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Ken Berry • Jun. 12, 2017

What President Trump's new proposed budget gives federal employees with one hand, it takes away with the other. In fact, the five-fingered grab by budget officials could result in clenched foists by current employees and retirees alike.

The full budget for the upcoming fiscal year – which kicks off on October 1, 2017 – was released on May 23. It includes $3.6 trillion in cost reductions over the next decade. Significantly, the proposals include seeping changes in the federal retirement system that would save an estimated $4.1 billion in 2018 and close to $150 billion over the next ten years, making it one of the biggest lifelines for Uncle Sam.

On a positive note, the budget proposed by the Trump administration calls for a 1.9 percent uptick in wages for civilian workers and a 2.1 percent raise for the military. But then it penalizes hits federal workers in these five ways.

1. An increase in Federal Employee Retirement System (FERS) contributions from workers by one percent point each year until they equal the government's contribution. This would increase out-of-pocket payments by about 6 percent over a period of five to six years.
2. Basing future retirement benefits on an average of the highest five years of salary instead of the current high three years. The result would be a lower average.
3. Repeal of cost of living adjustments (COLA) for current and future employees participating in FERS.
4. Cutbacks in COLAs for Civil Service Retirement System (CSRS) employees by 0.5 percent from the current formula.

5. Elimination of supplement payments for FERS employees who retire. The

Predictably, the assault on federal employee retirement benefits drew fire from some quarters. "It is beyond insulting. It is downright mean," said National Active and Retired Federal Employees (NARFE) President Richard Thissen in a prepared statement. "Simultaneously promoting tax cuts and forcing a tax on just federal employees, through an increase in retirement contributions, is the height of hypocrisy."

The proposed changes would hit current employees especially hard. In fact, they might be forced to delay retirement in order to sock away more money in the federal government's Thrift Savings Plan (TSP). By having to contribute more out of their pocket, hey will be bringing home smaller paychecks. Also, ending the COLAs means that these federal employees will have to live on less in retirement. If higher inflation returns, the impact will be even more dramatic.

Democrats have blocked these types of proposals before, but their firepower is diminished in the new political environment. Nevertheless, don't expect that supporters of the program will throw in the towel on these budget issues without a fight. Expect a knockdown, drag- out brawl right up until the October 1 deadline.

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