# Some Details Added to FEHB, Retirement Proposals

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New budget-related documents from the White House spell out in more detail the proposals related to retirement and [FEHB](https://ask.fedweek.com/fehb/) contained in the first budget release last week, specifying for example that a proposed increase in required employee contributions toward retirement would apply only to those under the FERS system.

Excluding those under CSRS—now only about 5 percent of the federal workforce—from the increase was proposed last year after years of proposals to increase required contributions under both systems. The stated goal is to make the enrollee and government shares equal by phasing up the former by 1 percentage point per year and bringing down the latter until they match.

The documents also say that since FERS employees hired after 2012 already are paying in more than those hired through that year, the increase for them would not be as steep. Also, they specify that in the special retirement programs for law enforcement officers and some others where the government’s current cost is still higher, the enrollee share would increase only by as much as other employees, and not enough to make the two shares equal.

The budget adds, though, that starting in 2020 the government will start using higher assumptions about the costs of financing retirement, meaning that for most employees the enrollee share would have to increase by about eight percentage points—rather than the six points commonly associated with such proposals over the years—to make them equal.

**Other retirement-related proposals in the budget that required little further explanation:**

– basing annuities of future retirees on their high-5 consecutive salary years rather than the currently used high-3;

– eliminating the COLA on the civil service portion of a FERS benefit while cutting 0.5 percentage points off the COLAs of CSRS benefits;

– eliminating for future retirees the FERS “special retirement supplement”; and,

– reducing the TSP’s G fund rate of return.

**No Automatic Enrollment in FERS for Term Appointments**

One new provision would stop enrollment of newly hired term employees in FERS, instead giving them enhanced TSP matching contributions. The budget argues that since those appointments generally are limited to four years, many of those employees never become eligible for a later future FERS benefit, which requires at least five years of service; employee organizations see the proposal as the first step toward an attempt to do the same with all future hires.

**FEHB Premiums**

On FEHB, the proposal notes that the government’s share of premiums currently is the lesser of 75 percent of a plan’s total cost or 72 percent of the weighted average of all plans.

The budget would reduce the latter factor to 71 percent but the government share would increase by 5 percentage points for the highest-rated plans; it says that would save money by giving carriers “greater incentive to compete on price and quality.”

That differs somewhat from last year’s proposal, which would have created a three-tier structure based on plan ratings, with the lowest third receiving 5 percentage points less of a government contribution.