

Fear of Losing Benefits

By Tammy Flanagan

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Recently, Government Executive's research unit, the Government Business Council, conducted an in-depth [research study](#) of federal employees. The results revealed some interesting trends.

Most of the people who responded to the survey (68 percent) were planning to retire within the next five years, with another 25 percent saying they were likely to leave government within the next 15 years. These are typical of the audiences I address at pre-retirement or mid-career planning seminars. Nearly 900 people took the survey, representing more than 30 civilian federal agencies and defense organizations.

[Click here to read the full report on the survey: Surfing the Retirement Wave](#)

One of the survey questions jumped out at me. It asked what federal employees see as potential disruptions to their retirement preparedness. Almost 60 percent of respondents listed changes to employee and retiree benefits as a concern. Should you be worried about future changes to your benefits? Let's take a closer look.

Federal employees under the Civil Service Retirement System enjoy a generous pension benefit. Those under the newer Federal Employees Retirement System have a smaller pension but their basic benefit is supplemented by Social Security retirement and access to the Thrift Savings Plan.

Over the years, several laws have changed the contributions and retirement benefits rules for federal employees and retirees. In 2012, for example, Congress increased FERS contributions for employees hired after December 2012. The following year brought further increases to employee contributions to FERS for individuals hired after December 2013. In both cases, current employees were protected from the negative impact of the change.

Other recent changes have improved retirement benefits for federal employees and annuitants. In 2009, a law allowed FERS employees to receive credit for their unused sick leave in the computation of their retirement benefits. Three years later, Congress enacted phased retirement, enabling employees to ease into retirement.

The Thrift Savings Plan has been evolving since it was added as a federal retirement benefit in 1987. For example, changes in the law have given employees greater flexibility in managing their accounts by allowing multiple interfund transfers and increasing or decreasing the amount of contributions without the restriction of set open season periods. Employees now have access to professionally managed lifecycle investment funds in addition to individual funds focused on various stock and bond offerings.

Since the inception of the TSP, there have been no major changes in the law that have had a negative impact on TSP participants. The bigger concern with the TSP for most employees is a potential economic downturn. But that would affect investors in all sectors of the economy, not just government workers.

Federal employees hired after 1983 pay Social Security taxes and get benefits from the system. Social Security has been around since 1935, and it has changed a lot over the years. There have been many improvements to the original program, including included benefits for dependent family members, protections for former spouses, and cost of living adjustments to benefits.

The last time there were major negative changes to Social Security was in 1983. Those included advancing tax rate increases already scheduled for employees and employers, delaying the effective date of COLAs from June to December, and including up to half of benefits in the taxable income of high-income beneficiaries.

The retirement age also gradually increased from 65 to 67 for people born after 1937. Benefits continue to be available at 62, but the reduction in benefits at 62 increased as the age of eligibility for unreduced benefits also went up. The long-term solvency of Social Security with an aging American population remains a concern. So it seems likely that further changes in benefits may be in store.

Overall, it's hard to predict what the future will bring in the federal benefits world. So it's a good idea to be alert to potential future changes and to remain flexible in your planning. Hopefully if there are future changes in benefits, current employees will continue to be grandfathered in to existing rules and regulations.

There are no guarantees for future financial security, but with proper planning, there may be fewer shocking surprises.

Photo: Flickr user photosteve101, [Planet of Success](#)

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<http://www.govexec.com/pay-benefits/retirement-planning/2016/08/fear-losing-benefits/130517/>