

II. INVESTING IN THE FEDERAL WORKFORCE - 2011

Although the federal government's size, scope and mission have changed throughout the years, one constant is the presence of a dedicated civil service to carry out the orders of our nation's elected leaders. Unfortunately, lawmakers have introduced a flurry of legislation during the 112th Congress in the name of deficit reduction that inequitably targets the federal workforce, creating scapegoats out of these public servants. From multi-year pay freezes and broad federal employee furloughs, to arbitrary workforce reductions and destructive retirement reforms, these proposals are offered with little regard for their damaging ramifications. Such efforts drive talented employees away from careers in the federal government when we need them most, and compound the workload facing agencies already tasked with stemming the loss of critical expertise due to an aging workforce.

As federal managers and supervisors, we experience first-hand the damaging effects of promoting legislation denigrating the work of the civil service. To maintain a federal workforce that meets the needs of the American public, the federal government must invest in personnel incentives that will allow agencies to fill key positions throughout the labor and management ranks. FMA stands behind civil servants who perform invaluable work on a daily basis with little fanfare and who have dedicated their lives to ensuring the success of government programs. The following recommendations reflect our commitment to fostering a work environment that will enable agencies to recruit and retain the best and the brightest to civil service for the benefit of the entire country.

SUMMARY OF FMA LEGISLATIVE RECOMMENDATIONS

- 1. Congress should restore the practice of evaluating civil service pay adjustments on a yearly basis to account for evolving economic conditions, and should not extend the current pay freeze.**
- 2. Congress should consider establishing a Federal Employee Health Benefits Program (FEHBP) enrollment type of "Self Plus One" while preserving the core tenets of the FEHBP during any attempts to reform our health care system.**
- 3. Congress should pass legislation that provides the same tax benefits to federal civilians serving in combat zones as those given to military personnel and federal contractors.**
- 4. Congress should pass legislation to establish equity by allowing federal retirees to pay their health insurance premiums out of pre-tax dollars.**
- 5. Congress should direct the Office of Personnel Management to offer a Federal Employees' Group Life Insurance (FEGLI) Program with additional insurance options to cover the enrolled employee in retirement.**
- 6. Congress should pass legislation to repeal the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP).**

RETURN TO ANNUAL CALCULATION OF CIVIL SERVICE PAY ADJUSTMENTS

Congress should dispel with efforts to impose multi-year civil service pay freezes and should support a return to the policy of evaluating federal pay on an annual basis.

In December 2010, the President signed into law legislation establishing a two-year pay freeze for all members of the civil service. While acknowledging the difficult economic challenges facing American families in all walks of life across the country, FMA firmly believes that any discussion concerning federal employee pay and compensation should center on the formulaic process employed by the Bureau of Labor Statistics to determine annual salary adjustment recommendations. Pursuing a multi-year pay freeze, though perhaps politically expedient, completely disregards future economic conditions, representing a pernicious policy adjustment that serves to demoralize our nation's federal workforce.

As our nation grapples with a growing federal deficit and continued financial challenges impacting the lives of all Americans during these trying economic times, FMA members understand that shared sacrifice is necessary. Our unprecedented deficit, however, was not borne out of rising and exorbitant federal employee salaries, and imposing a pay freeze on federal workers forces public servants and their families to shoulder an inequitable burden simply because they carry out the work of this country. Already this Congress, legislation has been introduced to extend the freeze to three years (H.R. 235) and five years (H.R. 408/S. 178). Imposing a multi-year pay freeze also serves as a major deterrent to federal employment for potential hires with critical expertise.

A pay freeze beyond the current two years places an unfair burden on federal employees and their families, many of whom are facing the same struggles as other Americans – rising health care costs, loss of a spouse's income, and the need to support children who return home after college. FMA members are willing to do their part to help our country restore its fiscal standing, but taking steps to reduce spending should not be unduly borne by civil servants.

OFFER FEHBP “SELF PLUS ONE” OPTION, PRESERVE CORE ELEMENTS OF PROGRAM

Congress should consider establishing an FEHBP enrollment plan which covers the participant plus one eligible family member, while also maintaining the integrity of the federal health program during future health care reforms.

FMA firmly believes in the principle of offering an equitable and affordable federal benefits package that will best meet the needs of all federal employees. To this end, FMA urges Congress to establish a Federal Employees Health Benefits Program (FEHBP) enrollment type of “Self Plus One,” which would provide insurance coverage for the enrolled employee or retiree plus one eligible family member.

Many federal employees face unnecessary health care costs because they require insurance coverage for only themselves plus their spouse or dependent child, yet are forced to purchase FEHBP “Self Plus Family” coverage, where they experience the same health care premiums as large families. Members of Congress saw value in adding the plus one option to the Federal Employees Dental and Vision Insurance Program (FEDVIP), and we encourage lawmakers to pursue establishment of the same health insurance flexibility options in the FEHBP. We at FMA believe this option will save both the government and the employee money, and encourage further examination.

Despite passage of comprehensive health care reform under the Affordable Care Act (P.L. 111-148) during the 111th Congress, lawmakers continue to pursue additional health care modifications. FMA opposes all efforts to modify the FEHBP in a manner that negatively impacts the services received by the roughly nine million federal employees, retirees and dependents who participate in the program. The FEHBP has proven



itself a model health care program over the years, both in terms of services rendered and cost. Congress should avoid supporting toxic efforts such as requiring civil servants and annuitants to pay a higher share of health premiums, an amount which currently falls in line with private sector offerings, as well as other damaging proposals.

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 and federal contractors.

Currently, military personnel and federal contractors serving in combat zones receive tax exemptions on their base pay. The moment a service member steps into 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. Federal contractors also receive substantial tax breaks through the foreign earned income tax exclusion. Reports have stated that 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 provided “post differential” and “danger” pay, which can amount to 70 percent of their salary but is not guaranteed. Congressman Frank Wolf (R-Va.) and then-Senator John Warner (R-Va.) introduced legislation in the 110th Congress (H.R. 1974/S. 1166) to afford civilians the same tax benefits as their military and contracted counterparts. We at FMA urge Congress to consider similar legislation in the 112th Congress.

OFFER PREMIUM CONVERSION TO FEDERAL RETIREES IN THE FEHBP

Congress should reintroduce and approve legislation to establish equity by allowing federal retirees to pay their health insurance premiums out of pre-tax dollars.

Since October 2000, federal employees have been eligible to pay their Federal Employee Health Benefits Program (FEHBP) insurance premiums with pre-tax earnings. This practice is called premium conversion, and all active employees and military personnel 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, a problem exacerbated the last two years by the lack of a retiree cost of living adjustment.

In 2011, FEHBP premiums once again rose by over seven percent. It is estimated that an extension of premium conversion would save retirees roughly \$500 per 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.) introduced legislation (H.R. 1203/S. 491) in the 111th Congress to extend premium conversion to retired public servants, and FMA strongly supports reintroduction of this critical measure. By allowing federal retirees to pay health care premiums on a pre-tax basis, we will create a fairer tax system that provides retirees with the help they need to cope with the dramatically rising cost of health care.



ESTABLISH FEGLI OPTIONS TO PROVIDE FEDERAL RETIREES EQUITABLE COVERAGE

Congress should direct the Office of Personnel Management to create additional Federal Employees' Group Life Insurance options that preserve coverage for retirees while controlling premiums.

The Federal Employees' Group Life Insurance (FEGLI) Program provides group term life insurance for over four million federal employees and retirees. The Program consists of Basic life insurance, in which all new federal employees are automatically enrolled, plus additional coverage options. FEGLI participants pay 2/3 of the cost of Basic insurance, plus the full cost of any added options. The government pays the remaining 1/3 of Basic insurance. When a FEGLI participant retires, however, premiums skyrocket if the enrolled retiree wishes to maintain current coverage levels.

While active federal employee FEGLI participants pay \$0.325 per month for every thousand dollars of Basic insurance coverage, retirees (age 65 or older) must pay \$1.83 per month for every thousand dollars of coverage. Retirees have the option of accepting a 50 percent reduction in their Basic insurance coverage amount, but must pay \$0.60 per month for half the benefit.

Under the current system, maintaining the coverage acquired as an active employee is often cost prohibitive during retirement. FMA supports creation of additional FEGLI coverage options, such as Whole and Modified life insurance, to keep retirees' FEGLI premiums in check while providing adequate protection.

REMOVE INEQUITIES IMPOSED BY THE GPO AND WEP

Congress should reintroduce and pass legislation to repeal the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP).

The Social Security GPO law prevents government retirees who receive a government pension but did not pay into Social Security from collecting both a government annuity based on their own work and Social Security benefits based on their spouse's work record. This is unfair to many spouses, especially widows, who often lose the Social Security protection their spouse 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 465,000 Social Security beneficiaries are affected by the GPO, of whom about 75 percent are women and approximately 42 percent are widowed. No offset affects spouses receiving pensions from private sector employers.

The WEP is another inequity that disadvantages many federal retirees receiving Social Security benefits and a federal pension which did not require payment into Social Security. The WEP reduces the Social Security 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 972,000 Social Security beneficiaries are affected by the WEP; about two-thirds are men and roughly 20 percent paid into Social Security for over 20 years.

Legislation introduced in the 111th Congress by Representative Howard Berman (D-California) and Senator Dianne Feinstein (D-California), H.R. 235 and S. 484, respectively, called for elimination of these unfair reductions in benefits for federal employees. We at FMA recognize that full repeal of both GPO and WEP is cost-prohibitive and, with deficit concerns a priority, full repeal is unlikely. FMA also supports any legislation that would seek partial repeal.