CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

August 1, 2012

S. 1515
United States Secret Service Retirement Act of 2012

As ordered reported by the Senate Committee on Homeland Security and Governmental Affairs on May 16, 2012

SUMMARY

S. 1515 would permit certain current employees of the U.S. Secret Service hired between January 1, 1984, and December 31, 1986, to move from the Federal Employees Retirement System (FERS) to the District of Columbia Police and Firefighter Retirement and Disability System (D.C. system). The bill would require that agents who elect to change systems pay for the additional retirement benefits provided under the D.C. system over the next 11 years (referred to in the bill as transition costs). This bill also would require Secret Service agents who choose to be covered under the D.C. system to forfeit all contributions to the Thrift Savings Plan (TSP) made on their behalf by the Secret Service or any other agencies.

Pay-as-you-go procedures apply because enacting the legislation would affect direct spending and revenues.

CBO estimates that enacting S. 1515 would, on net, generate an insignificant amount of budgetary savings over the 2013-2022 period. Increased direct spending resulting from the additional retirement benefits under the D.C. system would total $7 million over the 10-year period, but those costs would be offset by the payment in 2013 of transition costs by employees who switch retirement plans. Such employees would also convert from contributing to FERS (which would reduce revenues), to contributing to the D.C. system (which would increase offsetting receipts by a similar amount).

Because S. 1515 would require the District of Columbia to determine the cost for some members of the Secret Service to switch to the D.C. system, the bill would impose an intergovernmental mandate as defined in the Unfunded Mandates Reform Act (UMRA). CBO estimates that the cost of the mandate would be minimal and would not exceed the

threshold established in UMRA for intergovernmental mandates ($73 million in 2012, adjusted annually for inflation). This bill contains no new private-sector mandates are defined in UMRA.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 1515 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											
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2013-2017	2013-2022
CHANGES IN DIRECT SPENDING[a]												
Estimated Budget Authority	-7	1	1	1	1	1	1	1	1	1	-4	*
Estimated Outlays	-7	1	1	1	1	1	1	1	1	1	-4	*
CHANGES IN REVENUES												
Estimated Revenues	*	*	*	0	0	0	0	0	0	0	*	*

Note: * = between -$500,000 and zero: Components may not sum to totals because of rounding.

a. CBO estimates that discretionary costs of S. 1515 would not be significant.

BASIS OF ESTIMATE

For the purposes of this estimate, CBO assumes that S. 1515 will be enacted late in 2012. Based on information from the Secret Service and the Office of Management and Budget, CBO estimates that 121 employees would be eligible to transfer to the D.C. retirement system under this bill. However, based on an analysis of the costs and benefits to individuals faced with the option of making the switch, CBO estimates that it is unlikely that more than 10 percent of eligible employees would choose to make that change. The number of employees taking advantage of this option would probably be small because the cost they would face to switch retirement systems (on average, between $300,000 and $400,000) would be very high. Furthermore, the net benefit over time of switching would not be large.

Direct Spending and Revenues

Because the D.C. system provides a higher basic pension than FERS, the current retirement plan for the eligible Secret Service employees, CBO estimates that enacting the bill would result in additional federal costs of about $7 million for benefit payments over the 2013-2022 period if 10 percent of eligible employees transfer. (The D.C. system is run by the government of Washington, D.C., but receives a payment from the federal government to cover certain federal employees.) That additional spending would be partially offset by the higher contributions totaling less than $500,000 that employees would make to the D.C. system over the 10-year period. The bill also would require that all employees electing to move to the D.C. system pay for the additional retirement benefits they would receive through 2022. The transactions for this cohort of employees in the D.C. system would be recorded in the federal budget. CBO estimates those one-time payments would increase offsetting receipts (a credit against direct spending) by about $7 million in 2013.

In addition, the bill would reduce revenues by less than $500,000 over the 2013-2022 period, because individuals who elect to transfer to the D.C. system would no longer contribute to FERS. (Contributions to FERS are classified as revenues.)

Spending Subject to Appropriation

The bill would authorize an appropriation of $75,000 to the District of Columbia to calculate the transition costs. CBO estimates that the other discretionary costs would not be significant. All of the discretionary budgetary effects of implementing S. 1515 would be subject to the availability of appropriated funds.

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays and revenues that are subject to those pay-as-you-go procedures are shown in the following table.

CBO Estimate of Pay-As-You-Go Effects for S. 1515, as ordered reported by the Senate Committee on Homeland Security and Governmental Affairs on May 16, 2012

	By Fiscal Year, in Millions of Dollars												
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2012-2017	2012-2022
NET INCREASE OR DECREASE (-) IN THE DEFICIT													
Statutory Pay-As-You-Go Impact	0	-7	1	1	1	1	1	1	1	1	1	-4	0

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

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

The bill would impose an intergovernmental mandate by requiring the Office of Pay and Retirement Services of the District of Columbia to determine the cost for some members of the Secret Service to change retirement plans. Based on information from agency sources, CBO estimates that the cost of the mandate would be minimal and would not exceed the threshold established in UMRA for intergovernmental mandates ($73 million in 2012, adjusted annually for inflation). The bill would authorize the appropriation of $75,000 for the District to carry out the requirement.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

This bill contains no new private-sector mandates as defined in UMRA.

ESTIMATE PREPARED BY:

Federal Costs: Santiago Vallinas and Sheila Dacey
Impact on State, Local, and Tribal Governments: Elizabeth Cove Delisle
Impact on the Private Sector: Paige Piper/Bach

ESTIMATE APPROVED BY:

Theresa Gullo
Deputy Assistant Director for Budget Analysis