# White House Revives Retirement Cuts in 2020 Budget Proposal

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The Trump administration’s fiscal 2020 budget proposal revived a series of controversial efforts to reduce retirement benefits for federal workers.

The [first part](https://www.whitehouse.gov/wp-content/uploads/2019/03/budget-fy2020.pdf) of the budget, released Monday, includes a laundry list of proposals that would substantially alter federal employees’ non-salary benefits, particularly their defined-benefit pensions. Most of the ideas were suggested by the administration during the fiscal 2018 and 2019 budget cycles, but all were rejected by congressional appropriators each year.

Topping the list is a plan to require federal workers to contribute 1 percent more toward the Federal Employees Retirement System defined benefit annuity each year until those payments reach “50 percent of cost.” The White House has not published the budget documents detailing each proposal, but when officials proposed this last year, the phase-in was set to be over six years.

Additionally, the budget would eliminate cost of living adjustments for FERS retirees, and it would reduce COLAs for participants in the Civil Service Retirement System by 0.5 percent. It also would do away with the FERS supplement for workers forced to retire before age 62, when Social Security kicks in.

The Trump administration also proposed reducing payments to retirees by basing annuities on the average of workers’ highest five years of salary, rather than the current highest three years.

The plan also revives a proposal to cut the interest rate of the Thrift Savings Plan’s government securities (G) fund, which is statutorily set on a weighted average of all outstanding Treasury investments and last year increased by 2.91 percent.

Last year, the White House proposed basing the G Fund interest rate on the yield of the three-month U.S. Treasury bill, which is 1.03 percent per year. Although the details of the plan likely will not be released until next week, the budget anticipates roughly double the savings compared to last year’s line item—$16.5 billion over 10 years this year compared to only $8.9 billion in last year’s budget request—suggesting that the new proposal could be to base the G Fund interest rate on the four-week Treasury bill, which has an annual yield of 0.84 percent.

The TSP, which receives no appropriations from Congress, has consistently opposed “any change” to the G Fund’s rate of return, and in 2017 said such a move would make the portfolio “[virtually worthless](https://www.govexec.com/pay-benefits/2017/10/tsp-house-proposal-would-make-g-fund-virtually-worthless/141591/).”

“We would oppose a change to the G Fund interest rate,” TSP spokeswoman Kim Weaver told Government Executive Monday. “Such a change from the existing statutory formula would make the G Fund inadequate and ineffective from an investment standpoint for TSP participants who are saving for retirement.”

The budget also proposes to “modify” the government’s contribution toward Federal Employees Health Benefits Program premiums. Last year, the White House suggested shifting away from the Office of Personnel Management’s current policy to fund 72 percent of the weighted average of all plan premiums with a 75 percent cap and instead contribute between 65 and 75 percent, “depending on a plan’s performance.”

One new proposal would actually increase spending, according to budget documents: implementation of a “defined contribution system for term employees.” That plan would increase spending by $913 million over 10 years. The Office of Management and Budget did not respond to a request for comment on what the new defined contribution system would entail.

Overall, the changes to federal workers’ non-salary benefits would reduce spending by $102.5 billion over the next decade.