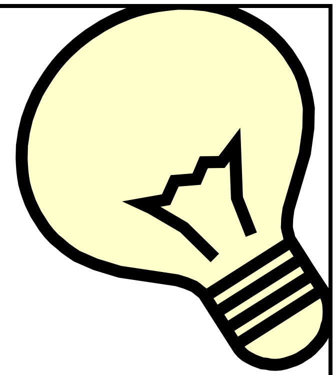
The

Illuminator

Shedding Light on the HR World



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Just Before Press

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 (MCOE) 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, FEDSmith, and the ABC-C Newsletter.

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

Endless Summer, Endless Questions. This article, which addresses various retirement questions, was written by Tammy Flanagan and posted in the Government Executive Newsletter. Any references to "I" pertain to her as the author.

How about a few Q&As this week? It seems like most of your recent questions fall into one of three categories:

- Basic Information Needed
- The Rumor Mill
- Help!

Let's look at some questions in each category.

Basic Information Needed

I have worked for 42 years under the Civil Service Retirement System and have chosen July 31, 2009, as the last day of work. Aug. 1 is the last day of the pay period. Since it falls on the 1-2-3 day rule, do you see any problems with this date that I might not see?

You will need to choose an official effective date of retirement -- either July 31 or Aug. 1. You already have the maximum amount of service that will be used to compute your CSRS retirement at 80 percent of your high-three average salary -- 41 years, 11 months of service is the most that can be used. Your sick leave can be added (for now, this is true only for CSRS retirees, not those under the Federal Employees Retirement System) to allow the computation to exceed 41 years, 11 months. Check with a retirement specialist at your agency to figure your sick leave credit as of July 31 (which falls on a Friday).

I would not recommend using Aug. 1, 2, or 3 as your official date, because you will get your last accumulation of annual and sick leave after completing the 80 hours of work for your final leave period, which ends as of the close of business on July 31. There's no benefit for you to have an additional three days of service, since they wouldn't be used in the computation of your retirement anyway.

Keep in mind that when a CSRS employee retires on the 1st, 2nd or 3rd day of the month, the first retirement check is docked by 1/30, 2/30, or 3/30 of the first month's payment. If your CSRS benefit was computed at $3,000 per month, then each of those days is worth $100.

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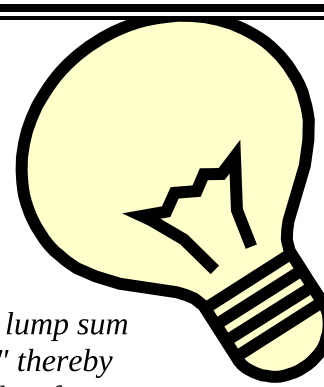


If I am planning to retire in the middle of the year, would it be wise to take a lump sum for annual leave, or use all the accumulated leave as an extended "vacation," thereby getting a regular paycheck for up to eight weeks and an additional two months of longevity credit?
There are a couple of reasons why the answer to your question is usually no.
First, leave taken just before you retire, known as "terminal leave," generally is prohibited under Office of Personnel Management regulations.

Second, if you retired instead of extending your service while using your annual leave, you would be eligible to receive both a retirement check and a lump-sum annual leave payment. If you stayed on the job, you would get only the difference between the amount of your retirement benefit and your full salary, and you would have given up the payment for the annual leave.

Remember, the lump-sum payment for annual leave is not basic pay, so it doesn't have retirement contributions or Thrift Savings Plan contributions withheld. It also would not interfere with the earnings limit for receiving Social Security retirement benefits for those two months.

You've written, If you're under CSRS, you should always consider leaving on one of the first three days of the month." If you retired on the last day of the month, however, wouldn't your retirement start the first day of the next month, which is the following day? If that's true, CSRS employees could retire the last day of the month or the 1st, 2nd, or 3rd day of the month and draw an annuity the next day.

Good point. The last day of the month is good for both CSRS and FERS employees. But CSRS employees also should consider retiring the 1st, 2nd or 3rd day of the month if there is a good reason to do so. For example, Dec. 31, 2009, is not a bad date to retire. But Jan. 1, 2010, is even better for CSRS employees, because:

- You don't have to come to work since it is a holiday, but you still will be paid.
- You will have completed the required 80 hours of work for the last pay period, so you would accumulate your last accrual of leave.
- It is within the first three days of the month, so you still will receive 29/30 of your January retirement check.

Rumor Mill

I recently heard about a "Proposal to Reduce the Deficit and Achieve Savings for American Taxpayers" presented to President Obama by Republican leaders Rep. John Boehner of Ohio and Rep. Eric Cantor of Virginia. It includes raising the federal employee minimum retirement age to 62 and using a high-five rather than a high-three *formula to calculate our pensions. Could you comment on the likelihood of that proposal being acted upon and if so, how long it might take to enact the legislation?*

This is not a formal proposal or bill. There would be a huge lobbying effort to counteract any such change by groups like the National Active and Retired Federal Employees Association and unions representing federal employees. According to my friend Mike Causey of Federal News Radio, the chances of these changes happening are about the same as a city-block-size asteroid hitting the Earth. I agree.

Help!

I spent the last few years planning my retirement. I read everything I could find on the topic, checked all the numbers, requested an estimate from my agency, and thought I had everything lined up to retire. My last day of work was Jan. 2, 2008, and I still have not received my final retirement package from OPM. Today, I called the person handling my claim. If I can believe what I was told (and I don't), my claim will be completed by the middle of July.

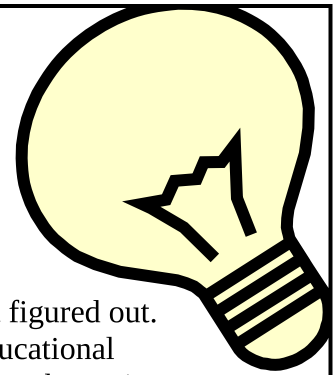
Most retirees don't have to wait more than 90 days for their retirement claim to be processed. Some are processed within 30 or 60 days.

Processing a retirement case involves transferring the records of an employee's entire federal career from the last employing agency to OPM and locating other relevant records that might already be on file at OPM, such as previous retirement contributions records and divorce decrees. This is not done electronically -- yet. Once the package is compiled at OPM, a claims examiner reviews the employee's application to be sure that he or she is eligible to retire, that all forms are properly completed and signed, that the employee was classified in the proper retirement system and that all of the service is creditable. Then, the examiner computes the final retirement benefit.

Interpreting the rules can be difficult in some cases. For example, some service performed before a certain date falls under one set of rules. But if it was later, different rules apply. Sometimes an agency interprets the rules differently than OPM, which has the final say. Sometimes, information is missing -- which I believe was the problem in your case.

As I've said before, prepare for the worst, but expect the best.

How to Rescue a Retirement That Has Not Gone Well. Stay on the job. Defer spending. Grit your teeth and take a hard look at your portfolio.



In 2006 Michael and Lynn Neff, now 60 and 61, thought they had retirement figured out. He quit his corporate marketing job, she shut down her Washington, D.C. educational testing business and they retreated to a $1 million, 4,335-square-foot waterfront home in Irvington, Va. (pop. 650), where he would pursue a photography career and she would do a little consulting. They sank $160,000 into renovations and bought a $57,000 fishing boat.

But they found they didn't enjoy small-town life as much as they expected and, after their portfolio tanked, didn't want to spend so much on housing. "We swung the pendulum a little too far," Michael Neff admits. Now they plan to move to Charlotte, N.C., where they hope to work more and buy a house for half the price--once they can sell their 1-acre property. They're asking $874,900 and are open to a rent-to-buy deal. "We're stuck," he says. "If we have to stay here another year, I won't be happy."

The Neffs aren't your usual hard-luck story--they have a low-six-figure income, thanks in part to her royalties from a test she created. But they're not unusual in deciding to work more, spend less and take a new look at the allocation of their investments. The Neffs had 80% of their portfolio in stocks; market losses have reduced that to 60%, where they're sticking for now.

Folks of all ages are hurting, of course. But in theory, the market downturn could work to the advantage of those 45 and younger, with decades to go before retirement--if they keep buying stocks now on the cheap. Kelly Blake, 30, a Fort Lauderdale, Fla. insurance company data analyst, has seen the value of his 401(k) fall 40% this year. He's sticking with 100% stock and is upping his contributions from 6% to 10% of his salary. "I still have a lot of time until I need the money," reasons Blake.

At the other end of the age spectrum, only 35% of households headed by someone age 75 or older own any stock at all, compared to 63% of households headed by people between 55 and 64.

So it's not surprising that those in their 50s and 60s are the most likely to be hastily rewriting their plans. They own more equities and may also have been counting on their now shrinking home equity as a backstop in retirement. "The recently retired are the most nervous group, but the preretirees are beginning to realize that in many cases their retirement plans need to change," says Timothy Wyman, a partner with the Center for Financial Planning in Southfield, Mich., who has been calming such investors daily. Here are some moves to consider.

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Work Longer

Even before the current mess, those in their 50s and early 60s planned (according to numerous surveys) to retire later and work more in retirement than the previous generation had. The top reason they gave was staying active. Working longer is now a matter of necessity, particularly for those who will be relying on investments, as opposed to a fat, fixed company or government pension, to supplement Social Security.

Alicia H. Munnell, an economist and director of the Center for Retirement Research at Boston College, says that workers, once they hit 62 and can claim reduced Social Security benefits, sometimes quit impulsively, even when they had planned to work longer. "There's a natural tendency, as we get older, to become intolerant of nonsense," says Munnell, 66. "It's important for people to recognize that in themselves and resist the temptation to say, 'I'm out of here.' If you get a young boss you hate, suck it up." For each month you delay claiming Social Security, up to age 70, you earn a bigger government check. That check is adjusted each year for inflation and is key to making sure you can maintain a decent (not fancy) standard of living, no matter how old you get and no matter what your investments do.

Moreover, retiring into a bear market has drastic effects on your prospects. T. Rowe Price calculates that if a 65-year-old retires and his portfolio loses 30% in the first year, he stands a 60% chance of running out of money over the following 29 years, unless he chops planned withdrawals. Yet if that 30% drop doesn't hit until 15 years into the same investor's retirement, there's less than a 5% chance that with the same assets and spending plan he'll come up short.

Spend Less

It won't help the overall economy, but it's crucial to conserve your cash, particularly if you are fully or partly retired and can't ramp up earnings. "Pull in your belt. Let Nancy Pelosi and Harry Reid do the spending for you [through a federal stimulus bill]," jokes Munnell. Planner Wyman has one client putting off a $20,000 roof job and another postponing the purchase of a $35,000 Chrysler.

If you're 70 or older and haven't taken your 2008 required minimum distribution from your individual retirement accounts, delay a few weeks more. There's a chance Congress could suspend the requirement that you take a payout this year. There's also a chance Congress might provide a tax break for the 2008 distributions you do take, so stay tuned.

If, however, you're young or affluent enough that you can leave your IRA to your kids, this might be the time to take money out of your traditional IRA and roll it into a Roth.

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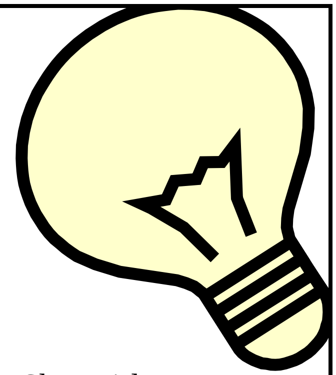

Rent Before You Buy

Couples often buy a retirement home in some leisure spot, only to find it's not Shangri-la. That was no big deal when you could sell your mistake easily, maybe even at a profit. Now? Rent first in the new location, says James LaGrone, a cpa in Rockville, Md. That's what he's urging his clients the Neffs to do in Charlotte.

A couple can exclude from tax up to $500,000 in gains on the sale of a primary residence they've lived in for at least two years. Reinvesting in a new house within a certain time frame is no longer relevant to taxes. So you can take your time after selling your old house. Moody's Economy.com doesn't expect prices to bottom out in key Florida retirement markets until 2010 or later.

Examine Your Stock/Bond Mix

Say you started 2008 with $1 million in Vanguard's Total Stock Market Index and $1 million in its Total Bond Market Index. On Nov. 12 your bond fund was worth $1 million and your stock fund only $590,000--cutting your stock allocation from 50% to 37%. Traditional investing advice would be to "rebalance" by selling bond shares and buying stock shares to get back to 50-50. In theory, rebalancing forces you to sell high and buy low. "It's the Warren Buffett point--the best returns to stock market investing come when you invest at an attractive price," says Harvard economics professor John Y. Campbell.

But before you rebalance, ask yourself if your old allocation was well considered and, if so, whether you're still comfortable with it. According to data from Fidelity Investments, 401(k) participants aged 60 to 64 held a median of 66% of their portfolios in equities at the end of 2007, up from 60% at the end of 2002. Why more stock? "Inertia. People just weren't paying attention," answers Richard Thaler, the University of Chicago behavioral economics pioneer. As their stock funds grew faster, participants never rebalanced away from them.

Is 66% stock at 60 too high? The traditional, conservative rule of thumb is to own your age in bonds, meaning a 60-year-old should be 60% in bonds, 40% in stocks. But some advisers have been advocating a higher stock allocation, based on longer life spans and the impact of inflation. T. Rowe Price, after much research, suggests 63% in stocks five years before retirement.

Maybe T. Rowe is right. Maybe not. But this higher stock allocation is not something you should allow yourself to drift into, particularly not until you assess your tolerance for risk. Nancy Anderson, a planner with Financial Finesse, which runs help lines as an employee benefit for big companies, says a recurring theme among older callers is that they discovered only after the bear market that they aren't very risk tolerant.

So what are those worried callers doing now? Mostly nothing. "People want to panic, but they don't know how," says Thaler. "They have strong competing urges. One is to get the hell out of stocks. And then there are people telling them, 'No, you should be rebalancing [to buy more stocks].' Both of these arguments sound compelling, so they do nothing," he adds.

Ironically, doing nothing now might not be such a bad response, unless an investor is young. That saver should put more in stocks, Thaler says.

What if you decided on a high-equity allocation before stocks tanked but now are uncomfortable with it? That's not so crazy--the world looks riskier, even to the pros, and you're poorer now. Campbell's research shows richer individual investors take on more risk. "People have a notion of a minimum amount they want to invest safely in a lockbox, for minimum subsistence. It's the surplus over that amount that you should rebalance, and the surplus is smaller now."

Says Ian Weinberg, head of Family Wealth Advocates, a Woodbury, N.Y. planning firm: "You need to build an allocation you can ride with."

Buy TIPs (and Fixed Annuities)

Don't just obsess over stocks. Take a hard look at the safe portion of your portfolio. It may not be as sturdy as you thought. Investment-grade corporate bonds have sustained double-digit losses this year, with high-yield bonds doing far worse. The result is that investors seeking safety have pushed yields on Treasury bonds to absurdly low levels--particularly considering the vast sums the U.S. is borrowing and pumping into the economy.

An exception is Treasury Inflation-Protected Securities, which provide some inflation protection, as well as protection from default risk. With TIPS, your principal is adjusted each year for inflation, and you receive a coupon consisting of a fixed percentage of that varying principal. The coupon (stated as a yield to maturity, which reflects whether the bond is trading at a premium or discount) is now 3.1% on ten-year TIPS.

If inflation stays at 4.9%, you'll get an 8% nominal return. (You're taxed each year on the whole 8% as ordinary income, even though you don't receive any cash flow from the principal adjustment. So TIPS are best held in an IRA or other tax-deferred account.) Weinberg is pouring his high-tax-bracket clients into another relatively safe option paying handsome returns: municipal bonds. In early November AAA-rated 30-year municipals were paying 5.2% in federal-tax-free interest.

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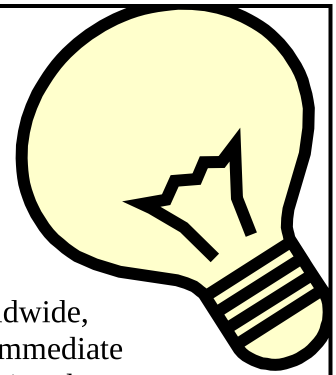

Mark J. Warshawsky, director of retirement research for Watson Wyatt Worldwide, suggests investors in their 70s looking for steadier cash flow also buy fixed immediate annuities. (Vanguard and other low-cost providers now sell them.) You're letting the insurance company take the market risk and hedging another risk--namely that you'll live so long you'll outlast your money. What about the risk the insurer itself will go bust? Make sure your annuity is covered by a state guaranty fund.

Consider Hiring a Pro

Tools to help you gauge your risk and allocate assets are available on the Web. Fidelity's tools, for example, not only help you reach a target but also show you how specific sales or purchases would affect your overall allocation. If you find this too daunting, consider getting professional help.

Erwin Freed, 68, and his wife, Carolyn, 64, decided to hire a pro when their 90% stock portfolio started getting slammed in the tech bust of 2000. Christopher Parr, their fee-only planner at Financial Advantage in Columbia, Md., says: "I told Erwin this was a high-testosterone portfolio and not suitable for someone at his stage of life."

The Freeds now have 42% of their $1.3 million portfolio in stock funds. That includes inverse funds that go up when the market is down, reducing their true equity long exposure to 30%. In the 12 months ended Sept. 30, the Freeds were down 8.6%, while the S&P 500 declined almost three times as much. Over the last five years Parr has, net of his fees averaging 0.86% a year, produced average annual returns of 5.15% for the Freeds--about the same as the S&P 500's return with a lot less volatility.

Not fantastic, but enough with the Freeds' $45,000 a year in pension and Social Security income to support their active, unpretentious lifestyle. Carolyn, a retired aerobics instructor, has got them both into ballroom dancing. Erwin is a bicycling buff. They rent a house in Florida each winter. Erwin Freed has no complaints. "Now I open my statements and say, 'No dog food tonight.'"

The Proposed Federal Benefit That Won't Die. Giving federal employees who are under the FERS retirement system credit for unused sick leave in calculating their retirement annuity is a concept that keeps popping up.

This provision was originally in the tobacco legislation to give the Food and Drug Administration more authority over the regulation of tobacco. The sick leave provision was dropped in the Senate and was not included in the final legislation.

Another provision that was dropped out of the bill before it became law was the authority to redeposit refunds under the FERS system.

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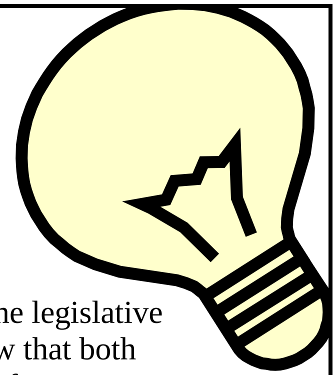


These two items have generated email queries from our readers throughout the legislative process. Those readers with an interest in these topics will be pleased to know that both are now included in a new bill that is now under consideration in the House of Representatives.

HR 2990 is entitled the "Disabled Military Retiree Relief Act of 2009." A portion of this bill would impact federal employee benefits if it becomes law.

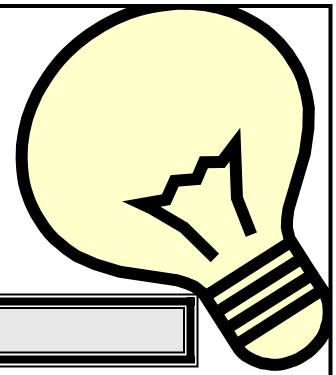
In addition to the items above, the new bill would make it easier to rehire federal retirees part time; modify how the Civil Service Retirement System calculates annuity payments for employees who retire as part-time workers; and move federal employees in Alaska, Hawaii and U.S. territories from cost-of-living adjustments into the locality pay system.

There is one item missing from the new bill that has disappointed the National Active and Retired Federal Employees Association. The bill does not incorporate language contained in the civil service amendment which Senators Joseph Lieberman, I-CT, and Susan Collins, R-ME, attempted to offer to the recently enacted Tobacco bill. This provision would allow federal agencies to re-employ federal retirees on a limited, part-time basis without offset of annuity from salary.

In a press release, NARFE President Margaret Baptiste said that " "NARFE strongly supports the federal civil service provisions added to H.R. 2990, but we believe that it was not unreasonable to ask that at least one part of the package being considered today would benefit federal retirees; particularly those patriots that want to continue to serve our nation. Regrettably, this modest proposal has been left out of H.R. 2990, and as a result, we are disappointed."

But, while NARFE may be disappointed along with a number of retired federal employees who may have hoped to increase their income for a time, the omission may not be accidental. Federal employee unions do not like the proposal to allow agencies to rehire retired federal employees without having an impact on their retirement payments. The provision would probably have an impact on encouraging retired federal employees to return to work. The unions would prefer to have the government hire new, permanent, full-time career federal employees.

The new bill will undoubedly go through changes as it wends its way through Congress. We will let our readers know about changes that may occur in the process.



Employment-Related News

<u>Pentagon Report Details Flaws with NSPS</u>. The National Security Personnel System was created to reward hard workers and punish poor performers, but an internal Pentagon study suggests the system isn't doing either particularly well.

Many NSPS employees feel marginal performers get good performance ratings — seldom below a 3 on a 5-level rating scale, according to the report, which was done by SRA International at the Pentagon's behest. Senior leaders and supervisors covered by NSPS told SRA that "there is institutional difficulty in giving 2 ratings."

Most employees surveyed said they weren't sure NSPS was any more effective at disciplining or correcting poor performers than their previous personnel system according to the May 21 report, which was released publicly Monday, 22 Jun.

SRA studied data on ratings and payouts under NSPS, annual employee surveys, and last year conducted focus groups and interviews with employees throughout the country. The report, "NSPS Spiral 1 Evaluation Report," is being studied by a three-person Defense Business Board panel that is reviewing NSPS. The panel's review is likely to have a big impact on whether the Defense Department continues the pay-for-performance system.

In addition, the House of Representatives this week is expected to approve a 2010 Defense authorization bill that would terminate NSPS and convert the 205,000 DoD employees covered by it to the General Schedule.

Review panel member Robert Tobias told *Federal Times* that the report's findings were troubling. He said he was most concerned by the fact that the Pentagon could produce no data showing NSPS had improved productivity of covered employees or organizations, and had no plan to collect such data.

"In my mind, the reason that you go to all the time and trouble and effort and money to create a system is because you assume that when all is said and done, people will be motivated to increase performance," Tobias said.

In its report, SRA said many NSPS employees don't feel their performance ratings accurately measure how well they did their jobs. And many also think the system doesn't do a good job distinguishing between how well different employees perform.

"The link between pay and performance is still vague for many employees and is, in the opinion of some senior leaders, not yet fully realized," the report said. "Employees indicate more unfavorable than favorable views that NSPS is better for recognition and rewards and has rewarded good work performance."

But SRA said the Defense Department has made much progress in implementing NSPS and expects attitudes will improve.

"DoD knows from its decades of experience with performance-based demonstration projects that implementing and adjusting to change takes time, especially when the change is of such magnitude as moving many thousand employees from the old but familiar General Schedule to a new pay-for-performance personnel system," the report said. "The report describes a beginning and a process, not an arrival."

The review panel has so far received more than 400 public comments on NSPS, Tobias said. Some of those letter-writers will testify.

Weighing the Pros and Cons of a Federal Job. It takes so long to land a job in the federal government, even though they keep saying there are so many new ones coming open. What are some of the advantages to working for the federal government?

The primary advantages of working for the federal government are generous benefits, solid pay, and relative job security, a combination that is challenging to find in the private sector, even in the best of times.

The Office of Personnel Management provides a comprehensive overview of federal employee benefits on its website, www.opm.gov. Some key benefits of federal employment are:

* Health Care. The Federal Employee Health Benefits Program (FEHBP) offers the widest selection of health care plans of any U.S. employer. Federal employees also have access to vision and dental plans, life insurance, flexible spending accounts, and long-term care plans.

* Paid Time Off. Federal employees enjoy liberal amounts of paid time off, including thirteen days of sick leave per year, ten paid federal holidays, and thirteen to twenty-six days of paid vacation, depending on years of service.

* Retirement Benefits. Federal employees have access to retirement benefits through the Civil Service Retirement System (CSRS) or the Federal Employee Retirement System (FERS). Under both plans, retired employees receive an annuity, which is calculated based on years of service and "high three" average pay. The annuity is complemented by Social Security benefits and participation in the Thrift Savings Plan (TSP), which offers 401(k)-type investment options. Retired federal employees also have

the option of continuing health benefits at the same monthly cost that they paid before retirement.

* Family-Friendly Policies. Another notable benefit of federal employment is family-friendly policies, including flexible work schedules, telecommuting, part-time jobs, and job sharing. Not to mention the fact that federal employees enjoy first priority and subsidies at a number of top-notch day care facilities, including on-site day care.

In addition to these benefits, federal employees, contrary to popular belief, are paid relatively well. Federal salaries are set with regard to the market as well as local cost of living differences, which allows them to remain at least somewhat competitive. Federal jobs are classified in one of fifteen successively higher pay grades, and each pay grade is divided into ten steps. In addition to receiving an annual cost-of-living increase, federal employees are practically guaranteed periodic within-grade pay raises.

Unlike their private sector counterparts, federal employees cannot be unceremoniously fired from one day to the next. They can formally challenge personnel decisions by making an appeal to the U.S. Merit Systems Protection Board (MSPB), which has authority to review a wide range of matters, including removals, lengthy suspensions, reductions in grade or pay, denials of within-grade salary increases, and denials of restoration or reemployment rights. Federal government employees do not enjoy absolute immunity from RIFs and firings, but they do count upon the protection of detailed procedural requirements and the right to legitimately appeal the vast majority of important personnel decisions.

Yet, that is not to say that federal government employment is without its drawbacks. From the outside, one might assume the federal government suffers from an overabundance of protective bureaucracy in its management of personnel, which can frustrate the rapid progression of high-performing employees, but which also leads to greater consistency and fairness. This is a misconception. I hear from many federal sector employees who are just as indignant about management as their private sector counterparts. The federal government, as it turns out, has its fair share of bullies, sycophants, and incompetents who pick on employees, display favoritism, mismanage operations, and find creative ways to manipulate the rules to their advantage. I have heard of good employees who mysteriously develop incorrigible performance problems following a change in management; I have been told of positions that are created with particular individuals in mind and of people who are fast-tracked for promotion based upon personal relationships rather than qualifications.

Many of the workplace issues that we readily attribute to the decay of corporate culture are just a product of human nature. By the same token, you are sure to find just as many inspired and supportive leaders in your federal career as you would in any thriving corporation.

There is no denying the fact that federal employment offers benefits and job security unrivaled by any U.S. employer. Just don't fool yourself into believing that it is a ticket to workplace nirvana.

Lawmakers Seek More Diversity in Top Ranks of Career Feds. A new office would launch a recruiting program for the Senior Executive Service. Lawmakers have introduced measures in the House and Senate to require more diversity in the top tier of career federal jobs.

The Senior Executive Service Diversity Assurance Act (S. 1180 <http://thomas.loc.gov/cgi-bin/bdquery/z?d111:s.01180:> and H.R. 2721 <http://thomas.loc.gov/cgi-bin/query/z?c111:H.R.2721:>), introduced June 4, would create an SES resource office in the Office of Personnel Management. The new office's purpose would be to work with the OPM director and agencies to address concerns about the management and diversity of SES.

The office would launch a program for recruiting women, minorities and people with disabilities into SES. It would help agencies work with their equal employment or diversity officials on the SES appointment process and evaluate agencies' efforts to find candidates for SES positions.

Such positions are executive-level jobs at the top levels of the government and are primarily managerial.

In the previous Congress, the House passed a bill by voice vote that had the same language, but the Senate never passed its version of the legislation.

However, last year, Justice Department and OPM officials questioned the constitutionality of those bills, according to a report <http://thomas.loc.gov/cgi-bin/cpquery/?&dbname=cp110&sid=cp110FvIxq&refer=&r_n=sr517.110&item=&sel=TOC_17884&> from the Senate Homeland Security and Governmental Affairs Committee. Justice officials were concerned that several of the provisions in the legislation violated equal protection requirements.

For example, they argued that requiring at least one woman and one minority to sit on a three-person review panel would impose an unconstitutional racial and gender quota. Justice officials also argued that provisions requiring targeted recruitment of minorities and women and mandating that hiring officials be notified of the racial and gender demographics of the applicant pool might be held unconstitutional on equal protection grounds, the report states.

The legislation re-introduced in the House by Rep. Danny Davis (D-Ill.) last week notes that the Government Accountability Office discovered that minorities accounted for 22.5 percent of the people serving at the GS-15 and GS-14 levels and 15.8 percent of SES members in 2007. Women represented 34.3 percent of the people serving at the GS-15 and GS-14 levels and 29.1 percent of SES in 2007.

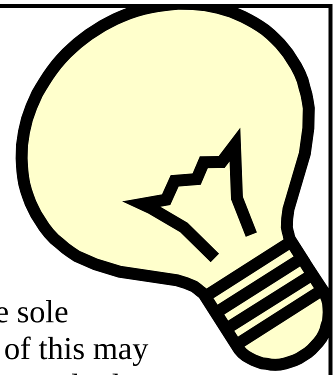
Davis and Sen. Daniel Akaka (D-Hawaii), who re-introduced the bill in the Senate, said adding more minorities to SES would improve agencies' work.

"A diverse workforce can further innovative thinking and improve an agency's effectiveness," Akaka said.

What Will Become of the Time-in-Grade Provision? On February 6, 2008, the Office of Personnel Management (OPM) published a proposal to abolish the time-in-grade (TIG) requirement for promotions for General Schedule (GS) employees in competitive service positions. This proposal would have eliminated the 52-week requirement for promotions on employees going into GS-6 and above positions; however, since President Obama's election/administration, this proposal, as well as all other pending legislation, was held in abeyance [until further review and potential subsequent approval] by way of a memorandum dated January 20, 2009.

As it currently stands, implementation of the TIG requirement has now been delayed until August 16, 2009. At present, employees qualify for promotions to higher grades if they have one year of specialized experience equivalent to the next lower grade (or in some cases equivalent education) *and* a minimum of 52 weeks in positions no more than one grade lower (or equivalent) than the position to be filled. If the TIG requirement is abolished, applicants need only meet the specialized experience. Specialized experience is defined as that experience that equipped the applicant with the knowledge, skills, and abilities to perform the duties of the position.

There have been issues raised as to whether eliminating TIG would be fair to employees. It would appear that abolishing TIG would permit employees to reach their full performance levels sooner; however, this is not entirely the case. Since employees must still meet specialized experience and since that specialized experience must be at the next lower grade level of the position to be filled, appropriately, promotions would not necessarily be obtained any faster. Applicants/candidates must also still 3 meet any additional job requirements established for the position.



Comments from the field indicate that using the qualification standards as the sole determination for promotion will lead to “grade creep”. While some aspects of this may be true, it is not an absolute as employees will still have to meet qualification standards and have at least one year of specialized experience, or equivalent education, as outlined in the OPM Qualification Standard Operating Manuel. Managers would still be obligated to make promotion decisions based on the employee’s experience and/or knowledge, skills and abilities as they relate to the qualification standard for the position.

Additional information on TIG will be provided as it becomes available.

Big Guns Take Aim at Federal Hiring Problem. For a long time there has been a lot of empty noise about the federal hiring process. Now the squeaky wheel is finally getting some high-level grease.

Peter Orszag, director of the Office of Management and Budget, has put agency and department heads on notice about the urgent need to fix federal hiring. He gave them six months to make progress in four areas that Orszag indicated are only the beginning.

This marks a stronger, more aggressive role by the Obama administration in federal personnel matters than is customary in a town where such issues often have been an afterthought, if not ignored entirely, by the White House.

The points about hiring and an additional item regarding employee satisfaction and wellness were given greater heft as two of four "deliverables" in Orszag's memo on budget planning and agency performance evaluations.

"It is, to my knowledge, the first time that OMB has stepped in on hiring and talent matters in this manner," said Max Stier, president and chief executive of the Partnership for Public Service, which works on federal employee issues.

Congress also has recognized that Uncle Sam can't write "Help Wanted" without getting lost in gobbledygook and a bureaucratic thicket. Some of the policies now being pushed by Orszag are included in the Federal Hiring Process Improvement Act introduced in March by Sens. Daniel K. Akaka (D-Hawaii) and George V. Voinovich (R-Ohio), the chairman and top Republican, respectively, of the subcommittee on oversight of government management, the federal workforce, and the District of Columbia and of the Committee on Homeland Security and Governmental Affairs.

In a recent directive, Orszag made clear the administration's displeasure with the response that agencies have shown to previous hiring improvement efforts by the Office of Personnel Management to fix a lethargic government practice that has frustrated many applicants, some of whom have simply given up and gone to work elsewhere.

He cited the reaction to the "End-to-End Hiring Roadmap" OPM developed last year. "To date, there has been sporadic effort, at best, applied to making this initial first step in our overall hiring reform a reality," Orszag's memo said.

He and OPM Director John Berry "expect significant progress in four areas of hiring -- timeliness, plain language and streamlined announcements, communication with applicants, and involvement of hiring managers," Orszag wrote.

The memo then went beyond those generalities and got specific.
Orszag told agency leaders that he expects the following tasks to be completed by Dec. 15:

-- Mapping the agency's current hiring process to show what happens from the point when a manager identifies a need to hire someone until the selected person starts working.

-- Producing job announcements in easy-to-understand writing for the agency's top 10 positions, and limiting those announcements to five pages.

-- Notifying applicants about where they stand at four points: when the application is received; when the applicant's qualifications are assessed; when the applicant is referred, or not, to a selecting official; and when the applicant is selected or rejected.

-- Engaging hiring managers in all critical points of the process.
If producing succinct job announcements and letting applicants know where they stand sounds pretty basic, the need Orszag felt to include them among the key points in a White House memo lets you know just how bad federal hiring is.

Berry, in an interview, called the four tasks outlined in the memo "baby teeth" in an ongoing effort to seriously improve federal hiring. The hiring plan establishes a base line, he said, that allows OMB and OPM to identify "who's performing, who's dragging their feet and what needs to be done."

Orszag also wants agency heads to show how they would meet two alternative targets -- freezing their 2011 budget requests at 2010 levels and cutting spending by 5 percent.

That could be tricky, given that President Obama's budget for fiscal 2010 says, "The Federal Government will hire several hundred thousand new civilian employees during the next four years" even if many of the new hires will replace retirees.

The savings, however, could be found in areas other than federal personnel, including changing procurement practices and pressing for contracting reforms, according to Tom Gavin, an OMB spokesman.

On the worker satisfaction front, agencies were told to "submit an inventory of their current wellness activities" for employees as part of their fiscal 2011 budget plans. That includes the availability of cafeteria, fitness and health facilities, and even plans to provide "vending machines offering to promote fruits, vegetables and heart healthy choices."

The OMB memo can be found at
http://www.whitehouse.gov/omb/assets/memoranda_fy2009/m09-20.pdf

Management-Employee Relations

Mandatory Seasonal Influenza Vaccinations for Direct Care Civilian Care Health Care Personnel. On April 4, 2008, the Assistant Secretary of Defense published a policy for “Mandatory Seasonal Influenza Immunization for Civilian Health Care Personnel Who Provide Direct Patient Care in Department of Defense Military Treatment Facilities.” Full program implementation/execution as it pertains to civilian health care professionals, volunteers, and contractor personnel in direct patient care positions must be attained no later than the 2009-2010 influenza season.

Military Treatment Facility (MTF) Commanders hold program responsibility and are responsible to ensure that civilian health care professionals providing direct patient care be immunized against seasonal influenza infection each year, and ensure that immunization records are updated on Medical Protection System (MEDPROS) within 72 hours of vaccination.

Annual influenza vaccination is the most effective method for preventing influenza infections or transmitting influenza to others. Therefore, in the interest of protecting civilian health care workers and patients alike, specific series designated as high risk for contracting and/or transmitting the influenza virus are subject to mandatory seasonal influenza vaccinations as a condition of employment. Current series designated for the mandatory seasonal influenza vaccination program as a condition of employment include:

602 - Physicians
603 - Physicians Assistants
610 - Registered Nurses
620 - Licensed Practical Nurses
621 - Nursing Assistants
644 - Medical Technologists
645 - Medical Technicians
647 - Diagnostic Radiologic Technicians
649 - Medical Instrument Technicians
668 - Podiatrists

633 - Physical Therapists	680 - Dentists
640 - Health Technicians	681 - Dental Technicians
642 - Nuclear Medicine Technicians	682 - Dental Hygienist

Current employees and new hire candidates will be provided appropriate nasal or injectable vaccines against influenza, without charge, at military medical activities. The Department of Preventive Medicine, MEDDAC, will ensure that all affected employees and supervisors attend and receive training.

Current employees must agree that their continued employment is contingent upon a willingness to participate in annual seasonal influenza vaccinations. Failure or refusal to take the required immunization for other than properly documented medical or religious reasons, will result in appropriate action in accordance with regulations governing the failure to meet a condition of employment, including reassignment, demotion, or separation from the Federal government.

Civilian Personnel Advisory Center (CPAC) staff will provide advice and support of the influenza vaccination program in the areas of labor relations, recruitment, and position classification. For additional information or inquiries, contact your servicing HR Specialist.

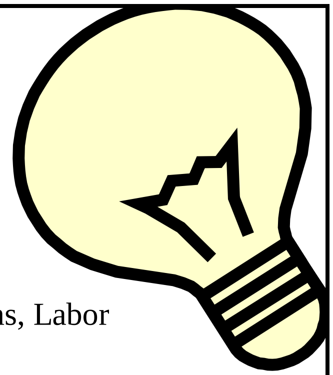
Training, Self-Development, and Personal Improvement

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, 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 last training for this fiscal year will be 14 – 18 Sep and registration information will be disseminated not less than 3 weeks from the course start date.

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



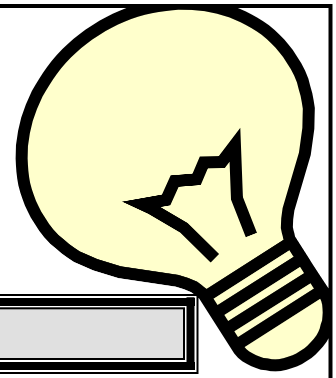
- Sustaining – Performance Management, Management Employee Relations, Labor Relations

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

Taking Advantage of Preventive Care Benefits. Health benefits are available to employees and their dependents not only when they are sick or diagnosed with a disease, but are also to help prevent serious health conditions. Preventive care services currently offered through the NAF Health Benefit Plan, Open Choice (PPO) In-Network Benefits are available at no additional cost to covered employees and their dependents. Preventive care services may include annual routine physical, gynecological, eye, and well-child exams, immunizations for children up to age 7, [annual] routine mammograms for women age 35 and over and prostate screening exams for men age 40 and over. Yes; all these services are covered 100% by the NAF Health Benefit Plan and do not require a co-pay or deductible. In fact, these types of routine exams are included in the benefit program for two very important reasons, to screen for early detection and to reduce high health plan costs.

Participating in preventive care not only keeps employees and their family members aware of their specific health concerns, but also assists in keeping health care premiums down as well as ensuring the same coverage in the future [as health risks detected early can normally be treated in a less evasive, less painful and less expensive manner].

For information about the Preventive Care Service offered through the NAF Health Benefits Plan, please contact your servicing NAF Human Resources Office.

The Linkage between Performance Standards and the Annual Performance Rating. All regular NAF employees and flexible pay band employees (NF and CC) are required to receive an annual performance rating. The rating period covers a 12-month period and may include time served in a probationary period. The established rating period for “bargaining status” employees begins on 1 March of each year and extends through the last day of February of the following year, for “non-bargaining status” employees the rating period begins on 1 October of each year and extends through the last day of September of the following year.

Because annual performance ratings are based on the appraisal of each critical major duty listed in an employee’s performance standards, it is essential to successful performance supervisors must provide written performance standards to each employee within 30 days of the employee’s arrival or not later than 30 days following the beginning of the performance cycle.

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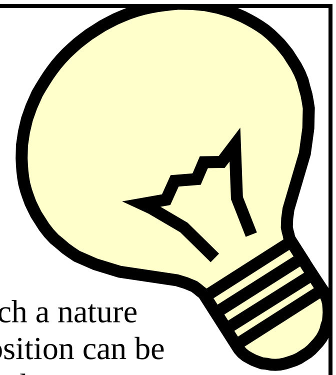


The performance standards for each position should be reasonable and of such a nature that an employee meeting the minimum qualification requirements for the position can be expected to perform satisfactory within a reasonable time after assignment to the position. The standards should also be sufficiently high to assure efficient operations but not so high that outstanding performance is beyond the achievement of a competent employee. The supervisor who assigns and monitors the employee's daily work and performance should ensure the employee understands what constitutes an acceptable level of competence for their position and should also inform the employee at least semi-annually of their current performance through mid-point discussions. During the mid-point discussion, the employee may be furnished a copy of their mid-point rating (upon request) and be given the opportunity to make comments concerning any disagreements. The second-line supervisor or the approving official has the primary responsibility for reviewing the rating recommended by the first-line supervisor and ordinarily has the final authority.

The annual performance rating for each covered employee is documented on DA Form 3612, NAF Instrumentality Employee Performance Rating. The original is used to notify the employee of his/her annual performance rating and a copy signed by the employee, the rater, and the approving official, should be placed in the employee's official personnel folder.

Listed below are the five ratings as well as the authorized provision that may be assigned to indicate an employee's level of performance:

An ***outstanding*** rating is authorized when all aspects of the performance standards are exceeded.

An ***excellent*** rating is authorized when the majority of the performance standards are exceeded.

A ***satisfactory*** rating is authorized when the employee's performance meets the established performance standards.

A ***minimally satisfactory*** rating is authorized when the employee marginally meets established performance standards in a marginal manner.

An ***unsatisfactory rating*** is authorized when an employee's performance fails to meet established requirements for a satisfactory performance.

For additional questions/concerns, please contact your servicing NAF Human Resources Specialist.

Just Before Press

<u>Pay Reform 2011</u>. The White House plans to overhaul the way federal employees are paid, appraised and trained, starting in 2011, the Obama administration's federal personnel chief recently said.

Specifically, the administration plans to propose legislation as part of the president's 2011 budget request in February that will:

• Create a performance-based pay system that closes the wage gap between feds and private-sector employees.
• Set mandatory spending levels for employee training.
• Retool the performance appraisal process.

The aim is to have a personnel reform bill passed by Congress before the congressional midterm elections in November 2010, Office of Personnel Management Director John Berry said.

"The president really sees this is a legacy opportunity, and he gets that this is a once-in-a-generation chance to get this right," Berry told a roomful of federal employees, union leaders and federal employee association members at a June 23 event in Washington. Berry offered few other details but said planning will begin in September with a summit to gather input on how to flesh out those three initiatives. Co-chairing the summit will be former Maryland senator Paul Sarbanes; Laszlo Bock, vice president of people operations for Google; and David Ellwood, dean of Harvard University's John F. Kennedy School of Government.

The aim of the summit will be to build consensus on a pay-and-performance appraisal system that will treat employees fairly, be easy for managers to use and be understandable to the public.

"The labor leaders want this. They don't want people who are nonperformers. It tars their reputation as it does everybody else. And managers don't want to be saddled with a system that ties them in knots and takes forever to no purpose," Berry said. "We really need to come up with something that will be fresh, that has a shot of working and that recognizes human nature. Parents don't like to even discipline their kids, why do we expect they're going to come to work and be able to do it in the workplace? We've got to make this in a way that works with human nature and not against. And I think we can."
While the 60-year-old General Schedule system isn't in immediate danger of collapse, it won't be able to serve the federal workforce for another 60 years, Berry said.

"That's a sign to me: Bridge out ahead," Berry said. "Luckily, we've seen the billboards warning us to that effect."

Already, nearly half of the federal workforce — 800,000 out of 2 million federal employees — operates under alternative pay systems.

The increasing balkanization of the federal pay system makes it harder for OPM and Congress to carry out their oversight responsibilities, and it also makes it harder for federal employees to advance their careers by moving from one agency to another, said Bill Bransford, general counsel at the Senior Executives Association.

The previous administration crafted a personnel system at the Defense Department that was the largest departure from the General Schedule to date. But the much-ballyhooed National Security Personnel System has been perceived as a failure by most, and Congress is poised to abolish it amid complaints that the system discriminates against minorities and has been poorly executed.

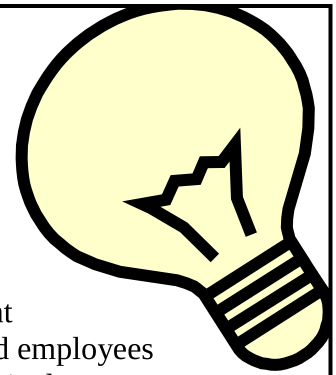
Berry said none of the government's past attempts to fix the GS system meet the Obama administration's goals, which are to create a pay and performance appraisal system that is fair to employees and managers and is easy to explain to the public.

"I want to be very clear: that does not exist today. It is not NSPS. I am not trying to advance anything that has been created to date. Because in my opinion, having been a manager now and having worked at mid and senior levels, every system that I have used has critical flaws in it, whether you're in the GS system or whether you're in any other system," he said.

The White House's proposed legislation, Berry said, will suggest a remedy for the longstanding pay disparity between federal and private-sector employees. Berry was working for Rep. Steny Hoyer, D-Md., in 1990 when lawmakers passed legislation intended to narrow the 20 percent average pay gap to no more than 5 percent. But except for the first year of implementation, the measure was never properly funded, and the pay gap has remained.

Berry didn't say how the Obama administration intends to close the pay gap, especially in light of the largest federal deficits on record.

But Berry said both Obama and Office of Management and Budget Director Peter Orszag are committed to closing the gap, a move Berry likened to the sweetener that could help win support for a revamped pay system that ties salaries to performance.
Still, getting that support is easier said than done.



Brian DeWyngaert, chief of staff for the American Federation of Government Employees, said the GS system provides mechanisms for managers to reward employees for their contributions. Within-grade pay increases, which are now given routinely to employees based solely on longevity, were designed to compensate employees for good performance. And quality step increases, which are rarely used, were intended to give managers an even greater incentive to reward top performers.

“The GS system is the basis of a very good system,” DeWyngaert said.
Boost spending on training

Berry said the Obama administration believes agencies need to spend much more than they do on training.

“It borders on criminality that an organization as complicated as the federal government spends as little as it does on training. It is a failure at every level. We fail to train entry people, we fail to train managers or people as we promote them into management, we fail to train senior executives,” Berry said.

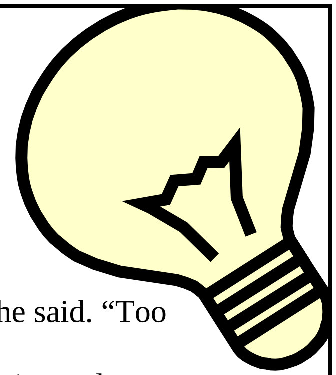
Current statistics are hard to come by, but a survey of federal agencies commissioned by Sen. George Voinovich, R-Ohio, found that agencies spent about 1.9 percent of their payroll on training between 1997 and 2000. By contrast, the private sector spends 4 percent on average, and leading firms spend much more, according to “The People Factor: Strengthening America by Investing in Public Service,” a 2009 book by former Commerce Department Assistant Secretary Linda Bilmes and W. Scott Gould, the new deputy secretary of the Veterans Affairs Department.

Berry said he’s not sure what the right percentage should be, suggesting it could range from 3 percent to 5 percent or higher.

Whatever the figure, it should be included as a mandatory line item in each agency’s budget, Berry said. Under the legislative proposal being drafted by the White House, agencies would lose that percentage of their personnel budget if they don’t spend it on training, he said.

“At the end of day, if you’re not going to put your money where your mouth is, it ain’t going to work,” he said.

Requiring agencies to spend a set amount on training or risk losing those funds could help protect that money from being cut when agencies are short on cash, said Joseph Swerdzewski, managing partner at JSA Consulting, a San Jose, Calif.-based company that provides management training and other services to federal agencies on minority hiring and employee relations.



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"If an agency has tough financial times, the first thing that goes is training," he said. "Too often, the money is shifted to some other purpose."

Swerdzewski, who was general council at the Federal Labor Relations Authority under President Bill Clinton, said most of the training agencies provide is for specific job-focused tasks. Claims examiners are trained on how to submit requests for benefits, and supervisors are trained on their agency's performance management system. But most agencies fail to provide employees with training on so-called soft skills, such as customer service techniques for the claims examiner or communications skills to help managers with employee relations.

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