

STATEMENT OF CHAIRMAN DANIEL K. AKAKA

Examining the Federal Workers' Compensation Program for Injured Employees

Hearing

Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, Senate Committee on Homeland Security and Governmental Affairs

Aloha and thank you all for being here today as the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia examines the Federal Employees' Compensation Act (FECA), which provides compensation to Federal employees injured on the job, and the various proposals to change or reform the program.

As the largest employer in the country, the Federal government takes seriously its obligation to protect its employees and make them whole when they are injured at work. Nearly a century ago, workers' compensation benefits were enacted to help fulfill this commitment to workers, and avoid costly litigation. FECA provides Federal employees who are injured or contract an illness from their work with lost wages, medical care for the injury or illness, and vocational rehabilitation services to help them return to work. One of FECA's core principles is that workers and their families should be no better or worse off than they would have been if the worker had not been injured.

Today, we will be reviewing a number of legislative proposals intended to modernize and improve this important Federal program. Some of the proposals contain common sense reforms to bring the program into the modern age. For instance, as more civilian employees are serving in dangerous areas such as Iraq and Afghanistan, we must ensure that they receive appropriate benefits if they are injured. To that end, the Administration has proposed providing those injured while deployed overseas in a zone of armed conflict additional time to file a claim with their full pay continued, and would ensure that employees injured in a terrorist attack while off duty would receive FECA benefits. Additionally, the Labor Department has requested access to Social Security wage information to verify FECA recipients' earnings as a check against improper payments and fraud. I am also pleased with the Administration's focus on improving return-to-work programs and providing injured workers the support they need to re-enter the workforce.

My friend, Senator Collins, has introduced a bill that would transfer disabled FECA recipients from FECA into the Federal retirement system automatically at retirement age. I have deep concerns that this would create a substantial and unfair income reduction for many elderly, disabled FECA recipients. Recipients' retirement annuities would be based on their salary and years of service at the time of their injuries; there would be no adjustment to account for normal career progression that these injured employees missed out on. Worse, as drafted, benefits for some employees would not even be adjusted for inflation – which, in some cases, could be decades of inflation.

The large majority of Federal employees who are covered by the Federal Employee Retirement System (FERS) would face an even more drastic drop in pay. Unlike the Civil Service Retirement System (CSRS), which simply provides a defined benefit, FERS divided Federal employees' retirement annuity into three parts – Social Security, the Thrift Savings Plan (TSP), and a reduced Federal pension. Congress explicitly considered Social Security and the TSP to be essential elements of retirement under FERS, but FECA recipients are not permitted to participate in the TSP and do not earn credit and increase monthly earnings used to calculate Social Security benefits. With a low FERS annuity, little or no TSP savings and a low Social Security benefit, many of these disabled FECA recipients could be impoverished if forced to transition to FERS. Any proposal that significantly reduces benefits at retirement will need substantial work. We must ensure that proposals to change FECA are fair and do not create undue hardships for employees who are permanently disabled because of an injury or illness sustained at work.

This critical program has not been significantly updated in almost 40 years, and I think it deserves a closer look. I thank each of our witnesses for being here today and look forward to hearing from each of you about this program, the various reform proposals, and how these proposals would impact Federal employees.

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