Your retirement plan: 44 days and counting

By Mike Causey | @mcauseyWFED August 17, 2017 1:00 am (5 min read)

Congress is in recess. Again. So is time on your side?

The good news (for some) is that the House and Senate will return to its duties in Washington. The good/bad news is that when they return, it won't be for long. According to its 2017 calendar (subject to change), the House and Senate will only be around for 12 days in September, nine days in October, 14 days in November and nine in December. How would you like a schedule like that? Great for everything but getting things done. Which, for federal workers, retirees and their retirement plan, may not be such a bad thing.

When Congress comes back, after Labor Day, it will have very little time to take care of required business — like avoiding a government shutdown and default on our debt (as in what we owe China and other creditors). And deciding whether to go along with — or ignore — the 1.9 percent white-collar federal pay raise President Donald Trump has proposed for January 2018. Regardless of what Congress does or doesn't do, the raise is likely to go into effect.

Meantime, the recess means even less time for Congress to act on what it has been putting off, ignoring or gridlocked about this year. For many federal workers and retirees, political inertia and gridlock are their best friends in Washington. Here are a few examples:

Buyouts

Buyouts were supposed to be an important tool in the Trump administration's effort to downsize many domestic agencies and to reshape portions of the Defense, Homeland Security and Veterans Affairs departments. But buyouts are on hold partly because agencies don't know if they can up the ante from $25,000 to $40,000, as proposed by the administration. The House version of the National Defense Authorization Act does continue the $40,000 buyout authority — but only for the Defense Department. The Senate bill is silent on the issue.

Downsizing

The extent of future downsizing in many federal agencies is unclear, since Congress in a number of bills has provided more money for operations, salaries and expenses than the administration requested in its low-ball budget plan.

Shutdown

The apparent inability of Congress to agree on anything could lead to yet another shutdown. That would give the government another black eye with the public, force the closure of National Parks and many non-essential (but still very important) services and put feds in the position of not getting paid until weeks after the shutdown is over — and the rent is due.

The upside to gridlock is that if they don't do anything good for you, it may also mean they might not do anything bad either.

Your retirement package

The federal retirement program — as you know and love it — is on the chopping block. But despite controlling the White House, the House of Representatives and the Senate, nobody has stepped forward as high executioner. The proposals on the table are chilling, whether you just started working this month, are at the middle or end of your career or you are happily retired.

- **Option One:** One proposal would eliminate the bridge payment that FERS workers receive if they retire before age 62. That payment makes up the difference in the Social Security payment they won't get until age 62. For many wannabe retirees, that payment is substantial. Eliminating it could force thousands who had planned early retirement to work another few years. Not a good situation for managers who are trying to downsize.

- **Option Two:** Another plan would require workers under the FERS retirement system to increase the amount of money they pay into their retirement fund. Under the plan, those "contributions" would go up 1 percentage point each year for six years. That would reduce take-home pay for all FERS workers.

- **Option Three:** Cost-of-living adjustments that help retirees keep pace with inflation (unlike private-sector pension funds) would be eliminated under one proposal before Congress. Current FERS workers would not receive any COLAs, ever, once they retired. Those already retired under FERS would also stop getting COLAs. Thanks to the effect of compounding — which works both ways — failure to get an inflation catch-up year-after-year over time would greatly diminish the purchasing power of the retirees.

- **Option Four:** CSRS workers and retirees, under yet another proposal, would still get COLAs. But of the diet variety. Under that plan, CSRS benefits would go up 0.5 percent less than the actual rise in inflation as measured by the Bureau of Labor Statistics CPI-W inflation tracker. Bottom line: retirees would get slightly less each year than the actual rise in inflation. Again, over time, that would reduce the value of their annuity even if inflation crept up very slowly. The longer you live and choose to eat, travel, have cable and pay other bills, the less you would have to do it.

Whether any, or all, of them will be enacted is of course unknown. Anything could happen, but if the past is prologue, what’s likely to happen is not much. This isn’t meant to be flippant or to downplay what is a very scary scenario for working and retired feds. But 44 days to get a budget, make major tax reform, raise the debt ceiling, plus “reform” (as in cut) the two major federal retirement plans isn’t much time. Which may be a good thing!