Congressional Budget Office
Cost Estimate

October 16, 2019

S. 439, End Plush Retirements Act

As ordered reported by the Senate Committee on Homeland Security and Governmental Affairs on July 24, 2019

By Fiscal Year, Millions of Dollars	2020	2020-2024	2020-2029
Direct Spending (Outlays)	*	*	*
Revenues	0	-1	-3
Increase or Decrease (-) in the Deficit	*	1	3
Spending Subject to Appropriation (Outlays)	*	-3	not estimated

Statutory pay-as-you-go procedures apply?	Yes	**Mandate Effects**	
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2030?	No	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	No

* = between -$500,000 and $500,000.

S. 439 would allow Members of the House of Representatives who are elected after enactment and all Senators, including those elected before enactment, to opt out of the Federal Employee Retirement System (FERS) and still participate in the Thrift Savings Plan (TSP). Under current law:

- Members of the House of Representatives who entered office in fiscal year 2004 or later may not opt out of FERS. Members who entered office before that date can opt out, but if they do so, they also lose their ability to participate in the TSP.
- Senators can opt out of FERS, regardless of when they entered office, but are then unable to participate in the TSP.

CBO estimates that enacting S. 439 would reduce revenues by $3 million over the 2020-2029 period, because retirement contributions paid by some Members of Congress while in office would decline. (Retirement contributions by federal employees are recorded as revenues in the federal budget.) CBO estimates that enacting the bill also would reduce direct spending by an insignificant amount over the same period, mainly related to eliminating retirement annuities. In addition, CBO estimates that implementing the bill would reduce spending subject to appropriation by $3 million over the 2020-2024 period, assuming appropriations are reduced by the estimated amounts.

Revenues

On the basis of a historical review, an average of 43 new Members begin serving in each session of Congress. Under S. 439, CBO assumes that 25 percent of new Members in each session of Congress (an average of 11 Members) would opt out of FERS. If Members opt out, the portion of their salaries that would have been deposited as revenues into the Civil Service Retirement and Disability Fund (CSRDF) would instead be paid to them directly and revenues to the government would decline. The required contribution rate for newly elected Members is 4.4 percent of salary (salaries currently equal $174,000 for Members not in leadership roles). Thus, eliminating those contributions would reduce revenues by $3 million over the 2020-2029 period, CBO estimates, but that amount would change if the number of Members choosing to opt out was larger or smaller than CBO's estimate.

Direct Spending

For most of the Members who would opt out of FERS, the reduction in direct spending from eliminating future payments for retirement benefits would occur after the 2020-2029 period; the average length of service for Members retiring under FERS is about 16 years. Some Members are eligible to retire with as few as five years of service (at age 62 or older), though the annuities associated with short periods of service are relatively small. Thus, enacting the bill would reduce direct spending over the 2020-2029 period by an insignificant amount, CBO estimates.

If any current Senators were to opt out of FERS because of the bill's provisions allowing them to continue to participate in the TSP, enacting S. 439 would increase direct spending. Those Senators would receive a refund of the contributions they paid into FERS prior to opting out; those refunds would be recorded as increases in direct spending. CBO expects that the Senators who would choose to opt out as a result of the bill would be a small number of those who were relatively recently elected; as a result, the increase in direct spending from refunded contributions for that group would be insignificant, and likely smaller than the reductions in direct spending from eliminated retirement benefits.

Spending Subject to Appropriation

Opting out of FERS would eliminate the retirement contributions paid on those Members' behalf by their employing House of Congress—which would reduce spending subject to appropriation by $3 million over the 2020-2024 period, CBO estimates. However, those contributions (paid at a rate of 14.2 percent of salary, including an increase that goes into effect in 2020) are recorded as intragovernmental transactions that have no net effect on the deficit: They are paid from the salaries and expenses accounts of Congress and deposited into the CSRDF as offsetting receipts, or reductions in direct spending. (The effect on direct spending, however, is not attributed to the cost estimate because the deposit of those receipts is subject to future appropriation action.)

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