ARTICLE APPEARED ON PAGE B-2

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# Reagan's Proposed Cuts

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Most, and maybe all, of the civil service pay and benefit changes President Reagan will propose in his upcoming budget have leaked out and been reported.

The proposals include:

- A 5 percent pay cut for white-collar and blue-collar federal workers next year.
- Raising the federal retirement age to 65.
- Changing the formula Uncle Sam uses to compute employes' annuities.
- Limiting cost-of-living adjustments (COLAs) for federal and military retirees.

Although none of the recommendations will be official until President Reagan submits his budget to Congress, administration aides say that is more or less the package. So where do we go after they have been made official?

Many federal workers have asked if they should retire now to escape changes in the pension system. The answer is no.

This is the situation:

Pay: No federal pay cut can be made unless both the House and the Senate approve it. Many congressional Democrats oppose the pay cut, and Sen. William Roth (R-Del.), who chairs the Senate Governmental Affairs Committee, says he, too, is against the pay cut. That doesn't mean Congress won't approve it, but it means the White House has a steep uphill fight ahead.

Retirement Age: Congress would have to approve any change in the federal retirement age. The president cannot do it on his own. There will be a tough fight on this one. Feds can now retire without reduction in pension benefits at age 55 with 30 years. The president's plan would require employes retiring in the future to take a 5 percent reduction for each year short of age 65. Workers who are 55 at the time of enactment would be grandfathered in under the present system.

If Congress decides to go along with raising the retirement age, lawmakers are likely to seek a compromise to make the age either 60 or 62. The average federal worker now retires at about age 61, according to government figures.

COLA Cutback: This is one of the items the Reagan administration is likely to get. The president's proposal would limit full COLAs to only the first $10,000 of annuity. Pension amounts over that would get an increase of only 55 percent of the regular COLA. Congress may also buy the plan to base the retiree raises on either the actual rise in living costs, or the percentage of each federal pay raise, whichever is lower. This is especially likely if Social Security benefits are frozen.

Formula Change: Congress may also approve the president's plan to base annuities on the employe's length of service and his highest five-year salary average. Currently, annuities are computed by length of service and the highest three-year salary average. That change would have a minimal impact on many federal workers, but would save the government a lot of money.

Remember, none of the changes can be made without congressional approval. And none of them will happen overnight. They must first be introduced as legislation or tacked onto an appropriation bill. Hearings must be held, votes taken and compromises made before any of the changes can be made—if any of them are made.

Any worker who wants to bail out before a pay cut or pension change goes into effect will have plently of warning before anything drastic happens.