

Money Out of Our Pockets! Proposed Pension Payroll Tax Hike

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 FERS Employees Would Pay Under Pension Payroll Tax Increase:

One proposal would require FERS employees to contribute 2% of salary to their defined benefit pension (instead of the 0.8% contributed now). So employees would have to contribute more than 13% of salary for retirement benefits:

- 6.2% of salary to social security
- 2% of salary to their defined benefit pension
- 5% to the TSP

Total: 13.2%

For most federal employees, 13.2% 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% to their defined benefit pension. By reducing their TSP contributions, they would lose out on future earnings of their own savings, as well as the government match.

Impact of Proposed Pension Payroll Tax Increase On Middle Income FERS Employees

Current Percentages Paid	Current	Lieberman-Collins	Payroll Tax Increase
Social Security	6.2%	6.2%	
FERS Pension Contribution	0.8%	2.0%	
Thrift Savings Plan (TSP)*	5.0%	5.0%	
Total Employee Cost for Retirement	12.0%	13.2%	1.2%

GS-5 **

Salary	31,315	31,315	
Social Security	1,942	1,942	
FERS Pension Contribution	251	626	
TSP	1,566	1,566	
Total Employee Cost for Retirement	\$3,758	\$4,134	\$376

GS-7

Salary	38,790	38,790	
Social Security	2,405	2,405	
FERS Pension Contribution	310	776	
TSP	1,940	1,940	
Total Employee Cost for Retirement	\$4,655	\$5,121	\$466

GS-9

Salary	47,448	47,448	
Social Security	2,942	2,942	
FERS Pension Contribution	380	949	
TSP	2,372	2,372	
Total Employee Cost for Retirement	\$5,694	\$6,263	\$569

* 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 Rest of U.S. General Schedule locality, step 1.

Impact of Proposed Pension Payroll Tax Increase On Middle Income CSRS Employees

	Current	Lieberman-Collins	Payroll Tax Increase
CSRS Pension Contribution	7.0%	8.2%	1.2%
GS-5*			
Salary	\$31,315	\$31,315	
Pension Contribution	\$ 2,192	\$ 256	\$376
GS-7			
Salary	\$38,790	\$38,790	
Pension Contribution	\$ 2,715	\$ 3,181	\$466
GS-9			
Salary	\$47,448	\$47,448	
Pension Contribution	\$ 3,321	\$ 3,890	\$569

* All salaries based on Rest of U.S. General Schedule locality, step 1.