

## **I. INVESTING IN THE FEDERAL WORKFORCE - 2009**

As a new Administration inherits a nation struggling to remain on solid ground amidst a collapsing economy and military engagements on multiple fronts, the President can remain confident that the 1.8 million member federal workforce will continue to go above and beyond the call of duty to successfully achieve the government's missions and goals. The Federal Managers Association (FMA) strives to maintain that commitment by promoting an environment that attracts talented, civic-minded and hardworking federal employees to ensure the American public receives the highest level of service.

Today, the civil service finds itself at a critical juncture. As roughly half of all federal workers become eligible for retirement within the next decade, Congress and the President must set an aggressive agenda to avoid a disastrous "retirement tsunami" and promote confidence in government. Severe budget constraints facing federal agencies serve only to compound the challenges presented in replacing management ranks and filling critical positions. As federal managers, we find ourselves on the front lines during these times, and FMA will play a critical role in shaping legislation that advances the mission of the civil service.

Federal employees serve alongside their military counterparts on the ground in Iraq and other conflicts abroad. They are also on the cutting-edge of disease research, energy efficiency and the many social programs that deliver needed services to millions of Americans. Now is not the time to send the message our nation's workforce is not worth investing in. FMA recommends the following to assist in federal recruitment and retention efforts as well as to prompt other needed changes to make federal employment more attractive to the future leaders of our nation.

### **SUMMARY OF FMA LEGISLATIVE RECOMMENDATIONS**

- 1. Support a Strong Pay Raise for All Federal Employees Who Meet or Exceed Performance Standards While Standing By the Principle of Pay Parity.**
- 2. Extend Locality Pay to All Federal Employees.**
- 3. Support Legislation Allowing Federal Retirees to Return to Service Part Time Without Offset to Annuity.**
- 4. Offer Premium Conversion to Federal Retirees in the FEHBP.**
- 5. Support Tax Parity for Federal Civilian Employees Serving in Combat Zones.**
- 6. Pass Legislation Increasing the Government's Share of FEHBP Premiums.**
- 7. Support Legislation Repealing the Government Pension Offset and Windfall Elimination Provision.**

**SUPPORT A STRONG PAY RAISE FOR ALL PERFORMING FEDERAL EMPLOYEES**

***Congress should require that all employees receive at least the average annual pay raise if they meet or exceed performance standards, while supporting the principle of pay parity.***

For more than a decade, pay levels of civilian employees have not kept pace with those of private sector workers. According to the latest data from the Bureau of Labor Statistics, there continues to exist a 30 percent pay disparity between salaries of federal civilian employees and their private sector counterparts. Additionally, the comparability provisions of the Federal Wage System (FWS) have been consistently disregarded by limiting increases to no more than the same percentage increase paid to General Schedule (GS) employees, regardless of the percentage actually owed to blue-collar employees under the FWS. We must continue the longstanding tradition of providing equitable pay increases to federal civilian employees and members of the uniformed services – all of whom are on the frontlines ensuring our nation’s security each day and contributing significantly to the general welfare of the United States.

For enrollees in pay-for-performance personnel systems at the Internal Revenue Service, the Pentagon and other agencies, there is no guarantee that if they meet the standards of performance set out for them that they will receive at least the average annual pay raise awarded to GS employees. Congress must ensure this happens. For an employee who meets or exceeds expectations to receive less than at least the average annual pay raise defeats the purpose of rewarding the employee’s performance.

Throughout his time in office, President Bush attempted to de-link civilian and military pay increases in six of the eight budgets he sent to Congress. Additionally, in his fiscal year 2010 budget, President Obama proposed a 2 percent pay raise for federal employees and a 2.9 percent pay raise for military personnel. Both the House and Senate have overwhelmingly spoken that this is no longer an acceptable division and have awarded military and civilian employees the same raise every year over the last two decades. FMA supports the principle of pay parity and thanks Congress for continually supporting the same principle.

**EXTEND LOCALITY PAY TO FEDERAL EMPLOYEES IN ALASKA AND HAWAII**

***Congress should pass legislation, S. 507, that extends the same benefits to employees in Alaska and Hawaii as other federal employees receive.***

While federal employees who reside in Alaska, Hawaii and the U.S. Territories receive a tax-free non-foreign area cost-of-living adjustment (COLA) in their pay, the federal government fails to credit this COLA towards basic pay for retirement purposes. Federal employees who reside in these areas are denied locality payments solely because they reside in these states where the cost of living consistently ranks among the highest in the nation. Since locality pay is counted as basic pay for retirement purposes, federal employees in the contiguous United States receive retirement pay greater than federal employees who worked and resided in Hawaii and Alaska.

High locality pay in certain areas of the continental 48 states lures managers, high-level technicians, and engineers to leave Hawaii and Alaska to seek higher pay and an increased annuity towards the end of their careers. Agencies in these areas are having a difficult time retaining mission-critical employees. In 2008, the Senate passed legislation, S. 3013, which would phase out the COLA and phase in locality pay over a period of three years. Senator Daniel Akaka (D-Haw.) has reintroduced similar legislation, S. 507, in the 111<sup>th</sup> Congress. FMA firmly believes in the principle of equal pay for equal work and Congress should act to fix this injustice in the 111<sup>th</sup> Congress.

**ALLOW FEDERAL RETIREES TO RETURN TO SERVICE WITHOUT OFFSET TO ANNUITY**

***Congress should pass legislation which would allow federal retirees to return to service part time without penalizing their pension.***

Currently, federal employees who strive to continue serving the nation after retirement are penalized for returning to work in the form of a pay reduction to offset federal retirement annuity. The rate at which federal employees are retiring from the federal government is cause for concern. The Office of Personnel Management estimates that over 50,000 employees retire annually and over half of our nation's workforce will be eligible to retire in the next decade.

Legislation introduced by Senator Susan Collins (R-Me.) and Congressman Tom Davis (R-Va.) in the 110<sup>th</sup> Congress (S. 2003/H.R. 3579) would authorize federal agencies to reemploy retired federal employees on a part time basis, without forcing the employee to take a reduction in salary corresponding to retirement annuity. We should strive to mitigate the loss of federal employees to retirement and ensure that the government can function effectively, while also filling critical gaps and helping train the next generation of federal managers. This is a crucial tool for successful recruitment, retention, and mentorship between experienced federal employees and new civil servants. FMA urges passage of similar legislation in the 111<sup>th</sup> Congress.

**OFFER PREMIUM CONVERSION TO FEDERAL RETIREES IN THE FEHBP**

***Congress should pass H.R. 1203/S. 491 to establish equity by allowing federal retirees to pay their health insurance premiums out of pre-tax dollars.***

As established by the Office of Personnel Management, federal employees have been eligible to pay for their Federal Employee Health Benefits Program (FEHBP) insurance premiums with pre-tax earnings for over a decade. This practice is called premium conversion and all active employees are automatically enrolled in the program unless they choose to opt out. FMA supports extending this important tax benefit to federal retirees who have put in years of service to this country yet still do not enjoy many of the benefits provided to current employees. Skyrocketing health care costs have caused federal and military retirees to struggle to keep pace with their growing insurance bills. With FEHBP premiums up another eight percent this year after double-digit percentage increases only a few years ago, it is estimated that an extension of premium conversion will save retirees nearly \$500 a year and thus help to offset some of the factors driving up health care costs - an aging workforce, longer living retirees and rising prescription drug costs.

Congressman Chris Van Hollen (D-Md.) and Senator Jim Webb (D-Va.) have introduced H.R. 1203 and S. 491, respectively, in the 111<sup>th</sup> Congress which would extend this crucial benefit to retired public servants. By allowing federal retirees to pay health care premiums on a pre-tax basis, we will help create a fairer tax system that provides retirees with the help they need to cope with the dramatically rising cost of health care.

**SUPPORT TAX PARITY FOR CIVILIANS WORKING IN COMBAT ZONES**

***Congress should pass legislation that provides the same tax benefits to federal civilian employees serving in combat zones as those given to military personnel serving in combat zones.***

Currently, military personnel and federal contractors serving in combat zones receive tax exemptions on their base pay. The moment a service member steps foot in a combat zone, they no longer pay federal taxes; however, federal civilian employees are not eligible for these tax exemptions when serving in a danger zone. Approximately 5,000 civilians are working in combat zones around the world at any given time.

Thousands of them are serving alongside members of the Armed Forces as firefighters, depot maintenance and repair workers, and in other support positions on the ground in Iraq and Afghanistan.

Federal civilian employees do not receive any kind of tax benefit while serving in combat zones. Rather, they are given “hardship pay,” which can amount to 25 percent of their salary but is not guaranteed. Congressman Frank Wolf (R-Va.) and Senator John Warner (R-Va.) introduced legislation in the 110<sup>th</sup> Congress (H.R. 1974/S. 1166) which would afford civilians the same tax benefits as their military and contracted counterparts. We at FMA urge Congress to consider similar legislation in the 111<sup>th</sup> Congress.

### **RAISE THE GOVERNMENT’S SHARE OF HEALTH CARE PREMIUMS**

*Congress should pass legislation to increase the federal government’s share of FEHBP premiums.*

Over the past few years, federal employees have experienced dramatic increases in health insurance premiums through the Federal Employees Health Benefits Program (FEHBP). Currently, the federal government pays 72 percent of the average federal health insurance premium. Most experts anticipate premiums will keep increasing due to the federal government’s aging workforce (the average federal worker is now 47 years of age), higher costs for prescription drugs, as well as a longer-living retiree population. FMA supports legislation, H.R. 1256 in the 110<sup>th</sup> Congress, introduced by House Majority Leader Steny Hoyer (D-Md.) which would increase the government’s contribution toward FEHBP premiums to 80 percent, saving an employee on average more than \$500 per year. By increasing the government’s share of premiums, the FEHBP will be brought more in line with what most private and state employers pay, which is 83.1 percent for single health coverage and 76.2 percent for family coverage, according to the Kaiser Family Foundation. Additionally, Congress should consider adding a third option to the FEHBP – “self plus one.” Without this option, which would save the government money, a couple without children pays the same health insurance premiums as a family with several children.

### **REMOVE INEQUITIES IMPOSED BY THE GOVERNMENT PENSION OFFSET AND WINDFALL ELIMINATION PROVISION**

*Congress should pass H.R. 235/S. 484 to repeal the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP).*

The Social Security GPO law prevents government retirees (who were first eligible to retire in or after December 1982) from collecting both a government annuity based on their own work and Social Security benefits based on their spouse's work record. It is unfair to many spouses, especially widows, who often lose all of the Social Security protection their husbands had provided for them. Under current law, a Social Security widow’s benefit is reduced by \$2 for every \$3 earned if the widow is eligible for a pension based on a public sector job that was not covered by Social Security. A total of 401,200 Social Security beneficiaries are affected by the GPO, of whom about 75 percent are women, approximately 42 percent are widowed, and 85 percent have lost their entire Social Security spousal benefit. No offset affects spouses receiving pensions from private sector employers.

The WEP is another inequity that disadvantages many federal retirees receiving Social Security benefits by reducing the benefits that federal retirees receive based on the number of years they served in a federal position that did not require their payment of Social Security taxes. Roughly 971,300 Social Security beneficiaries are affected by the WEP; about two-thirds are men and roughly 20 percent had paid into Social Security for at least 21 years.

H.R. 235/S. 484 would eliminate these unfair reductions in benefits for federal employees. We at FMA recognize that full repeal of both GPO and WEP would be cost-prohibitive and in this time of a growing deficit, full repeal is unlikely. We also support any legislation that would seek partial repeal.