



CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

June 18, 2009

S. 469

**A bill to amend chapter 83 of title 5, United States Code, to modify
the computation for part-time service under the Civil Service
Retirement System**

*As ordered reported by the Senate Committee on Homeland Security
and Governmental Affairs on May 20, 2009*

SUMMARY

S. 469 would alter the way retirement benefits under the Civil Service Retirement System (CSRS) are calculated for those workers who: worked for the federal government prior to April 7, 1986; worked on a part-time basis at some point during their career; and will retire after enactment of the bill.

The current calculation of retirement benefits creates a disadvantage for workers whose part-time service falls during their final working years; the disparity stems from the way part-time salaries are used to determine the portion of an employee's annuity associated with years of service prior to April 7, 1986.

S. 469 would adjust the formula used to calculate retirement benefits so that years of service prior to April 7, 1986, would be treated in the same manner as years of service occurring on and after April 7, 1986. CBO estimates that the change would increase direct spending by \$39 million over the 2010-2019 period. Enacting the bill would not affect revenues.

S. 469 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 S. 469 is shown in the following table. The costs of the bill fall within budget function 600 (income security).

	By Fiscal Year, in Millions of Dollars											
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2010-2014	2010-2019
CHANGES IN DIRECT SPENDING												
Estimated Budget Authority	1	2	3	3	4	5	5	5	6	6	12	39
Estimated Outlays	1	2	3	3	4	5	5	5	6	6	12	39

Notes: Components may not sum to totals because of rounding.

BASIS OF ESTIMATE

Under current law, a CSRS employee with service prior to April 7, 1986, who works part-time at the end of his or her career may receive a lower annuity than an otherwise identical employee whose part-time service occurred earlier. In either case, the employee will receive a total retirement benefit that results from the sum of two annuity calculations—one for service before April 7, 1986, and one for service on or after that date. A major factor in the calculation of a federal retirement annuity is an employee’s “high-3,” the average of the three highest consecutive years of salary. Often, an employee’s highest three years of salary occur in the final three years of service. For employees with part-time service in their career, the basis on which the high-3 is calculated is different for service prior to April 7, 1986, than for service after that, which may result in a lower annuity for employees who work part-time at the end of their careers.

S. 469 would change the calculation of retirement benefits for employees with part-time service to treat all service the same. As a result, annual spending for civil service retirement would rise by amounts growing from \$1 million in 2010 to \$6 million in 2019; overall, enacting the legislation would increase direct spending by \$39 million between 2010 and 2019. CBO assumes the bill will be enacted near the end of fiscal year 2009, which would affect benefits for about 650 new CSRS retirees in 2010 (the number of new retirees would decline annually thereafter, as CSRS is a closed retirement system with no new entrants). The Office of Personnel Management estimates that the average increase in value of retirement benefits for eligible employees as a result of this bill would be about \$2,000 a year.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 469 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

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