

Congress of the United States

Washington, DC 20515

October 29, 2014

Mr. Douglas W. Elmendorf
Director
Congressional Budget Office
H2 – 402
Washington, DC 20515

Dear Mr. Elmendorf:

In 2013, the federal government paid pension benefits of about \$75 billion to civilian retirees and their survivors. The same year, 90 percent of current civilian employees were accruing pension benefits through the current Federal Employees Retirement System (FERS), with the vast majority of the remainder participating in the older program known as the Civil Service Retirement System (CSRS). According to the *Financial Report of the United States Government*, at the end of FY 2013 there were \$1.87 trillion in accrued benefits owed to federal civilian employees and retirees. Congress, however, has little information concerning the manner in which statutory changes to federal retirement systems affect the long-term federal budget outlook.

Congress recently enacted a pair of laws that increased the contributions that new federal employees are required to make toward their FERS defined benefit. CBO provided Congress with the projected impact of these policies over a ten-year period. Such CBO cost estimates are important tools relied upon by Congress to assess short-run cash flow impacts.

It would be useful to the Congress to also receive from CBO evaluations of the long-term budget impact of proposed retirement policy reforms. This would assist the Congress in taking a long-term view in crafting retirement policy.

We are, therefore, writing to request that CBO develop a model projecting the long-term effect of the civilian federal retirement system on the federal budget, and prepare a report that discusses CBO's projections. The report should include an examination of the budgetary impact of different options for reforming FERS, based on changes made in recent years to other large pension plans, both public and private. The report should include, but not limit itself to, adjusting the retirement contributions of federal employees, altering the formula for computing pension benefit payments, and expanding the defined contribution component while reducing the defined benefit component. Subsequently, CBO should be prepared to provide specific information about the long-term budgetary effects of substantial proposed changes to the federal retirement system, in addition to the existing year-by-year estimates that CBO already provides for the prevailing 10-year budget window.

Mr. Douglas W. Elmendorf

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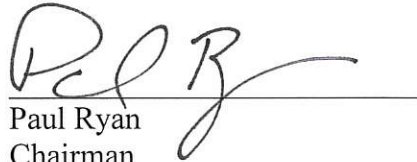
Page 2

Thank you for your attention to this matter. Please direct any questions concerning this letter to Ted McCann of the Budget Committee staff or Peter Warren of the Oversight and Government Reform Committee staff.

Sincerely,



Darrell Issa
Chairman
Committee on Oversight and
Government Reform



Paul Ryan
Chairman
Committee on the Budget

cc: The Honorable Elijah E. Cummings, Ranking Minority Member
Committee on Oversight and Government Reform

The Honorable Chris Van Hollen, Ranking Minority Member
Committee on the Budget