

FEDERAL-POSTAL COALITION

May 12, 2011

The Honorable Kent Conrad
Chairman
Senate Budget Committee
624 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Jeff Sessions
Ranking Member
Senate Budget Committee
624 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairman Conrad and Ranking Member Sessions:

On behalf of the 4.6 million federal and postal workers and annuitants represented by the undersigned national member organizations of the Federal-Postal Coalition, we respectfully urge you to reject several provisions contained in the Fiscal Year 2012 Budget Resolution (H.Con.Res. 34) passed by the House of Representatives, as well as certain recommendations of the co-chairs of the National Commission on Fiscal Responsibility and Reform, as you craft the corresponding Senate Resolution. The House Budget Resolution's plan to freeze federal employee pay for five years, cut the workforce by ten percent, and require employees to significantly increase their contributions to the Civil Service Retirement and Disability Trust Fund are short-sighted, unfair and unreasonable.

House Budget Committee Chairman Paul Ryan is correct in stating, "The federal government's responsibilities are dependent on a strong federal workforce." However, the House Budget Resolution will reduce the net wages and benefits of federal workers and will damage the government's capability to fulfill its constitutional responsibilities and keep America safe.

Requiring federal workers to contribute a higher share of their salary toward their defined-benefit annuity will ultimately result in a significant pay cut, an outcome Congress should avoid during these difficult economic times. While federal and postal employees currently make contributions from their salary to the Civil Service Retirement and Disability Trust Fund, most large private-sector employers historically have not required their workers to make contributions toward their defined-benefit pensions.

America's federal workforce performs critical jobs that demand skill and dedication. Their impact throughout America is felt in countless ways. For example, these are the food inspectors who ensure the safety of our food supply, the law enforcement agents and prosecutors who track down and bring to justice dangerous criminals, and the nuclear inspectors intent on preventing another nuclear disaster. We need to attract and retain the very best and brightest employees to our federal workforce. We can ill afford to lose our most talented and experienced employees at a time when our nation faces unprecedented challenges.

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Cutting the federal workforce by ten percent is more about politics than good human resource management. Sixty percent of all federal workers will be eligible to retire in the next five years. The claim in the Ryan budget proposal that the size of government is at an all-time high is incorrect. Over recent decades the size of the federal workforce has remained remarkably consistent, while the demands upon government have increased dramatically. In 1989, there was one federal employee for every 110 residents in the United States. Over twenty years later, there is one federal employee for every 147 citizens. Moreover, the Office of Personnel Management reported in October that the salary advantage of private-sector workers over federal employees grew to 24 percent in 2010, two percentage points higher than in 2009.

We also are concerned over the recommendations of the co-chairs of the National Commission on Fiscal Responsibility and Reform in proposing to change federal retiree annuities and health benefits. The final Commission report did not include the Simpson-Bowles recommendations, and the report failed to garner the necessary votes to advance the plan for congressional consideration. It would be misguided to pursue them now. In crafting the Senate Budget Resolution, we urge you to reject the following proposals.

First, we strongly oppose changing the “high-3” formula to a “high-5” approach for computing federal and postal employee pensions. Federal and postal employees have relied and planned on a retirement based on the current civil service pension arrangements. In creating the Federal Employees Retirement System (FERS), Congress took aggressive action to reform the federal pension system to bring it in line with the private sector. It is unfair to move the goalposts for employees reaching the end of their careers. Moving to a “high-5” formula will result in pensions that are approximately three percent less than currently available. For Civil Service Retirement System (CSRS) annuitants, this change will create an estimated loss of \$7,148 in retirement income over five years. For FERS annuitants, the loss will be \$2,322 over five years.

Second, in its report, the Fiscal Commission proposed a pilot project to turn the Federal Employees Health Benefits Program (FEHBP) into a defined contribution premium support arrangement, in which federal employees and retirees would be given a voucher to secure health insurance. Contributions would be tied to a GDP plus one percent index, not to medical inflation. According to the Congressional Budget Office, a similar proposal in the House Budget Resolution for Medicare recipients will result in typical enrollees paying up to 68 percent, essentially doubling their premium by 2030. We oppose the premium support or voucher approach for FEHBP and urge its rejection.

Federal and postal employees understand the need for a realistic federal budget. They are doing their part to lower government costs. However, the recommendations of the Fiscal Commission and the House Budget Resolution to cut federal pay and retirement benefits by \$375 billion over ten years go too far and are not an acceptable solution. Even in these tough economic times, America cannot afford a second-best civil service.

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For these reasons, the undersigned organizations urge you to reject the misguided proposals contained in the House Budget Resolution and other sources as you consider the Senate Resolution. Thank you for your time and consideration of our views.

Sincerely,

American Federation of Government Employees (AFGE)
American Federation of State, County and Municipal Employees (AFSCME)
American Foreign Service Association (AFSA)
American Postal Workers Union (APWU)
Federally Employed Women (FEW)
FAA Managers Association (FAAMA)
Federal Managers Association (FMA)
International Association of Fire Fighters (IAFF)
National Association of Assistant United States Attorneys (NAAUSA)
National Association of Government Employees (NAGE)
National Association of Letter Carriers (NALC)
National Council of Social Security Management Associations (NCSSMA)
National Active and Retired Federal Employees Association (NARFE)
National Association of Postal Supervisors (NAPS)
National Association of Postmasters of the United States (NAPUS)
National Postal Mail Handlers Union (NPMHU)
National Federation of Federal Employees (NFFE)
National Rural Letter Carriers' Association (NRLCA)
National Treasury Employees Union (NTEU)
Professional Aviation Safety Specialists (PASS)
Professional Managers Association (PMA)
Senior Executives Association (SEA)

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cc: Members of the Senate Budget Committee