

January 13, 2023

President Joseph R. Biden
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Mr. President,

On behalf of the National Active and Retired Federal Employees Association (NARFE), which is dedicated to advancing the interests of the more than 5 million federal employees and retirees, I write to request your administration support specific policies in your budget request to Congress.

Background on NARFE

NARFE is a nonprofit, nonpartisan membership association. Our 145,000 members live in every congressional district across the country and consist of both retired and current federal workers from all branches and levels of the federal government, including the U.S. Postal Service. Federal benefits and retirement plans are unique, complex and subject to change. NARFE provides federal workers and retirees with the clear, reliable and accessible counsel they need to make critical decisions regarding their benefits. Since NARFE's founding in 1921, the association's mission has been to defend and advance the earned pay and benefits of America's civil servants. Federal workers dedicate their careers to the betterment of our country, and in return they ask their government to hold up its end of the bargain – keeping the promises made when they were hired, including their compensation package. NARFE is here to honor the service of federal employees and ensure that they have a secure future.

NARFE's Requests of President Biden's Administration

On behalf of the federal workers and retirees represented by NARFE, I respectfully urge the Biden administration to support the following priorities in its budget request to Congress:

1. **Protect federal retirement and health benefits.** I urge you to explicitly affirm President Biden's pledge¹ to honor commitments made to federal employees and retirees regarding their earned benefits. As you enter budget negotiations, I urge you to consider cuts to earned federal benefits a non-starter, and that you commit to veto any legislation that fails to honor those commitments.

¹ Response to NARFE Presidential Candidate Questionnaire by President (then-candidate) Biden, available at www.narfe.org/pdf/NARFE_1020_questionnaire.pdf.

2. **Adequate funding for the Office of Personnel Management's Retirement Services division** to address call center staffing shortages, and longstanding processing and customer service delays that negatively affect the retirement security of federal annuitants and survivors. Further, I urge your administration to focus on improving the processes and technology utilized by OPM RS to maximize the efficiency and effectiveness of current funding.
3. **Support a market rate federal pay increase for 2024.** I urge you to incorporate an average increase to federal pay rates each year at parity with the proposed military pay raise and based on the relevant change in the Employment Cost Index measure of private-sector wages. For 2024, this amount should result in at least a 4.7 percent across-the-board increase, plus a 0.5 percent increase in locality pay.
4. **Support repeal and/or reform of the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO).** I urge you to explicitly affirm President Biden's pledge² to support repeal of the WEP and GPO. If there is inadequate congressional support for repeal, express support for reform bills as possible alternatives.
5. **Support full COLAs for Federal Employee Retirement System (FERS) retirees.** I urge you to express support in the administration's budget request for extending the full annual cost-of-living adjustment (COLA) to FERS annuities, which currently receive a smaller adjustment when the COLA is above 2 percent.

I elaborate on each of these requests and share additional views below.

1. Protect federal retirement and health benefits

First, I urge this administration to explicitly affirm President Biden's pledge to honor commitments made to federal employees and retirees regarding their earned benefits in the president's budget requests to Congress and veto any legislation that fails to honor those commitments.

In exchange for years of hard work, federal employees and retirees were promised retirement annuities and retiree health benefits. These benefits were paid for, earned fairly, and are essential to federal employees' and retirees' financial and health security. Yet, budget proposals from previous Congresses and the Trump administration took aim at earned benefits for those in and approaching retirement. NARFE is deeply concerned that past proposals targeting federal benefits could resurface during budget negotiations in this Congress. NARFE implores this administration to resoundingly reject those proposals.

Those proposals include:

² Response to NARFE Presidential Candidate Questionnaire by President (then-candidate) Biden, available at: www.narfe.org/pdf/NARFE_1020_questionnaire.pdf.

- Eliminating cost-of-living adjustments (COLAs) for Federal Employees Retirement System (FERS) annuities. Reducing COLAs for Civil Service Retirement System (CSRS) annuities by 0.5 percent.
- Increasing current federal employee retirement contributions by as much as 6 percent.
- Reducing the rate of return on the Thrift Savings Plan (TSP) G Fund.
- Tying Federal Employees Health Benefits (FEHB) program premiums to years of service for retirees.
- Tying the government's employer contribution towards FEHB program premiums to inflation.
- Using the highest five years, instead of the current three years, of earnings to calculate pension benefits in both CSRS and FERS.
- Eliminating the FERS Annuity Supplement.
- Using the Chained CPI to determine COLAs to retiree benefits.

Each of these proposals would break promises to federal employees and retirees by reducing the value of (or requiring additional payments to retain) their already-earned benefits, and should be rejected outright, along with any similar proposals. Federal employees dedicate their careers to serving this nation and its people, choosing public service over other lucrative careers. These threats dishonor this service and tell future federal employees that the bargain struck at the time of their hiring will not be honored.

2. Prioritize funding for the Office of Personnel Management's Retirement Services division

NARFE remains particularly concerned with significant retirement processing delays and the inability of annuitants and their families to connect with the Office of Personnel Management Retirement Services Division (via phone, email or other method) to receive needed assistance. Our members have notified us that they have experienced lengthy delays receiving their survivor benefits, updating their health insurance benefits and requesting other changes from OPM; these delays are negatively affecting their retirement security. We ask your administration to focus OPM's attention on its Retirement Services division and that your budget reflects the necessary funding so that operational concerns centering on OPM's call center and processing are rectified.

We have had several productive conversations with OPM RS and are heartened by the internal understanding of operational issues. However, addressing these concerns requires the full support of your administration, OPM leadership and targeted funding in your FY24 budget request. We urge this administration to support OPM modernization efforts, including the creation of an online retirement application that could quicken retirement processing times by integrating with OPM's systems to automatically flag missing documents and cut out the need for paper-based processes. We also recommend that OPM advance its modernization efforts with the knowledge derived from OPM's customer experience research.

Without appropriate efforts to address these issues, NARFE will continue to hear painful stories from retiring federal workers, annuitants and survivors who have negative and consequential experiences with OPM. This includes substantial delays in receiving survivor annuities, leaving widows and widowers without critical income at the most difficult of times. It also includes delays in changes to health and life insurance, and adjustments to annuities and insurance following the death of an annuitant's spouse.

Finally, we continue to hear that our members are unable to get through to OPM to receive assistance with their problems. This longstanding complaint seems to have gotten worse, not better, recently. Worse, processing delays and call center issues feed into each other, as delays lead to more calls, more calls take more OPM staff time, and inability to reach OPM prevents resolution of many issues – for example, the provision of missing documentation.

We have been encouraged by recent signals from OPM RS and the stated commitments of leadership to resolve the problems; we hope the administration will follow through with robust support for these efforts.

3. Provide market-rate federal pay increases

I urge President Biden to include in his budget request to Congress support for an average increase to federal pay rates each year that is at parity with the president's proposed military pay raise and that is based on the relevant change in the Employment Cost Index (ECI) measure of private-sector wages and salaries. As such, for 2024, I respectfully request at least a 4.7 percent across-the-board increase, plus a 0.5 percent increase in locality pay.

The Federal Salary Council analyzes federal pay in comparison to wages in the private sector and recommends changes to federal pay rates. In October 2022, it once again found a substantial disparity between federal and private-sector pay rates, estimating that private-sector rates outpace federal rates for similar jobs by 22.47 percent. In other words, federal employees are paid 22 percent less than their private-sector counterparts. We understand fully implementing the Federal Salary Council's locality pay rate recommendations (which would close that gap to 5 percent) in any single year pursuant to the Federal Employees Pay Comparability Act (FEPCA) is fiscally and politically unrealistic. But the current disparity should not be exacerbated by below-market pay increases.

Therefore, absent a complete reworking of the federal pay structure (which should only be done carefully and deliberatively), NARFE recommends providing annual across-the-board increases to pay rates based on 5 U.S.C. 5303(a), which calls for an increase equal to the most recent annual increase (prior to budget submission) in the ECI for wages of private-sector workers, minus a half a percentage point. Further, we recommend increasing locality pay rates by 0.5 percent, on average, annually to ensure that the average pay increase is on par with both recent increases to private-sector pay and the baseline for the annual military pay increase. This also provides flexibility to adjust local pay rates in response to changing geographic labor markets. For 2024, this would

dictate a 4.7 percent across-the-board increase, plus a 0.5 percent increase in locality pay.

4. Support repeal or reform of the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO)³

NARFE implores this administration to explicitly reaffirm President Biden's pledge to support repeal of the WEP and GPO via his budget requests to Congress. The 117th Congress showed considerable support for eliminating the two penalties, with 305 representatives and 42 senators cosponsoring legislation (H.R. 82/S. 1302) to fully repeal the WEP and GPO. NARFE also urges the president's support for reform bills as possible alternatives if there is insufficient support for full repeal in the 118th Congress.

The WEP and GPO affect federal retirees who are covered by the Civil Service Retirement System (CSRS) and receive Social Security or Social Security widow(er)'s benefits derived from private-sector employment. These laws also affect state and municipal employees, such as teachers, firefighters, police officers and others who receive a pension based on work not covered by Social Security.

The WEP unfairly reduces the Social Security benefit a federal retiree receives based on his or her Social Security-covered employment (e.g., private-sector employment before or after federal service). The Social Security benefit is reduced simply because the federal retiree is receiving a retirement annuity through CSRS. In 2021, the WEP could reduce a retiree's monthly Social Security benefit by as much as \$558. The GPO pertains to federal retirees who apply for Social Security benefits for which they are eligible as a spouse.

Under the GPO, spousal and survivor Social Security benefits are offset by two-thirds of the retiree's government annuity payment. This often results in a retiree receiving no Social Security spousal or widow(er)'s benefit at all.

NARFE's ultimate goal is to completely repeal these two provisions, which inequitably target those who worked in public service. However, to the extent full repeal is unfeasible, NARFE is supportive of efforts to provide some relief to those affected by the GPO and the WEP, as it would represent an improvement over the current status quo.

5. Fair Cost-of-living Adjustments (COLA) for Federal Employee Retirement System (FERS) Retirees

NARFE encourages this administration to affirm its support for accurate cost-of-living adjustments (COLAs) for federal retirees, particularly lending support to providing FERS retirees with full COLAs in years where they are statutorily decreased. Reduced COLAs degrade the value of FERS annuities over time by failing to keep pace with the true cost of living. This failure results in an inequitable policy that threatens the retirement security of FERS retirees, particularly later in life.

³ For more information on NARFE's views, visit https://www.narfe.org/wp-content/uploads/2023/01/Issue-Brief_Start-of-118th-WEP-and-GPO-Combined.pdf

Current law holds the FERS COLA at 2 percent if the full COLA falls between 2 and 3 percent, and it reduces FERS COLAs by 1 percentage point if the full COLA exceeds 3 percent. This unfair policy, enacted in the 1980s with the creation of FERS, fails to fully protect the earned value of FERS annuities and should be corrected by providing FERS retirees with the full COLA that is provided to Civil Service Retirement System (CSRS) retirees and Social Security recipients.

NARFE supports legislative efforts to correct this wrong and has endorsed previous iterations of the Equal COLA Act. I encourage this administration to support equal COLAs for FERS retirees by expressing support for this legislative change in its FY24 budget proposal.

Conclusion

Federal workers dedicate their careers to this nation, honorably serving for the betterment of this country and its people. The federal government must stick to the commitments made to these workers and adequately serve them in their retirement. Failing to do so, the federal government will be unable to adequately recruit the next generation of federal workers. NARFE asks that your FY24 budget reflect the promises made to federal employees and address the concerns of our community so that federal workers are empowered to serve the American people and that the retirement of these workers is protected.

Thank you for your consideration of NARFE's views. If you have any questions or concerns, please contact NARFE Staff Vice President for Policy and Programs John Hatton at jhatton@narfe.org.

Sincerely,



William Shackelford
NARFE National President