

18 MAR 1985

NOTE FOR: Director of Personnel

FROM: -

Deputy Director of Personnel for Employee Benefits and
Services

SUBJECT: Retirement

Bob,

1. You asked that we provide you figures on how much of a financial impact would result from incorporating Civil Service retirees into an Agency-wide retirement system. The following information gives you some appreciation for the dollar figures.

- a. FY-86 CIARDS Appropriation
FY-86 CSRS Appropriation

Total (if Agency administered entire program)

- b. FY-86 CIARDS Unfunded Liability
FY-86 CSRS Unfunded Liability

Total (if Agency administered entire program)

- c. FY-86 Total Budget for CIARDS:
7% contribution
Treasury Appropriation

Subtotal

FY-86 Total Budget for CSRS:
7% contribution
Treasury Appropriation

Subtotal

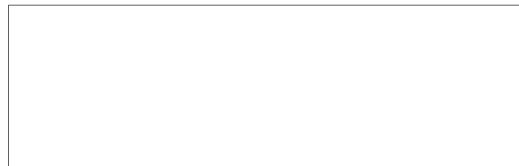
Grand Total

SUBJECT: Retirement

2. For your information, if the retirement systems were fully funded (which we know they are not), the current combined CIARD and CSR Systems at 40% cost of payroll would equal [redacted] The proposed Agency system that we have recommended at 34% of payroll would cost [redacted]

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C2 WEDNESDAY, MARCH 27, 1985 ...

THE FEDERAL DIARY

Generous Pension Plan

By Mike Causey
Washington Post Staff Writer

Government employees would be offered a private sector-style pension package with generous tax breaks under proposed legislation being drafted by the Office of Personnel Management.

Under the plan, which must still clear the Office of Management and Budget, all federal and postal workers who are fully covered by Social Security (anyone hired since January 1984) would automatically go under the new system. The earliest civil service pension benefits would come at age 59½, and reduced benefits would be available from Social Security at age 62, or full benefits at age 65—the same requirements persons in the private sector have.

Employees covered by the current civil service retirement program—which unlike the OPM plan guarantees a level of benefits based on length of service and salary—could remain with it or elect to buy into the new system.

The package must clear a number of political hurdles—from federal unions to Congress—and be approved by the Internal Revenue Service, which could be expected to take a dim view of some of its tax-deferred features.

Under the proposal:

- All contributions to the civil service retirement program would be made by the government. Employees would pay nothing. Currently, workers contribute 7 percent of salary.

- Employees would keep the same salary they have now, but the government would contribute an amount equal to 11 percent of each employee's salary into his or her individual retirement account. Interest would be paid on those accounts at the Treasury bill rate, which runs about 10 percent. If OPM gets its way, that money would not be considered as income and subject to federal taxes until the employee retired or withdrew it.

- All employees in the new system would pay the full Social Security tax.

- If it can run the IRS gantlet, the OPM would also offer a special tax-deferred savings plan. Workers could contribute up to \$5,000 into that program. That is more than twice the tax saving available to persons under individual retirement accounts.

- Workers would be vested in the new retirement plan after one year. Money in their accounts could not be withdrawn until they were at least age 59½. If they left the government, money in their accounts would continue to draw interest (but with no new government contributions) until they could withdraw it. Employees would get annual statements of the value of their accounts.

- There would be no such thing as a formal retirement age under the new program, although benefits could not begin until age 59½. Currently, federal workers can retire as early as age 55 with 30 years' service, but in fact federal employees on the average work until about age 61.

OPM officials say the new plan would cost the government the equivalent of 19 percent of payroll, compared with the current plan, which costs 33 percent of payroll.

"It [the current system] is very generous only for the very few who make a full career of government," an OPM official said yesterday.

NARFE Says No

The National Association of Retired Federal Employees has withdrawn its offer to join Citizens Against Waste, the private sector group headed by J. Peter Grace and syndicated columnist Jack Anderson.

Last December NARFE President Lud Andolsek agreed to work with the group if it put him on the executive board and provided the retiree organization with a forum to explain and defend the federal pension program. Yesterday, NARFE's executive board voted 14 to 0 to withdraw its cooperative efforts. It charged that the citizens group is "nothing more than a mouthpiece" for the so-called Grace Commission, which urged cuts in the U.S. retirement plan.

**FEDERAL EMPLOYEES' RETIREMENT SYSTEM (FERS)
(PROPOSED SUPPLEMENTAL PLAN OF OPM)**

Employee Pays:	Nothing
Government Pays;	11.6% of salary into Federal Employees Retirement Fund.
Retirement Eligibility:	Age 59 1/2 with one or more years of service (Age 58 for law enforcement officers, fire fighters, air traffic controllers.)
Retirement Benefit:	<p>Accumulation of principle and interest in employee's account in the FERS, payable at employee's election as:</p> <ol style="list-style-type: none">1. Lump sum, or2. Annuity for fixed, term of years.3. Life annuity for employees and spouse or4. Life annuity for employee and person with insurable interests, or5. Annuity with COLA <p>(Law enforcement officers, fire fighters, and air traffic controllers also received a supplement equal to Social Security benefit from date of retirement to date eligible for Social Security.)</p>
Disability Benefit:	60% of salary if totally disabled, or 40% of salary if unable to perform current position (must have 18 months service to be eligible for disability benefits; benefits begin 6 months after work ceases; benefits are offset by any Social Security Disability Benefits)
Survivor/Benefits:	Surviving spouse of deceased employee with 18 months service is entitled to lump sum payment or an annuity based on balance in employee's FERS account. (Will be based on one year's salary, if balance in account is less than that amount.)
Voluntary Contribution Plan	Employee may elect to deposit up to \$5,000 per year in the Retirement Fund under provisions comparable to those applicable to IRA's. (No matching funds by government.)

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18 March 1985

TO: (Name, office symbol, room number, building, Agency/Post)	Initials	Date
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2. ASD		
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Approval	For Clearance	Per Conversation
As Requested	For Correction	Prepare Reply
Circulate	For Your Information	See Me
Comment	Investigate	Signature
Coordination	Justify	

REMARKS

Walt:

Attached is background on the sixteen awardees of the Intelligence Star who retired under the Civil Service Retirement System.

DO NOT use this form as a RECORD of approvals, concurrences, disposals, clearances, and similar actions

FROM: (Name, org. symbol, Agency/Post)	Room No.—Bldg.
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	Phone No. <div style="border: 1px solid black; width: 100%; height: 20px;"></div>

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