, DC 20504

Dear Mr. President:

On behalf of the 4.6 million federal and postal workers and annuitants represented by the national member organizations of the Federal-Postal Coalition, we urge you to reject the recommendations made by co-chairs of the National Commission on Fiscal Responsibility and Reform to cut federal civilian retirement and health benefits, freeze federal pay and reduce the federal workforce by 10 percent, and to exclude such items from the Administration's Fiscal Year (FY) 2012 budget proposal.

There is no public policy basis to accept the proposed reductions to federal civilian retirement since the Civil Service Retirement and Disability Fund (CSRDF) is fully funded and financially sound. According to the Congressional Research Service: "Using a 75-year projection period, the Office of Personnel Management estimates that the total value of securities in the trust fund will grow throughout the projection period, ultimately reaching about 4.2 times payroll, or nearly 18 times the amount needed to pay annual benefits . . . [B]ecause the budget cost of the system can never exceed the cost of monthly benefits to living annuitants, the cash required from the Treasury or taxpayers will never exceed the cost of those monthly payments."

For that reason, we are deeply troubled by the commission co-chairs' proposal to calculate federal civilian retirement annuities on the highest five years of salary instead of the highest three years. According to the Congressional Budget Office, this plan would reduce a Civil Service Retirement System (CSRS) annuity by an average of \$1,424 in 2010 and by an average of \$7,148 over five years. A Federal Employees Retirement System (FERS) annuity would be cut by an average of \$462 in 2010 and would be reduced by an average of \$2,322 over five years.

Plans to require FERS workers to contribute a higher percentage of their salaries towards their defined benefit annuities would have the effect of a significant pay cut. While FERS and CSRS employees currently make payroll contributions to the CSRDF, historically, most medium and large private-sector employers have not required their workers to make any contributions toward their defined benefit pensions.

The co-chairs' proposal to use the so-called "Chained" Consumer Price Index (C-CPI-U) to set cost-of-living adjustments (COLAs) is estimated by the CBO to lower the Social Security benefit by three percent after a 10-year period and would likely result in a similar reduction to federal civilian and military retirement COLAs. Rather than adjust the price index for determining COLAs to reflect the disproportionately high health care

costs paid by older Americans, the commission proposal to use the C-CPI-U would further erode federal annuitant inflation protection.

Similarly, the plan to require federal annuitants to pay a higher share of the Federal Employees Health Benefits Program (FEHBP) premium would impose an unfair burden on retirees and survivors whose medical costs are significantly higher than younger enrollees. In addition, the proposal to pilot premium support under FEHBP would turn FEHBP into a defined contribution premium support plan that offers federal employees a fixed subsidy that grows by no more than GDP plus 1 percent per year, guaranteeing additional cost-shifting onto an enrollee population that has suffered major increases in premiums over the past several years. According to the September 2010 Kaiser Family Foundation report on employer-sponsored health insurance, the average 30 percent paid by federal workers and annuitants for FEHBP premiums is about the same share paid by private-sector workers and retirees.

Freezing or cutting pay sends the wrong signal to the best and brightest workers federal agencies will need to recruit and retain to make government operate more efficiently, prevent the next terrorist attacks, fight two wars, cure diseases, provide assistance to unemployed and disabled Americans and treat wounded military personnel and veterans. Indeed, the Office of Personnel Management reported in October that the salary advantage private-sector workers have over federal employees grew to 24 percent in 2010, two percentage points higher than in 2009.

Cutting the federal workforce by 10 percent is more about politics than good human resource management. In fact, 60 percent of all federal workers will be eligible to retire in the next five years. We can ill afford to lose our most talented and experienced employees at a time when we are facing unprecedented crises.

In light of the growing number of critical challenges being tasked to federal workers, the government cannot afford to make substantial reductions to the earned compensation of individuals who have dedicated their careers to public service. For that reason, we urge not to include these ill-conceived proposals in your FY 2012 budget recommendations to Congress. Instead, we ask that you defend the integrity of a system that provides wages, health and retirement benefits compensation to 4.6 million federal workers and annuitants

Sincerely,

American Federation of Government Employees (AFGE)
American Federation of State, County and Municipal Employees (AFSCME)
Federal Aviation Administration Managers Association (FAAMA)
Federal Managers Association (FMA)
Federally Employed Women (FEW)
International Association of Fire Fighters (IAFF)
Laborers' International Union of North America (LIUNA)
National Active and Retired Federal Employees Association (NARFE)

National Association of Letter Carriers (NALC)
National Association of Postal Supervisors (NAPS)
National Association of Postmasters of the United States (NAPUS)
National Rural Letter Carriers' Association (NRLCA)
National Treasury Employees Union (NTEU)
Professional Aviation Safety Specialists (PASS)
Professional Managers Association (PMA)

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cc: Jack Lew, Director, Office of Management and Budget