



AFSA NEWSLETTER

FOR RETIREES AND MEMBERS IN TRANSITION

Stay Informed, Stay Connected

April 2013
Volume 27, Number 3

The Big Squeeze

A Thousand Cuts

During the past two years Congress has raised the amount new employees must contribute in retirement contributions by 2.3 percent, and frozen federal salaries at 2010 levels for three years.

In addition to reducing the amount of current compensation, the lost income compounds over time, reducing both the basis for ultimately calculating annuities and the amount by which annuities and Social Security benefits are increased by annual cost-of-living adjustments.

Moreover, a likely future change in the way the cost-of-living adjustment is calculated (the chained CPI) would further reduce these increases.

For new employees, compensation under all three parts of the Foreign Service Pension System would be decreased: annuities, Social Security benefits and the amount of money available for Thrift Savings Plan contributions (and thus matching agency contributions). Likely additional cuts in federal benefits or increases in contributions would compound the reduction in federal compensation even further.

The practical result of this reinforcing combination of compensation cuts and increases in employee contributions over the career of new employees has simply not been definitively calculated. It seems clear, however, that it will result in a significantly lower compensation level for federal employees—one that is considerably lower than in the private sector when measured by any fair standard of comparison.

The Continuing Resolution

At the last moment, Congress approved a spending bill (H.R. 933) that funds the government through the end of September 2013 and avoids a government shutdown that otherwise would have gone into effect on March 27.

The bill also extends the federal pay freeze through the end of FY 2013, overturning the executive order issued by the president late last year that gave a 0.5 percent pay increase to the federal work force, which was scheduled to begin in late March.

In addition, the bill imposes a ban on the U.S. Postal Service's plan to end Saturday delivery.

Although the measure retains the steep across-the-board sequestration cuts, it gives some key agencies the flexibility to reprioritize spending. Even with this leeway, most agencies will still need to furlough employees.



The Budget

Senate Passes FY 2014 Budget

The Senate recently passed its first Fiscal Year budget in four years, a \$3.7 trillion budget blueprint for 2014 that would fast track passage of tax increases and trim spending modestly.

The FY 2014 budget matches nearly \$1 trillion in spending cuts with revenue hikes of equal value, and protects federal workers' pay levels and retirement benefits. Supporters of the budget say it would achieve \$4 trillion in deficit reduction during the next decade.

After senators had prepared more than 400 amendments, only a few dozen were brought to a recorded vote, which led to a 50-to-49 vote for the final passage. The vote broke down largely along party lines, with four Democrats voting against the budget.

The Senate budget would reverse the reductions caused by sequestration. According to Budget Committee Chairwoman Patty Murray, D-Wash., it offers a responsible path toward a balanced, bipartisan budget deal. Sen. Murray stressed that the first priority of the Senate budget is creating jobs and economic growth from the middle out, not the top down.

House Clears Balanced Budget

Voting 221-207, the House recently approved the Republicans' fiscal 2014 budget plan, largely on partisan lines. The plan would shrink government and balance the budget by spending \$4.6 trillion less over the next decade.

The plan, authored by Budget Committee Chairman Paul Ryan, R-Wis., calls for dramatic tax cuts, restructuring of health care programs, and a modest

hike in defense spending. It proposes saving \$132 billion over 10 years by increasing the amount federal employees contribute to their pensions, and changing pay and benefits to better align with the private sector. It also includes ideas pursued under the Obama administration's Campaign to Cut Waste, with attempts to limit improper payments and selling off unused real estate.

Mr. Ryan commented: "The reason we are balancing the budget is to improve people's lives. We know that a debt crisis is coming. We know that it's coming because we've watched what other countries have done when they continue to kick the can down the road and ignore the tough choices they need to make to get our fiscal house in order."

Ranking Budget Committee Member Chris Van Hollen, D-Md., expressed a contrasting view and offered an alternative proposal that would replace sequestration with a mix of targeted spending cuts and increases in tax revenue to balance the budget by 2040. Van Hollen said, "We do it in a balanced way. We don't do it the same time we are providing windfall tax breaks to folks at the very top. We don't do it on the backs of other important priorities. We do it by growing the economy and asking for shared responsibility."

The House voted to reject the Van Hollen budget proposal and—in a test vote—rejected by 154-261 the Senate committee budget plan.

The Senate and House have proposed two vastly different budget plans, which will be difficult if not impossible to reconcile.

The White House FY 2014 Budget

The White House is expected to release its fiscal 2014 budget recommendations in early or mid-April. The president is supposed to release his an-

Continued on page 8

AFSA On Your Side

AFSA Rallies with AFGE

On Wednesday, March 20, at 12 p.m., AFSA joined with members of the American Federation of Government Employees at the U.S. Labor Department to mark a national day of action against sequestration.

Hundreds of government employees gathered to send a strong statement to Congress that people expect a solution to sequestration, a problem that Congress itself created.

AFGE organized more than 100 events across the country to call for an immediate end to sequestration.

AFSA has been closely following the impact of sequestration and posting information on the process of sequestration, possible furloughs, and agency-specific guidance on our Web site. You can access all of this information at the link <http://afsa.org/sequester.aspx>.

AFSA Joins AARP Against Chained CPI

AFSA, along with several large national associations, joined AARP in an advertisement against adoption of the Chained Consumer Price Index, asserting it would result in a reduced calculation of the annual cost-of-living adjustment.

The ad recently appeared in the March 11 issue of *Politico* and has run in several other publications. The message in the ad is clear: "We protected this country for decades. Now we need our benefits protected." The ad, which shows three photos of government employees working, contains the following text:

"Some in Congress are proposing a change to the cost-of-living adjustment used to calculate federal

retirement benefits, including Social Security. This change would cut benefits by \$127 billion over the next 10 years, unfairly hurting federal retirees who have earned their modest benefits after a lifetime of service. It's called Chained CPI - a benefit cut that would be especially harmful for the men and women who worked to cure dangerous diseases, protected the border, and helped us recover from natural disasters. And the consequences will only get worse as they get older, because the proposed cuts would start now and get bigger every year. We urge Congress to reject this harmful proposal, because federal retirees today and in future generations deserve better. See the ad in *Politico* at afsa.org/Portals/0/aarp_cpi_ad.pdf.

April 10: Geriatric Services Program

Carol Kaplun of Iona Senior Services will speak about Geriatric Assessment, Services and Care Management at AFSA headquarters on April 10 at 2:00 p.m.

Carol is the Clinical Manager for Consultation, Care Management and Counseling, as well as Nurse Care Manager at Iona.

She provides care management services as part of a multidisciplinary social services team. The team services include geriatric assessment, consultation with seniors and families to develop safe and appropriate care plans, resource referrals, coordination of medical care, and management of home-care services.

Nonprofit Iona Services, located in northwest Washington, D.C., has provided essential services in the metropolitan area for older adults and their families and caregivers since 1975.

Reunion for children of Foreign Service officers in Kathmandu between 1957 to 1965 on Aug. 9, 10, 11, 2013, in Central Pennsylvania. Contact Cathy Marshall, cathmarshall2of5@yahoo.com.

From the Department

WAE Registry Update

The Human Resources Bureau is still in the process of developing the Department of State's first centralized WAE (When Actually Employed) Global Registry Program. The expected implementation date is July 2013.

Please keep in mind that the new centralized program *will not guarantee employment*. The new program *will also not increase your chances of being hired into a WAE Position*. The new program will standardize forms and processes across all bureaus; centralize annuitant information into one database; and add value by creating policy, reference guides and other useful tools that will benefit all stakeholders.

More details about the future program will be shared via RNET as we get closer to implementation. HR appreciates your patience as we continue to develop the components necessary to centralize the WAE

If you Need Old Tax Records

The department retains copies of W-2 and 1099 forms for three years. (You can also find those forms on Employee and Annuitant Express.) If you need to get records that go back farther than that, you can get them from the Internal Revenue Service.

Although the IRS does not retain actual

copies of Forms W-2 or 1099, except as attachments to tax returns for prior years, it maintains (and will provide free of charge) Form W-2 information for any purpose for the past 10 processing years. Use Form 4506-T (PDF), Request for Transcript of Tax Return, to request Form W-2 information.

The only way to get an actual copy of your Form W-2 from the IRS is to order a copy of the entire return on Form 4506, Request for Copy of Tax Return, and pay a fee of \$57 for each return requested.

Call (800) 829-3676, or visit the IRS Web site at www.irs.gov to obtain Form 4506, Request for Copy of Tax Return, or Form 4506-T, Request for Transcript of Tax Return.

Bureau WAE Coordinators

You can find a list of bureau WAE Coordinators on the AFSA Web site at afsa.org/Portals/0/wae_coordinators030413.pdf.

Apply for a Retiree ID at FAD

The Retirement Office and Diplomatic Security will enroll eligible retirees for State Department retiree badges during Foreign Affairs Day, May 3. The actual badges will be mailed to retirees.

Long-Term Effects of Federal Workforce Reduction in the 1990s

The Coalition for Effective Change recently released a study about the long term effects of the Clinton administration's National Performance Review Program. NPR was intended to "reinvent" government through cost reduction, increased customer service, and streamlining. In particular, the program sought to downsize the federal work force, particularly mid-level managers.

In February 1993 President Bill Clinton issued an executive order that required agencies with more than 100 employees to eliminate at least 4 percent of their work force over three years through attrition and early retirements or "early-outs." Later, this goal was increased to a 12-percent reduction over five years.

Between 1993 and 1998, the federal work force shrank by 15.4 percent. Many functions, such as management, procurement, auditing and budgeting, were outsourced to contractors.

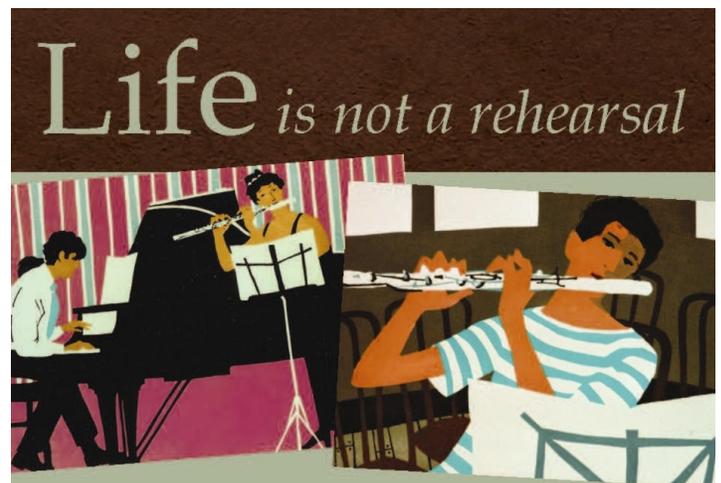
Although the labor work force shrank, the cuts often came from front-line employees, rather than the middle-level managers intended. In an attempt to quickly meet budget reductions goals, agencies forewent strategic personnel planning and instead looked for quick, easy cuts to personnel, not targeted work force cuts. The effect this had on agencies was threefold:

1. The loss of front-line employees created a backlog of services at customer-focused agencies, such as the Internal Revenue Service and Social Security Administration. Ultimately, it cost the government more money in the long run, because the agencies had to hire more employees to deal with the backlogs.
2. The size of the contract work force increased dramatically. In FY 2010 the federal government spent \$535 billion on contracts, compared to

\$167 billion on the federal civilian payroll.

3. The workload at federal agencies did not decrease with the personnel cuts. Rather, the severe cuts in budget and personnel compromised the ability of agencies to get their work done.

The Coalition for Effective Change encourages Congress to examine the lessons from the 1990s. It indicates that cutting budgets and staff does not make agency missions and programs stop or improve the effectiveness of government programs. Rather, Congress must come to a consensus about the fundamental role of the government and look at the entire federal work force, including political appointees and contractors, to determine the proper mix and levels of employment.



Details from *DUO* and *The Rehearsal* by Paul Arnold, Kendal resident and Oberlin College Professor Emeritus

Kendal's diverse and appealing community invites you to reach for the high notes with a retirement score offering a coordinated system of residential and health care choices. Minutes from Oberlin College and its Conservatory of Music.

KENDAL
at Oberlin
Together, transforming the experience of aging.®

600 Kendal Drive
Oberlin, Ohio 44074
1-800-548-9469
www.kao.kendal.org



Health News

Doc Fix Update

The Congressional Budget Office has concluded that the cost of a 10-year doc fix would be \$138 billion, rather than an earlier estimate of \$245 billion. (Congress has made repeated annual fixes because of mandated cuts in compensation for physicians.)

The lower projected cost increases the chances that a permanent fix might get passed. Already, two proposals have been advanced. One would replace the current formula with a temporary system of doctor pay raises, which would be followed by new payment methods that reward more-efficient care.

This change, hopefully, would encourage doctors to accept more Medicare patients.

LTC Premiums to Rise for Women

According to a Feb. 26 Kaiser Family Foundation article, the largest long-term care insurance company, Genworth Financial, will begin charging women more than men for long-term care premiums.

According to KFF, Genworth Financial says the new pricing reflects the fact that women receive two of every three claim dollars. The change will affect women who buy new individual policies, or about 10 percent of all purchasers, according to the company. The new rates will not be applied to current policyholders or to those who apply as part of a couple with their husbands.

Experts say they expect that other long-term-care insurers will soon follow suit.

You Stand for Freedom and Democracy. We stand behind you on your **MissionsAbroad**®.

For 65 years, Clements remains committed to the insurance needs of Foreign Service Officers and their families.



Get an instant quote on
clements.com

 **clements**
WORLDWIDE

CAR • PROPERTY • LIFE & HEALTH • SPECIALTY & HIGH RISK INSURANCE

Financial Information

TSP Calculators

The Thrift Savings Plan Web site at tsp.gov provides some terrific tools for its participants. One of them is the Contribution Comparison Calculator, which helps participants assess how the tax treatment choice a participant makes for his/her employee contributions affects his/her paycheck.

With Roth TSP contributions, participants make contributions with after-tax income by paying taxes up front. During retirement, they receive [qualified Roth distributions](#) tax-free. The traditional TSP lets participants make contributions before taxes are taken out of income and then pay taxes on withdrawals.

The Contribution Comparison Calculator provides a side-by-side comparison of traditional and Roth contributions to help participants assess whether Roth TSP might be right for them. Keep in mind that participants may choose to contribute all, some, or none of their contributions to the Roth TSP. If contributing to both Roth and traditional balances within a TSP account, one's combined contributions cannot exceed the [elective deferral limit](#).

Note that the calculator results are based on the limited information captured. Participants should consult a qualified tax or financial advisor to further assess their individual situations.

Other Useful TSP Tools

The TSP now has a YouTube channel (www.youtube.com/TSP4gov), where you can find a number of informative videos to help make decisions about the TSP and manage your TSP account.

TSP Alert

A free iPhone application, *TSP Funds*, is currently being offered through the Apple App store. The app asks Thrift Savings Plan participants for their account login information.

This app is not being offered through the TSP and the TSP cautions against using this application to access your TSP account.

IRS Identity Theft Caution

The Internal Revenue Service does not initiate contact with taxpayers by e-mail or by other social media tools—such as text messages or social media channels—to request personal or financial information.

In addition, the IRS does not send e-mails informing taxpayers that they are being electronically audited or are getting a refund.

Budget Cut Calculators

There are two on-line calculators that federal employees can use to calculate losses that would result from the federal salary freeze and a shift to the Chained CPI calculation to determine cost-of-living adjustments to federal annuities and Social Security benefits over the course of their federal careers.

The federal salary freeze calculator can be found at www.ifpte.org/calculator/ and the Chained CPI calculator at act.aarp.org/CCPI/index-landing.html?cmp=RDRC-T-WHULS_MAR12_013.

Continued from page 2

nual budget proposal by the first Monday in February but has only met that deadline once.

The budget has been delayed because the “fiscal cliff” negotiations and sequestration have complicated the budget process. The administration’s budget typically kicks off the annual budgeting process, and Congress then shapes its budget resolution in light of the president’s request. Since, however, the president’s budget has been delayed and both the House and Senate approved vastly differing budgets, the final result will most likely be an amalgamation of all three.

Counseling and Legislative Coordinators

Bonnie Brown brown@afsa.org

(202) 944-5509 or (800) 704-2372, ext. 509

Matthew Sumrak sumrak@afsa.org

(202) 719-9718 or (800) 704-2374, ext. 522

**PLAN NOW
GIVE FOREVER**

Make a tax-deductible planned gift to AFSA and help Foreign Service families make college more affordable for their children.

Your gift would establish a scholarship in your name of that of a loved one which is bestowed to a deserving student in the form of need-based financial aid scholarship or merit achievement award.

AFSA accepts gifts of cash, stock, real estate, life insurance policies, and retirement plan assets.

**AMERICAN FOREIGN
SERVICE ASSOCIATION**
2101 E STREET, NW
WASHINGTON, DC 20037
ph: 202 944 5504
email: scholar@afsa.org
WWW.AFSA.ORG/SCHOLAR

AFSA Memorial Plaque Ceremony

AFSA hopes you will join us in watching the AFSA Memorial Plaque Ceremony on Foreign Affairs Day from the Dean Acheson Auditorium. The victims from the Benghazi attacks name will be added.