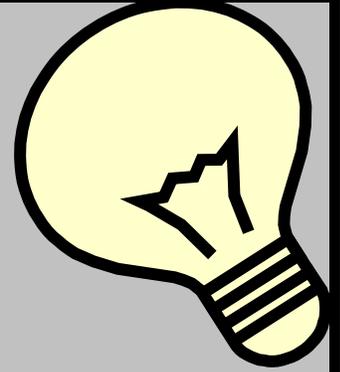


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Shedding Light on the HR World

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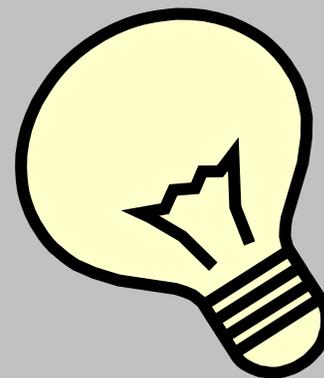


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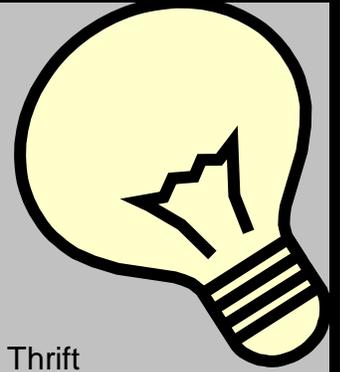
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This publication is issued to ensure the Fort Benning commanders, managers, supervisors, and employees are kept informed of employment and staffing issues. Monthly issuances will contain updated information on specific employment topics (i.e., compensation, recruiting procedures, travel entitlements, classification issues, NSPS implementation information, etc.).

This newsletter is an apercu of articles written by CPAC staff [members] as well as information excerpted from various sources which include, but is not limited to, the Government Executive Newsletter, FedWEEK, the Federal Manager's Daily Report, and the ABC-C Newsletter .

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Groups Question TSP Interfund Transfer Restrictions. A federal Thrift Savings Plan advisory panel recently appeared divided as to whether a new plan to restrict the number of transfers participants can conduct each month is the best way to address the issue of frequent trading activity.

The Employee Thrift Advisory Council, which consists of labor unions and other federal employee groups, probed whether officials could implement an alternate plan that would curb frequent trading while preserving the rights of participants to protect their accounts.

The ETAC meeting was called as a result of a regular board meeting last month at which TSP officials said they were considering allowing participants only two interfund transfers per month as early as April 2008. Thereafter, additional transfers would be allowed only into the government securities fund.

The proposal is a result of a recent analysis by TSP officials on the impact of trading activity on fund management and transaction expenses. Officials studied the fund with the highest costs, the International fund, and found that in September and October, the average daily trade was \$224 million, far above the daily trades of \$49 million in 2006 and \$27 million in 2005. The TSP found that the majority of the higher trading volume was due to fewer than 3,000 participants who engaged in frequent trading.

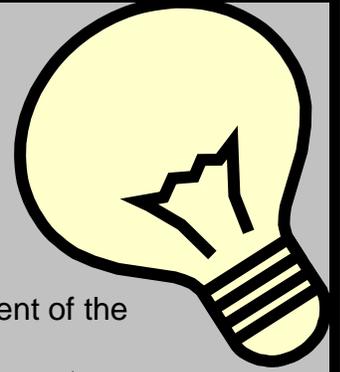
Still, some labor groups questioned whether the proposal was too harsh. Catherine Ball, a representative of the National Treasury Employees Union, raised the issue of charging a fee to participants who exceed two trades per month as a potential solution.

But Tracey Ray, chief investment officer of the TSP, said that under such a plan, a small fee of \$8 or \$9 wouldn't begin to offset trading costs. Instead, some participants might have to be charged thousands of dollars in fees, depending on the amount and size of their trades.

"We felt the two trades a month allows flexibility for everyone and the ability for everyone to go into the G Fund if they get scared," Ray said. "A percentage fee is certainly an option, but we felt that would hurt the nonfrequent traders." Other employee groups questioned whether the TSP could expand the number of trades allowed to at least three. James Sauber, chairman of the council and chief of staff of the National Association of Letter Carriers, proposed offering participants 24 trades per year so they could respond to market volatility.

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Richard Brown, vice chairman of the thrift advisory council and president of the National Federation of Federal Employees, expressed support for the restrictions, at least in the short term. He said he has received no comments on the issue from NFFE members, but has gathered information from a group of nonmembers.

Brown noted that frequent traders already have banded together online to oppose limits on trading. He pointed to a [Web site](#) that council members were directed to that includes a petition signed by more than 2,000 TSP participants opposing the new restrictions.

"That shows that they act collectively, at least by their own hand," Brown said. "It's a concerted effort from those upset who are sending us this Web site."

Long said TSP's central concern is that in the I fund, at least, transaction costs are leading to lower returns for long-term holders. "This is not about us being paternalistic; this is about the cost and the impact to everyone else," he said. Council members agreed to weigh the proposal to limit trades and determine whether another meeting might be needed. TSP officials said they would provide council members with a draft of the regulations before publishing them in the *Federal Register*, giving members two weeks to contact the board with questions or suggested changes. Officials plan to publish the interim regulations in January, opening them to public comment for 60 days.

In the interim, however, council members gave TSP officials the go-ahead to send letters to 3,000 frequent traders, requiring them to stop their activity or face being restricted to requesting interfund transfers via mail until the automated curbs take effect.

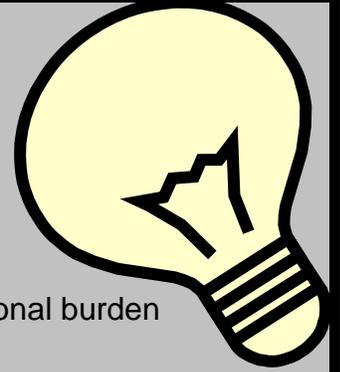
"This is a retirement fund, not a day-trading account," Brown said. "The goal here is what is for the greater good of all, not for the greater good of a few."

Meanwhile, Long said a plan that would allow spouses of deceased federal workers to [leave their savings in the plan](#) "is not as unusual" as he originally suspected. The plan was proposed by Richard Strombotne -- who represents the Senior Executives Association on the Employee Thrift Advisory Council -- at a meeting earlier this year.

Currently, a surviving spouse beneficiary must either accept the assets of the TSP account as a lump sum, with the tax consequences, or roll over the assets to an Individual Retirement Account. But Strombotne argues that IRAs have

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expenses that are dramatically higher than the TSP, placing an additional burden on surviving spouses.

At a June council meeting, TSP officials voiced concerns about the idea, arguing that it would seem strange for them to maintain an account for a participant who has likely never been a federal employee. But Long said Wednesday that in researching other 401(k) plans, he found the surviving spouse benefit to be common. Still, he added, some "operational concerns" about the proposal would need to be considered.

An Introduction to Long Term Care Insurance. This article is written by Rob O'Blennis and was posted to FedSmith on 20 December. Mr. O'Blennis, JD, is an Independent Financial Advisor and Chartered Retirement Planning Advisor (SM) in Overland Park, Kansas.

If retirement is on your mind, you should review your need for Long Term Care (LTC) insurance. Most people know that LTC covers nursing home stays. But it can also cover a wide range of services such as unskilled home care, home health care, adult day care and even assisted living facility care.

LTC benefits kick in when you can no longer perform specific basic activities of daily living due to age or infirmity. These basic yet essential activities include eating, dressing and bathing. Benefits can also kick in if there is a cognitive impairment such as dementia or Alzheimer's.

Like any other significant purchase, you should shop around and compare variables such as the elimination period and the list of covered services. Elimination periods are typically anywhere from 0 to 180 days. A shorter elimination period means services will be covered sooner, but will have a higher premium than coverage with a longer elimination period. Think of the elimination period as your 'deductible.' It's the period you have to pay out-of-pocket for the services you need.

Benefits under a LTC policy are measured in dollars per day. Typical benefits range from \$50 to \$250 dollars per day of coverage. In many cases, policyholders can expect to 'self-insure' a certain part of their daily coverage through their own resources. For example, a needs assessment might find you require \$150/day of LTC coverage. If you know your retirement income can safely provide \$50/day of income, you can consider buying only \$100/day of coverage to meet your LTC needs.

Let's talk about what LTC really covers: LTC protects your life savings. When

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you buy LTC insurance, what you are really buying is protection for your assets. It covers the risk to your (and your spouse's) financial security from the enormous expenses associated with medical, personal and social services you might need as you age.

Most federal employees have access to an excellent voluntary LTC program called the Federal Long Term Care Insurance Program (FLTCIP). For more details, [click here](#). In general, anyone eligible for the Federal Employees Health Benefits (FEHB) program, is eligible for FLTCIP. Contact your servicing HR specialist for additional information.

The Benefits of Benefits. Under a [law that President Bush signed in September](#), federal workers who make monthly payments on their student loans for 10 years will have the remaining balance absolved. The new loan forgiveness program generally will affect employees with low salaries. It comes on the heels of a five-year-old program through which federal agencies can pay off thousands of dollars of each student's loan debt as a recruitment and retention tool even for higher paid employees. In fiscal 2006, federal agencies paid off \$36 million in loan debt for nearly 6,000 employees under the program.

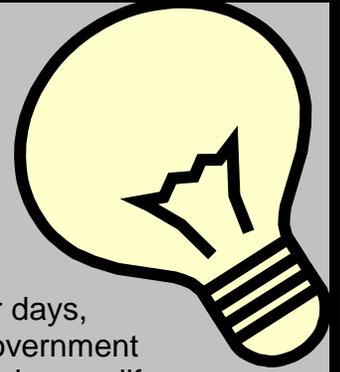
The loan programs are some of the recently enacted benefit programs aimed at attracting talented workers to the federal government - and keeping them in government. Overall, agencies are awash in candidates for jobs and have a low turnover rate. But it's worth highlighting the many benefits of federal employment as compared to most private sector employers.

For example, many private sector employers allow workers to carry over only a week or two of paid leave from year to year. And many are adopting systems that combine sick and vacation time into a single category - paid time off - which reduces the amount of unused leave in their accounting ledgers. Meanwhile, federal agencies still have separate pots for sick and vacation time, and sick leave can be carried over fully from year to year. Federal employees also can earn compensatory time off for travel, a benefit rarely seen in the private sector.

Another unusual benefit is commuting cost reimbursement. Federal workers in the Washington area can get more than \$110 a month to cover public transportation expenses. Uncle Sam pays its employees to get to work. Some private sector employees can pay their public transportation costs out of pretax earnings, but they don't usually get a free ride.

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In addition, many agencies offer flexible schedules, such as nine-hour days, which enable employees to take every other Friday off. The federal government generally has an eight-hour workday culture, giving employees time to have a life outside work.

There are, of course, benefits in the private sector unavailable in the public sector, such as profit sharing and stock options, but the benefits that the federal government does offer can be just as attractive.

Federal managers and workers often talk about the downsides of working for Uncle Sam: the bureaucracy, the politics, the limited room for advancement, the stifling of creativity. They address the intrinsic values that can make the workday turn out to be either a grind or a joy.

The extrinsic benefits of federal employment are competitive with those offered by the private sector, and they should be touted to potential and current employees. Maybe it's the intrinsic issues of day-to-day life on the job that federal leaders and managers really need to improve to attract and retain talented workers.

Best Date to Retire in 2008 (or Early in 2009). This article is written by John Grobe. It was posted in the 21 Dec 08 edition of FedSmith. Any references to I pertain to him as an author.

I guess it's too late to write a column about the best day to retire this year. Many other writers have beaten me to the punch. In addition, most folks have already set their retirement dates, and their retirement parties are in full swing. This

article is for those of you who are biding your time and plan to retire in late 2008 or early 2009 and may be interested in looking at the best dates to retire a year from now.

First and foremost, the best day for you to retire is whenever you feel like it (and meet the requirements). Once you are eligible to retire, you can leave whenever you want. It could be on the first day you are eligible, your birthday, or the day the Cubs win the World Series.

Having said that, many retirees choose to retire near the end of the calendar year. The primary reason for this choice is the ability to get a large lump-sum annual leave payment. Being able to carry over 240 hours of annual leave into

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the new year and then accrue and additional 200 or 208 hours, can leave one with a large lump sum payment.

The 2008 leave year ends January 3, 2009, anyone retiring on that day (or on January 2nd, if their workweek were complete) would receive 208 additional hours. Someone retiring on December 31st or January 1st would receive 200 additional hours.

The lump-sum leave payment does not have several deductions taken out of it.

1. Retirement deductions (7% for CSRS and .8% for CSRS Offset and FERS) are not withheld.
2. Insurance payments are not withheld, as they were withheld out of the last paycheck and will be withheld out of the first retirement check.
3. TSP payments cannot, by law, be taken out of lump sum leave payments.

Also, the lump-sum leave payment would not be received until the next tax year when, presumably, you would be in a lower tax bracket. Another advantage to retiring near the end of the year is that your lump-sum payment is computed as if you had begun to take the leave on the first workday after you retired and used it until it expired. This way the bulk of the payment would be computed at next-year's salary.

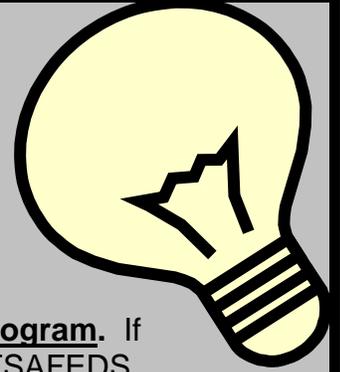
For FERS employees: The best day to retire is December 31, 2008. If a FERS employee were to work even one day in January 2009, he/she would not receive an annuity for that month. A FERS employee who retired on December 31, 2008 would receive their first annuity payment on or about February 1st and the check would cover the month of January. By working as little as one day in January, the first annuity payment would be received March 1st and it would cover the month of February.

CSRS employees whose workweek ends on January 2nd will find January 2, 2009 the best day to retire. They will get paid for the New Years holiday and January 2nd and will receive a pro-rated annuity payment (on or about February 1st) for the remainder of January. CSRS (and CSRS Offset) retirees have the flexibility to retire up through the third of any month and still receive a prorated annuity.

So get out those red pencils and circle your retirement date on the 2008 or 2009 calendar.

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Flexible Spending Account for Federal Employees (FSAFEDS) Program. If you're looking to stretch your paycheck in 2008, look no further than FSAFEDS, the Federal Flexible Spending Account Program, you can save money on common dependent and health care expenses!

As a parent, do you rely on daycare services that allow you to work? Do you make frequent trips to the drugstore for cold and allergy medicines? Do you or your dependents wear eyeglasses or contacts? Do you go to the dentist? If so, the FSAFEDS Program may be what you need.

FSAFEDS is a Flexible Spending Account (FSA) program for Federal employees that will save you money by allowing you to set aside pre-tax funds from your pay. You pay for a wide range of common, out-of-pocket dependent and health care expenses and then receive reimbursement from your FSA account(s). You pay less in taxes, and save money.

The program includes:

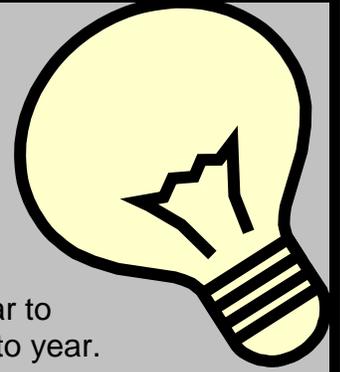
+ The Dependent Care Flexible Spending Account (DCFSA) account can reimburse you for your eligible non-medical expenses for the care of your dependent children (before their 13th birthday) and any person you claim as a dependent on your Federal Income Tax return who is mentally or physically incapable of self-care. Child care (at a daycare center, day camp, sports camp, nursery school or by a private sitter), late pick-up fees, adult daycare expenses, placement fee expenses for hiring an au pair (as well as her/his stipend) are only a few of the eligible expenses*.

+ The Health Care Flexible Spending Account (HCFSA) account can reimburse you for eligible health care expenses for you, your spouse, and dependents that are not covered by the Federal Employees Health Benefits (FEHB) Program, the Federal Employees Dental and Vision Insurance Program (FEDVIP) or any other insurance. Eligible HCFSA expenses include copayments, co-insurance, deductibles, over-the-counter medications, prescription drugs, vision and dental care, shipping and handling charges for mail-order prescription, and much more*.

The Limited Expense HCFSA (LEX HCFSA) account is designed for employees who will be enrolled in, or covered by a High Deductible Health Plan (HDHP) with a Health Savings Account (HSA) in 2008 under the Federal Employees Health Benefits Program or other health care insurance program. A LEX HCFSA only reimburse you for eligible dental and vision expenses* for you or your dependents that are not covered by other insurance.

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If you currently participate in FSAFEDS, you MUST re-enroll each year to continue participation. Enrollments DO NOT carry forward from year to year.

Additional information on FSAFEDS can be found on the OPM website at:
<http://www.opm.gov/insure/pretax/fsa/index.asp>.

Reform, Retirement and Hot Air: Will Boomer Retirements Create a Crisis?

This article is written by John Grobe and posted in the FedSmith.

Articles, speeches and presentations on the *crisis in human capital* tend to look at the alleged crisis from a macro viewpoint. Senators, Representatives and high-ranking civil servants expound on broad reforms that will fundamentally change the civil service for the better (or so they would have us believe).

We have been listening to experts talk about the crisis for years now, and how many of these visions of reform are anywhere near the reality of implementation? Don't rack your brain trying to think of any – all you'll get is a headache. At this rate, all of the baby boomers will be long retired before we have a solution to this crisis that is supposedly going to be brought about by their retirement.

There are, however, many micro actions that we can take in the organization to improve the situation. These actions have been around a long time, under the rubric of *career development*. A "career development program" doesn't have the sound of "micro-level human capital intervention", but it's the same thing.

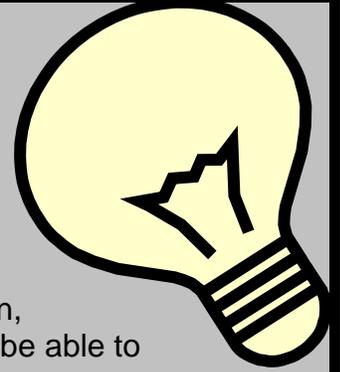
A good career development program will let us come as close as the strictures of the merit system will let us to succession planning.

First, the program will encourage employees to look at themselves, their interests, skills and abilities. This may take the form of a career counselor or employee development specialist conducting individual assessments and/or having individual counseling sessions with employees. There is also high-quality career development software that can be purchased from many vendors.

Second, a good career development program will provide information and resources that employees can use to find out about opportunities in the organization. This may take the form of "career days", mentor programs, or knowledge networking.

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After enhancing their knowledge of themselves and of the organization, employees will be better able to make wise career choices. They will be able to tie their goals into those of the agency.

This is where individual development planning comes into play. Individual Development Plans (IDPs) have gotten a bad rap. One reason for this is that they are frequently made mandatory by top management and implemented without the support of line managers. Another problem with IDPs is that they are often focused exclusively on training. When there is no training money available, no "developmental" activities take place. This overlooks the fact that there are many developmental activities that can be undertaken that are not dependent on agency funding of training (e.g., details, shadowing assignments, being assigned a mentor, etc.). A well-run IDP program can form the link between the goals of the individual and the needs of the organization.

Managers play a large role in developing their employees. During career discussions with their staff, they can become aware of the skills, goals and needs of each individual employee. This will help them assign challenging and developmental work to them. A high-ranking federal executive who was a strong supporter of career development once told me that the most important thing a manager can do to develop his or her employees is to assign them appropriate work.

Often career development programs include support in the job application process, such as resume writing or interviewing workshops, or individual assistance in those areas.

A career development program can be implemented at a local level and without an Act of Congress. It is a way that those of us on the front lines can deal with the potential crisis in human capital without having to wait for programs to trickle down from on high. Perhaps it should be considered by your agency.

Keeping Your Plans Private. This article is written by Reginald Jones. Any references to "I" pertain to him as an author. Last week I talked about the factors to consider when making an end-of-year decision about the best date to retire. This time I want to talk about the broader issue of when to let folks know what you plan to do and when you plan to do it.

As you know, planning for retirement is a crucial step in assuring that your transition from employment to retirement is free from last-minute bumps in the road. OPM has a pamphlet called Thinking About Retirement, which you can download from their website at <http://opm.gov/forms/pdfimage/R183-11.pdf>. In it

they recommend that you begin your planning a year or more in advance. However, even if you have to compress your planning into weeks rather than months, the advice they give is still sound.

While you'll inevitably have to go to your servicing personnel office, you can initially shield your intentions from view by downloading the forms you need from the OPM website rather than picking them up in your personnel office. For CSRS, you'll at least need a Standard Form 2801, Application for Immediate Retirement; for FERS the comparable form is a Standard Form 3107. You can download them by going to www.OPM.gov, clicking on Forms, clicking on Standard Forms, and scrolling down to the right form number. Other forms include the SF 2803 or 3108 if you plan to make a deposit or redeposit to the retirement system, and the SF 2808 or SF 3102 to designate a beneficiary of your retirement benefits. You'll need different forms to designate a beneficiary for your life insurance or TSP account. You'll find the former at the OPM website and the latter at www.tsp.gov.

So, why am I suggesting you treat planning for retirement as a covert operation? It's because showing your hand too early may cause you to be read out of your organization's plans for the future and even cause you to be skipped over for a promotion that might have come your way if you hadn't spilled the beans too far in advance.

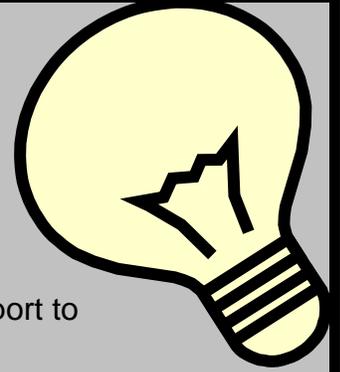
Obviously, there's a limit to how long you can keep your plans a secret. Eventually, you'll have to go to your personnel office to confirm that you are actually eligible to 1) retire and 2) carry your life and health insurance into retirement. Further, you'll want to give them enough time to process your retirement papers so you won't end up without an annuity for a couple of months. And because you are a good guy or gal, you'll want to let your boss know that you'll be leaving so he or she can figure out how to deal with the unit's workload after you go. Finally, you'll want to give your coworkers enough time to plan your retirement party!

DOD is Serious About Six Sigma. Business Transformation Agency plans to train 500 practitioners in a year. Business Transformation Agency officials say they have institutionalized a tiered accountability process that has improved how the Defense Department develops, implements and manages its business systems. The militarywide adoption of Lean Six Sigma, a business-process improvement methodology, is a significant factor in institutionalizing those improvements, officials say.

"The services are adopting Lean Six Sigma and have been extremely successful in cost avoidance and saving cycle time," said Paul Brinkley, undersecretary of

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Defense for business transformation, at a recent briefing on BTA's report to Congress.

The Defense Finance and Accounting Service and the Naval Air Systems Command are among those that have seen benefits from the Lean Six Sigma approach.

BTA reported that the command will save more than \$1 million in fiscal 2007 because of Lean Six Sigma improvements in its contract closeout processes. DFAS, meanwhile, used Lean Six Sigma to improve its employee benefits call center.

DOD is not alone in moving to the continuous process improvement methodology.

The Agriculture Department awarded a contract in the past year to institute the method for its grants management process.

The FBI also uses the technique. The services' success prompted the Office of the Secretary of Defense to expand the use of Lean Six Sigma methodology to areas such as contracting and logistics.

"The services can optimize only to a point if OSD is not a participant," said Beth McGrath, principal assistant deputy undersecretary of Defense in DOD's Office of Business Transformation. "At the DOD level, we can incorporate work across the department to obtain value."

One department-wide area for deploying Lean Six Sigma is training. The Defense Acquisition University developed a DOD-specific Lean Six Sigma course covering how to apply the methodology and become Lean Six Sigma certified.

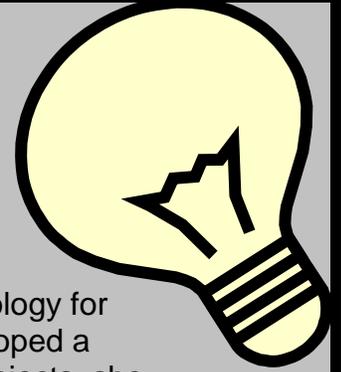
McGrath said DAU will train 500 DOD employees as green or black belts in Lean Six Sigma by September 2008.

To earn a green belt, an employee must complete one project using the methodology.

To earn a black belt, the employee must complete at least two Lean Six Sigma projects.

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"At the BTA, we have been working with the Lean Six Sigma methodology for three or four years," McGrath said. In that time, the agency has developed a support infrastructure and applied Lean Six Sigma to thousands of projects, she said.

David Fisher, BTA's director, said the Lean Six Sigma approach will help BTA with one of its highest priorities, implementing the Defense Integrated Military Human Resources System and 11 other DOD enterprise resource planning systems.

Web Site on Federal Grants, Loans and Contracts Debuts. The Office of Management and Budget recently rolled out a new Web site that will provide information on all major federal grants, loans and contracts. The new site, dubbed USASpending.gov, is dedicated to improving transparency by providing the public with information on all major federal transactions.

The launch fulfills one of the key requirements of the 2006 Federal Funding Accountability and Transparency Act, which requires full disclosure on a Web site maintained by OMB of all organizations receiving more than \$25,000 in federal funds. Sens. Barack Obama, D-Ill., and Tom Coburn, R-Okla., co-sponsors of the legislation, applauded the announcement, which Obama called "an important milestone on the path to great government transparency."

"We can't reduce waste, fraud and abuse without knowing how, where and why federal money is flowing out the door," Obama said. "This site will provide a window into the federal budget so all Americans can see how their tax dollars are being spent."

OMB awarded the contract for developing USASpending.gov to OMB Watch, a nonprofit watchdog group that runs the popular FederalSpending.org site.

Robert Shea, associate director of OMB, called his agency's role "minimal," crediting its completion to a partnership between OMB Watch and the Sunlight Foundation, which is dedicated to using the Internet to increase the transparency and accessibility of government. Shea said OMB was able to purchase OMB Watch's existing site software for \$600,000 to use as the basis for the new site. He said there were other support costs, but that the total was "short of \$1 million."

USASpending.gov eventually will provide a full searchable database of all federal grants, contracts, earmarks and loans. He said OMB has received data from 21 of 24 agencies, representing about 90 percent of government spending. The site

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will be updated every two weeks. OMB will post the data, but it's up to agencies to keep their databases current.

"An informed public is a better public," said Coburn. "This Web site is going to put control of our government back in control of our citizens."

He acknowledged that bloggers played a role in holding government accountable for delivering the site. "I see this as a great tool for government, contractors, municipalities, journalists, everyone," he said. "I expect it to take off like wildfire." He promised oversight hearings if any agency failed to provide OMB with timely data for the site.

The data is presented in a variety of modes, such as congressional district and lists of the top 100 recipients of aid or contractors in a particular field. In addition, the database is fully searchable by both the site's search feature as well as commercial search engines. "It's still a work in progress," said Shea. "We will work to improve accessibility, completeness and the timeliness of the data. The definition of success is when this information is being used to hold the government accountable."

He added that USASpending.gov eventually would include a wiki and pages for users to comment and post feedback and information such as the legislative source of each particular transaction.

Probe Finds High Risk of Fraud in Defense Transit Subsidy Program. A recent [audit](#) by the Defense Department inspector general found a "high risk" that Defense employees in the Washington metropolitan area are abusing transportation benefits.

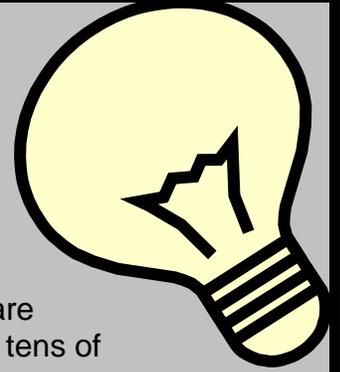
Auditors identified more than 14,000 Defense employees who filed incomplete enrollment applications, and nine out of 14 employees from a selected sample overstated their benefit by an average of \$42 per month. Additionally, employees who should have been withdrawn from the program because of a change in status continued to receive benefits despite their ineligibility.

"These findings indicate a high risk that DoD employees will not file forms to indicate status changes or to withdraw from the program, will commit fraud to receive benefits more than once in the same distribution period, and will obtain and concurrently hold both transit subsidy benefits and subsidized parking benefits," the report found.

In response to the findings, David Chu, Defense undersecretary for personnel and readiness, said the department was revising the employee transit benefit

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policy and would soon issue new guidelines. Transportation benefits are enormously popular and help defray commuting and parking costs for tens of thousands of employees, for whom such fees can easily top \$12 a day.

Federal agencies in the National Capital Region, which includes Washington and nearby counties in Maryland and Virginia, are required to provide the subsidies for employees who use mass transit or participate in van pools. The benefits are aimed at reducing traffic congestion and pollution by encouraging employees to use mass transit. They are supposed to equal an employee's personal commuting costs up to \$110 per month. Last year, Defense spent nearly \$36 million on the transit benefits for 33,770 employees.

The IG investigation was a follow-up to [a report last April](#) by the Government Accountability Office that found federal employees were fraudulently selling Metro fare cards on eBay, inflating transportation expenses and falsifying applications to obtain benefits for which they were ineligible.

"These employees are likely the tip of a much larger number of violations of law," said Gregory D. Kutz, managing director for forensic audits and special investigations at GAO, in written testimony submitted to the Senate Homeland Security and Governmental Affairs Committee.

GAO estimated that the amount of potentially fraudulent transit benefits claimed during 2006 by employees at all federal agencies in the Washington metropolitan area was at least \$17 million, and likely more.

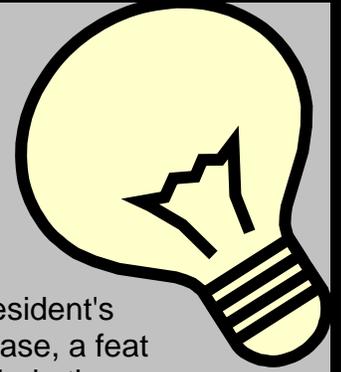
Backlog of Social Security Disability Claims Likely to Grow. While Congress approved additional funding to help the Social Security Administration address a growing backlog of disability claims amid budget battles, experts say other steps are needed.

SSA's Office of Disability Adjudication and Review is struggling to tackle nearly 750,000 pending requests for disability hearings, and the agency as a whole is expecting the number of workers receiving retirement benefits to increase by 13 million over the next 10 years. More than 40 organizations petitioned House appropriators to provide SSA the funds to deal with its growing burden.

"Citizens will be contacting SSA at a time when the agency is closing an increasing number of its field offices because it does not have the funding necessary to keep the offices adequately staffed and the doors open," the petition stated.

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Congress eventually gave SSA an additional \$150 million over the president's requested \$9.6 billion to deal with administrative expenses. This increase, a feat in this year's particularly contentious appropriations environment, will help the agency slow the backlog, but experts say it won't fix the problem overnight.

"One year of an increase in funding over the president's budget request after seven years of underfunding is not going to stop the problem," said Jessica Klement, government affairs director for the Federal Managers Association. "But you can do what you can do with \$150 million. It's not going to be perfect, but it will help."

Jim Allsup, a disability claims expert and president of Allsup Inc., a company on Belleville, Ill., that helps people file claims, is urging SSA to give applicants options. Allsup said his company has seen a 168 percent increase in business during the last five years as a result of the exploding backlog.

"This is a complicated process and individuals who apply for benefits without representation are more likely to have their claims denied," said Jim Allsup, president and chief executive officer.

On Wednesday, the company issued a list of the [top 10 tips](#) for claims applicants to break through the backlog; the list included everything from checking eligibility to preparing an accurate and full medical record to meeting deadlines.

"The tips were exactly what we would recommend for people filing for benefits and, in essence, what the Social Security Administration would recommend," Klement said. She noted that one of the primary reasons applicants encounter long wait times is they have submitted outdated medical records and the SSA has to wait for more complete records.

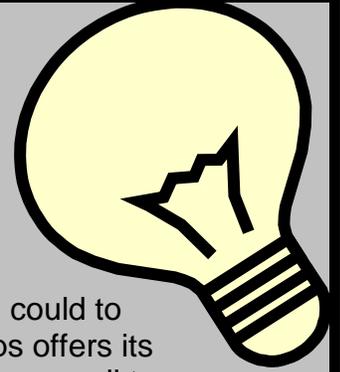
Klement says the backlog cannot be eliminated entirely, and the goal is to minimize it so applicants do not wait hundreds of days for a ruling. Current wait times for an applicant filing an appeal after an initial claim has been denied average 524 days.

"Any dent you can make in that is a success," she noted.

Job Corps Kicks Off YouTube Recruiting Campaign. The Labor Department's Job Corps program, which provides education and training to 62,000 economically disadvantaged youths, has launched a series of videos on YouTube, and sent a public service announcement to 650 radio stations to boost recruitment and awareness.

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"This fulfills a promise I made to you that ... we would do whatever we could to spread the word and market the wonderful opportunities that Job Corps offers its students," Esther Johnson, national director of the program, wrote in an e-mail to Job Corps staff and participants.

She said the program was part of a three-year campaign, and the focus at the moment was matching Job Corps training to technical certification standards in higher-paying career fields.

"We have ensured that the training we're providing meets the standards of the certifications in the industries," she said. "We can say that our young people who have graduated from this training program meet the guidelines that have been established by the industry.... When we go out and target these young people, we can assure them that the training they're going to receive in Job Corps meets the industry standards."

The YouTube videos include speeches by Tiffany Williams, Kelvin McJunkin Jr. and David Bol, three Job Corps participants who spoke at October's Job Corps summit in Washington. Johnson said the number of videos would expand to include Job Corps advertisements and Spanish-language programming.

Labor Secretary Elaine Chao "instructed us to think outside the box, and as part of that, we need to think about ways to make sure the population we are targeting knows about Job Corps," Johnson said. "This population utilizes the Internet, and they utilize YouTube a lot, so we thought, 'Why don't we put excerpts of the speeches online?' We have a consolidated media and advertising campaign."

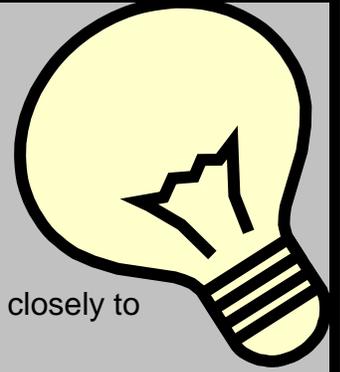
Johnson said Job Corps was working with a marketing research firm to shape its advertising and drawing on students' experiences to create television commercials.

"They have gone to different markets, they have held focus groups with young people, and a lot of their advertisements and our brand for Job Corps have been tested with these young people," she said. "We've gone to different Job Corps centers, and we have ads that show the students in action, and then we have some of the students who are speaking in the ads, talking about what they're doing and how it's been a positive experience."

Performance Pay at VHA. Despite pushback from some employees, labor unions and lawmakers, many federal agencies still are intent on scrapping the

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General Schedule system and replacing it with one that ties pay more closely to performance.

It's been well over two years since the Bush administration started floating the Working for America Act, which would extend personnel reforms being implemented at the Homeland Security and Defense departments to the rest of government. While the bill has yet to attract much interest on Capitol Hill, some federal agencies are jumping ahead to test the apparent flexibilities offered by alternative personnel systems.

According to Office of Personnel Management spokesman Mike Orenstein, federal agencies have the authority to place up to 5,000 employees in pay-for-performance demonstration projects. OPM must approve the projects and can manage only up to 10 pilots at any one time.

Currently, pay-for-performance pilots are active in three federal agencies -- the acquisition component at the Defense Department and the Commerce and Energy departments. But a fourth agency may soon be added to the mix -- the Veterans Health Administration.

Joleen Clark, deputy chief of the management support office at VHA, said last week that the department is waiting on OPM approval for its proposed demonstration project, and expects to launch it in early 2008.

News of a pay-for-performance pilot at VHA may sound familiar. The Veterans Affairs Department announced late last year that it planned to test the system with 1,000 VHA employees. But Clark said the department scrapped the idea of implementing it so late in the year, largely because officials felt it was unfair to debut a new approach so close to the end of a rating period.

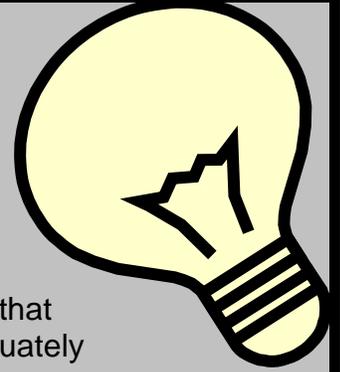
The agency already has implemented a five-tiered performance management system instead of the pass-fail systems many agencies use, said Lawrence Bifareti, director of workforce planning and organization development at VHA. What's next is simply tying pay to ratings to give them meaning.

Still, the department has scaled back its plans for the trial, with plans to implement it for only 175 nonbargaining unit employees, Clark said. If successful, the plan eventually will include all VHA employees.

VHA's system will guarantee employees with a rating of fully successful or above a pay raise that is equal to the annual governmentwide increase. Ratings below fully successful will not receive any pay increase, and eligibility for within-grade

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increases and quality-step increases will be discontinued. VHA notes that additional funding of about \$500,000 per year will be required to adequately recognize high performers.

Clark said VHA officials are looking to the pay-for-performance system at the Federal Aviation Administration as a model. But VHA has urged caution, she said, largely because FAA's implementation of the system has not been free of challenges.

In fact, Clark admits she is wary of implementing the new system. While she believes something must be done to replace the General Schedule, she said she was concerned about subjectivity, especially if performance standards are not given the attention needed upfront.

"I could see something like this having a very negative effect on employee satisfaction," she said, "if the perception is [that] supervisors are not being fair to employees, or the opposite -- overrating those who are barely performing to avoid complaints."

She added VHA has submitted to OPM a set of regulations on the pilot project for the *Federal Register*, which must be opened to comment before the project is launched. "Unfortunately, OPM has a few concerns with some of the language, so there has been a lot of back and forth," she said. "We're still hopeful that it will keep moving forward."

The NAF Corner:

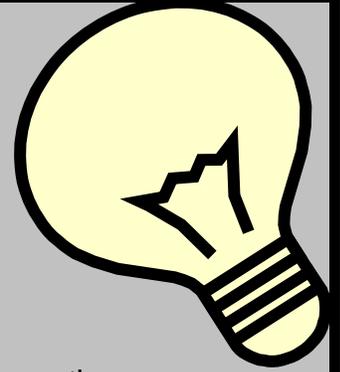
Purchasing Military Service Credit. Participants in the NAF Retirement Plan may receive credit for qualifying military service not to exceed five (5) years. Qualifying military service may become credited service under the plan if all of the following conditions are met:

a. The service must have been terminated under honorable conditions in the Armed Forces of the United States including the Army, Navy, Air Force, Marines Corps, or Coast Guard. The following types of separations are honorable:

- Under honorable conditions
- Separation because of hardship
- Transfer to retired list because of age or disability
- Transfer to Fleet Reserve
- Furlough to Reserve Forces
- General discharge under honorable conditions and

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- Death in action

b. The military service may not have been used previously, concurrently, or subsequently for either entitlement or computational purposes in any other retirement system or retirement plan including, but not limited to the Retirement System of the Armed Forces of the United States (except for individuals receiving military retired pay awarded on account of a service-connected disability incurred in combat with an enemy of the United States or on account of a service-connected disability caused by an instrumentality of war and incurred in the line of duty during a period of war, or under the provisions of 10 United States Code 1331-1337, Chapter 67 which grants retired pay to members of reserve components of the armed forces on the basis of age and service), the Civil Service Retirement System (CSRS), the Federal Employees' Retirement System (FERS), the retirement systems of any other NAF instrumentalities of the United States. Military service which has been credited under any of the foregoing will not be creditable under the U.S. Army Nonappropriated Fund Employee Retirement Plan.

c. The military service must have been performed before the date of the separation from the civilian position from which title to the annuity is based.

d. The participant must complete a deposit to the Plan as prescribed by the Benefits Program Manager prior to commencement of the benefit entitlement.

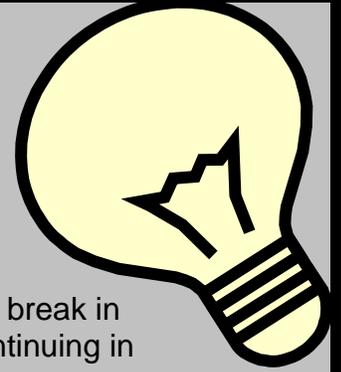
To receive complete instruction for purchasing military service credit or if you have additional questions, please contact your servicing NAF Human Resources Office.

The NAF Retirement Plan. All regular full-time and part-time employees are eligible to join the NAF Retirement Plan. Participation requires that an employee become vested in the retirement plan. Vesting dictates an employee work five years for a NAF Instrumentality and contribute to the fund. Subsequently, those employees electing to do so, become eligible for an annuity at age 52 with 2% of their salary being deducted bi-weekly.

The NAF Retirement plan also affords all eligible employees the option of discontinuing contributions in the plan; however, there is a two year "wait" period before an employee may rejoin the plan. If contributions are discontinued for a second time for ANY reason, those employees become permanently ineligible to enroll in the plan. As such any refund due to those employees will only be granted when those employees leave NAF employment.

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If an employee accepts an appropriated fund (APF) position without a break in service of more than three days, he/she will be given the option of continuing in the NAF Retirement Plan or electing participation in FERS.

If you are not currently enrolled in the plan and wish to do so, contact your servicing HR Human Resources Office at 545-1610 for additional information. Invest in your future!

Late Tax Fix Delays Refunds. More than 3 million people will have to wait until February to get their tax refunds because of Congress' late fix to the alternative minimum tax, the IRS said recently.

Congress put a one-year freeze on growth of the alternative minimum tax last week, shielding many middle- and upper-middle income taxpayers from first exposure to the tax. But Congress' late action means the Internal Revenue Service won't be able to start processing five AMT-related forms until February, delaying potential refunds for those people until that month.

Between 3 million and 4 million people filed in January for their 2006 taxes using those forms, with many expecting a refund, the IRS said. The average refund was \$2,324, the agency said.

"We regret the inconvenience the delay will mean for million of early tax filers, especially those expecting a refund," acting IRS Commissioner Linda Stiff said.

As many as 13.5 million people will have to wait until Feb. 11 to start filing with the five AMT-related forms, but the IRS said filing patterns show only between 3 million to 4 million of those people file during the early tax season anyhow.

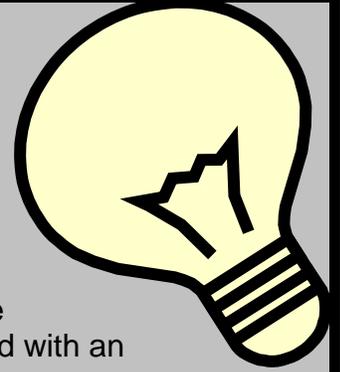
The IRS was able to reprogram its computers to begin accepting the seven other AMT-related forms when the tax season opens in early January.

But the tax packages that will start arriving in the mail beginning after New Year's Day were printed in November, before the AMT fixes were approved by Congress. The IRS has created a special section on its Web site, <http://www.irs.gov>, with updated copies of AMT forms.

The alternative minimum tax was passed in 1969 and was aimed at about 155 very wealthy families who used deductions to avoid paying any federal income tax. The AMT disallows certain deductions and credits. It was not adjusted for inflation; as a result, over the years it has hit a growing number of middle-income taxpayers.

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More than 4 million were subject to it in the 2006 tax year. Without the congressional fix, more than 20 million families would have been faced with an extra \$2,000 tax hit on average.

The five forms affected by the delay are:

- _ Form 8863, Education Credits.
- _ Form 5695, Residential Energy Credits.
- _ Form 1040A's Schedule 2, Child and Dependent Care Expenses for Form 1040A Filers.
- _ Form 8396, Mortgage Interest Credit and
- _ Form 8859, District of Columbia First-Time Homebuyer Credit.

Any taxpayer using those forms will have to wait until February to file their taxes, the agency said. The IRS will begin processing those forms on Feb. 11, and the first refunds for those people will start going out 10 to 14 days later.

More than 100 million people got refunds during the last tax season.

An executive at Kansas City, Mo.-based H&R Block Inc., the nation's largest tax preparer, suggested there might be ways for people to increase the speed of their refunds.

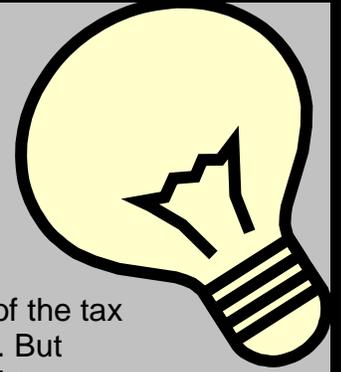
"We can help taxpayers claiming the child and dependent care credit avoid the delay by using alternative forms to file their return," said Tim Gokey, group president of H&R Block Tax Services. "Taxpayers can also file their return earlier by not claiming the credits being blocked until Feb. 11, and then filing an amended return later to claim the additional credits."

The Associated Press reported on Dec. 1 that the IRS Oversight Board was warning that taxpayers could expect refund delays because Congress hadn't acted on an AMT fix.

Congress passes legislation every year to keep the tax from expanding. The fix this year was delayed by an argument between Republicans and Democrats over whether some taxes should rise to offset the cost of correcting the AMT.

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The House's Democratic majority demanded that the \$50 billion cost of the tax relief be paid for, mainly by closing a loophole on offshore tax havens. But Republicans' argument that the AMT shouldn't be fixed with increased taxes prevailed, with the backing of a White House veto threat.

The Dec. 19 passage of the AMT fix threw the IRS's schedule off because it takes seven weeks to reprogram the agency's computers to adjust for congressional action, the agency said.

IRS officials suggest that people file electronically to get faster refunds. People who file electronically and get direct deposits into their accounts can expect refunds in 10-14 days, while those who file with paper forms can expect a wait of as long as six weeks.

The IRS is also working with tax professionals and the makers of tax preparation software to make sure their information is as up-to-date as possible.

"Early filers can get their refund as quickly as possible by easily completing and submitting their return to TurboTax," said Bob Meighan, vice president for Intuit Inc.'s TurboTax tax preparation software. "Then, as soon as the IRS begins accepting electronic returns, we'll take care of the rest."

CSRS vs. FERS – The Eternal Battle. Ah, the eternal battle of the retirement systems. Which is best: CSRS or FERS? Well, the answer to that question would be worth a great deal if every employee could choose which to be in during an annual open season. But such is not the case. You are stuck where you are.

There were two open seasons years ago during which CSRS employees could switch to FERS—but not vice-versa—but there hasn't been such an opportunity since, nor is there likely to be another one.

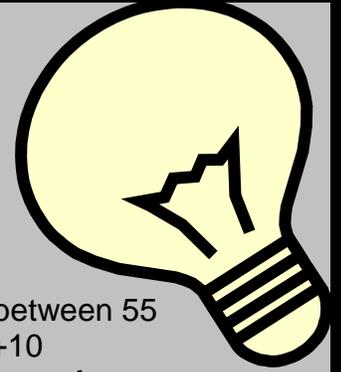
So the best you can do is sit back, cross your legs and reflect on some of the features CSRS and FERS share in common and those that make them different. The answer to which one would have better for you will flow from the features that are most important to you.

Retirement eligibility

The rules governing when you can retire on an immediate annuity are similar for CSRS and FERS but not identical. Both allow you to retire at age 62 with 5 years of service and age 60 with 20. However, under CSRS you can retire at age 55 with 30 years of service, while under FERS you can retire with 30 years of

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service when you reach your minimum retirement age, which ranges between 55 and 57 depending on your year of birth. Unique to FERS, is the MRA+10 provision, which allows you to retire at your MRA with as few as 10 years of service. However, if you do, your annuity will be reduced by 5 percent for every year you are under age 62 (age 60 if you have between 20 and 29 years of service). You can reduce or eliminate that penalty by postponing the receipt of your annuity to a later date.

Both CSRS and FERS have a provision that allows you to retire earlier than normal if offered an early retirement opportunity by your agency. The eligibility requirements for both are the same: age 50 with 20 years of service or at any age with 25. However, CSRS employees will have their annuities reduced by 2 percent for every year they are under age 55, while there is no age penalty under FERS.

Defined benefits

CSRS and FERS both provide defined benefits in the form of an annuity. In each case the amount of your annuity will be based on a formula. For CSRS it's $0.015 \times \text{your high-3} \times 5 \text{ years of service} + 0.175 \times \text{your high-3} \times 5 \text{ years of service} + 0.02 \times \text{your high-3} \times \text{all remaining years of service}$. For FERS, it's $0.01 \times \text{your high-3} \times \text{your years of service}$. It's $0.011 \times \text{your high-3} \times \text{your years of service}$ if you have at least 20 years of service covered by FERS and are at least age 62. Clearly, CSRS provides the higher level of annuity benefits, with FERS trailing behind.

Cost-of-living adjustments

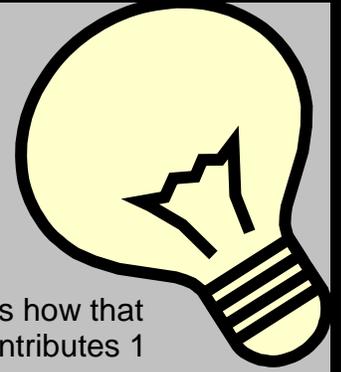
Under CSRS, retirees receive COLAs regardless of the age at which they retire. FERS retirees only receive them when they reach age 62, unless they are special category employees, such as law enforcement officers, firefighters or air traffic controllers, or disability retirees. Further, the COLAs of FERS employees are generally smaller than those for CSRS employees. While CSRS retirees receive the full COLA adjustment based on the consumer price index, FERS employees only receive that up to 2 percent; between 2 and 3 percent, they receive, 2 percent; and above 3 percent, they receive the CPI minus 1 percent. Once more, CSRS is the big winner.

Thrift Saving Plan

The Thrift Savings Plan is the government's version of the private sector's 401(k). It lets you build up a retirement account through investments in a variety of different funds. And it's here that FERS employees get their own back. They

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get contributions from the government; CSRS employees don't. Here's how that works. If you are a FERS employee, the government automatically contributes 1 percent of your base salary whether you contribute or not. If you do, your contributions are matched dollar for dollar for the first 3 percent you contribute, then 50 cents on the dollar for the next 2 percent.

In addition, up to several years ago, percentage of salary limits on investments applied and the percentages were higher under FERS, allowing FERS employees to stash away more for retirement tax-favored.

While the above are not all the ways in which CSRS and FERS are alike or different, they are the most important ones.

Two Special Hiring Programs End. OPM has told agencies that it "strongly advises against" further use of two special hiring programs, the Outstanding Scholar and Bilingual/Bicultural programs, which are designed to focus recruiting in a way that increases the pool of African American and Hispanic candidates for employment in certain occupations at grades GS-5 and GS-7.

In two decisions last year, MSPB determined that it is unlawful to use the scholar hiring authority and, by implication, the bilingual/bicultural authority, without applying veterans' preference, an OPM memo to agencies said. It does not appear possible for agencies to use the authorities and also comply with veterans' preference provisions as required by the MSPB decisions, OPM said, adding that the Justice Department concurs with its recommendation to discontinue the programs.

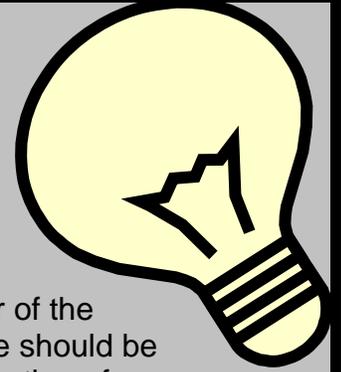
The two special hiring programs were established by a 1981 consent decree that resolved a class-action suit alleging that the old Professional and Administrative Career Exam had an adverse impact on the employment of African Americans and Hispanics. MSPB in a 2000 report had recommended discontinuing the programs on grounds that their goals had been achieved, that the authorities were sometimes misused and they conflicted with veterans' preference rights—a recommendation that MSPB repeated several times in the years since.

However, OPM has always disagreed and continued the programs up to now. OPM said the change does not affect use of the Administrative Careers With America exam, which largely replaced the PACE exam in the wake of the suit.

Final Pay Raise Action Pending. President Bush likely will soon issue an executive order finalizing an average 3.5 percent general schedule raise effective with the first full pay period of January-January 6, for most employees. The 3.5

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percent figure was specified in a catchall funding bill for the remainder of the current fiscal year and ends a year-long debate over whether the raise should be 3 or 3.5 percent. The President is expected to sign the measure at any time; for the meantime, the government is operating on another stopgap funding bill good through the end of the calendar year. For general schedule employees, 2.5 percentage points will presumably be paid across-the-board, with the funds for the other percentage point divided up as locality pay. That would yield increases ranging from 4.49 percent in the Washington-Baltimore locality to 2.99 percent in the catchall "rest of the U.S." locality for areas inside the contiguous 48 states not in one of the metropolitan zones. The annual executive order is accompanied by the release of pay tables, including those for certain non-GS positions whose raises are linked to GS raises, as well as high-level positions whose rates act as pay caps for various purposes.

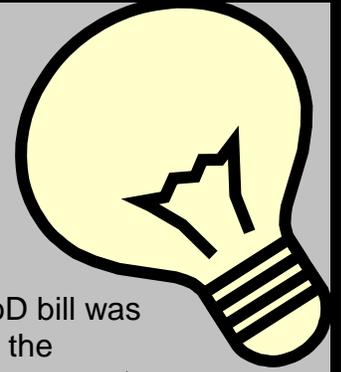
DoD, DHS Personnel Systems in Transition. The catchall funding bill, along with a separate DoD authorization bill that President Bush is expected to sign at any time, also caps the year-long struggle over the alternative personnel systems those departments have been working to put into place.

The spending bill bars DHS from spending any funds to implement the system originally known as MaxHR but now part of a larger initiative called the human capital operational plan, until all legal issues relating to it are settled-in effect, an indefinite stay. The DoD bill explicitly repeals authorities the Pentagon was granted in a 2003 law, although which it hasn't so far implemented, to revise many labor relations, disciplinary and appeals procedures. The measure does allow DoD to proceed with its national security personnel system's pay for performance elements, although with several new restrictions. It could be some time before new guidance comes out on how the system would operate under those restrictions.

The DoD authorization bill contains several other changes that would apply government-wide. These include: allowing any agency head to raise the total compensation cap for an employee who performs duty within the area of responsibility of the U.S. Central Command; allowing employees called to active duty to continue their FEGLI life insurance for up to two years rather than one, although they would have to pay both the employee and employer share of premiums for the second year; improving the relocation benefits of family members of federal employees who die while in a combat zone; provide a \$100,000 death payment in such situations; and policy for wage grade employees reflect that for general schedule employees regarding compensation or time off in lieu of compensation for travel hours outside of official duty time.

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Retirement Provision Dropped. One provision dropped from the DoD bill was earlier House language that would have changed the policy regarding the effective date of retirement, for purposes of determining when annuity payments start.

Currently, the policy varies between CSRS and FERS, which causes confusion, according to the justification the Pentagon submitted when proposing the change. Conferees did not explain why they dropped the language, although it might be significant that the proposal was not considered by the committees that have jurisdiction over federal employee benefit matters in general.

Human Resources (HR) for Supervisors Course Offerings. The HR for Supervisors Course is highly recommended for all Department of Army civilian (DAC) and military supervisors of appropriated fund (APF) civilian employees who supervise at least 3 appropriated fund DAC employees. The course is 40 hours long and is intended to help the supervisor in performing his/her HR management duties. In addition to teaching the participants about HR regulations and processes, the course introduces them to the automated HR tools. Completion of this course can enhance the supervisor's confidence and performance. The course includes the following modules:

- Overview of army CHR (includes coverage of Merit System Principles and Prohibited Personnel Practices)
 - Staffing
 - Position Classification (includes an introduction to CHR automated tools such as CPOL, ART, Gatekeeper and FASCLASS)
 - Human Resource Development
 - Management Employee Relations
 - Labor Relations
 - Equal Employment Opportunity

The course includes lectures, class discussion and exercises. Additionally, there is a pre and post test administered at the beginning and end of the course. The course does not address supervision of non-appropriated fund (NAF) or contract employees. The course dates for FY 08 are highlighted below. Course registration information will be disseminated not less than 3 weeks from course start date.

DATE

3 – 7 December 2007

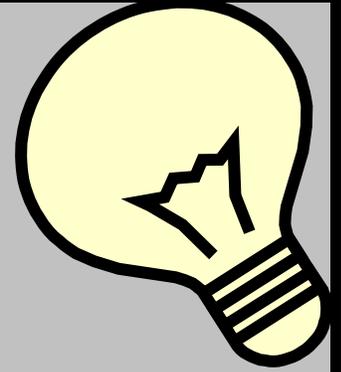
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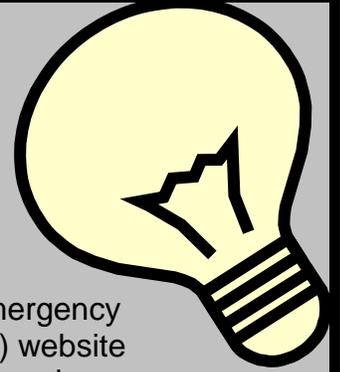
RPA and ART Workshop. The Fort Benning CPAC HR specialists are available to conduct RPA and ART desk-side walkthroughs and/or workshops to assist managers/supervisors and new DCPDS account holders with accessing and using DCPDS, ART, initiating RPAs, creating Gatekeeper Checklists, forwarding and tracking RPAs, generating reports and printing SF 50s. Training can be accomplished via individualized sessions or activity specific workshops upon request. If you desire training of this nature, please contact your servicing HR specialist to arrange for scheduling.

Job Aids Available on the Web. Lotus ScreenCams (how-to-movies) are available to assist DCPDS users with DCPDS, Army Regional Tools (ART), Oracle 11i and other automation tools. ScreenCam movies ART Logon, Ghostview, Gatekeeper, Inbox Default, Initiating an RPA, Logging On, Navigator, RPA Overview and RPA Routing are available on the web at: <http://www.chra.army.mil/>. Click on HR Toolkit and then click on the name of the movie to download or play it. Managers/supervisors and administrative personnel responsible for initiating RPAs are encouraged to review this site and check out these new tools. ART Users Guide has been updated and provides descriptions of and instructions for using tools available in ART, including such tools as Employee Data, Inbox Statistics (timeliness and status information about personnel actions), Organization Structure (information about positions in various organizational elements), and many more tools. It is intended for use by managers, resource management officials, administrative officers, and commanders as well as CPAC and CPOC staff members. There is both an on-line and downloadable Word version (suitable for printing).

In addition, to the ART Users Guide, there is a Defense Civilian Personnel Data System (DCPDS) Desk Guide which provides how-to information about tasks and functions that end users might need to perform in DCPDS, such as initiating a Request for Personnel Action (RPA) and creating a Gatekeeper Checklist. The ART Users Guide and the Desk Guide can be accessed from the CHRA web page at: <http://www.chra.army.mil/>, by clicking on HR Toolkit. In addition to these tools the Fort Benning CPAC staff is available to assist you in accessing DCPDS, ART, initiating RPAs, creating a Gatekeeper Checklist, forwarding and tracking RPAs, generating reports and printing an SF 50. If you have any questions or need assistance, please contact your servicing HR specialist to arrange a time so we can come to your office to help you.

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Emergency Contact (Next of Kin) Database. Information on the Emergency Contact Database is located on the Civilian Personnel on Line (CPOL) website <http://www.cpol.army.mil/>. It can be accessed from the CPOL homepage by clicking on the link for “Emergency Guidance and Resources,” and then clicking on “Emergency Contact Database” Managers need to keep reminding their civilian employees of the need to have their current emergency contact information on file in the Emergency Contact Data Base. In addition, supervisors and managers are required to conduct periodic validations with employees to ensure the accuracy of their data. If assistance is needed, please contact project e-mail account at echelp@asamra.hoffman.army.mil.

Fort Benning CPAC Homepage. Please log on to our website at <https://www.benning.army.mil/Cpac/Index.htm>. If you have suggestions on ways to improve or recommendations for information to add, please contact the undersigned.

Just Before Press:

Sooner Or Later. Some annuities get negative press coverage while others are highly recommended. What explains this seeming contradiction?
The way annuities are sliced and diced.

* Deferred annuities allow you to invest now and pull out money later. Such products may be sold aggressively and costs to investors might be steep.

* Immediate annuities (also called income annuities or payout annuities) don't require any waiting. You pay a sum of money to an insurance company and receive a stream of cash flow that begins right away and possibly lasts for as long as you live.

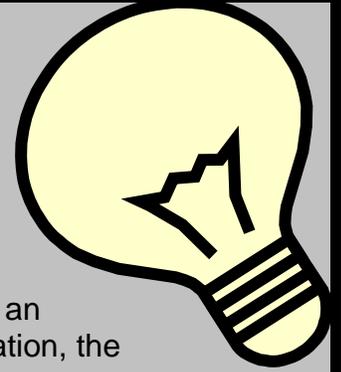
Immediate annuities may prove to be valuable as life expectancies increase. A healthy 65-year-old male has a 50 percent chance of living beyond age 85, and a 25 percent chance of living beyond 92.

For a healthy 65-year-old female, there's a 50 percent chance of living beyond 88, and a 25 percent chance of passing 94.

The longer you live, the greater the strain on your retirement savings. If you use some of your savings to buy an immediate annuity, you could have guaranteed income, no matter how long you live.

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For questions, contact your personal financial advisor, an attorney, or an investment counselor. While we strive to provide the latest in information, the expertise of the HR staff does not extend to financial planning.

TIPS Can Be Tops. One way to protect your portfolio from being eroded by inflation is to investment in Treasury Inflation-Protected Securities (TIPS). They're Treasury issues so they are guaranteed against default by the U.S. government. Like all Treasuries, the interest paid by TIPS is not subject to state or local income tax.

TIPS are issued in 5-, 10-, or 20-year maturities. You can buy and keep track of them, usually at no cost, at www.treasurydirect.gov. Alternatively, you can invest in a mutual fund or an exchange-traded fund that holds TIPS. However you invest, be prepared to accept a low interest rate-currently, under 2 percent.

While the interest rate is low, TIPS increase in value to keep pace with inflation. If inflation is running at a 4 percent rate, for example, your principal would grow by 4 percent a year. As TIPS principal increases, interest is paid on the inflation-adjusted principal. Therefore, if TIPS have a 2 percent interest rate and inflation is 4 percent while you hold the bond, your total return would be 4 percent + 2 percent = 6 percent.

For questions, contact your personal financial advisor, an attorney, or an investment counselor. While we strive to provide the latest in information, the expertise of the HR staff does not extend to financial planning.

College Cost-Cutter. Parents of college students may want to buy a large apartment or a house near the campus. Your own student can live there, saving you dorm fees, while you rent to one or more other students. Your costs--everything from heating bills to property maintenance--will be deductible because you'll have income-producing property.

You can name your child as property manager, responsible for screening tenants, getting leases signed, collecting rents, arranging for property maintenance, etc. For those services, you could pay your child a management fee of, say, 10 percent of the rental income received from tenants.

Such management fees will be deductible for you, the property owner, while they probably will be tax-free to your child. In 2007, single taxpayers may have up to \$5,350 in earned income and owe no tax, because of the standard deduction.

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Thus, you not only will save dorm fees with this strategy, you also will have a tax-effective method of providing spending money to your college student.

Why Trusts Are A Must. A trust can be a vital component in an estate plan. What they offer:

- * Protection against possible incompetency. To protect yourself, you can form a trust and transfer your assets into it. You can be the trustee so you'll control the trust assets and enjoy the income. A successor trustee will take over if you're incapacitated.

- * Probate avoidance. Assets held in trust also avoid probate, which can be expensive and time-consuming. In the trust documents, you can state how the trust assets will be distributed at your death.

- * Protection for your heirs. At your direction, after your death a trustee can keep trust assets from being squandered or lost in a divorce.

If your heirs are young, you can set up a trust to remain in effect until they are, say, 30 or 35 and can handle their own finances. Another option is to keep the trust in effect for the lives of the beneficiaries.

For questions, contact your personal financial advisor, an attorney, or an investment counselor. While we strive to provide the latest in information, the expertise of the HR staff does not extend to financial planning.

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