The Federal Community Myth vs. Reality

ISSUE BRIEF

MYTH: Reducing the federal workforce through attrition will put an end to government growth, save money and boost government efficiency.

REALITY: Cutting the federal workforce by an arbitrary percentage doesn't take into account existing projects and workloads, driving inefficiency and delaying crucial projects. There are fewer federal employees working now than in 1967, despite claims to the contrary. In that time, the U.S. population has grown 60 percent, and the private-sector workforce has increased by 135 percent. Refusing to fill open positions would inevitably lead to hiring private contractors, a costly and unaccountable action that would mitigate any potential savings, as reported by the Government Accountability Office. Such a proposal makes for a good sound bite, but ultimately will cost taxpayers more.

MYTH: Mandating that U.S. Postal Service (USPS) retirees sign up for Medicare in order to keep their federal health insurance coverage will save the USPS from a taxpayer bailout.

REALITY: In actuality, the Postal Service is profitable but appears to be running a deficit due to a burdensome $5 billion annual prefunding requirement for retiree health benefits. No other agency or private-sector company is required to make such a payment. Forcing current postal retirees to enroll in Medicare to "save" USPS ignores some of the real issues within the Postal Service, adds an additional financial burden to those living on a fixed income, and eliminates health care choice for postal retirees, who should not be responsible for saving the agency.

MYTH: The Chained CPI accurately reflects the cost of goods purchased by retirees and is a better index than the currently used CPI-W for calculating inflation and annual cost-of-living adjustments (COLAs).

REALITY: Proponents of the Chained CPI claim it provides a better measure of inflation by taking into account how consumers substitute one item when the price of another item increases. In reality, as a result of living on a fixed income, many retirees find substitution impractical, as they are already purchasing lower-priced goods. The Chained CPI does not accurately reflect changes in consumer prices experienced by seniors, who rely on the measures to adjust their incomes appropriately. While health care expenses account for about 12 percent of spending for those age 62 and older, they account for only 5 percent of spending for the general population, and it is that 5 percent that is measured by the Chained CPI. Meanwhile, health care costs continue to rise faster than other goods. The Chained CPI may save money, but it is not a better measure of inflation for those reliant on the COLA.

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MYTH: Federal employees enjoy lavish pensions at the expense of taxpayers.

REALITY: The average federal pension is quite modest. According to June 2015 data from the Office of Personnel Management, the median pension for retirees under the Civil Service Retirement System (CSRS) was less than $3,000 a month in fiscal year 2014. For employees hired after 1986 and in the Federal Employees Retirement System (FERS), the median monthly pension was less than $1,000.

CSRS employees do not pay into Social Security and, accordingly, do not receive any Social Security benefits for their government service. If they paid into Social Security while working a private-sector job, their Social Security benefits are greatly diminished under the Windfall Elimination Provision. FERS employees pay Social Security taxes at the same rate as private-sector employees and receive the same benefit.

MYTH: Most federal employees work in and around Washington, DC.

REALITY: About 85 percent of federal employees work outside of the Washington, DC, metropolitan area.

California is home to more than 206,483 federal employees, and Texas has over 156,663 civil servants proudly serving our nation. While many agencies are headquartered in and around Washington, DC, the vast majority of their workers are spread throughout the country.

MYTH: The current rate of return on the Thrift Savings Plan (TSP) G Fund does not correspond with the investment risk incurred and should be changed.

REALITY: The G Fund is invested in the same U.S. Treasury securities as the civil service pension fund and Social Security. Decreasing the rate of return would cause federal employees and retirees, as well as military personnel and retirees, to flee the safest investment the TSP has to offer, and the projected savings would never be realized as a result.

MYTH: Voucherizing the Federal Employees Health Benefits Program (FEHBP) would enhance its long-term viability.

REALITY: Based on a Congressional Budget Office (CBO) assessment, voucherizing the FEHBP would cost enrollees thousands of dollars over just a few years. The proposed voucher program wouldn't adjust the amount of the voucher with the increase in health care costs, but rather on goods as a whole, using a consumer price index. The CBO assessment found that many enrollees would opt into Medicare instead of the FEHBP, causing Medicare to increase spending. Further, according to the CBO, comparable large private-sector companies offer health coverage similar to the FEHBP. A switch to a voucher program would make federal employment less enticing to our nation's best and brightest. Such a move would jeopardize the viability of the program and threaten federal retirees and current employees who are planning for retirement.