

BIPARTISAN NATIONAL COMMISSION ON FISCAL RESPONSIBILITY AND REFORM

The National Commission on Fiscal Responsibility and Reform, created by President Obama in February, is scheduled to make recommendations to Congress by December 2010 on ways to reduce the deficit and control the long-term growth in the debt. The 18-member, bipartisan commission has already started to conduct public hearings. Under an agreement with congressional leaders, the commission's recommendations would be considered in an expedited manner by the House and Senate on an up-or-down vote without amendments. As the commission begins its work, it is important to keep the following points in mind:

- During previous periods of entitlement reform, policymakers first discussed cutting the “big three” – Social Security, Medicare and Medicaid. However, when lawmakers realized the political realities of cutting a program such as Social Security, which has 40 million beneficiaries (77 million by 2030), they have turned to easier targets – including the “captive audience” of federal retirees — a much smaller constituency (2.3 million retirees and survivors). In fact, during the budget crises of the 1980s and early 1990s, federal retirees and survivors lost in excess of \$50 billion in deferred, reduced and canceled cost-of-living adjustments (COLAs), while Social Security COLAs were preserved. A stark example was the application of the once-used sequestration process of the Gramm-Rudman-Hollings law which eliminated civil service COLAs but held Social Security recipients harmless.
- Federal civilian retirement does not face the same solvency challenges as trust funds that support Social Security and Medicare. Indeed, the Civil Service Retirement and Disability Fund (CSRDF) is fully funded and actuarially sound. According to the nonpartisan 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. In summary, by definition, under the financing arrangements set out in current law, the system is not now and never will be ‘insolvent’ or without adequate budget authority for payment of benefits. Again, because 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.”
- While Social Security, Medicare and Medicaid will consume two percentage points more than the Gross Domestic Product (GDP) over the next 10 years, civil service retirement's share of the GDP will shrink by 0.06 percent, with the decline in the number of annuitants covered by the closed former retirement system, the Civil Service Retirement System.
- Federal retirement will not be directly affected by the boom in the senior population because the federal retirement population is a function of the size of the federal work force, not the general population.

Action Requested for Members of Congress: Can Federal/Postal workers and annuitants count on you to preserve COLA equity between all federal retirement programs and defend the integrity of a system that provides deferred compensation and benefits to individuals who have dedicated their careers to public service?

Congressional Staff Members: For additional information from the National Active and Retired Federal Employees Association, please contact NARFE at leg@narfe.org or 703-838-7760, x201.