U.S. Senate
Republican Policy
Committee

Don Nickles, Chairman
Doug Badger, Staff Director

U.S. House
Republican
Conference

John Boehner, Chairman
Barry Jackson, Executive Director

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Balanced Budget Act Addresses Federal Retirement System's Unfunded Liability

When the Civil Service Retirement System (CSRS) was created in 1920, the costs of the system were designed to be met by a 50-50 employer-employee cost sharing arrangement. This arrangement, however, disappeared a long time ago.

- ***Taxpayers Pay Greater Share of Pension Contributions*** — Federal employees currently contribute 28 percent of the resources needed to finance federal retirement benefits; taxpayers pick up the remaining 72 percent.

- ***Employee Share Remains Unchanged for More Than 25 Years*** — Employee contributions were 2.5 percent in 1920. They were raised to 3.5 percent in 1929, to 5 percent in 1939, to 6 percent in 1949, to 6.5 percent in 1959, and to 7 percent in 1969. Since 1969, there has been no further increase in employee contribution levels, despite long periods of high inflation throughout the 1970s that generated huge COLA increases for retirees.

- ***Taxpayers' Costs Balloon in Years to Come*** — While employee contributions will grow from only $3.7 billion in 1980 to a projected $4.5 billion in 2030, the contributions made by taxpayers will skyrocket from $15.6 billion in 1980 to $160.3 billion in 2030.

- ***Unfunded Liability Unsustainable*** — The federal retirement system has a $540 billion unfunded liability. This unfunded liability is real and cannot be sustained by taxpayers much longer. To the extent that the government's pension promises are considered unbreakable, they will have to be paid off — just like the publicly held national debt.

- ***Civil Service Pensions More Generous Than Private Sector*** — In 1992, the average private sector pension annuity was about $600 per month. The average civil service annuity was $1,420 per month. Even when Social Security is included in the comparison, federal pensions are still 1.6 times larger than those in the private sector (Source: Concord Coalition).