



CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

October 16, 2002

S. 2936

A bill to amend chapter 84 of title 5, United States Code, to provide that certain federal annuity computations are adjusted by 1 percent relating to periods of receiving disability payments, and for other purposes

*As ordered reported by the Senate Committee on Governmental Affairs
on October 9, 2002*

SUMMARY

S. 2936 would increase pension benefits for certain civilian federal employees who participate in the Federal Employees' Retirement System (FERS). Under the bill, certain federal employees who are temporarily unable to work due to a workplace injury or disability would have their FERS benefit calculated at a higher accrual rate than normal. This higher rate would apply to the total time the worker is disabled, if that period of time lasts at least one year and the worker eventually returns to federal service before retiring. CBO estimates S. 2936 would increase direct spending on retirement benefits by less than \$500,000 in 2003 and by \$8 million over the 2003-2012 period.

S. 2936 contains no intergovernmental 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 S. 2936 is shown in the following table. The costs of this legislation fall within budget function 600 (income security).

By Fiscal Year, in Millions of Dollars

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
--	------	------	------	------	------	------	------	------	------	------

CHANGES IN DIRECT SPENDING

Estimated Budget Authority	*	*	*	1	1	1	1	1	1	2
Estimated Outlays	*	*	*	1	1	1	1	1	1	2

Note: * = Less than \$500,000.

BASIS OF ESTIMATE

FERS benefits are calculated as a percentage of the average of the highest consecutive three years of a worker's salary. For most employees who participate in FERS, that percentage is either 1 percent or 1.1 percent for every year of federal service, depending on the length of that individual's career. S. 2936 would increase the accrual rate by 1 percentage point for the amount of time an employee is unable to work due to an injury or disability related to the workplace. In order to receive the higher accrual rate, the beneficiary would have to be disabled for at least one year and return to work before retiring.

According to the Department of Labor, roughly 45,000 people receive benefits provided by the Federal Employees' Compensation Act (FECA). These benefits are paid to federal workers who were injured on the job or experienced a workplace-related disability. Of those FECA recipients, CBO estimates that approximately 12,000 beneficiaries participate in FERS, are still of working age, and have not already applied for FERS retirement benefits. Based on Social Security's experience with disability cases, CBO estimates about 100 people covered under FERS return to work each year after having been disabled for at least one year. CBO further estimates that approximately 100 employees who meet the bill's qualifications will retire under FERS each year and would receive an average initial increase in their annual FERS benefits of about \$1,500. The estimated increase in FERS retirement benefits under S. 2936 would be less than \$500,000 in 2003 and total \$8 million over the 2003-2012 period.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 2936 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:

Federal Costs: Geoffrey Gerhardt

Impact on State, Local, and Tribal Governments: Leo Lex

Impact on the Private Sector: Jean Talarico

ESTIMATE APPROVED BY:

Robert A. Sunshine

Assistant Director for Budget Analysis