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FEDERAL EMPLOYEES NEWS DIGEST

What's Inside

Senior Citizens League surveys mark inflation worries—amid glimmers of hope

By Nathan Abse

THE SENIOR CITIZENS League, a nonprofit advocacy and research group for retirees, is tracking inflation and other economic concerns of older Americans. Since the U.S. economy emerged from the depths of the COVID pandemic, the long-dormant danger of inflation has re-emerged—imperiling the always-vulnerable financial health of people living on fixed incomes. Over the past year, TSCL has conducted online surveys on inflation's impact, with some newsworthy results which the group shares with us here. In addition to research and surveys, TSCL lobbies Congress—supporting numerous reforms to better inflation-proof retirees' purchasing power, most prominently by pressing for fairer COLAs for Social Security recipients. Specifically, TSCL backs the proposed 2100 Act—a bill also backed by the National Active and Retired Federal Employees Association (NARFE) and other fed advocacy orgs. It would shift Social Security COLA calculations from using the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) to what proponents see as the more accurate Consumer Price Index for the Elderly (CPI-E). Because even this significant tweak would never retroactively make up for seniors' lost buying power—as COLAs just about always fall shy of price increases even over the past several decades of modest inflation—TSCL continues to also lobby Congress to enact a guaranteed 3% minimum COLA, automatically applied every year. This week Nathan Abse spoke with Mary Johnson, a Social Security and COLA expert with TSCL, focusing on the group's current reports on the economic struggles of American seniors and especially their experiences with high inflation—as well as hopes kindled by the Biden administration's successful push for passage of the Inflation Reduction Act, cutting out-of-pocket medical costs, and other actions affecting the bottom line of retirees.

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Q&A WITH MARY JOHNSON

Most feds, in retirement, live on a mix of income including FERS, TSP accounts, Social Security and personal savings. For decades, inflation rarely broke 3%. But, suddenly, as COVID receded inflation neared 10%. How do you at TSCL see retirees coping with the inflation situation today?

Johnson: First, yes, inflation has shot up and everyone's affected. But for older adults, your question is really about two groups, each affected differently. First, there are those preparing to retire. Second, there are those already deep in retirement. The impacts are different.

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What are the implications of higher inflation for the two groups, then?

Johnson: For the people who are still working and preparing for retirement, the bar they have to achieve—their financial picture—to seriously think of stepping away from work and income has been set higher. Quite frankly, inflation's effects have been profound, with what's happened already. Prices are up on average about 10% in just a year—food, fuel and housing costs are much higher now than just a year ago. Worse, some key necessities like gasoline and utilities are up enormous amounts—far more than average inflation. So what you need in order to retire is much higher. And this process of a rapidly-rising retirement minimum threshold, for now, continues. You absolutely have to save more, and plan to work significantly longer. For many, you've got to adjust down significantly some of your retirement ambitions—reducing standards and putting off that dream trip around the world, or whatever, you wanted to take.

Are older adults in this first bucket—those preparing for retirement—adjusting to this reality?

Johnson: From our surveys we see some ways that many are. It's tough but many are clear-eyed that you can stay on the same timeline as planned, as long as you make cuts and adjustments you just have to make, right?

Right, but with unusually high inflation, those "needed adjustments" can be very hard, right?

Johnson: Yes. And not just financially. There's a personal toll too. On the other hand, while the big message for now is you have to adjust your expectations—downward—at the same time, you might pause and note the inflation we've all experienced recently is rare. In fact, we haven't seen it in four decades. So, in that sense, we can be thankful. Still, the tough lesson I think we've all learned—myself included, since I'm at retirement age but haven't yet—is that though "rare" inflation is a brutal problem. It happens. We see what it does to our finances—and our plans.

Can you illustrate?

Johnson: Sure. Obviously nine, 10% inflation, that's big trouble. But even if inflation were only half as high—say it had stayed closer to 5%, as in 2021—the rocketing up from decades of 2% or 3% still can be devastating for retirees over time, without planning for adequate savings—and COLAs. This is what you have to say now to anyone preparing for retirement.

So, about high inflation, your news is that TSCL has survey research. What are retirees saying?

Johnson: The results show inflation has put hard impacts on everyone—those preparing and those already deep into retirement. For people already retired, they had been spending resources down on the basis of believing that they'd have 1% to 3% inflation over time, and now that's changed dramatically. They have to change gears. But for now, I can offer only preliminary results on our most recent survey.

What do your preliminary results show?

Johnson: There's some good news in the results, maybe. With our very early numbers, it looks like the retirees who answered our survey are indicating some moderation in the way inflation is impacting them, compared with survey results from the first quarter of the year. Inflation remains quite high compared with previous years, and the actions people are taking are still pretty extreme—just their sense of things seems more moderate compared with the earlier part of the year. For instance, they are still spending down emergency savings. They are carrying sizable debts on credit cards. But one piece of data that clearly has improved—and it's a good sign, thank goodness—is lowered applications for SNAP benefits, at the lower income levels.

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That is good news—and tracks a government-reported [slight drop in inflation] last month, right?

Johnson: Yes, there was a very slight drop. However, I have to say I see an alternative, less hopeful input behind the drop in applications for SNAP benefits—one that jibes with some other survey findings I've seen. It's that after many Social Security recipients received the unusually high COLA for this year, many simply became ineligible for SNAP and other income-tested help! That is to say, they're still in distress but

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the COLA pushed their cash income above the maximum permitted to qualify for certain low income benefits—help that might have included SNAP, Medicare or Medicare extra help.

Ouch. So are you at TSCL concerned that some people now ineligible for SNAP lost more than what they gained from the higher COLA?

Johnson: Theoretically, it's not supposed to happen, because federal poverty limits are adjusted for inflation. But it can. Because, on the other hand, federal poverty limits are adjusted using a different formula and index than the Social Security COLAs. So—yes—it can happen. In short, different CPIs used in the calculations might get some kicked off needed help. Their incomes may have started near the borderline, and the Social Security COLA pushed them over it.

Can you provide some more details from your survey results?

Johnson: So, we haven't published all of this. But in a recent completed survey result from months ago, about 38% of respondents said they received some income-related benefits. Of this group, nearly four in ten said their assistance on [assistance programs] had been adjusted to a lower level than previously. The point is, fully 16% said that they had lost access to at least one program—because they now were over the income limit for that program. As I said, some of this was because of the higher COLA they received, but I can't say at this point exactly what proportion. I can give you some more data from this survey: It involved 2,557 participants, and 62% did not receive any low-income assistance while, like I said, the rest did.

Is there any other survey data providing a clear dynamic of the effects of inflation on retirees?

Johnson: Yes. In a survey of a few thousand respondents that we did in 2022's first quarter, we saw about 50% said they had spent down their emergency savings. But in our most recent survey from this summer, only 41% report spending down emergency savings. That's significantly less. So these two points indicate it's possible the pressures are a little less. The caveat is that newer survey is still open and has received only about 500 replies in so far. It's not yet closed or complete. But based on it I'd say a drop of that size looks like it might be showing some signs that things are starting to improve. On a final, negative note, as you'd expect that number—41%—is still significantly higher than our data from 2021. Inflation has been taking a bite for a while now.

So, let's move to some good news: What is TSCL's take on some of your wins, new laws offering relief for retirees in the Inflation Reduction Act and Build Back Better pieces that got passed? For example, now Medicare gets authority to negotiate prescription drug prices, right?

Johnson: That's right—but your readers should know it's not really "now," not yet. Any price drop from negotiated prices won't happen quickly. For now, we can only look forward to it. Yes, at TSCL we're relieved this law passed—and I'll add I was genuinely surprised. It's been tried many times without passing! But still, we won't see this provision at work for a couple years.

Many readers won't know that, and it's disappointing. Why so long?

Johnson: It's written into the law, the timeline. This is going to be a slowly unfolding story. But the new law could really help on drug prices. However, it will apply to a limited number of drugs—just 10 to start with—put on a list each year. Starting in 2026!

Does anything help sooner—in any anti-inflationary part of recent legislation?

Johnson: Another provision—in my opinion more powerful and taking effect sooner—is there will be a cap of $2,000 per year on each senior's drug expense under Medicare Part D. For many, this will be very big savings. But again this won't be in effect until 2025.

How about anything with immediate effect—any anti-inflation help for seniors, at all?

Johnson: Yes! If drug companies let their drug prices rise faster than inflation, they will have to pay back with rebates—starting next year, well before price negotiations! This is big anti-inflation news, with potentially big savings. Of course this too has to go through the rules process, and that can get sticky.

Another major provision helping family budgets weather inflation is the insulin cap: With 10% of the overall population having diabetes, this price cap should help millions—right?

Johnson: Yes. Diabetics finally will enjoy a limit on insulin costs, with copays held to $35 per month, starting in 2023. Additionally, there will be better Medicare coverage for vaccines.

Many of these provisions will affect modest-earning feds directly—but many more feds indirectly since when private-sector family can't pay, often "steady Eddie" feds pony up to help. So, these new health cost-saving provisions help a wide swath of seniors coping with inflation?

Mary: Absolutely, they will. And with the expansion of eligibility for Medicare Part D low income subsidy or Medicare extra help—because the threshold for qualifying for the extra help will ease, rising from 135% to 150% of the federal poverty limit—it's all a great help.

That's the good news. But other proposed cost-cutting healthcare provisions failed to pass—specifically Biden's proposed hearing, vision and dental benefits. Prospects in the near-future?

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Johnson: Look, I was very surprised we won so many provisions here on prescription drugs in this Congress. In my many years of this work, this has been encouraging. Joe Manchin got something for going along, and the whole country got these great provisions. I can't say how difficult it might be to pass more helpful legislation in the next Congress. But there remain inequities—very deep ones, especially in the way Social Security's revenues are calculated and collected, which need to be addressed. Another way to help seniors on inflation would be to change the tax laws on it, as TSCL advocates. Social Security is taxable income for many recipients: federally for individuals with incomes of $25,000 and up and married couples of $32,000. These are very low thresholds nowadays, and so they hit a lot of people—they were calculated in the 1980s. It's very sad, really. When it began, the public was told it would only affect 10% of upper income taxpayers. Not so now.

Any advice to those on Social Security right now struggling with the current inflation?

Johnson: In terms of preparing for retirement, first do your calculations—starting with seeing if the current 5.9% COLA for Social Security affects your income and your taxes. You don't want to discover next year at tax time you owe tax, because you didn't adjust your withholding.

Any final thoughts?

Johnson: I first started with TSCL a long time ago. And I remember the 2003 Medicare Modernization Act, which was exciting because it added the prescription drug benefit to Medicare—except that Medicare was strictly forbidden from negotiating the price. It's been a long time and very frustrating. It's been an unfulfilled promise. So the recent law's passage has brought some closure for me, to see our government finally moving to rein in drug and health costs. Even if it's limited, so far, it's a miracle really. Many government purchasers of drugs—the Department of Defense, Medicaid, and other players—negotiate drug prices. Medicare is really the only one—the big piece of cheese remaining—that until this new law was not negotiating, and so that is where there are some real savings to come for people, for seniors. We hope to get more. As for inflation, generally, I can't predict if or how much it might improve—but with my Excel spreadsheets I will keep crunching our surveys and other follow up data that shows how people are coping. One of the worst things about high inflation—and we've seen this in some of our surveys—is we see many modest-income people already cutting back to just one meal a day, which can cause or worsen serious health problems. ■

Thrift Savings Plan Share Prices

Funds	Sept. 2	Month Ago	Year Ago
G Fund	$17.0175	$16.9798	$16.6600
F Fund	$18.6645	$19.0480	$21.0700
C Fund	$59.8765	$63.1397	$68.1700
S Fund	$63.7856	$67.9286	$87.1100
I Fund	$31.1915	$33.3097	$40.1200
Lifecycle Funds			
L Income	$22.5419	$22.8458	$23.3100
L 2025	$11.2725	$11.5420	$12.1300
L 2030	$38.4912	$39.8811	$43.0700
L 2035	$11.4233	$11.8806	$12.9700
L 2040	$42.7415	$44.6147	$49.1900
L 2045	$11.5856	$12.1325	$13.5000
L 2050	$25.1410	$26.4087	$29.6500
L 2055	$12.0616	$12.7855	$14.6600
L 2060	$12.0605	$12.7846	$14.6600
L 2065	$12.0593	$12.7835	$14.6600

Register free to get rates of return and other TSP info at: https://federalsoup.com/portals/top/thrift-savings-plan.aspx

NEWS BRIEFS

BIDEN WH UNCLEAR ON RTO

THE VAST MAJORITY of federal employees routinely operated on a remote work basis through the worst of the COVID pandemic.

Now, with hard-gained vaccines, treatments and antibodies that followed infection many of the impacts of the coronavirus have eased. Yet still, hundreds of thousands of agency personnel more than pre-pandemic are still working regularly from home—in many cases, against agency aims.

A recent analysis, published by Yahoo news, examines the complexities to date of the federal government's return-to-office—or RTO—as the so-far slow dawdle back to traditional workplaces is known. The report delves into what is often now a contest between lawmakers on Capitol Hill and some in management, many of whom want remote work winnowed down, and throngs of employees who continue to express they like today's much-reduced commutes. The piece highlights the administration's conflicting statements and policy moves on the issue.

A particular focus in the document is the damage that's been done to local economies that are dependent on in-person office workers to maintain vibrant growth—and related benefits that come with busy streets and surrounding commercial neighborhoods filled with productive activity, including less crime.

For now, the RTO can be a hard sell—particularly as many building have undergone minimal upgrades. Hence, some longer-term solutions in the works to facilitate RTO include implementing the right mix of in-person and remote-work days—and fully implementing workplace safety modifications, such as retrofitting government workplaces with greater ventilation and other improvements.

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VA: "SHOCKING" STAFF SHORTAGES

A MAJOR UNION representing employees at the Department of Veterans Affairs continues to criticize the agency—most pointedly over staff shortages highlighted in alarming findings from a recent survey of both employees and veterans served by them.

The survey included around 2,300 people total and showed personnel shortages and related problems at the agency—"shocking" problems, as characterized by the American Federation of Government Employees (AFGE).

"The results of this survey show that the staffing crisis at the VA is hurting our veterans," declared Alma Lee, AFGE's National VA Council president Alma Lee. "For too long, VA workers have been asked to do more with less. VA leadership must continue to work with its union partners to address this staffing crisis and ensure the VA is equipped to provide the critical, direct services our veterans earned and want."

The combined results reflect very low confidence in the current VA staff situation. Fully 90% of those surveyed said VA facilities were short frontline staff. Moreover, 64% of VA employees surveyed pointed to vacant positions for which no recruiting appeared to be taking place.

Highlighting the unpopular results of high levels of outsourcing in recent years, 20% of VA staff surveyed reported they had shifted much of their work time, from performing "direct veteran care" instead to monitoring outsourced private-sector care. The union slammed this, seeing it as an inefficient diversion of time and effort, and faulted the resulting care situation as being "more expensive."

An allied veterans advocacy organization and think tank, the Veterans Healthcare Policy Institute (VHPI), also bashed the agency over the survey's harsh findings.

"These shocking survey results should be a wake-up call to Washington," said the organization's president and Vietnam War veteran, Paul Cox. "Rather than outsource care to the costly, less prompt, and unaccountable private sector, lawmakers must fund more VA positions and properly resource facilities. Only then can they honestly claim to support the nine-million veterans who rely on the VA's world-class care."

VectorUp / iStock

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TSP SLIDES AGAIN

NEARLY EVERY PORTFOLIO in the federal government's 401(k)-style retirement savings program posted negative returns again in August.

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The Thrift Savings Plan's G Fund government securities were the only TSP investments that gained ground last month, increasing by their statutorily mandated rate of 0.25%—as analyzed by FEND partner organization GovExec.

The international stocks in the I Fund saw the worst performance of the TSP's core funds, falling 5.79% in August. So far this year, the I Fund has fallen 19.71%. And the common stocks of the C Fund lost 4.08% last month, bringing its 2022 performance down to -16.15%.

The S Fund's small- and mid-size businesses finished August 2.08% in the red, bringing its losses since January up to 22.14%. And the fixed income (F) fund fell 2.80% last month, bringing its 2022 contraction to 10.45%.

Each of the TSP's lifecycle (L) funds, which shift toward more conservative investments as participants get closer to retirement, finished August in the red.

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FEDS MARK LABOR DAY, UNION STRENGTH

OVER LABOR DAY weekend, federal employee organizations talked up their record strength—and publicized efforts to attract more members from the workforce to join up.

The National Treasury Employees Union (NTEU) emphasized up front: union popularity is way up in recent years.

"Support for labor unions is at a 57-year high, according to a new Gallup poll," the union said in its 'Labor Day Message.' "The poll reveals that 71 percent of Americans support labor unions, with six percent identifying as part of a union and 16 percent having a union member in their household."

The American Federation of State, County and Municipal Employees—which also represents thousands of federal employees—seconded NTEU in trumpeting the same recent poll, adding that support for labor hasn't been this strong for over half a century!

"As workers continue to organize throughout the country—from cultural institutions to Starbucks and Amazon—Americans' approval of labor unions continues to rise," AFSCME said this week. "According to the latest annual Gallup poll on union favorability, released [this week], 71% of Americans approve of labor unions—the highest rate in nearly 60 years."

"Happy Labor Day to you and your families," declared the National Federation of Federal Employees (NFFE). "This weekend is a celebration of you, and the critical work you do for the American people every day."

NFFE recognized its broad membership across numerous agencies—specifying them by name, including DOD, DHS, Forest Service and others—ending on a note of solidarity and celebration: "Brothers and Sisters, thank you for the work you do, and for being dedicated members of our great Union. As always: We work for America every day!"

The American Federation of Government Employees (AFGE) also sent powerful signals of federal employee—and all-worker—solidarity in the lead-up to this Labor Day weekend.

In recent weeks, the union has published a piercing and short history of the union (and a sketch of organized labor) in the federal workforce, celebrating the resulting betterment of the lives of both employee families and those of the American public at large.

"From humble beginnings as a tiny union 90 years ago, today we are the country's largest union representing federal and D.C. government employees," AFGE noted in the first part of the history. "Without the will of AFGE members standing firmly together to fight the odds, we wouldn't be here today." You can access links to all parts of this sharply written account on the union's website, here.

All of the major unions are of course seeking more members, and some note the best road for getting there is for dues-paying folks to discuss the benefits that come to all employees from strong unions (paid for only by some) with those who haven't yet taken the modest step of signing up. ■

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federalsoup@omeda.com

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sitelicense@federalsoup.com

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STAFF

Nathan Abse
Online Managing Editor

Alan Tao
Senior Graphic Designer IV

Narine Stepanyan
Online Production Coordinator

CONTRIBUTORS:
Mike Causey, Mathew B. Tully