

I. INVESTING IN THE FEDERAL WORKFORCE - 2010

Moving forward in the second session of the 111th Congress, the President and lawmakers continue to grapple with the demands posed by difficult economic conditions and military engagements on multiple fronts. In the midst of this challenging climate, the Federal Managers Association (FMA) remains committed to ensuring the success of the nearly two million civil servants who consistently go above and beyond the call of duty to achieve the government's mission by providing needed services to millions of Americans each day. To this end, FMA fights to promote an environment in the federal government that attracts talented, civic-minded and hardworking federal employees to ensure the taxpaying public receives the highest level of service.

The Administration and Congress continue to set an aggressive agenda that requires members of the civil service to take on an ever-expanding role, both at home and abroad, while providing fewer resources to accomplish these tasks. Compounding the predicament is the looming wave of retirement which threatens to pull vast amounts of experience and know-how from the federal workforce while exacerbating the challenge of replacing management ranks and filling critical positions. As federal managers, we find ourselves on the front lines during these times, and we at FMA intend to 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. FMA recommends the following to ensure that proper investments in the civil service are made to advance the nation's interests.

SUMMARY OF FMA LEGISLATIVE RECOMMENDATIONS

- 1. Congress should stand by the principle of pay parity in the 2011 pay raise.**
- 2. Congress should require that all non-General Schedule employees receive at least the average annual pay raise if they meet or exceed performance standards.**
- 3. Congress should require the Office of Personnel Management to offer a Federal Employee Health Benefits Program (FEHBP) enrollment type of "Self Plus One" which would cover the enrollee plus one eligible family member.**
- 4. Congress should preserve the integrity of the FEHBP during any and all attempts to reform the nation's health care system.**
- 5. Congress should pass legislation, H.R. 1203/S. 491, to establish equity by allowing federal retirees to pay their health insurance premiums out of pre-tax dollars.**
- 6. 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.**
- 7. Congress should pass legislation, H.R. 235/S. 484, to repeal the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP).**



STAND BY THE PRINCIPLE OF PAY PARITY FOR FEDERAL EMPLOYEES IN 2011

Congress should support the principle of pay parity between civil servants and members of the Armed Forces in the 2011 budget process.

The President's aggressive agenda to redirect the nation on a path to prosperity places immense responsibility on the civil service. From managing and executing many of the Administration's bold initiatives to restore America's financial security to serving alongside their Armed Forces counterparts on the ground in Iraq and Afghanistan, today's federal workforce wears many hats in the effort to provide the American public with the programs and services they expect and deserve. It is essential that the federal government continues to recruit and retain the best and the brightest civil service to advance the President's commitment to providing the taxpaying public with an efficient federal workforce. Establishing pay parity between civil servants and members of the Armed Forces is critical to advance this cause.

In his fiscal year 2011 budget, President Obama proposed a 1.4 percent pay raise for both federal employees and military personnel after proposing disparate pay raises in his 2010 budget. FMA applauds this effort to institute pay parity and urges lawmakers to stand by legislative precedent established over the past twenty years by supporting the principle of equal pay for 2011. Federal employees are on the cutting-edge of disease research and efforts to develop alternative energy sources. Civil servants also take the helm on many social programs that deliver needed services to millions of Americans. Their service to America deserves recognition.

SUPPORT A STRONG PAY RAISE FOR ALL PERFORMING FEDERAL EMPLOYEES

Congress should require that all employees not covered by the General Schedule receive at least the average annual pay raise if they meet or exceed performance standards.

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, a 26 percent pay disparity exists between salaries of federal civilian employees and their private sector counterparts in similar occupations. 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 who meet or exceed performance standards.

For employees enrolled in performance-based personnel systems at the Internal Revenue Service, the Pentagon and other agencies, there is no guarantee that if they meet or exceed previously-determined performance standards 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 contradicts the purpose of rewarding the employee's performance.

OFFER ENROLLMENT TYPE OF "SELF PLUS ONE" FOR FEHBP PARTICIPANTS

Congress should establish an FEHBP enrollment option which covers the participating employee or retiree plus one eligible family member specified by the enrollee.

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 the Office of Personnel Management 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 designated by the enrollee. Many federal employees face substantial and unnecessary health care costs because they require insurance coverage for only themselves plus their spouse or an



unmarried dependent child under the age of 22, yet are forced to purchase FEHBP “Self Plus Family” coverage, where they experience the same health care premiums as large families.

Agencies should also realize significant savings under this proposal. The federal government currently pays 72 percent of the average premium of all FEHBP plans toward the total cost of an enrollee’s health care premium. Establishment of a “Self Plus One” enrollment option would decrease premiums facing both the government and the participant, as it is likely the “Self Plus One” option would feature lower premiums than the “Self Plus Family” option, saving money for both the government and the employee or retiree.

PRESERVE THE INTEGRITY OF THE FEHBP DURING HEALTH CARE REFORM EFFORTS

Congress must ensure efforts to reform the nation’s health care system do not diminish the coverage enjoyed by those enrolled in the Federal Employees Health Benefits Program.

As Congress and the Administration pursue various proposals to reform the nation’s health care system, FMA strongly opposes any and all efforts to modify the Federal Employees Health Benefits Program (FEHBP) in a manner that would negatively impact the beneficial 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. Congress should not pursue proposals to restructure health care in the United States that could jeopardize the success of the program which serves as a vital tool to recruit and retain a quality federal workforce.

In particular, efforts to impose an excise tax on high-value, or “Cadillac,” insurance plans must recognize the impact such a tax would have on FEHBP participants. The Senate’s original health care bill, H.R. 3590, relied on such an excise tax to fund many of the bill’s reforms. Insurance carriers facing the excise tax could pass the costs on to the consumers in the form of reduced benefits or increased premiums. Although the proposal is designed to impact the wealthy and reduce the promulgation of high-value health plans, it is clear FEHBP participants would face financial or medical hardships under the plan in the coming years.

Additionally, discussions surrounding assignment of the Office of Personnel Management (OPM), which directs the FEHBP, as administrator of a national plan to cover uninsured Americans must take into account the additional staff and resources that would be necessary to manage such a program. Congress should not support attempts to charge OPM with this additional responsibility if it threatens the delivery of services to those enrolled in the FEHBP. Congress must also ensure OPM is provided the resources necessary to carry out this bold initiative.

FMA is supportive of efforts to require all insurance providers, including those in the FEHBP, to extend coverage of dependents through the age of 26. Dependents of FEHBP participants currently lose their coverage when they reach the age of 22. The House of Representatives included language to this effect in the chamber’s initial health care reform proposal, H.R. 3296.

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 over 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 111th 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.

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. 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 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 110th 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 111th Congress.

REMOVE INEQUITIES IMPOSED BY THE GPO AND WEP

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 1983) 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 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, approximately 42 percent are widowed, and 75 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 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.

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 is cost-prohibitive and in this time of a growing deficit, full repeal is unlikely. We also support any legislation that would seek partial repeal.