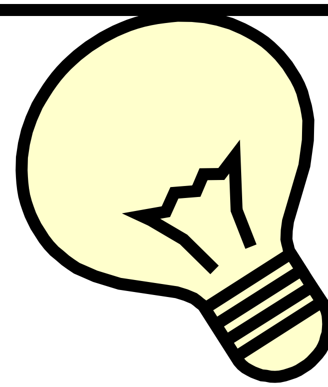
The

Illuminator

Shedding Light on the HR World



4-2009 Article Directory

NAF Overseas Employment Opportunities 28

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, the Maneuver Center of Excellence civilian transition, 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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The Illuminator
4-2009

Retirement, Life/Health Insurance, TSP, Social Security and Such

Recession Slows, Doesn't Stop Retirements. More federal employees are putting off their retirement plans because of the slumping economy. But, surprisingly, the numbers of those delaying retirement are not that big — at least not yet.

About 7 percent of the federal employees who were projected to retire last year didn't, according to data recently released by the Office of Personnel Management. Further, OPM is downgrading its retirement projections for 2009 through 2011 — but only by a combined 2,100 employees for all three years.

But, starting in 2012, OPM believes, federal employees will start retiring in larger numbers than previously expected. Many of those will be feds who put off their retirements because of the sour economy. The increases are modest, however, amounting to roughly 500 to 2,500 per year — again, not especially big numbers.

Nancy Kichak, associate director of OPM's Strategic Human Resources Policy Division, said if the economy keeps worsening, more employees will likely delay their retirements. But until then, the projected declines in retirement numbers aren't big enough to change how the government thinks about managing its retiring work force.

"We were not wrong to talk about the [retirement] tsunami," Kichak said. "These folks are going to go. If they work another year, we're glad to have them. But we can't count on them as being the sole drivers of the federal workforce. We won't see retirements go to zero."

Even though federal agencies are getting a slight reprieve on retirements, Kichak and other experts caution that federal managers will still need workforce and succession plans to replace them, and knowledge management programs to hold on to those employees' decades of experience.

"This gives them more time to prepare," said Carol Bonosaro, president of the Senior Executives Association. "The question is, will they?"

Once the economy picks back up and Thrift Savings Plan accounts recover, eligible feds will likely take their long-awaited retirements, said John Palguta, vice president for policy at the Partnership for Public Service.

“Just as actual numbers [of retirements] are now below the projections, we could see actual retirements exceed projections” after the recovery starts, Palguta said. “That highlights the value of doing succession planning now.”

Bill Swigert, the personnel director for Tinker Air Force Base in Oklahoma, said the retirement delays are giving the base’s managers more time to prepare and update so-called continuity books, which are notebooks that detail how retiring employees do their jobs and respond to certain events.

“We should be doing that all the time anyway,” Swigert said. “But work changes over time, and we’ve got to make sure these things are up to date.”

Greg Heineman, a district manager for the Social Security Administration in Norfolk, Neb., who is also president of the National Council of Social Security Management Associations, said delayed retirements are allowing SSA to improve its mentoring programs. Employees who stick around have more time to mentor and teach the younger employees who will replace them, he said.

“It’s a plus in a lot of ways,” Heineman said. “It means we’re not losing institutional memory as quickly as we thought we would. And pairing [older employees] to some of our newer employees gives them a sense of responsibility and ownership in the development of new employees.”

But one manager said the retirement delays are hindering progress at his agency.

“Some [of those putting off retirement] are people you’d like to move on,” said Hickory Starr, a service unit director at the Indian Health Service, who oversees the Lawton Indian Hospital in Oklahoma and two nearby clinics. “We’re trying to introduce a new culture, new processes. But there are a lot of people who are old school, with old bureaucratic types of attitudes.”

Starr is trying to introduce more information technology systems to modernize health care, accounting and other business processes. But he said he runs up against resistance from older employees who “are afraid to turn a computer on, because they’ve never used it.”

“This is the way the world is today, and the way health care is today,” Starr said. Younger generations “pick it up quicker — new things, new trends.”

Starr has delayed his own retirement because of the economy. He wanted to retire shortly after turning 69 this May, but the stock market decline has wiped out nearly a third of his TSP savings.

He also hoped to start his own health services consulting business in retirement, drawing on his decades of experience. But he doesn’t think it would succeed in the current market. Today Starr isn’t sure he could even find a good part-time job in retirement. He now expects to work until he turns 70, maybe longer.

“I could probably still retire, I just don’t want to,” Starr said. “I’m hanging on to see if things get better.”

Former OPM executive Henry Romero said many feds are facing a similar situation.

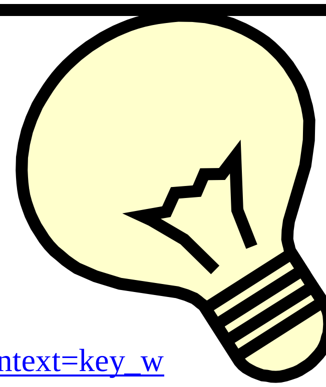
“Some folks were planning to have a second career outside of the federal government, maybe in a new field or consulting in their area of expertise,” said Romero, now a consultant at Federal Management Partners. “But those opportunities are diminishing.”

Federal employees also might find themselves having to support family members who have fallen on hard times, Romero said.

“Because they’re more stable, they may be looked at to help members who are hurting,” Romero said

Disability Decisions. Most federal employees understand the benefits associated with their health and life insurance. But do feds also understand the need for disability coverage?

According to the Social Security Administration, three in 10 workers entering the labor market will become disabled before retiring. While federal employees receive some coverage for prolonged illness, injury or disability, in certain cases purchasing private disability insurance could provide additional financial security.



Federal employees can be compensated for disability <http://digitalcommons.ilr.cornell.edu/cgi/viewcontent.cgi?article=1501&context=key_workplace> through:

* Paid sick leave
* Disability retirement
* Workers' compensation benefits for injuries sustained on the job

Employees who become permanently disabled before age 62 can apply for disability retirement. The government's two retirement programs -- the Civil Service Retirement System and the Federal Employees Retirement System -- calculate disability annuity benefits differently, which influences the decision on whether to buy private insurance.

Social Security Disability Insurance also is available, but bear in mind that the average monthly benefit is $1,004 -- and less than half of the 2.1 million workers who applied for SSDI benefits in 2005 were approved, according to SSA data.

So, you've concluded you need disability benefits. Where do you start?

* Sick leave: Use your sick leave before applying for disability retirement, as it can be considered a form of short-term disability insurance. Federal employees accrue 104 hours of sick leave annually that can be carried over from one year to the next. After 10 years of federal service, an employee has earned about six months of sick leave.

* FERS or CSRS disability retirement: Employees who decide to apply for disability retirement <http://www.opm.gov/forms/pdf_fill/sf3112.pdf> must prove they've become disabled as a result of their federal job by providing medical documentation and statements from their supervisor. They also have to fill out a FERS or CSRS application for immediate retirement. The Office of Personnel Management decides whether to approve such requests.

Crunching the Numbers

FERS

Calculating disability benefits under FERS varies, depending on the retiree's age and years of service at retirement. Here's the quick and dirty:

* Under Age 62

If you are younger than 62 at the time of disability retirement and are not eligible for voluntary retirement you will, for the first year, receive 60 percent of your high-three average salary minus all your Social Security benefit for any month in which you are entitled to Social Security disability benefits. After the first year, you will receive 40 percent of your high-three average salary minus 60 percent of your Social Security benefit for any month in which you are entitled to Social Security disability benefits.

But, you are entitled to your earned annuity (1 percent of your high-three average salary multiplied by years and months of service), if it is more than the disability annuity computed under the aforementioned formula.

When you reach age 62, your annuity will be recomputed using an amount that represents the annuity you would have received if you had continued working until the day before your 62nd birthday and then retired under FERS nondisability provisions.

The total service number used in the retirement annuity will include the years in which you received a disability annuity. The average salary will be increased by all FERS cost-of-living increases that occurred during the time you received a disability annuity (even if the adjustment did not affect your annuity). The FERS basic annuity formula -- 1 percent of your high-three average salary multiplied by total years and months of service -- is then applied, using the adjusted time base and average salary. If your actual service plus the credit for time as a disability retiree equals 20 or more years, the formula would be: 1.1 percent of your high-three average salary multiplied by the total of years and months of service, using the adjusted time base and average salary.

* Age 62 or Older

If at disability retirement, you already are 62 years old, or you meet the age and service requirements for immediate voluntary retirement, you will receive the amount you earned based on the general FERS annuity calculation: 1 percent of your high-three average salary multiplied by years and months of service.

If you are at least age 62 at disability retirement and have at least 20 years of federal service, then the annuity formula would be: 1.1 percent of your high-three average salary multiplied by your years and months of service.

CSRS

The math is simpler under CSRS than it is under FERS. A disabled worker is eligible for a retirement annuity equal to the greater of either the annuity that he or she would receive under the regular retirement formula, or a minimum benefit that is the lesser of:

* 40 percent of the employee's high-three average salary or;
* The actual annuity that the employee would have received if he had retired at age 60.

The method of computing a CSRS disability retirement annuity ensures that an employee will not receive a larger annuity through a disability retirement than he or she would receive from having worked to the minimum age and years of service required for a normal retirement. In general, a worker who becomes disabled after 22 or more years of federal service will receive an annuity calculated under the regular CSRS annuity formula, regardless of age.

The bottom line is that between FERS and Social Security benefits or the CSRS disability benefit, approved disability benefits will be as much as a 40 percent or more replacement of your pre-retirement wages. Social Security will approve a disability request only if there is evidence that the individual is disabled from all work -- not just a federal job.

Costs and Benefits

Supplemental plans and individual insurance policies often will cover up to 70 percent or 80 percent of your salary, but generally are reduced by the amount of employer-sponsored and Social Security benefits provided. If you pay the premium out of pocket -- meaning your employer doesn't cover the tab -- benefits are tax-free.

But buying an individual plan can be tricky and expensive. As with life insurance, prices vary based on several factors, including age, gender, amount of coverage and health status.

How much does coverage cost? Here's one example from MetLife: A 40-year-old male nonsmoking business executive would pay $1,150 in annual premiums to qualify for $3,500 in monthly benefits delivered up to age 65, after a 90-day waiting period.

If you purchase a private policy and the company goes belly up, then state insurance regulators will cover most of the policy benefits. But that protection is capped at $300,000 in most states.

It makes sense to consider long- and possibly short-term disability insurance to cover a shortfall in income in the event you can't work because of a disability. Before shopping, however, it's important to evaluate the amount of sick leave you have and would be eligible for if you had a permanent disability and qualified for CSRS, FERS and Social Security benefits. If the government benefits aren't adequate to meet your monthly financial obligations, then a disability insurance policy could be the answer.

<u>Retirement Planning and the Decline of Your TSP Investments</u>. What impact, if any, has the decline in stock prices had on the retirement plans for federal employees?

How are TSP participants changing their investment philosophy? Are they putting most of their money into the relatively safe G fund or are they putting money into the stock funds on the assumption that prices will go back up in the future and turn out to be a good investment at relatively low prices? Below is the results of a recent survey conducted by FEDSmith.

50% of readers responding said they have not changed their retirement plans. That obviously means that about half have changed their retirement date while they try to recover some of their financial losses.

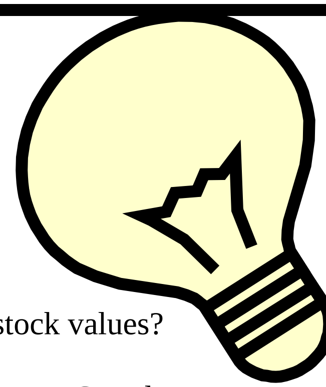
Not surprisingly, 50% responding indicate they are putting more of their investment money into the G fund. 31% say they have not changed their investment philosophy.

As you will see from the comments below, there is a sense of panic among some, particular among those who had planned on retiring fairly soon. But many are optimistic that the value of their TSP funds will go back up over time.

Here is a summary of the survey results.

1. Have stock market losses (either in or out of your Thrift Savings Plan) caused you to postpone your retirement?

	Total Responses	Percentage	Grand Total
My retirement date has not changed	828	50%	1653
Yes, by a couple of years	388	23%	1653
Yes, by two to five years	348	21%	1653
I'll never be able to retire	89	5%	1653



2. Have you changed how you invest in the TSP as a result of the decline in stock values?

	Total Responses	Percentage	Grand Total
no change in my investment strategy	508	31%	1653
I am putting more money into the F & G funds	828	50%	1653
I am investing more in the TSP stock funds	133	8%	1653
I am no longer investing in the TSP	37	2%	1653
I am now investing in the appropriate TSP lifecycle fund	70	4%	
Other	77	5%	1653

Most sending in comments preferred to comment on how they are investing their money in the TSP in view of the downturn in stocks.

A Contract Specialist with the Air Force in Oklahoma City, OK has delayed retirement: "Am under FERS, age 61 and had planned to retire at 62 but with TSP 1/3 of retirement, I have no choice but to wait out this recession."

A Budget Analyst with the US Southern Command in Miami did not say what he is doing but offered a general observation: "Between the stock market and the terribly negative impact conversion to NSPS has had, personnel at this command are of two minds: they're either retiring immediately with the intent of seeking employment elsewhere that has a favorable management climate, or else they can't see themselves ever being able to retire. Thanks for NSPS. It used to be "do more with less;" now it's 'do more with nothing, and like it or else.' "

An Aeronautical Information Specialist with the FAA in Oklahoma City, OK does not plan to retire for some time but is not optimistic: "I have 15 years until my planned retirement date. I betting on dollar cost averaging and that the stock market will rebound like it has in the past. But the current crew in charge in Washington are doing their best to ensure it won't rebound for a long, long time."

The Chief, Financial Services Branch for DoD in North Chicago, IL is delaying retirement: "I would like to work longer so that I can increase the amount in my TSP."

A Director from the Small Business Administration in Alabama has a guardian angel: "A voice in my head (guardian angel?) told me to get out of the C, S & I funds in spring of 2008. As a result I put ALL my TSP balance into the G-Fund AND left them there. As a result I lost nothing and should be able to retire next year as originally planned. Unless everything goes down the tubes, needless to say."

A Forester with the Forest Service in Wisconsin is hanging on to his federal job: "The agency is doing everything they can to make it easy to stay."

An Economist with the Bureau of Labor Statistics wrote: "I have transferred 100% of my funds from the stock fund to the G fund and future allocations into the lifecycle fund."

An Agriculture Management Specialist with the USDA in Traverse City, MI has changed how he invests in the TSP: "I moved most of the TSP funds that I had invested in stocks (C, S, & I) to the bond (G & F) funds over a year ago. I am using my current TSP contributions to buy shares in the C, S & I funds only.
"

An employee at the Department of State in Washington, DC makes an honest assessment of his approach: "I no longer look at my TSP statement."

A Medical Technician with the VA in Seattle wanted to retire but has delayed: "I am holding 60% G & F and investing still in stocks: I (fund) 20% and C & S (funds) 20%. Wanted to retire last year but postponed because of the down economy."

An analyst with the VA in Arizona is also disappointed and she thinks it could have been avoided: "I am 55 and don't have much time left. I'll never recoup what I have lost. My retired husband lost 40% of the value, including principle of his annuity from an accident. HOW DID WE GET HERE? PEOPLE NEED TO BE PROSECUTED FOR THIS FIASCO. IT COULD HAVE BEEN PREVENTABLE, WHICH IS THE SAD THING! The standard living of the average working American is going to be a lot lower because of all of this mess. Socialism will take us over now."

A Support Services Specialist with the IRS in Washington, DC is still waiting to decide what actions to take: "Thinking of transferring to the G fund if the I fund drops lower."

A Management Analyst with Defense in Atlanta is still working in order to add more stock to his TSP funds: "Now is the time to buy while the prices are down. Most of my TSP (70%) is in the G Fund but I now have what's going into the funds each payday 50% diversified between the F, C, I and S Funds. Yes the value is down but the stock is still there and will one day go back up. Now is the time to buy! That is one reason I'm still working, so I can keep adding to my TSP."

A Research Team Lead with the Labor Department in Colesville, Maryland is also optimistic but has a long time before retirement: "Although I am postponing my retirement by a six or seven months because of the drop in value of my TSP, I also realize that I very likely won't be tapping my TSP for another 10-15 years. By that time, the market will turnaround (it always has). I'm under the CSRS system, so I better off than my FERS colleagues, who rely much more on their TSP to fund their retirement. Boy, am I glad I didn't switch to FERS in the late '90s when the market was going crazy in the other direction!"

An Environmental Specialist with the Energy Department in Denver is implementing his investment plan and is optimistic but feeling the stress: "I moved 80% of my money into the G fund in the Fall of 2008, and started putting 100% in the TSP stock funds at the same time. It has become a nail-biter recently, but I'm sticking to it."

A Technician with the FAA in New Jersey is pessimistic for a different reason: "Been in the "G" for years due to my conservative nature. Co-workers advised to go "C" or others to make the big bucks. Now I figure I'll be penalized/taxed by Obama and friends to "bail out" my risk taking co-workers."

An FAA manager from Jamaica, New York is taking an aggressive approach to investing: "I'm allocating present and future payments toward the C, S, I and 2020 L fund since prices are cheap and I have over 7 years before I plan to start withdrawing funds. I'll re-balance in steps as prices start to recover."

A Service Writer with the Marine Corps in San Diego has changed his TSP allocation: "Like a lot of people I was riding the wave of high stock returns. I was heavily invested in the C, S, and I funds. then I was murdered. Now it's all G, with some L funds."

A Network Specialist with the IRS in St. Louis, MO moved his money and glad of it: "Several years ago I moved my money into the G Fund from the S and I fund. Had I kept my money into S & I fund I would have loss over $80K in 2008 because of the market. Right now, I'll take the small interest rate in the G fund and wait.

"An analyst with the USDA in Washington, DC sees a buying opportunity: "Lowest share prices ever. now is the time to buy."

A supervisor with the Bankruptcy Court in Cleveland is not yet worried about retirement and sees an opportunity to buy stocks: "My retirement is still 25-30 years away, so it is hard to say how much this downturn has affected me. I look at it like, "Hey these stock shares (C, S, and I) are really on sale, buy as many as you can now!"

There is optimism among many about their retirement future but those that are closer to retirement are more pessimistic. Some younger federal employees see a chance to increase the value of their TSP over time as they anticipate an economic recovery. As statistics from the TSP have demonstrated, the G fund is increasingly popular as all wait to see how the current economic problems work out.

Sharing The Wealth: Options for Reducing Government Expenses in Health Care and the Impact on Federal Employees. Don't panic--but don't take your benefits for granted either. During a time of economic upheaval, change can occur that did not seem possible previously.

Federal employee benefits are relatively generous compared to what many private sector employees receive. Whenever someone makes that statement, there are always numerous comments from readers who know someone who works for a private company and who has better benefits. No doubt, that is true. But, when the unemployment rate appears to be headed to 10% or more, companies are declaring bankruptcy, the stock market is tumbling, and the government debt is going to be in the trillions (financed largely from the sale of Treasury bonds to China and numerous other foreign countries), it is possible that Congress and/or the president may not be as sympathetic to the argument that federal employees do not have benefits that are sufficiently generous.

With that in mind, The Congressional Budget Office (CBO) has a few ways to reduce the rapidly ballooning federal debt. Volume One of the CBO suggestions are in the area of health care.

A number of readers have commented recently they don't mind having a 2% pay raise in 2010--but want assurance that their health benefit premiums won't be going up. But, if the CBO recommendations should gain traction in the form of new legislation, you may not like the outcome.

Not all of the options would save money but would still have an impact on the federal employee workforce and retirees.

For example, one proposal that is discussed by the CBO, and has been discussed in the media during the presidential election, is to open up the FEHB to all uninsured Americans. This option would allow individuals and private firms not affiliated with the federal government to purchase coverage through the FEHB program. Unlike federal employees, who receive contributions from their employer, individual purchasers in this new insurance market would be responsible for the full cost of the premium, and individuals whose employer purchased coverage through an FEHB plan would be responsible for any costs in excess of their employer's contribution.

But, since the government pays the bulk of the insurance premium for federal employees as a benefit of working for Uncle Sam, how would a person who does not have insurance be able to afford the premium--especially if unemployed? Presumably, we would worry about that later.

There would be a separate pool of people apart from the federal workforce. People coming into the program are likely to have higher than average health risks which could lead to higher premiums.

It isn't clear how this would impact the services currently available to the federal workforce. One possibility not mentioned in the CBO report is that there may be a decline in the quality of service as a large number of new people start to use the FEHB--even if they are in a separate pool. For those of us who have occasionally had to work with insurance providers, and experienced slow service and difficulty getting answers to questions, we can reasonably anticipate slower service and more difficulty getting answers to questions should this option be implemented. (Disclosure: I am a participant in the FEHB program.)

One option would save the federal government about $6.3 billion between 2010-2014 and save $33.1 billion between 2010 and 2019. A few billion may not seem like much when the deficit is in the trillions but, presumably, cutting federal expenses has to start somewhere.

Here is how this option would work. Currently, the Federal Employee Health Benefits Program (FEHB) costs Uncle Sam about $27 billion each year. Policyholders pay at least 25% of the cost of the insurance premium. Federal retirees pay the same amount as active federal employees. The federal government picks up the portion of the premium (roughly 75%) that the employee does not pay.

So, how about a voucher system to save money?

Under this plan, those eligible for the FEHB would be offered a voucher worth $4300 toward the premiums for the cost of health insurance or $9900 toward the cost of a family health insurance plan. *The amount of the voucher would be indexed to inflation rather than to the cost of any increase in the cost of health insurance plans*.

The extra amount this would cost an individual would vary widely. But, since the purpose is to save billions in cost to the government, by transferring the cost to the individual, you can probably do some quick math and figure out how much your insurance would increase.

The CBO says that this option would increase the incentive to switch to a lower-cost health plan as participants would save money. And, because enrollees would pay nothing for plans that cost the face value of the voucher, insurers would have a greater incentive to offer lower-cost plans that approached or matched the value of the voucher.

One drawback to the plan, states the CBO, is that enrollees would pay more for their health insurance over time than they are currently paying because the premium cost would go up more than the cost of the federal government's contribution to health insurance. And, in the case of current retirees or employees who have been working for the government for some time, it would be a reduction in benefits that were already earned.

Basing Retirees Health Insurance On Length of Service

Upon retirement, federal employees are currently allowed to continue receiving benefits from the Federal Employees Health Benefits (FEHB) program if they have participated in the program during their last five years of service and are eligible to receive a pension immediately.

Not surprisingly, more than 80 percent of new retirees elect to continue receiving federally funded health benefits. For those retirees over age 65, FEHB benefits are coordinated with Medicare benefits; under that policy, FEHB plans typically pay amounts not covered by Medicare.

The Congressional Budget Office estimates that in 2009, the government will pay almost $12 billion in premiums for roughly two million federal retirees plus their dependents and survivors.

One option for cutting down on this expense is to reduce the amount of money paid by the government for employees with a short federal career. In recent years, about 14 percent of the more than 80,000 employees who retire from federal service annually and opt to continue in the FEHB program have fewer than 20 years of service. Under this option, the government's share of premium costs for new retirees only—those retiring on January 1, 2010, or later—would be cut by 2 percentage points for every year of service less than 20 years. In the case of a retiree with 15 years of service, for example, the government's contribution would decline from 72 percent of the weighted average premium to 62 percent.

This option would reduce net spending for government contributions to the FEHB program by an estimated $1.1 billion between 2010–2019 says the CBO.
2009 is shaping up to be an interesting year for the federal workforce. No one can reliably predict what will finally pass but, by January 2, 2010, there are likely to be changes to the federal benefits package. In the long run, more of the changes will likely

benefit the federal workforce but keep a close eye on the ones that may have an impact on your financial situation.

Leave: Take It or Lump It? This article was written by Tammy Flanagan and posted in the Government Executive Newsletter. Any references to "I" pertain to her as the author.

I received an e-mail the other day about a common situation facing those about to retire:

I plan to retire under the Civil Service Retirement System this year. My plan was to take my annual leave (at least my 240 hours that I carried over from last year), extending my date to retire rather than leaving earlier and getting a lump sum for my annual leave. But a friend told me you come out better to take a lump-sum payment for unused annual leave.

Which is the right choice? Taking the lump sum. The simple reason is that you're not supposed to take leave on your way out the door. The comptroller general has ruled that federal managers cannot grant an employee "terminal leave" if they know in advance that the employee is going to separate from federal service when the leave is used up.

But is the e-mailer's friend right that you actually would come out better financially by taking the lump sum? That's a more interesting, and more complicated, question.

Under the scenario the employee poses, here are her options (assuming she wants to retire in the middle of the year):

* Take the lump-sum payment. She can retire effective July 3 and receive a payment for 240 hours of leave. Let's assume that her hourly pay rate (which is her annual pay rate divided by 2,087) is $59.07. The payment for 240 hours of unused annual leave would be $14,176.80, minus taxes.

* Retire when the annual leave is used up. That would mean leaving effective Sept. 3. Most of July and August would be spent using the 240 hours of stored leave. That way, she'll receive four more pay periods worth of full salary instead of retired pay, and her retirement benefit will reflect two more months of service.

So far, it looks like using the leave and staying on the payroll makes sense. The employee figured her additional salary for staying until September would be $18,902 before deductions (these include retirement contributions, insurance premiums and taxes). Taxes are withheld from the annual leave payment, but not retirement deductions or insurance premiums. She calculated that she would come out with about $5,000 extra in her pocket by staying the extra two months. Also, her retirement benefit would increase by $32 per month for the rest of her life, with annual cost-of-living adjustments.

But here's what she is missing from her computation: If she retires on July 3 and gets a lump-sum payment for unused annual leave, she can then receive a retirement check for July and August, too. Since she has 36 years of federal service, it would amount to $6,485 per month before taxes and insurance withholdings. That's a lot of money just for waking up every day.

Under this scenario, she would end up with around $8,000 in cash. Considering that if she stayed on the job two more months and her retirement goes up only $32 a month, it would take her more than 20 years to break even.

What About FERS?

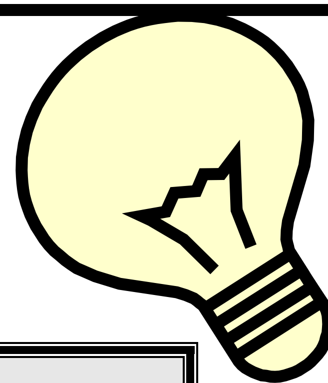
Under CSRS, it's pretty easy to see that taking the lump-sum payment is the way to go.

But if you're in the Federal Employees Retirement System, it's a different story. By staying longer on the payroll and using the annual leave, you can continue to contribute to your Thrift Savings Plan and Social Security, as well as your retirement benefit. Plus, you would receive your full salary longer.

The basic FERS retirement benefit received for July and August would be only about half as much as it would be under CSRS. Under FERS, the computation generally is 1 percent times the high-three average salary times years and months of service. Under CSRS, after 10 years of service, all years are worth 2 percent times the high-three average salary. But the additional matching and automatic TSP contributions for four more pay periods would be almost $1,000 for this employee, plus the same amount in employee contributions -- or more. That's assuming TSP contributions are 5 percent of salary or greater.

Final Thought

Remember, it might be nice to have the lump-sum annual leave payment to weather the transition from employee to annuitant. It can sometimes take several months before your retirement benefits are finalized. It is nice to have a little cash cushion to tide you over during this period.



Employment-Related News

<u>Pay Day</u>. The roster of new federal pay and benefits decision-makers is lining up in the executive and legislative branches.

The current leaders in the administration and Congress who will craft policies affecting the federal workforce are strong defenders of traditional employee benefits, as might be expected from a Democratic-controlled government. They have fought to preserve cost-of-living pay increases, opposed what they deemed to be unfair pay-for-performance systems, and worked to keep federal workers' health care costs low.

Tania Shand, the new director of congressional relations at the Office of Personnel Management, will have a pivotal role as the liaison between the administration and Capitol Hill on federal employees' pay and benefits. Shand is currently the staff director of the House Oversight and Government Reform Federal Workforce Subcommittee. Rep. Stephen Lynch, D-Mass., her boss, credited her with helping to pass legislation last year that ensured employees at the Government Accountability Office earning at least a satisfactory rating under the agency's pay-for-performance system would receive cost-of-living raises comparable to those under the General Schedule.

Jonathan Tumin, a senior GAO analyst, also praised Shand for having "a tremendous positive impact on the lives and morale of hundreds of GAO employees."

In addition, Shand helped lead the congressional response last winter to the decision by Blue Cross Blue Shield to institute a new policy that would have required enrollees to pay a deductible of up to $7,500 for surgeries performed by out-of-network physicians. Blue Cross, the largest provider of health plans to federal employees, eventually renegotiated that provision of its Standard Option plan under pressure from Congress and Shand's subcommittee.

Lynch, the federal workforce subcommittee's new chairman, also has touted his federal pay and benefit credentials since assuming a leadership role. In a March 4 speech to the National Treasury Employees Union, he outlined a broad agenda for federal employees' pay and benefits, including support for a higher pay raise, collective bargaining rights, whistleblower protections, and paid parental leave. On March 25, Lynch moved legislation out of his subcommittee to grant federal employees four weeks of paid leave for the birth or adoption of a child. It was the first bill he addressed and shepherded as chairman. He also has introduced legislation that would change the way federal retirement benefits are calculated and a bill to automatically enroll new federal employees in the Thrift Savings Plan.

Before Lynch took over the subcommittee, he co-sponsored legislation to restore the executive labor-management partnership councils that President Clinton established and President Bush repealed, as well as a bill to increase the diversity of the Senior Executive Service.

He also has long personal experience with federal employee policies -- 17 members of his family work for the government, mostly for the U.S. Postal Service, and "they are not shy about letting me know what's wrong with what they see in the workplace," he said during his NTEU speech.

Even though Lynch is losing his staff director to OPM, Shand couldn't be moving to a better place to work with him on his pay and benefits agenda. Also joining OPM, as general counsel, is Elaine Kaplan, the former special counsel during the Clinton and Bush administrations, and current senior deputy general counsel for the National Treasury Employees Union.

Much of Kaplan's legal experience has been on employee rights issues, including case work on drug testing and speaking fees. At NTEU, Kaplan has been involved in challenges to the controversial National Security Personnel System and the pay-for-performance system at the Securities and Exchange Commission.

On March 19, 2009, Obama's choice for OPM chief headed to Capitol Hill for his first confirmation hearing. John Berry's Senate appearances no doubt will provide an opportunity to see where he stands on a wide range of personnel policies and challenges facing the federal human capital community.

Private, Federal Wage Gap Debated. Many white collar federal workers, for a long time now, have been convinced that they could make a lot more money if they had gone into the private sector. And they have official government-supplied data to prove that point.

By the same token, many people who don't work for the federal government, have long felt that their counterparts in the civil service make more money and enjoy far superior benefits. Not to mention job security. And they've also got official government-supplied data to prove it.

So whose right? And if by some miracle one envious group (the feds or the nonfeds) dropped their grass-is-always-greener mantra, what would it matter? What next? If you agree there is a problem, an imbalance one way or the other, how do you fix it?

Up until now this you've-got-it-made argument has been useful in helping certain groups (unions for the feds, conservative think tanks for the nonfeds) stay in business. But with the economic downturn, which some experts say is approaching Great Depression levels, the argument could have legs.

In 1990 the Democratic Congress and a Republican White House approved changes in the way feds would get future raises. It used Bureau of Labor Statistics data to show that for selected occupations (those selected by the BLS) the federal government paid its people 20 percent to 30 percent less than the private sector. The law - which took effect in 1993 - said that feds would get a series of catch up raises over the next decade to close the so-called "pay gap" between government and industry.

Former President Bill Clinton took one look at the law, and the catch up pay system it setup, and said "no way!" He and his advisers concluded that comparing pay alone wasn't the way to go. They said the system was "flawed." They argued for a "total compensation" approach that would include the value of fringe benefits - retirement, holidays, amount of vacation - as part of the overall comparison.

Many felt that using the whole package - not just pay rates - might dramatically narrow the "gap." Some said that the value of the federal retirement package alone, with its inflation-indexed pension system, would tip the balance in favor of the feds.

Pro-fed groups argue that comparing salaries on an occupation-to-occupation basis makes sense and is fair. If federal engineers in Houston, for example, are paid less than their private sector counterparts, that should be a factor in the next pay raise. Those annual surveys formed the basis for raises that should have been - but never were fully proposed - for federal workers.

Opponents of that system said we should look at the total picture, not just a federal-private sector matchup of jobs selected by federal workers.

In 1997 the Bureau of Economic Analysis released a study that showed that the average nonfederal worker earned $48,000 per year compared to an average salary of $77,000 for federal civil servants. When fringe benefits were cranked into the equation, the BEC said, total federal compensation (the value of pay and job-related and lifetime retirement benefits) was an average of $116,000 compared to only $57,000 for the private sector.

Comparing applies to oranges? Where you stand on the issue, as one expert said, depends on where you sit.

The pro-con argument has never been settled. But like most things that originate in Washington, it does serve some purpose: It gives unions and good-government groups something to be perpetually indignant about. And it gives conservative (or just plain antibureaucrat) associations something to decry and whip up their contributors. Call it: Full Employment for all members - left, right and center - of the chattering class.

With the still shrinking economy, with weekly first-time jobless claims growing, with companies failing or furloughing employees, the battle over who gets what could become more than just an ongoing, annual food fight.

The federal government is expected to grow, as part of the economic stimulus plan, even as the private sector shrinks. Federal workers next year are all but guaranteed a 2 percent pay raise (perhaps as much as 2.9 percent or even more if the military gets more) while many companies are cutting their payrolls, eliminating contributions to 401(k) plan accounts and asking workers - through voluntary furloughs - to take pay cuts of up to 20 percent.

Congress is looking at legislation that would give a tax-break to federal retirees (allowing them to pay their premiums with pre-tax dollars) that would not apply to private sector retirees. It is also considering a bill that would give federal postal workers up to four weeks of paid leave when they have or adopt a child. That proposal does not include private sector workers who - under current law - can have time off, but it is unpaid time.

Backers of the plans say that the government should be the "model" employer and that if these improvements are made at the national level, private employers will follow suit.

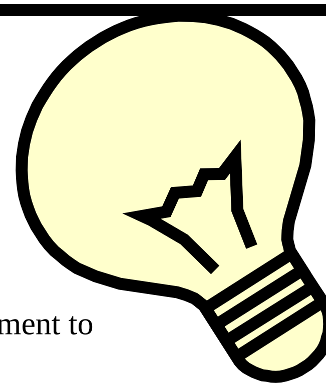
Opponents of the fed-exclusive improvements say it would further increase the pay gap - using the total compensation model - with federal workers on the winning side.

Federal Government Employee Tele-work Bills Introduced, Praised. Legislation has been introduced in the U.S. Congress to expand tele-work opportunities for all federal workers, allowing these employees to perform their duties and responsibilities from home or from another work site removed from their regular place of employment.

Representatives John Sarbanes, Frank Wolf, and Gerald Connolly introduced the Tele-work Improvements Act of 2009 in the House of Representatives. Senators Daniel K. Akaka and George V. Voinovich introduced the Tele-work Enhancement Act of 2009. The House legislation would:

* Instruct the Office of Personnel Management to develop a uniform, government-wide telework policy for federal employees;

* Ensure that federal employees who wish to telework and are eligible to telework are able to do so for at least 20 percent of the hours they work in a two week work period;



*   Create a Telework Managing Officer within every agency and department to oversee telework within that agency or department;

*   Provide greater access to and opportunities for telework training and education to both employees and supervisors, while providing employees electing to telework with greater protection against punitive treatment by supervisors and managers;

*   Require the Office of Personnel Management to compile government-wide data on telework and require the Government Accountability Office to evaluate agency compliance, produce an annual report to Congress and make that report publicly available on the Internet.

“First and foremost, this bill is about good governance,” Sarbanes said. “The federal government should use telework as a powerful recruitment and retention tool to compete with the private sector for the best and brightest workers.”

“(Moreover,) traffic gridlock in our region results in lost productivity, less time spent with families, and pollution that poisons our air and alters our climate. If more federal employees telework, not only will we improve their quality of life, we will relieve the overall strain on our transportation infrastructure and improve the daily commute for all area workers.”

“Since serving as Chairman of the Metropolitan Washington Council of Governments I have championed telework as a low cost, high impact tool to reduce our traffic congestion,” Connolly said. “This bill will reduce the number of daily auto trips among the 2.5 million daily commuters of the national capital region, and provide a critical post 9-11 framework for continuity of operations plans (COOP) in both the public and private sectors.”

“As the author of the current telework law, I believe we must do more to ensure that federal agencies are fully complying and implementing telework for all eligible employees,” Wolf said. “The Telework Improvements Act of 2009 will build on this foundation to cut through bureaucratic resistance, reduce traffic, and improve quality of life for our federal workforce.”

The Senate bill would require:

*   Federal agency heads to establish a telework policy making federal employees eligible to telework unless the employing agency expressly determines otherwise

*   The designation of a Telework Managing Officer within each agency to oversee telework policies and act as a resource for employees and managers

*   The Office of Personnel Management to work with each agency to provide guidance on telework policies and goals, and summarize Government-wide telework data in an annual report to Congress

“Expanding telework options helps the Federal Government attract and retain talented employees,” Akaka said. “With a large portion of the Federal workforce eligible for retirement in the coming years, it is essential for agencies to develop management tools to enhance recruitment and retention. This bill would provide Federal agencies with an important tool to remain competitive in the modern workplace.”

“To compete as an employer-of-choice in the today’s fast-paced knowledge economy and improve our competitiveness, we need to create an environment that supports those with the desire and commitment to serve,” Voinovich said. “Just as other aspects of their lives have been transformed by technology, we need to acknowledge that this next generation will have different expectations of what it means to go to work. Our legislation will help executive agencies better integrate telework into their human capital planning, establishing a level playing field for employees who voluntarily elect to telework, and improving program accountability.”

The Telework Exchange <http://www.teleworkexchange.com/> , a public-private partnership focused on promoting telework, applauded the legislation. It also praised the timing: federal executives will soon converge to discuss the future of government telework at the Telework Exchange Spring Town Hall Meeting on April 8 at the Ronald Reagan Building. This event will focus on how federal agencies are advancing current telework programs, utilizing existing resources to build a telework program, and investing wisely in telework programs.

“Telework is a viable option for business operations: it is a critical plank in business continuity, recruitment and retention, employee productivity, and work/life balance,” said Cindy Auten, general manager, Telework Exchange. “(This legislation) is an important step in implementing successful Federal telework programs and we applaud Congress for introducing (these bills).”

Management-Employee Relations

Reassignment Does Not Automatically Create a Right to Appeal. The appeals court has ruled that reassignment of an Internal Revenue Service employee from a Supervisory Revenue Agent (IR-05) to an Internal Revenue Agency (GS-13) did not amount to an appealable demotion. (***Phillips v. Merit Systems Protection Board***, C.A.F.C. No. 2008-3251 (nonprecedential), 1/14/09)

Following this reassignment, Phillips appealed to the Merit Systems Protection Board, arguing that it was an involuntary demotion. The agency moved to dismiss for lack of jurisdiction since Phillips' reassignment was voluntary and did not result in a reduction in pay or grade. Without holding a jurisdiction hearing, the MSPB agreed and dismissed the appeal. (Opinion p. 2)

The federal appeals court now agrees with the Board. The court points out the Board jurisdiction will only result where there is a reduction in grade or pay. In this case the Board determined that neither action occurred. The court agrees with this determination. (p. 3)

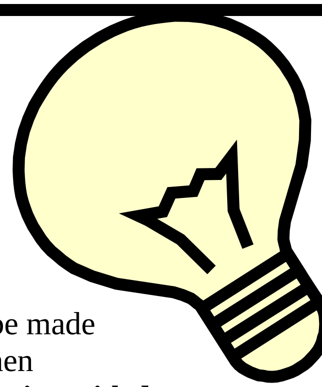
The court cites the Board's finding that Phillips' Notification of Personnel Action form shows that her salary actually went up (about $900 per year) when she was reassigned to the GS-13 position. Also, the maximum pay rate for both the positions was the same. Under these circumstances there is no reduction in pay or grade. (p. 3)

Phillips argued to the court that her previous position better placed her to qualify for future promotions to senior management jobs, and that adds up to a reduction in grade. The court opined that this does not make the action appealable to the board "even assuming that her new position involves less responsibility and less potential for future advancement." (p. 4)

Again pointing out that the maximum pay rate for both positions is exactly the same, the test is at the time of the reassignment, and not based on speculation as to potential for future promotions. As the court stated, "Phillips's allegations, even if true, do not suffice to establish an ascertainable reduction in pay or grade at the time of her reassignment." (p. 4)

The end result is that the agency can reassign—regardless as to whether it's voluntary or involuntary—under these circumstances and there is no appeal to the Board.

Standby vs. On Call Status: What's the Difference? Does Either Warrant Overtime? For most installation organizations, the administrative workweek typically consists of 5 consecutive 8 hour days, usually Monday through Friday, 0800 – 1700. In an effort to extend agency operations for emergency situations, management may establish a plan for a rotating schedule, designate a staff member to serve "on call" each evening, and furnish an agency supplied pager in order to respond to problems that may arise during off duty hours. In this instance, would the employee be entitled to overtime pay for simply wearing a pager after normal duty hours?



The Illuminator

4-2009

In order to determine whether overtime pay is warranted, a distinction must be made between two technical terms: **standby time** and **on-call time**. In general, when management requires an employee to **standby** for agency work, ***the employee is entitled to pay***. On the other hand, if the employee is merely **on call**, ***no compensation is required***. What is the difference between these two situations? An employee is in standby status if: 1) the employee is restricted to the home (or is unable to stray far from home); and 2) his/her personal activities are substantially limited. For example - Management requires the employee to carry a pager with a very limited range or to be able return to work within 20 minutes. These limitations would severely restrict the employee's personal activities.

The more common situation involves placing an employee in an on-call status where overtime compensation is not required. When this occurs, the employee is required to "remain in a state of readiness to perform work." The on-call employee may leave a telephone number where they may be reached and may even be required to carry an electronic device. However, their off-duty arrivals/departures are not restricted. Another indicator of on-call status is the employee's ability to arrange for the work to be performed by someone else. For instance, "you cover calls for me tonight, and I'll switch with you tomorrow night."

The chart below provides a simplified view of standby and on-call status:

	Standby	On Call
Time eligible for overtime compensation	Yes	No
Employee restrictions	The employee is restricted to a specified area and is assigned to be in a state of readiness to perform work. Limitations are placed on the employee’s activities to the point where the employee cannot use the time effectively for their own purposes.	The employee is allowed to leave a telephone number or carry an electronic device for the purpose of being contacted, even though the employee is required to remain within a reasonable callback radius; or the employee is allowed to make arrangements for another employee to perform any work that may arise during the on-call period.

Before a new rotation schedule is implemented in an organization, internal policy concerning hours of work and overtime should be reviewed to determine those situations that warrant overtime pay and those that do not. Simply asking an employee to carry a pager does not place substantial restrictions on their after-work activities since there is no need to remain at home waiting for an emergency call.

Please contact your servicing HR Specialist for additional information.

Training, Self-Development and Personal Improvement

Human Resources (HR) for Supervisors Course. The HR for Supervisors Course encompasses instruction applicable to the National Security Personnel System (NSPS) and the Legacy (i.e. GS) System. The course is 4.5 days long, includes lecture, class discussion and exercises; and, is designed to teach new civilian and military supervisors of appropriated fund civilian employees about their responsibilities for Civilian Human Resource Management.

The dates for remaining training dates is highlighted below. Registration information will be disseminated not less than 3 weeks from the course start date.

1 - 5 June 2009
14 – 18 September 2009

Instruction includes the following modules:

- Introduction of Army CHR which includes coverage of Merit System Principles and Prohibited Personnel Practices, CHRM Life Cycle Functions, Operation Center and CPAC Responsibilities
- Planning
- Structuring – Position Classification
- Acquiring – Staffing and Pay Administration
- Developing – Human Resources Development
- Sustaining – Performance Management, Management Employee Relations, Labor Relations

This instruction does ***not*** cover supervision of non-appropriated fund (NAF) or contract employees.

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

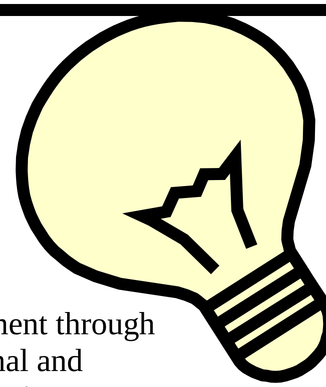
RPAs, generating reports and printing SF 50s. Training can be accomplished via individualized sessions or activity specific workshops upon request. If you desire training of this nature, please contact your servicing HR specialist to arrange for scheduling.

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.

The NAF Corner

Career Progression in the NAF Human Resources System. The development of a successful career in the NAF Human Resource (HR) System may be achieved through training opportunities, on-the job-training, years of experience as well as the completion of formal education. The System offers current NAF employees a number of correspondence courses and web-based training programs through the Army Civilian Training Education and Development System (ACTEDS) and the Morale, Welfare and Recreation (MWR) Academy.



Both the ACTEDS and the MWR Academy provide civilian career development through a planned combination of civilian leader development courses and professional and technical training courses. The goal of the ACTEDS and the MWR Academy is to develop and/or enhance career advancement for employees in MWR occupational fields such as business operations, recreation management, human resources, procurement and contract services, hospitality management, and installation and information management. These training opportunities were developed to ensure consistent quality across occupations through planned career development of civilian employees from entry level to senior executive levels.

Formal education also plays a vital role in gaining a competitive edge in the NAF HR System. To illustrate a point, the advantages of hiring a typical college graduate who has completed a bachelor's degree in Human Resources is valuable based on his/her insight into the human resource functions as well as other outside influences of modern business such as economic, and the social and legal issues associated with managing human resources. An excellent example of the effectiveness of the NAF HR System can be seen by simply following the career progression of one of a local NAF employee whose career path started as a Bar Assistant and is now the Director of Family, Morale, Welfare and Recreation.

For addition information concerning the NAF Human Resource System please contact your local NAF Human Resource Office.

NAF Overseas Employment Opportunities. Non-appropriated Funds (NAF) has a wide variety of employment opportunities available overseas. These employment opportunities are within the Morale, Welfare, and Recreation (MWR) Program and are usually available in the areas of hospitality, sports and recreation, child development, youth programs, as well as food and beverage service operations. When overseas positions are filled locally, the area of consideration normally includes U.S. citizens living abroad, dependents of citizens employed or stationed overseas, and foreign/local nationals. However, in those cases where overseas positions are filled by current NAF employees employed within the Continental of the United States (CONUS), those employees may accept their overseas assignments without time limitations unlike the 5-year limitation placed on appropriated funds employees accepting overseas assignments. A current NAF employee may also be authorized PCS cost to his/her new overseas assignment; however, he or she will not have any entitlements or "return rights" back to their previous duty station or any other CONUS position.

The process of seeking and obtaining employment overseas is very similar to the process being used stateside. Employees and applicants interested in applying for position overseas must submit their application identifying a specific vacancy announcement. Vacancy announcements may be viewed 24 hours a day, seven (7) days a week by simply visiting the website www.cpol.army.mil. Once the website has been accessed, proceed with the following steps to view all available positions overseas:

Select “**Employment**”.
Select “**Search for Jobs**” to access the Vacancy Announcement Board (VAB).
Scroll down the screen to the “**Special Programs**” option and select “**NAF Positions**”.
Under the topic “**Countries and U.S. Territories**”, highlight and select the country or the U.S. territory you desire to gain employment, such as “Germany”.
Proceed to the bottom of the screen and click “**Get Results**” to view a listing of available positions on the VAB.
Scroll down the VAB upon locating a position of interest and double click the “**Announcement**” number to access the actual vacancy announcement.
Thoroughly review the announcement, especially the Duties, Who May Apply, Qualifications, Other Requirements, as well as How to Apply.
Thereafter, follow the instructions listed under the topic “**How to Apply**” and mail your application or resume directly to the address listed in the announcement.

Applicants seeking first time employment should ensure all documents that may be needed for employment are hand-carried to the new location. Such documents may include, but are not limited to, a current resume, DD Form 214, information relating to completed background checks, social security card, birth certificate, as well as college transcript(s).

To ascertain specific information surrounding an overseas vacancy announcement, contact the servicing NAF Human Resources Office.

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