Congressional Budget Office
Cost Estimate

July 21, 2022

At a Glance

S. 471, Members of Congress Pension Opt Out Clarification Act

As ordered reported by the Senate Committee on Homeland Security and Governmental Affairs on May 25, 2022

By Fiscal Year, Millions of Dollars	2022	2022-2027	2022-2032
Direct Spending (Outlays)	0	*	*
Revenues	0	-1	-4
Increase or Decrease (-) in the Deficit	0	1	4
Spending Subject to Appropriation (Outlays)	0	-4	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 2033?	< $5 billion	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	No

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

The bill would

- Allow Members of the House of Representatives elected after enactment to opt out of the Federal Employee Retirement System (FERS)
- Allow Senators to participate in the Thrift Savings Plan even if they opt out of FERS participation

Estimated budgetary effects would mainly stem from

- Eliminating employee contributions from Members who opt out of FERS
- Eliminating future retirement benefits for Members who opt out of FERS
- Reducing employer contributions made on behalf of Members who opt out of FERS

Detailed estimate begins on the next page.

Bill Summary

S. 471 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) but allow them to 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.

Estimated Federal Cost

The estimated budgetary effect of S. 471 is shown in Table 1. The costs of the legislation fall within budget functions 600 (income security) and 800 (general government).

Table 1.
Estimated Budgetary Effects of S. 471

	By Fiscal Year, Millions of Dollars												
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2022-2027	2022-2032
	Increases or Decreases (-) in Direct Spending												
Estimated Budget Authority	0	*	*	*	*	*	*	*	*	*	*	*	*
Estimated Outlays	0	*	*	*	*	*	*	*	*	*	*	*	*
	Decreases (-) in Revenues												
Estimated Revenues	0	*	*	*	*	*	*	-1	-1	-1	-1	-1	-4
	Net Increase or Decrease (-) in the Deficit From Changes in Direct Spending and Revenues												
Effect on the Deficit	0	*	*	*	*	*	*	1	1	1	1	1	4
	Decreases (-) in Spending Subject to Appropriation												
Estimated Authorization	0	*	-1	-1	-1	-1	n.e.	n.e.	n.e.	n.e.	n.e.	-4	n.e.
Estimated Outlays	0	*	-1	-1	-1	-1	n.e.	n.e.	n.e.	n.e.	n.e.	-4	n.e.

Components may not sum to totals because of rounding; n.e. = not estimated; * = between -$500,000 and $500,000.

Basis of Estimate

For this estimate, CBO assumes the bill will be enacted near the end of fiscal year 2022.

Revenues

A historical review indicates that, on average, 43 new Members begin serving in each session of Congress. Based on that information, CBO expects that, on average, 11 Members (or 25 percent of new Members in each session) would opt out of FERS under S. 471. If Members chose not to enroll, 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 federal revenue collections would decline, on net. The required contribution rate for newly elected Members is 4.4 percent of salary (salaries currently are set at $174,000 for Members not in leadership roles). Thus, eliminating those contributions would reduce revenues by $4 million over the 2022-2032 period, CBO estimates, although that amount would change if the number of Members opting out was larger or smaller than CBO's estimate.

Direct Spending

On net, CBO estimates that enacting S. 471 would reduce direct spending by less than $500,000 over the 2022-2032 period.

For most Members who opt out, the reduction in direct spending from eliminating future payments for benefits under FERS would occur after the 2022-2032 period; the average length of service for Members retiring under FERS is about 16 years. Members who are age 62 or older can retire with as few as five years of service, although annuities associated with such short periods of service are relatively small. Thus, CBO estimates, enacting the bill would reduce direct spending over the 2022-2032 period by less than $500,000.

Enacting S. 471 would increase direct spending on behalf of any current Senators who choose to opt out of FERS because of the bill's provision to allow their continued participation in the TSP. Those Senators would receive a refund of any contributions made to FERS before they opted out; the refunds would be recorded as increases in direct spending. CBO expects that only a small number of recently elected Senators would be in the group opting out. As a result, the increase in direct spending from refunded contributions would be less than $500,000 over the 2022-2032 period and would probably be smaller than the reductions in direct spending from the eliminated retirement benefits.

Spending Subject to Appropriation

Opting out of FERS would eliminate the retirement contributions paid by the employing House of Congress on behalf of Members, reducing spending subject to appropriation by $4 million over the 2022-2027 period, CBO estimates. However, those contributions (currently paid at a rate of 16.6 percent of salary) are recorded as intragovernmental transactions, which have no net effect on the deficit: They are paid from Congressional salaries and expenses accounts and deposited into the CSRDF as offsetting receipts (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.)

Pay-As-You-Go Considerations

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays and revenues that are subject to those pay-as-you-go procedures are shown in Table 1.

Increase in Long-Term Deficits

CBO estimates that enacting S. 471 would not increase on-budget deficits by more than $5 billion in any of the four consecutive 10-year periods beginning in 2033.

Mandates: None.

Previous CBO Estimate

On October 16, 2019, CBO transmitted a cost estimate for S. 439, the End Plush Retirements Act, as ordered reported by the Senate Committee on Homeland Security and Governmental Affairs on July 24, 2019. The language of the two bills is identical; CBO's estimate for S. 471 reflects an increase in the agency contribution rate paid by the two Houses of Congress on behalf of Members and the number of new Congresses expected to convene during the 10-year estimating window.

Estimate Prepared By

Federal Costs: Amber Marcellino

Mandates: Andrew Laughlin

Estimate Reviewed By

Christina Hawley Anthony
Chief, Projections Unit

H. Samuel Papenfuss
Deputy Director of Budget Analysis

Theresa Gullo
Director of Budget Analysis