

GAO Highlights

Highlights of [GAO-15-604T](#), a testimony before the Subcommittee on Workforce Protections, Committee on Education and the Workforce, House of Representatives

Why GAO Did This Study

The FECA program, administered by the Department of Labor, provides wage-loss compensation to federal workers who sustained injuries or illnesses while performing federal duties. Benefits are adjusted for inflation and are not taxed nor subject to age restrictions. Initial FECA benefits are set at 75 percent of gross wages at the time of injury for beneficiaries with eligible dependents and 66-2/3 for those without. Some policymakers have raised questions about the level of FECA benefits, especially compared to federal retirement benefits. Prior proposals to revise FECA for future total- and partial-disability beneficiaries have included: setting initial FECA benefits at a single rate, regardless of whether the beneficiary has eligible dependents; and converting FECA benefits to 50 percent of applicable wages at time of injury—adjusted for inflation—once beneficiaries reach full Social Security retirement age.

This testimony presents results from GAO reports issued in fiscal year 2013. It summarizes (1) potential effects of the proposals to compensate total-disability FECA beneficiaries at a single rate; (2) potential effects of the proposal to reduce FECA benefits to 50 percent of applicable wages at full Social Security retirement age for total-disability beneficiaries; and (3) how partial-disability beneficiaries might fare under the proposed changes. For this work, GAO conducted simulations for USPS and non-USPS beneficiaries comparing FECA benefits to income (take-home pay or retirement benefits) a beneficiary would have had absent an injury and conducted case studies of partial-disability beneficiaries.

View [GAO-15-604T](#). For more information, contact Andrew Sherrill at (202) 512-7215 or sherrilla@gao.gov.

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FEDERAL EMPLOYEES' COMPENSATION ACT

Analysis of Benefits Associated with Proposed Program Changes

What GAO Found

In 2012, GAO ran simulations to analyze proposals—similar to a proposal discussed in the Department of Labor's 2016 budget justification—to set initial Federal Employees' Compensation Act (FECA) benefits at a single compensation rate. GAO found that the proposals reduced the median wage replacement rates—the percentage of take-home pay replaced by FECA—for total-disability beneficiaries. Specifically, according to GAO's simulation, in 2010 under the existing FECA program, the median wage replacement rates were 88 percent for U.S. Postal Service (USPS) beneficiaries and 80 percent for non-USPS beneficiaries. The proposal to use a single rate of 70 percent to compensate both those with and without dependents would reduce the beneficiaries' median wage replacement rates by 3 to 4 percentage points. The proposal to use a single rate of 66-2/3 percent would reduce the beneficiaries' median wage replacement rates by 7 to 8 percentage points.

The simulations for GAO's 2012 reports also found that proposals to reduce FECA benefits upon reaching Social Security retirement age would reduce beneficiaries' retirement income, bringing the median FECA benefits on par with or below the median retirement incomes individuals would have received absent their injuries. In simulations comparing FECA benefits to retirement benefits—both in 2010—GAO found that under the existing FECA program, the median FECA benefit package for total-disability retirement-age beneficiaries was 37 and 32 percent greater than the median 2010 retirement benefit package for USPS and non-USPS beneficiaries, respectively. This analysis focused on individuals covered under the Federal Employees Retirement System (FERS), which generally covers employees first hired in 1984 or later. GAO found that the proposal to reduce FECA benefits at the full Social Security retirement age would result in a median FECA package roughly equal to the median 2010 FERS retirement package. However, the median years of service for the FERS annuitants GAO analyzed were 16 to 18 years—which did not constitute a mature FERS system—so these simulations understated the future FERS benefit level. GAO then simulated a mature FERS system—intended to reflect benefits of workers with 30-year careers—and found that the median FECA benefit package under the proposed change would be 22 to 35 percent less than the median FERS retirement package.

The potential effects of the proposed changes to FECA on partial-disability beneficiaries would vary based on individual circumstances. Partial-disability beneficiaries differ fundamentally from total-disability beneficiaries, as they receive reduced FECA benefits based on a determination of their post-injury earning capacity. GAO's seven case studies of partial-disability beneficiaries showed variation based on characteristics such as earning capacity and actual earnings. For example, beneficiaries with high earning capacities based on actual earnings might elect to retire under FERS if their potential retirement benefits were higher than their current or reduced FECA benefit levels. They would, thus, not be affected by the proposed changes. In contrast, those beneficiaries with low earning capacities who might remain on FECA past retirement age would have their benefits reduced under the proposed change.