

Subj: 2010/2011 Legislative Recap Affecting NARFE Members and "Not Yet" Members

To: all recipients. Help spread the word; forward to all-you-know NARFE members and "not-yet" members, such as friends, neighbors, and active/retired co-workers, spouses, survivors.

From: Bill Price, Legislative & Membership Officer, N.C. Brunswick County Chapter 1894.

Subject: LEGISLATIVE RECAP FOR 2010 & 2011

The 111<sup>th</sup> Congress officially closed Wednesday, December 22, 2010. The 112<sup>th</sup> Congress reconvenes January 5, 2011; Republicans will have majority seats/votes in the House and gain additional seats/votes in the Senate.

#### COST-OF-LIVING ADJUSTMENT (COLA)

The government uses the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in determining price increases and automatic cost of living adjustments (COLAs) for social security and federal government pension payments. The last automatic COLA occurred at the beginning of 2009. There was no automatic COLA for 2010, and there will be no automatic COLA for 2011. In addition, the Congressional Budget office has predicted the possibility of no COLA for 2012.

#### \$250 PAYMENT IN LIEU OF COLA NOT PASSED BY CONGRESS

Proposed House legislation would have provided Social Security beneficiaries a one-time \$250 payment in lieu of a second year without a COLA. Similar Senate legislation would have also included public service retirees. Although the vote was 254-153, the House legislation did not pass because it required two-thirds (290). The Senate's attempt to bring legislation to a vote ended when the cloture vote, 53-45, failed to obtain the three-fifths majority (60).

#### FEDERAL PAY FREEZE & GOVERNMENT SPENDING

The House and Senate failed to agree and pass a budget (see "Notes about failed budget" below) to run the government for the current fiscal year, 2011, which started October 1, 2010 and ends September 30, 2011. This caused lawmakers to use stop-gap, continuing resolutions (CRs) to fund government operations during fiscal year 2011 (the federal civilian pay freeze for 2011 and 2012 is included in the CRs). The current CR will fund the government through March 4, 2011. This represents a major victory for Republicans because they forced Democrats to abandon a plan to pass an omnibus spending package (see Notes below). Republicans can now control any further spending legislation because on January 5, 2011, they will gain control of the House and gain additional members in the Senate.

The nine new Republican members of the House Appropriations Committee are united in making deep cuts to spending, and making them quickly. House Speaker-designate John Boehner (R-Ohio) has vowed weekly votes on spending cuts starting in January, and the Appropriations Committee will be charged with drafting rescission bills to make that happen. Regarding earmarks, however, some Republicans are uneasy with the voluntary earmark moratorium adopted in November by Republicans in the House and Senate.

#### Notes about failed budget

Instead of a CR, on December 14, the Senate Appropriations Committee proposed a \$1.1 trillion omnibus spending package to run the government through the remainder of fiscal year 2011. That spending package wrapped all 12

appropriation bills into a 1,924-page measure, which also included the federal civilian pay freeze. Of particular note also, the voluminous omnibus spending package included some 6,600 individual congressional-member earmarks worth \$8 billion (that compares to 9,400 earmarks in 2010 worth \$10 billion). Both Democratic and Republican members of Congress attached earmarks, but ultimately, Republican objections to the omnibus spending package killed it.

#### HEALTH BENEFITS PREMIUM COST INCREASE

In addition to no COLA and federal pay freeze, it should be noted that health insurance premium costs have increased for everyone. For example, BC/BS family plan 105 has increased from \$400.97 monthly to \$431.60, or a 7.88% increase! In essence, this results in a 8% net reduced pay or pension for people to live on.

#### TAX CUTS

The House, Senate and the President have agreed and passed tax cut legislation. That legislation adds \$858 billion to the national debt, including the following:

- \$384 billion for renewing middle-class tax cuts and fixing Alternative Minimum Tax.
- \$120 billion for reducing the Social Security payroll tax from 6.2% to 4.2% for one year.
- \$102 billion for extending tax cuts for the wealthy.
- \$57 billion for extending unemployment benefits to 7 million unemployed through 2011.
- \$22 billion to enable large corporations to write off 100% of capital purchases in 2011.
- \$14 billion to enable about 6,600 very wealthy families pay lower estate taxes.

According to the President, the federal civilian pay freeze for 2011 and 2012 will save \$2 billion for the remainder of fiscal year 2011, \$28 billion during the next 5 years, and \$60 billion over the next 10 years. In effect, then, the federal civilian pay freeze helps pay for large corporations to write off their capital purchases, pays for tax cuts to the wealthy, etc?

#### TAX CUT IMPACT ON RETIREMENT CONTRIBUTIONS FOR FERS & CSRS

Under law before the social security payroll tax cut (noted above), Federal Employees Retirement System (FERS) workers' contribution into the Civil Service Retirement and Disability Fund (CSRDF) is 7% of their salary minus their Social Security tax: that is, 7% less 6.2%, or .8%. But the proposed social security tax cut had an unintended consequence of increasing FERS CSRDF contribution by 2%: that is, 7% less 4.2%, or 2.8%. NARFE, along with its federal-postal coalition partners, worked to include in the tax cut that FERS employees will not pay the increased contribution to the CSRDF.

Similarly, while Civil Service Retirement System (CSRS) employees do not pay into Social Security, they do pay 7% of their salary into the CSRDF, which is equivalent of a private sector pension combined with Social Security. Unfortunately, a proposal made by NARFE and other federal coalition partners that would have allowed CSRS employees to see a 2% reduction in their retirement contributions was not included in the tax cut legislation.

#### SOCIAL SECURITY

To date, Social Security has not contributed to the deficit. Currently, workers pay 6.2% of their wages up to a cap of \$106,800 in social security taxes and employers pay the same. Social Security has collected more in taxes than it pays in benefits. Surplus funds go into the trust fund and are invested in U.S.-guaranteed Treasury bonds. In 2009, the trust fund held \$2.5 trillion in bonds and earned 4.9 percent in interest. According to the system's board of trustees, that money and continuing tax contributions will allow payment of all benefits at current rates until 2037. After that, there will only be enough tax revenue coming in to pay about 78% of the benefits, or stated differently, a 22% reduction in benefits. But as a result of the social security payroll tax cut, the Social Security Trust Fund will lose about \$120 billion in payroll taxes. Diverting \$120 billion may sound good for current workers in reduced payroll taxes, but workers will need that money in the future. Congress is being urged to make financial fixes to Social Security.

#### 2011 MEDICARE PART B MONTHLY PREMIUMS FOR DOCTORS & OUTPATIENT COSTS

- \$96.40 if you paid this in 2010.
- \$110.50 if you paid this in 2010 AND this was deducted from your Social Security checks.
- \$115.40 if premiums not deducted from your Social Security checks OR you are new enrollee.
- \$161.50 to \$369.10 if single & taxable income is more than \$85,000 OR married with joint return showing taxable income more than \$170,000.

Under present federal law, about 73% of Medicare beneficiaries are not required to pay ("held harmless") for the increase in Part B premiums in any year when they receive no Social Security COLA. However, more than a million public service retirees not eligible for Social Security benefits will pay \$115.40 a month in 2011. To rectify this, on November 17, Sen. John F. Kerry (D-MA) introduced S.3950, The Medicare Premium Fairness Act. The bill was referred to the Senate Finance Committee but no action was reported out.

#### MEDICARE PAY CUTS TO DOCTORS

The 1997 Balanced Budget Act included a formula intended to hold increases in Medicare spending to the country's overall inflation rate. As a result, in 2002, physician payments were cut by 4.8%. Cuts have been scheduled every year since then, but as medical costs have dramatically increased, no cuts have gone through because of temporary postponements by Congress. But these postponements have made it difficult for seniors to find and keep doctors and for doctors to know that they will be adequately reimbursed for their services. Even worse, if Congress took no action, Medicare provider reimbursement rates could drop 25%. If this occurred, some doctors will stop taking Medicare patients. For 2011, both the House and the Senate have passed the so-called "Doc Fix" legislation to prevent Medicare provider reimbursement rates from being cut 25%. The cost is \$15 billion.

#### SPENDING CUTS TO BE CONSIDERED BY THE 2011 CONGRESS

COLAs: defer COLAs until age 62; and, reduce COLAs by using a different consumer price index.

FEHBP: increase health insurance costs, e.g., premiums, copays, coinsurance, medicine costs, etc.

Retirement: base retirement annuity on highest 5 years of salary rather than highest 3 years;

increase worker contributions for retirement annuity; and,

not allow retirement until age 62 under any circumstance.

Pay freeze: three-year pay freeze.

Pay structure: replace the GS system; freeze or reduce step increases, annual and sick leave benefits.

Work force: 10-percent reduction.

Social Security: cut the benefits of all future recipients; and,

increase retirement age to 68 by 2050 and 69 in 2075.

Rep. John Boehner (R-8<sup>th</sup> OH) is expected to be the next Speaker of the House of Representatives, Rep. Eric Cantor (R-7thVA) is expected to be the No. 2 Republican in the House, and Rep. Paul Ryan (R-1stWI) is expected to be the House Budget Committee Chairman. They submitted legislation for

significant federal cuts in pass sessions of Congress and are likely to do so again in their newly elected power positions. In addition, as noted earlier, the nine new Republican members of the House Appropriations Committee are united in making deep cuts to spending, and making them quickly. House Speaker-designate John Boehner (R-Ohio) has vowed weekly votes on spending cuts starting in January, and the Appropriations Committee will be charged with drafting rescission bills to make that happen.

#### HELP NARFE STOP PROPOSED LEGISLATIVE REDUCTIONS BEFORE THEY BECOME LAW

- If you are a NARFE member: sign up your spouse as a member (spouse does not have to be a federal employee or retiree) & recruit others to join.
- If you are not a member: call 800-627-3394 and join with a credit card, or join online at [www.NARFE.org](http://www.NARFE.org), and sign up your spouse.
- Use the NARFE Legislative Action Center at [www.capwiz.com/narfe](http://www.capwiz.com/narfe) to respond to your Senators and Representative on legislative proposals identified by NARFE. NARFE also identifies your Senators and Representative, prepares a suggested response, and will either send a letter or an e-mail to them under your name. It takes only a few minutes to push a few computer buttons.
- Go to [www.NARFE.org](http://www.NARFE.org), go to home page, click on "Membership," then click on "Join GEMS" to provide your e-mail address & ID# so that you receive NARFE's weekly "Hotline legislative alerts." (GEMS is NARFE's e-mail system referred to as Global Electronic Messaging System. If you have forgotten your member ID#, it's on the mailing label of your NARFE Magazine.) The weekly alerts keep you apprised of legislative proposals and provides direct links so that you can respond to your Senators and Representative on specific legislative issues of concern.
- If you do not have/use a computer, call 1-877-217-8234 to hear the alerts. Call 1-866-220-0044, Capitol operator, to ask for and respond to your Representative and Senators.
- Make a direct contribution to NARFE-PAC via coupons in NARFE magazine to help NARFE lobbyists work on your behalf to oppose reductions in federal pay, retirement, health and other benefits.
- Sign up for dues withholding; it's a win-win, you save money and so does NARFE.

"Ask not what NARFE can do for you, but what you can do for NARFE (see bulleted list above)."

“We can all hang together and support NARFE, or most assuredly the Congress and the President will hang us all separately.”

Best Wishes for the New Year!

Bill Price, Legislative and Membership Officer,

N.C. Brunswick Chapter 1894; 910-253-7143.