

Money Out of Our Pockets! Impact of Proposed Pension Cuts

What Federal Employees Currently Pay:

Civil Service Retirement System (CSRS) employees pay 7% of salary for retirement benefits:

- Contribute 7% of salary to their defined benefit pension plan.
- Do not contribute to social security and are not covered by social security.
- May participate in the Thrift Savings Plan (TSP) but there is no government match.

Federal Employees Retirement System (FERS) employees pay approximately 12% of salary for retirement benefits:

- Contribute 6.2% of salary to social security.
- Contribute 0.8% of salary to their defined benefit pension plan.
- Must put 5% or more into a TSP account in order to get the total government match (dollar-for-dollar for first 3% of contributions, then 50 cents on the dollar for the 4th and 5th percent of contributions).

What Federal Employees Would Pay Under Proposed Cuts:

The House-passed payroll tax holiday legislation (H.R. 3630) would require FERS employees to contribute up to 2.3% of salary to their defined benefit pension (instead of the 0.8% contributed now). As a result, employees would have to contribute more than 13% of their salary for retirement benefits:

- 6.2% of salary to social security
- 2.3% of salary to their defined benefit pension
- 5% to the TSP

Total: 13.5%

For most federal employees, 13.5% is too much to spend on retirement. Their current living expenses, i.e. housing, transportation, food, child care, clothing, etc. would make that amount impossible. So they would be forced to reduce their contributions to the TSP, in order to have enough to contribute 2.3% to their defined benefit pension. By removing their contributions to the TSP, they would lose out on future earnings of their own savings, as well as the government match.

Impact of Proposed Pension Cuts in H.R. 3630 For Middle Income Federal Workers

Current Percentages Paid	FERS	Cuts Under H.R. 3630	Increase
Social Security	6.2%	6.2%	
FERS Annuity	0.8%	2.3%	
Thrift Savings Plan*	5.0%	5.0%	
Total Employee Cost for Retirement	12.0%	13.5%	1.5%
GS-5			
Salary	31,315	31,315	
Social Security	1,942	1,942	
FERS Annuity	251	720	
Thrift Savings Plan	1,566	1,566	
Total Employee Cost for Retirement	\$3,758	\$4,228	\$470
GS-7			
Salary	38,790	38,790	
Social Security	2,405	2,405	
FERS Annuity	310	892	
Thrift Savings Plan	1,940	1,940	
Total Employee Cost for Retirement	\$4,655	\$5,237	\$582
GS-9			
Salary	47,448	47,448	
Social Security	2,942	2,942	
FERS Annuity	380	1,091	
Thrift Savings Plan	2,372	2,372	
Total Employee Cost for Retirement	\$5,694	\$6,405	\$711

* The government matches employee contributions dollar-for-dollar for the first 3% of salary and \$.50 on the dollar for the next 2%. The employee must contribute 5% of salary to receive the full government match. All salaries based on Step 1, Rest of U.S. General Schedule locality.

