ONE HUNDRED TWELFTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

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April 27, 2012

The Honorable Paul Ryan
Chairman
Committee on the Budget
207 Cannon House Office Building
Washington, DC 20515

Dear Chairman Ryan:

On behalf of the Committee on Oversight and Government Reform, I am transmitting the recommendations required by section 201 of H.Con. Res. 112, the Concurrent Resolution on the Budget for Fiscal Year 2013.

Sincerely,

Darrell Issa
Chairman

Enclosure

cc: The Honorable Elijah E. Cummings, Ranking Member
Committee on Oversight and Government Reform

The Honorable Chris Van Hollen, Ranking Member
Committee on the Budget

[COMMITTEE PRINT]

TITLE V—COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

SEC. 501. RETIREMENT CONTRIBUTIONS.

(a) CIVIL SERVICE RETIREMENT SYSTEM.—

(1) INDIVIDUAL CONTRIBUTIONS.—Section 8334(c) of title 5, United States Code, is amended—

(A) by striking "(c) Each" and inserting "(c)(1) Each"; and

(B) by adding at the end the following:

"(2) Notwithstanding any other provision of this subsection, the applicable percentage of basic pay under this subsection shall—

"(A) except as provided in subparagraph (B) or (C), for purposes of computing an amount—

"(i) for a period in calendar year 2013, be equal to the applicable percentage under this subsection for calendar year 2012, plus an additional 1.5 percentage points;

"(ii) for a period in calendar year 2014, be equal to the applicable percentage under this subsection for calendar year 2013 (as determined under clause (i)), plus an additional 0.5 percentage point;

"(iii) for a period in calendar year 2015, 2016, or 2017, be equal to the applicable percentage under this subsection for the preceding calendar year (as determined under clause (ii) or this clause, as the case may be), plus an additional 1.0 percentage point; and

"(iv) for a period in any calendar year after 2017, be equal to the applicable percentage under this subsection for calendar year 2017 (as determined under clause (iii));

"(B) for purposes of computing an amount with respect to a Member for Member service—

"(i) for a period in calendar year 2013, be equal to the applicable percentage under this subsection for calendar year 2012, plus an additional 2.5 percentage points;

"(ii) for a period in calendar year 2014, 2015, 2016, or 2017, be equal to the applicable percentage under this subsection for the preceding calendar year (as determined under clause (i) or this clause, as the case may be), plus an additional 1.5 percentage points; and "(iii) for a period in any calendar year after 2017, be equal to the applicable percentage under this subsection for calendar year 2017 (as determined under clause (ii)); and

"(C) for purposes of computing an amount with respect to a Member or employee for Congressional employee service—

"(i) for a period in calendar year 2013, be equal to the applicable percentage under this subsection for calendar year 2012, plus an additional 2.5 percentage points;

"(ii) for a period in calendar year 2014, 2015, 2016, or 2017, be equal to the applicable percentage under this subsection for the preceding calendar year (as determined under clause (i) or this clause, as the case may be), plus an additional 1.5 percentage points; and

"(iii) for a period in any calendar year after 2017, be equal to the applicable percentage under this subsection for calendar year 2017 (as determined under clause (ii)).".

(2) GOVERNMENT CONTRIBUTIONS.—Section 8334(a)(1)(B) of title 5, United States Code, is amended—

(A) in clause (i), by striking "Except as provided in clause (ii)," and inserting "Except as provided in clause (ii) or (iii),"; and

(B) by adding at the end the following:

"(iii) The amount to be contributed under clause (i) shall, with respect to a period in any year beginning after December 31, 2012, be equal to—

"(I) the amount which would otherwise apply under clause (i) with respect to such period, reduced by

"(II) the amount by which, with respect to such period, the withholding under subparagraph (A) exceeds the amount which would otherwise have been withheld from the basic pay of the employee or elected official involved under subparagraph (A) based on the percentage applicable under subsection (c) for calendar year 2012.".

(b) FEDERAL EMPLOYEES' RETIREMENT SYSTEM.—Section 8422(a)(3) of title 5, United States Code, is amended—

(1) by redesignating subparagraph (B) as subparagraph (C);

(2) by inserting after subparagraph (A) the following:

"(B) Notwithstanding any other provision of this paragraph, the applicable percentage under this paragraph shall—

"(i) except as provided in clause (ii) or (iii), for purposes of computing an amount—

"(I) for a period in calendar year 2013, be equal to the applicable percentage under this paragraph for calendar year 2012, plus an additional 1.5 percentage points;

"(II) for a period in calendar year 2014, be equal to the applicable percentage under this paragraph for calendar year 2013 (as determined under subclause (I)), plus an additional 0.5 percentage point;

"(III) for a period in calendar year 2015, 2016, or 2017, be equal to the applicable percentage under this paragraph for the preceding calendar year (as determined under subclause (II) or this subclause, as the case may be), plus an additional 1.0 percentage point; and

"(IV) for a period in any calendar year after 2017, be equal to the applicable percentage under this paragraph for calendar year 2017 (as determined under subclause (III));

"(ii) for purposes of computing an amount with respect to a Member—

"(I) for a period in calendar year 2013, be equal to the applicable percentage under this paragraph for calendar year 2012, plus an additional 2.5 percentage points;

"(II) for a period in calendar year 2014, 2015, 2016, or 2017, be equal to the applicable percentage under this paragraph for the preceding calendar year (as determined under subclause (I) or this subclause, as the case may be), plus an additional 1.5 percentage points; and

"(III) for a period in any calendar year after 2017, be equal to the applicable percentage under this paragraph for calendar year 2017 (as determined under subclause (II)); and

"(iii) for purposes of computing an amount with respect to a Congressional employee—

"(I) for a period in calendar year 2013, 2014, 2015, 2016, or 2017, be equal to the applicable percentage under this paragraph for the preceding calendar year (including as increased under this subclause, if applicable), plus an additional 1.5 percentage points; and

"(II) for a period in any calendar year after 2017, be equal to the applicable percentage under this paragraph for calendar year 2017 (as determined under subclause (I)).";

and

(3) in subparagraph (C) (as so redesignated by paragraph (1))—

(A) by striking "9.3" each place it appears and inserting "12"; and

(B) by striking "9.8" each place it appears and inserting "12.5".

SEC. 502. ANNUITY SUPPLEMENT.

Section 8421(a) of title 5, United States Code, is amended—

(1) in paragraph (1), by striking "paragraph (3)" and inserting "paragraphs (3) and (4)";

(2) in paragraph (2), by striking "paragraph (3)" and inserting "paragraphs (3) and (4)"; and

(3) by adding at the end the following:

"(4)(A) Except as provided in subparagraph (B), no annuity supplement under this section shall be payable in the case of an individual who first becomes subject to this chapter after December 31, 2012.

"(B) Nothing in this paragraph applies in the case of an individual separating under subsection (d) or (e) of section 8412.".

SEC. 503. CONTRIBUTIONS TO THRIFT SAVINGS FUND OF PAYMENTS FOR ACCRUED OR ACCUMULATED LEAVE.

(a) AMENDMENTS RELATING TO CSRS.—Section 8351(b) of title 5, United States Code, is amended—

(1) by striking paragraph (2)(A) and inserting the following:

"(2)(A) An employee or Member may contribute to the Thrift Savings Fund in any pay period any amount of such employee's or Member's basic pay for such pay period, and may contribute (by direct transfer to the Fund) any part of any payment that the employee or Member receives for accumulated and accrued annual or vacation leave under section 5551 or 5552. Notwithstanding section 2105(e), in this paragraph the term 'employee' includes an employee of the United States Postal Service or of the Postal Regulatory Commission.";

(2) by striking subparagraph (B) of paragraph (2); and

(3) by redesignating subparagraph (C) of paragraph (2) as subparagraph (B).

(b) AMENDMENTS RELATING TO FERS.—Section 8432(a) of title 5, United States Code, is amended—

(1) by striking all that precedes paragraph (3) and inserting the following:

"(a)(1) An employee or Member—

"(A) may contribute to the Thrift Savings Fund in any pay period, pursuant to an election under subsection (b), any amount of such employee's or Member's basic pay for such pay period; and

"(B) may contribute (by direct transfer to the Fund) any part of any payment that the employee or Member receives for accumulated and accrued annual or vacation leave under section 5551 or 5552.

"(2) Contributions made under paragraph (1)(A) pursuant to an election under subsection (b) shall, with respect to each pay period for which such election remains in effect, be made in accordance with a program of regular contributions provided in regulations prescribed by the Executive Director."; and

(2) by adding at the end the following:

"(4) Notwithstanding section 2105(e), in this subsection the term 'employee' includes an employee of the United States Postal Service or of the Postal Regulatory Commission.".

(c) REGULATIONS.—The Executive Director of the Federal Retirement Thrift Investment Board shall promulgate regulations to carry out the amendments made by this section.

(d) EFFECTIVE DATE.—The amendments made by subsections (a) and (b) shall take effect 1 year after the date of the enactment of this Act.

Title V- Committee on Oversight and Government Reform
Summary of the Major Policy Decisions in the Legislation

The President's National Commission on Fiscal Responsibility and Reform (Simpson-Bowles) found that federal civilian employee pensions were out of line with pension benefits available to the average private sector worker. It therefore recommended that Congress change the federal employee pension system to bring it more in line with private sector practice. Simpson-Bowles recommended that the employee and his employing agency make equal contributions toward pension costs. In his *Plan for Economic Growth and Deficit Reduction: Living Within Our Means* and his FY2013 Budget, the President called on federal employees to contribute an additional percentage of salary toward their defined benefit pension, and proposed eliminating the FERS minimum supplement for new hires not subject to mandatory retirement.

Building on these recommendations, Title V increases federal employees' contribution to their defined benefit pension by 5 percent of salary over five years. Members of Congress and their staff enrolled in the Civil Service Retirement System (CSRS) will pay an additional 8.5 percent of salary over five years. Members of Congress enrolled in the Federal Employee Retirement System (FERS) will pay an additional 8.5 percent of salary, and congressional employees will pay an additional 7.5 percent of salary over five years. For new hires in the executive branch, the employee contribution rate is set at 5.8 percent; 6.3 percent for special occupational groups such as law enforcement. At the end of the phase in period, the contribution rate for existing FERS employees will equal the contribution rate for new hires. The increased contributions bring the employee contribution rate to approximately 50 percent of the normal pension cost, and will help reduce the CSRS shortfall covered by the taxpayer.

Under current law federal employees receive a special benefit not available to those in the private sector. Federal employees who voluntarily early retire before age 62 receive a special benefit on top of their retirement until they reach Social Security retirement age. Consistent with the President's FY2013 Budget, the legislation eliminates the FERS supplemental payment for federal employees and Members of Congress entering service after December 31, 2012 who voluntarily retire before age 62.

To better align federal employee benefits with the private sector, the legislation allows retiring federal employees to deposit lump-sum payments for unused annual leave into their Thrift Savings Plan accounts. These contributions would be subject to the existing Internal Revenue Service (IRS) annual contribution limits. In September 2009, the IRS issued regulations allowing employees to deposit any cash payment they received from their employer for accumulated leave into their 401(k) plans.

Title V – Committee on Oversight and Government Reform
Report Language: Section-By-Section

Section 501. Retirement Contributions.
Section 501(a) increases the employee contribution to the Civil Service Retirement System (CSRS) by 5 percent of salary over five years, beginning in calendar year 2013. In 2013, CSRS employees will pay 8.5 percent of salary, an increase of 1.5 percent over the current contribution rate. CSRS employees will pay an additional 0.5 percent in 2014, and it will increase by an additional 1 percent each year, for calendar years 2015-2017.

Section 501(b) increases the employee contribution to the Federal Employee Retirement System (FERS) by 5 percent of salary over five years, beginning in calendar year 2013. In 2013, FERS employees will pay 2.3 percent of salary, an increase of 1.5 percent over the current contribution rate. FERS employees will pay an additional 0.5 percent in 2014, and an additional 1 percent in calendar years 2015-2017.

Members of Congress will pay an additional 8.5 percent of salary over five years. CSRS congressional employees will contribute an additional 8.5 percent of salary over five years, and FERS congressional employees will contribute an additional 7.5 percent of salary over five years. The rate increases for Members of Congress and congressional employees reflect the higher normal pension cost for these occupational groups.

Section 501(b) also revises the employee contribution rate for federal employees and Members of Congress entering service after December 31, 2012, who have less than 5 years of creditable service for retirement purposes. The employee contribution rate will equal 5.8 percent for most federal employees and 6.3 percent for special occupational groups such as law enforcement (who receive a more generous defined benefit pension).

Section 502. Annuity Supplement
Section 502 eliminates the supplemental payment to FERS employees hired on or after January 1, 2013 who voluntarily retire before the age of eligibility for social security. Individuals subject to mandatory retirement include law enforcement officers, fire fighters, air traffic controllers, and nuclear materials couriers. These special occupational groups will remain eligible for the FERS minimum supplement.

Section 503. Contributions to Thrift Savings Fund of Payments for Accrued or Accumulated Leave.
Section 503 allows retiring federal employees and Members of Congress to deposit any lump-sum payment for unused annual leave into their Thrift Savings Plan account.

Title V – Committee on Oversight and Government Reform
Committee Oversight Findings

In compliance with clause 3(c)(1) of Rule XIII and clause (2)(b)(1) of Rule X of the Rules of the House of Representatives, the Committee's oversight findings and recommendations are reflected in the descriptive portions of this report.

H. R. # / H. J. Res. #

Member's Signature

Darrell E. Issa

Member's Name (printed)

Constitutional Authority Statement

To accompany:

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[COMMITTEE PRINT] TITLE V -
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

Pursuant to clause 7 of Rule XII of the Rules of the House of Representatives, the following statement is submitted regarding the specific powers granted to Congress in the Constitution to enact the accompanying bill or joint resolution.

Congress has the power to enact this legislation pursuant to the following:

Article I, Section 8, Clause 18

To make all Laws which shall be necessary and proper for carrying into Execution the foregoing Powers, and all other Powers vested by this Constitution in the Government of the United States, or in any Department or Officer thereof.

Title V- Committee on Oversight and Government Reform
Committee Votes

The following votes occurred during the consideration of the committee print:

1. Mr. Chaffetz and Mr. Lynch offered an amendment to the committee print to allow retiring federal employees and Members of Congress to deposit payments for accrued and annual leave in their Thrift Savings Plan accounts. The amendment was agreed to by voice vote.

2. The committee print, as amended, was ordered transmitted to the Budget Committee, a quorum being present, by a recorded vote of 19 Ayes to 15 Nays.

Ayes: Issa, Burton, Turner, Chaffetz, Mack, Walberg, Lankford, Amash, Buerkle, Gosar, Labrador, Meehan, DesJarlais, Walsh, Gowdy, Ross, Guinta, Farenthold, Kelly.

Nays: Cummings, Towns, Norton, Kucinich, Tierney, Clay, Lynch, Cooper, Connolly, Quigley, Davis, Welch, Yarmuth, Murphy, Speier.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

TITLE 5, UNITED STATES CODE

* * * * * * *

PART III—EMPLOYEES

* * * * * * *

SUBPART G—INSURANCE AND ANNUITIES

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CHAPTER 83—RETIREMENT

* * * * * * *

SUBCHAPTER III—CIVIL SERVICE RETIREMENT

* * * * * * *

§ 8334. Deductions, contributions, and deposits

(a)(1)(A) * * *

(B)(i) **[**Except as provided in clause (ii),**]** *Except as provided in clause (ii) or (iii),* an equal amount shall be contributed from the appropriation or fund used to pay the employee or, in the case of an elected official, from an appropriation or fund available for payment of other salaries of the same office or establishment. When an employee in the legislative branch is paid by the Chief Administrative Officer of the House of Representatives, the Chief Administrative Officer may pay from the applicable accounts of the House of Representatives the contribution that otherwise would be contributed from the appropriation or fund used to pay the employee.

* * * * * * *

(iii) The amount to be contributed under clause (i) shall, with respect to a period in any year beginning after December 31, 2012, be equal to—

(I) the amount which would otherwise apply under clause (i) with respect to such period, reduced by

(II) the amount by which, with respect to such period, the withholding under subparagraph (A) exceeds the amount which would otherwise have been withheld from the basic pay of the employee or elected official involved under subparagraph (A)

based on the percentage applicable under subsection (c) for calendar year 2012.

* * * * * * *

[(c) Each**]** *(c)(1) Each* employee or Member credited with civilian service after July 31, 1920, for which retirement deductions or deposits have not been made, may deposit with interest an amount equal to the following percentages of his basic pay received for that service:

	Percentage of basic pay	Service period
Employee	2 1/2	August 1, 1920, to June 30, 1926.
	3 1/2	July 1, 1926, to June 30, 1942.
	5	July 1, 1942, to June 30, 1948.
	6	July 1, 1948, to October 31, 1956.
	6 1/2	November 1, 1956, to December 31, 1969.
	7	January 1, 1970, to December 31, 1998.
	7.25	January 1, 1999, to December 31, 1999.
	7.4	January 1, 2000, to December 31, 2000.
	7	After December 31, 2000.
* *	* * *	* *

(2) Notwithstanding any other provision of this subsection, the applicable percentage of basic pay under this subsection shall—

(A) except as provided in subparagraph (B) or (C), for purposes of computing an amount—

(i) for a period in calendar year 2013, be equal to the applicable percentage under this subsection for calendar year 2012, plus an additional 1.5 percentage points;

(ii) for a period in calendar year 2014, be equal to the applicable percentage under this subsection for calendar year 2013 (as determined under clause (i)), plus an additional 0.5 percentage point;

(iii) for a period in calendar year 2015, 2016, or 2017, be equal to the applicable percentage under this subsection for the preceding calendar year (as determined under clause (ii) or this clause, as the case may be), plus an additional 1.0 percentage point; and

(iv) for a period in any calendar year after 2017, be equal to the applicable percentage under this subsection for calendar year 2017 (as determined under clause (iii));

(B) for purposes of computing an amount with respect to a Member for Member service—

(i) for a period in calendar year 2013, be equal to the applicable percentage under this subsection for calendar year 2012, plus an additional 2.5 percentage points;

(ii) for a period in calendar year 2014, 2015, 2016, or 2017, be equal to the applicable percentage under this subsection for the preceding calendar year (as determined under clause (i) or this clause, as the case may be), plus an additional 1.5 percentage points; and

(iii) for a period in any calendar year after 2017, be equal to the applicable percentage under this subsection for calendar year 2017 (as determined under clause (ii)); and

(C) for purposes of computing an amount with respect to a Member or employee for Congressional employee service—

(i) for a period in calendar year 2013, be equal to the applicable percentage under this subsection for calendar year 2012, plus an additional 2.5 percentage points;

(ii) for a period in calendar year 2014, 2015, 2016, or 2017, be equal to the applicable percentage under this subsection for the preceding calendar year (as determined under clause (i) or this clause, as the case may be), plus an additional 1.5 percentage points; and

(iii) for a period in any calendar year after 2017, be equal to the applicable percentage under this subsection for calendar year 2017 (as determined under clause (ii)).

* * * * * * *

§ 8351. Participation in the Thrift Savings Plan

(a) * * *

(b)(1) * * *

[(2)(A) An employee or Member may contribute to the Thrift Savings Fund in any pay period any amount not exceeding the maximum percentage of such employee's or Member's basic pay for such pay period allowable under subparagraph (B).

[(B) The maximum percentage allowable under this subparagraph shall be determined in accordance with the following table:

[In the case of a pay period beginning in fiscal year:	The maximum percentage allowable is:
2001	6
2002	7
2003	8
2004	9
2005	10
2006 or thereafter	100.]

(2)(A) An employee or Member may contribute to the Thrift Savings Fund in any pay period any amount of such employee's or Member's basic pay for such pay period, and may contribute (by direct transfer to the Fund) any part of any payment that the employee or Member receives for accumulated and accrued annual or vacation leave under section 5551 or 5552. Notwithstanding section 2105(e), in this paragraph the term "employee" includes an employee of the United States Postal Service or of the Postal Regulatory Commission.

[(C)] *(B)* Notwithstanding any limitation under this paragraph, an eligible participant (as defined by section 414(v) of the Internal Revenue Code of 1986) may make such additional contributions to the Thrift Savings Fund as are permitted by such section 414(v) and regulations of the Executive Director consistent therewith.

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CHAPTER 84—FEDERAL EMPLOYEES' RETIREMENT SYSTEM

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SUBCHAPTER II—BASIC ANNUITY

* * * * * * *

§ 8421. Annuity supplement

(a)(1) Subject to [paragraph (3)] *paragraphs (3) and (4)*, an individual shall, if and while entitled to an annuity under subsection (a), (b), (d), or (e) of section 8412, or under section 8414(c), also be entitled to an annuity supplement under this section.

(2) Subject to [paragraph (3)] *paragraphs (3) and (4)*, an individual shall, if and while entitled to an annuity under section 8412(f), or under subsection (a) or (b) of section 8414, also be entitled to an annuity supplement under this section if such individual is at least the applicable minimum retirement age under section 8412(h).

* * * * * * *

(4)(A) Except as provided in subparagraph (B), no annuity supplement under this section shall be payable in the case of an individual who first becomes subject to this chapter after December 31, 2012.

(B) Nothing in this paragraph applies in the case of an individual separating under subsection (d) or (e) of section 8412.

* * * * * * *

§ 8422. Deductions from pay; contributions for other service; deposits

(a)(1) * * *

* * * * * * *

(3)(A) * * *

(B) Notwithstanding any other provision of this paragraph, the applicable percentage under this paragraph shall—

(i) except as provided in clause (ii) or (iii), for purposes of computing an amount—

(I) for a period in calendar year 2013, be equal to the applicable percentage under this paragraph for calendar year 2012, plus an additional 1.5 percentage points;

(II) for a period in calendar year 2014, be equal to the applicable percentage under this paragraph for calendar year 2013 (as determined under subclause (I)), plus an additional 0.5 percentage point;

(III) for a period in calendar year 2015, 2016, or 2017, be equal to the applicable percentage under this paragraph for the preceding calendar year (as determined under subclause (II) or this subclause, as the case may be), plus an additional 1.0 percentage point; and

(IV) for a period in any calendar year after 2017, be equal to the applicable percentage under this paragraph for calendar year 2017 (as determined under subclause (III));

(ii) for purposes of computing an amount with respect to a Member—

(I) for a period in calendar year 2013, be equal to the applicable percentage under this paragraph for calendar year 2012, plus an additional 2.5 percentage points;

(II) for a period in calendar year 2014, 2015, 2016, or 2017, be equal to the applicable percentage under this paragraph for the preceding calendar year (as determined under subclause (I) or this subclause, as the case may be), plus an additional 1.5 percentage points; and

(III) for a period in any calendar year after 2017, be equal to the applicable percentage under this paragraph for calendar year 2017 (as determined under subclause (II)); and

(iii) for purposes of computing an amount with respect to a Congressional employee—

(I) for a period in calendar year 2013, 2014, 2015, 2016, or 2017, be equal to the applicable percentage under this paragraph for the preceding calendar year (including as increased under this subclause, if applicable), plus an additional 1.5 percentage points; and

(II) for a period in any calendar year after 2017, be equal to the applicable percentage under this paragraph for calendar year 2017 (as determined under subclause (I)).

[(B)] *(C)* The applicable percentage under this paragraph for civilian service by revised annuity employees shall be as follows:

Employee	[9.3] *12*	After December 31, 2012.
Congressional employee	[9.3] *12*	After December 31, 2012.
Member	[9.3] *12*	After December 31, 2012.
Law enforcement officer, firefighter, member of the Capitol Police, member of the Supreme Court Police, or air traffic controller	[9.8] *12.5*	After December 31, 2012.
Nuclear materials courier	[9.8] *12.5*	After December 31, 2012.
Customs and border protection officer	[9.8] *12.5*	After December 31, 2012.

* * * * * * *

SUBCHAPTER III—THRIFT SAVINGS PLAN

* * * * * * *

§ 8432. Contributions

[(a)(1) An employee or Member may contribute to the Thrift Savings Fund in any pay period, pursuant to an election under subsection (b), an amount not to exceed the maximum percentage of such employee's or Member's basic pay for such pay period allowable under paragraph (2). Contributions under this subsection pursuant to such an election shall, with respect to each pay period for which such election remains in effect, be made in accordance with a program of regular contributions provided in regulations prescribed by the Executive Director.

[(2) The maximum percentage allowable under this paragraph shall be determined in accordance with the following table:

[In the case of a pay period beginning in fiscal year:	The maximum percentage allowable is:
2001	11
2002	12
2003	13
2004	14
2005	15
2006 or thereafter	100.]

(a)(1) An employee or Member—

(A) may contribute to the Thrift Savings Fund in any pay period, pursuant to an election under subsection (b), any amount of such employee's or Member's basic pay for such pay period; and

(B) may contribute (by direct transfer to the Fund) any part of any payment that the employee or Member receives for accumulated and accrued annual or vacation leave under section 5551 or 5552.

(2) Contributions made under paragraph (1)(A) pursuant to an election under subsection (b) shall, with respect to each pay period for which such election remains in effect, be made in accordance with a program of regular contributions provided in regulations prescribed by the Executive Director.

* * * * * * *

(4) Notwithstanding section 2105(e), in this subsection the term "employee" includes an employee of the United States Postal Service or of the Postal Regulatory Commission.

* * * * * * *

Title V – Committee on Oversight and Government Reform
Performance Goals

In accordance with clause 3(c)(4) of Rule XIII of the Rules of the House of Representatives, the Committee's performance goals and objectives are reflected in the descriptive portions of this report.

CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

April 27, 2012

Reconciliation Recommendations of the House Committee on Oversight and Government Reform

As approved by the House Committee on Oversight and Government Reform on April 26, 2012

SUMMARY

H. Con. Res. 112, the Concurrent Budget Resolution for fiscal year 2013, as passed by the House of Representatives on March 29, 2012, instructed several committees of the House to recommend legislative changes that would reduce deficits over the 2012-2022 period. As part of this process, the House Committee on Oversight and Government Reform was instructed to recommend changes to current law that would reduce the deficit by $78.9 billion for fiscal years 2012 through 2022.

The proposal by the House Committee on Oversight and Government Reform would make several changes to the current federal employee retirement program. Specifically, the legislation would increase the percentage of salary that federal employees in the Civil Service Retirement System (CSRS) and Federal Employees Retirement System (FERS) are required to pay towards their retirement and eliminate the FERS retirement supplement that would be paid under current law to certain future retirees under the age of 62. The proposal also would allow federal employees to contribute to their Thrift Savings Plan (TSP) accounts any payment received at retirement for accumulated and accrued annual leave.

CBO and the staff of the Joint Committee on Taxation (JCT) estimate that this proposal would have no impact in 2012, and would reduce deficits by $2.3 billion in 2013 and by $83.3 billion over the 2013-2022 period. Those estimates are relative to CBO’s March baseline projections and assume enactment on or near October 1, 2012. The reduction is achieved mostly through an increase in estimated revenues—$2.4 billion in 2013 and $87.8 billion over the 10-year period—partially offset by higher direct spending ($0.2 billion in 2013 and nearly $4.5 billion over the 2013-2022 period). The estimate of budgetary effects would be the same whether enactment is assumed to occur by July 1, 2012, or around October 1, 2012, because the retirement proposals would not take effect until January 1, 2013, while the TSP proposal would not take effect until one year after enactment.

The legislation contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of the proposal is shown in the following table. The costs of this legislation fall within nearly all functions of the budget.

	By Fiscal Year, in Millions of Dollars												
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2012-2017	2012-2022
CHANGES IN REVENUES[a]													
Estimated Revenues	0	2,426	4,505	6,625	8,633	10,514	10,671	10,849	11,009	11,212	11,350	32,704	87,794
CHANGES IN ON-BUDGET DIRECT SPENDING													
Estimated Budget Authority	0	313	565	800	998	1,161	1,117	1,077	1,030	987	938	3,838	8,987
Estimated Outlays	0	313	565	800	998	1,161	1,117	1,077	1,030	987	938	3,838	8,987
CHANGES IN OFF-BUDGET DIRECT SPENDING													
Estimated Budget Authority	0	-157	-283	-400	-499	-581	-559	-539	-515	-494	-469	-1,919	-4,493
Estimated Outlays	0	-157	-283	-400	-499	-581	-559	-539	-515	-494	-469	-1,919	-4,493
NET INCREASE OR DECREASE (-) IN THE DEFICIT FROM CHANGES IN DIRECT SPENDING AND RECEIPTS													
Impact on Deficits	0	-2,269	-4,223	-6,225	-8,134	-9,933	-10,112	-10,310	-10,494	-10,718	-10,881	-30,785	-83,301
CHANGES IN SPENDING SUBJECT TO APPROPRIATION													
Estimated Authorization Level	0	-1,887	-3,633	-5,439	-7,191	-8,882	-9,149	-9,446	-9,722	-10,026	-10,265	-27,032	-75,641
Estimated Outlays	0	-1,887	-3,633	-5,439	-7,191	-8,882	-9,149	-9,446	-9,722	-10,026	-10,265	-27,032	-75,641
Memorandum													
Reduction in Offsetting Receipts Resulting from Lower Employer Contributions[b]	0	1,887	3,633	5,439	7,191	8,882	9,149	9,446	9,722	10,026	10,265	27,032	75,641

Sources: Congressional Budget Office and the staff of the Joint Committee on Taxation.

Note: The estimate of budgetary effects in the table above would apply whether the enactment date is assumed to be July 1, 2012, or around October 1, 2012.

a. For revenues, positive numbers indicate a decrease in the deficit.

b. Employer contributions are intragovernmental transactions that do not affect the deficit; positive numbers indicate a decrease in such intragovernmental receipts. The receipts shown in the memorandum result from federal employer contributions financed by future appropriations; such receipts are not considered to be an offset to direct spending because they are contingent on future appropriations.

BASIS OF ESTIMATE

CBO estimates that the proposal would increase revenues by nearly $88 billion over the 10-year period because of changes to the retirement contribution rates for federal employees ($88 billion), offset slightly by lower revenues ($355 million) from a proposal to allow employees to contribute any payment received for accumulated and accrued annual leave to their TSP accounts.

Proposed reductions in the rates that the U.S. Postal Service pays into the Civil Service Retirement and Disability Fund (CSRDF) on behalf of its employees subject to FERS would increase direct spending by a net of roughly $4 billion over the 2013-2022 period, CBO estimates. That increase results from additional on-budget outlays of nearly $9 billion (because of fewer receipts into the CSRDF), partially offset by more than $4 billion in off-budget savings (because of lower Postal Service agency contributions).

Similar reductions in the rates that agencies other than the Postal Service would pay into the CSRDF on behalf of their FERS employees would reduce spending subject to appropriation by $76 billion over the 2013-2022 period, CBO estimates. Those lower payments from agencies would also reduce the amount of offsetting receipts received by the CSRDF; together, those changes would offset each other.

Changes in Employee and Agency Contributions

The proposal would increase the required contribution rates paid by federal employees and Members of Congress (in both CSRS and FERS), phased in over five years, beginning in January 2013. Under current law, most CSRS employees contribute 7 percent of their salary towards retirement, and most FERS employees contribute 0.8 percent.

The proposed annual increases in employee contribution rates would be as follows:

	2013	2014	2015	2016	2017
CSRS	1.5%	0.5%	1.0%	1.0%	1.0%
CSRS Members of Congress	2.5%	1.5%	1.5%	1.5%	1.5%
CSRS Congressional staff	2.5%	1.5%	1.5%	1.5%	1.5%
FERS	1.5%	0.5%	1.0%	1.0%	1.0%
FERS Members of Congress	2.5%	1.5%	1.5%	1.5%	1.5%
FERS Congressional staff	1.5%	1.5%	1.5%	1.5%	1.5%

By the end of the phase-in period, most CSRS employees would contribute 12 percent of salary, and most FERS employees would contribute 5.8 percent. (Employees hired on January 1, 2013, or later with less than five years of federal service would immediately begin contributing at a rate of 5.8 percent.) The rate paid by Members of Congress in CSRS would increase from 8.0 percent to 16.5 percent, while the rate paid by Members of Congress in FERS would increase from 1.3 percent to 9.8 percent.

Contributions by federal employees for their retirement are shown as revenues to the federal government; CBO estimates that the proposed increase in the contribution rates would boost revenues by $88 billion over the 2013-2022 period.

Federal agencies are also required to make contributions toward their employees' retirement. For each of the proposed rate increases for FERS employees and Members described above, the proposal would make a corresponding reduction in the rate required to be paid by the employing agencies. (Rate reductions are not proposed for CSRS; agencies would continue to pay the rate in current law on behalf of their CSRS employees.) Reducing the employer contribution rates for FERS employees in agencies other than the Postal Service would lower spending subject to appropriation by $76 billion over the 2013-2022 period, CBO estimates. Such a reduction in employer retirement payments would lower the intragovernmental offsetting receipts of the CSRDF by an equal amount, but because that budgetary action is contingent on future appropriations, the drop in offsetting receipts is not considered an offset to direct spending.

Under the legislation, the total amount of retirement contributions (employee plus agency shares) paid into the CSRDF for FERS employees would remain the same as under current law. That is, the legislation would replace some of the payments by agencies with payments by federal employees. Budgetary savings would be attributed to the proposal because of the different budgetary classification of the employee share (revenues) versus the agency share (an intragovernmental transfer subject to future appropriation action).

CBO estimates that reducing the Postal Service's contribution rate for its employees subject to FERS would lower its required payments by nearly $9 billion over the 2013-2022 period. However, CBO expects that lower retirement expenses would lead the agency to modify its ongoing efforts under current law to reduce spending by doing so less aggressively; CBO estimates that the resulting increase in Postal Service outlays over the 10-year period would be about half of the total estimated reduction in retirement payments. Because the activities of the Postal Service are considered mandatory spending and classified as off-budget, such outlay reductions would result in a total savings of more than $4 billion in off-budget direct spending. In addition, reducing the payments made by the Postal Service on behalf of their FERS employees would result in correspondingly fewer receipts to the CSRDF, which CBO estimates would increase on-budget direct spending by nearly $9 billion over the 2013-2022 period.

Eliminate the FERS Annuity Supplement

Under current law, certain FERS employees who retire before the age of 62 receive a supplement to their annuity that is intended to equal what they would receive from the

Social Security Administration if they were eligible for Social Security benefits at the time of retirement. The supplement ends when the retiree turns 62 or becomes eligible to receive actual Social Security benefits. The proposal would eliminate that supplement for all FERS employees other than law enforcement officers, fire fighters, air traffic controllers and nuclear materials couriers who enter into federal service after December 31, 2012. That provision would have no impact over the next 10 years (employees hired in 2013 or later would not be eligible to receive the supplement under current law until at least 2033), but would reduce direct spending in later years.

Leave Payout Contributions to the Thrift Savings Plan

The legislation would allow any employee of the federal government who is eligible to make contributions to the TSP to contribute to it any payment received for accumulated and accrued annual leave. Such contributions would be subject to the annual limits that otherwise apply—annual contributions are currently limited to $17,000 for individuals ages 49 or younger and $22,500 for individuals ages 50 or older.

Because income taxes are deferred on contributions to regular (non-Roth) TSP accounts, and earnings within the accounts would not be taxable, the anticipated increase in contributions would initially result in lower revenues from income taxes. JCT estimates that the legislation would reduce revenues by $355 million over the 2013-2022 period.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

The legislation contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

ESTIMATE PREPARED BY:

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Impact on State, Local, and Tribal Governments: Elizabeth Cove Delisle
Impact on the Private Sector: Paige Piper/Bach

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CONGRESSIONAL BUDGET OFFICE
U.S. Congress
Washington, DC 20515

Douglas W. Elmendorf, Director

April 27, 2012

Honorable Darrell Issa
Chairman
Committee on Oversight
and Government Reform
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

The Congressional Budget Office has prepared the enclosed cost estimate for the reconciliation recommendations of the House Committee on Oversight and Government Reform.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Amber G. Marcellino, who can be reached at 226-2880.

Sincerely,

Douglas W. Elmendorf

Douglas W. Elmendorf

Enclosure

cc: Honorable Elijah Cummings
Ranking Member

Supplemental, Additional, and Minority Views

Elijah E. Cummings

Dissenting Views on the Majority's Reconciliation Recommendations

Committee Democrats strongly oppose the Majority's Reconciliation Recommendations, as ordered reported by the Committee on April 27, 2012.

The House Republican Budget directed the Oversight Committee to identify mandatory savings of $78.9 billion over ten years. Despite our limited budgetary jurisdiction, this Committee has been assigned to identify more cuts than the Ways and Means Committee, which has authority over the entire federal tax code, and to make deeper cuts than the Financial Services and Judiciary Committees combined.

This $80 billion mandate is a continuation of the Majority's relentless attacks on the federal workforce. The measure adopted by the Committee would require federal employees to contribute an additional 5% of their annual salaries toward their retirement benefits, effectively resulting in a 5% cut in the take-home pay of three million middle-class American workers. In addition, the legislation would eliminate the FERS annuity supplement for new workers who retire before they are eligible for Social Security at age 62, except those who are subject to mandatory retirement. This would result in the reduction of retirement benefits for these new employees by as much as $700 per month, according to the Office of Personnel Management.

These dedicated public servants have already sacrificed $75 billion toward deficit reduction and other priorities, more than their fair share, and they are still subject to a two-year federal pay freeze. Nevertheless, the Majority continues to view middle-income federal workers as an endless source of government offsets; first to fund the federal budget deficit, then to pay for the extension of the payroll tax cut and unemployment benefits, and now to pay for extending tax cuts for the rich.

Federal employees dedicate their lives day in and day out to public service by protecting our borders, supporting our troops, caring for our wounded veterans, ensuring the safety of our food and water, and providing services to millions of Americans. If this measure is enacted into law, however, these three million middle-class federal employees will have sacrificed a staggering total of $155 billion.

The Majority argues that this measure is necessary in order to reduce our nation's deficit. However, House Republicans have consistently refused to ask the wealthiest Americans to contribute even one additional penny to help address our nation's fiscal challenges. Even more astounding, House Republicans would go even further by rewarding the rich with additional tax breaks even beyond those passed during the Bush Administration.

On April 12, 2012, the nonpartisan Center on Budget and Policy Priorities issued a report examining how much more money the House Republican Budget would give in additional tax breaks to the richest Americans. The report concludes that those earning over $1 million a year would receive an additional <u>$265,000 in new tax breaks</u> every year. The report also states that the Republican budget "would enact new tax cuts that would provide huge windfalls to households at the top of the income scale." It also states that these new tax breaks will "disproportionately harm lower-income Americans … disproportionately help those at the top of the income scale … significantly worsen inequality … and increase poverty and hardship."[1]

House Republicans claim that they care about the deficit, yet these new tax breaks would make it worse. It is not shared sacrifice when Republicans keep coming back to the same group of middle-class workers to fund deficit reduction, other government programs, and, in this case, additional tax breaks for the wealthy.

Committee Democrats reject the premise that we need to take an additional $80 billion out of the pockets of millions of middle-class American families across the country. We take a stand supporting these families and opposing more new tax breaks for millionaires and billionaires. Ranking Member Cummings offered an Amendment in the Nature of a Substitute that would have protected middle-class federal workers and called for no new tax breaks for the wealthiest Americans, but Republicans argued that the amendment was not "germane" to the debate.

House Republicans have taken a similar approach in other committees. Last week, the Agriculture Committee slashed the food stamp program by $33 billion as part of this reconciliation exercise. They reduced assistance to every single household receiving benefits under the Supplemental Nutrition Assistance Program, which serves 46 million people. They totally eliminated food assistance for 1.8 million people across the country, and nearly three hundred thousand children will lose their meals at school, on top of losing their food stamp benefits at home.

The Ways and Means Committee eliminated the Social Services Block Grant, which helps 23 million children, seniors, and people with disabilities. It also provides Meals on Wheels and other services for 1.7 million seniors, child protective services for 1.8 million children at risk, and child care and other assistance for 4.4 million children.

Oversight Committee Democrats are committed to reducing the deficit. However, we believe that it needs to be done using a balanced approach that asks for shared sacrifice from everyone. Congress cannot lavish ridiculous new tax breaks on the rich while slashing programs and benefits for poor and middle-class families.

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[1] Center on Budget and Policy Priorities, *New Tax Cuts in Ryan Budget Would Give Millionaires $265,000 on Top of Bush Tax Cuts* (Apr. 12, 2012).