THE 740 EXPRESS

OFFICIAL NEWSLETTER NATIONAL ASSOCIATION OF RETIRED FEDERAL EMPLOYEES, CHAPTER 740

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Next Chapter Meeting: June 20 at the Warrington Motor Lodge, Route 611 (just North of Street Rd.) at 12:00 Noon. Call Beryl Fogelsanger (343-3467) early in the week for reservations.

Need Help?: Call the Federal Retiree Assistance Center, (215) 597-0419. The Center is located at the Federal Building, Rm. 1208, 6th and Arch Sts, Philadelphia, and handles OPM/FEHB problems only (incorrect payments, non-receipt of checks, etc). Office hours are 10:00 a.m. to 2:00 p.m.

UNDERSTANDING YOUR FEDERAL RETIREMENT SYSTEM...*or*...WHAT FEDERAL WORKERS ARE NOT TOLD ABOUT THE FEDERAL RETIREMENT SYSTEM

The most critical factor in understanding the system is that it is an **ENTITLEMENT PROGRAM**. This means Congress can skip COLAs, which it has done. Congress can cut COLAs, which it is considering. **FURTHERMORE, IT HAS THE AUTHORITY TO CUT YOUR BASIC BENEFITS AT ANY TIME!**

Does this mean that the contract you thought you had with the government, guaranteeing benefits and COLAs is non-existent? **THAT'S RIGHT!** According to the Congressional Research Service, “A worker’s payments do not establish a right to any given level of benefits or to any post-retirement benefit increases.....there is no legal contractual relationship between the Government as employer and Federal workers.”

With $350 billion credited to the retirement fund, and the government owing it $540 billion more, isn't there plenty of money in the fund to pay out benefits and COLAs to retirees. **THE ANSWER IS NO!** ......Why?

To understand why, one must know how the fund is (not) funded. The fund is no more than an accounting ledger stating how much the government owes (IOUs). Thought it is said these IOU’s are Treasury notes - these notes need not be honored. It is up to Congress to decide if it wants to pay off that debt. Why would Congress not pay off moneys owed? Put another way, why has Congress failed to pay COLAs in the past? Why are COLAs being delayed? Why are bills being considered which drastically cut COLAs?

..........Since there is no real money in the trust fund, annual pension outlays are paid from working employee pension contributions and general revenues collected for yearly government expenses (the budget). If full benefits/COLAs are paid, the annual deficit becomes larger. If benefits/COLAs are reduced, the annual deficit is less. To make the point clearer let's look at Social Security. Presently, Social Security revenues run about $50 billion higher than what Congress pays out. If this $50 billion surplus did not exist the annual deficit would be $50 billion higher! Of course, the $50 billion is owed to the Social Security trust fund which translates again into a larger national debt.

..........And, as the Social Security surplus annual disappears, Congress must look for money elsewhere. **WHERE? YOU GOT IT! OUR BENEFITS/COLA'S!** Remember, it is not the Social Security COLA that is being delayed this year. It's our COLAs. Politicians are not stupid - they know social security recipients have the clout - we do not.

Having looked at two major federally-administered pension systems, let us look at private pensions. In order to insure that pension moneys are there when an employee retires, the government mandates (ERISA law of 1974) that the private employer fund the pension on a pay-as-you-go basis during the employee's working years. This is something the government fails to do for its own employees during their working years.

Many assumed that once Social Security was "off budget" Congress could no longer "embezzle' (using Senator Heinz's word) Social Security funds and they would be safe from Congress' bookkeeping shenanigans. As discussed above, this is not the case. That is to say, our Federal trust fund will not be made safe by placing it "off budget". It must be placed "out of budget" and treated like all other private pensions. In other words, get the politician's grimy hands out of our budget!

There are things that can be done. The Federal employee should be told that the promises made to them are only as good as the politician's integrity and then he can take it from there. We must continue to push for equal treatment with those under other Federally-administered pension programs. We employees and retirees **MUST** write our representatives regularly, attend their town meetings and express our views strenuously, and of course vote for those candidates that are willing to be fair to us.

<u>COLA Actions:</u> The House has passed a resolution that would continue COLA delays through the year 2002. It would also require working federal employees to contribute an additional 0.5% towards retirement and federal agencies would have to contribute more towards CSRS retirement costs. The latter would undoubtedly force agency layoffs to compensate for the added cost. The Senate has prepared a similar resolution and has passed it. Attempts to cap COLAs at $75,000 and $50,000 as proposed by Sen. Simpson (R/WY) and Sen. Brown (R/CO) were defeated this time. If you'll remember, President Clinton's FY97 Budget also resembles the House and Senate budget plans. Looks like its a done deal. But, this is only the beginning and not the end of such attacks. **We must continue to fight for equity!**

<u>Civil Service Reforms (Here we go again!):</u> The Clinton Administration has prepared a Civil Service Reform plan that would encourage personnel test projects for later application governmentwide, let agencies hire by using quality categories based on skill and knowledge rather than numerical rankings, repeal some employee appeal rights and continue the OPM transformation into an advisor, rather than a controller of personnel policy. Objectives include linking pay more closely to performance; pay banding, in which agencies could place individuals anywhere within a pay grade according to qualifications, demand for the skill, etc. rather than follow a rigid step schedule; shifting grading of managers away from how many people they manage and toward their knowledge, skills and performance in their jobs; using performance ratings to reward achieving results rather than following procedures; using group-based in addition to individual ratings; speeding up and simplifying employee appeals processes, and loosening restrictions on hiring, classification, incentive awards and discipline.

<u>More Games:</u> A bipartisan group of 22 Senators led by Sens. John Breaux/D-LA and John Chaffee/R-RI have prepared a seven year balanced budget proposal recommending reducing COLAs and raising the retirement age for new employees. They have also proposed to reduce the Consumer Price Index used to calculate the COLAs by 0.5% in 1997 and 1998, and by 0.3% from 1999 on. Retirement age would be raised to 60 with 30 years service, 62 with 25 years service, and 65 with 5 years service. Since this is a sizeable bipartisan group, these proposals are certain to be given serious consideration.

To provide a little insight into the games the government already plays with the computation of the CPI, consider this. One of the items used to compute the CPI is the cost of an automobile. The government now subtracts the cost of extra air bags, side impact reinforcements, and anti-lock brakes from the cost of a car even though they are all new government-mandated safety features on this year's cars! The government declares that new car prices have risen 1.6%; the true increase is close to 6%.

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