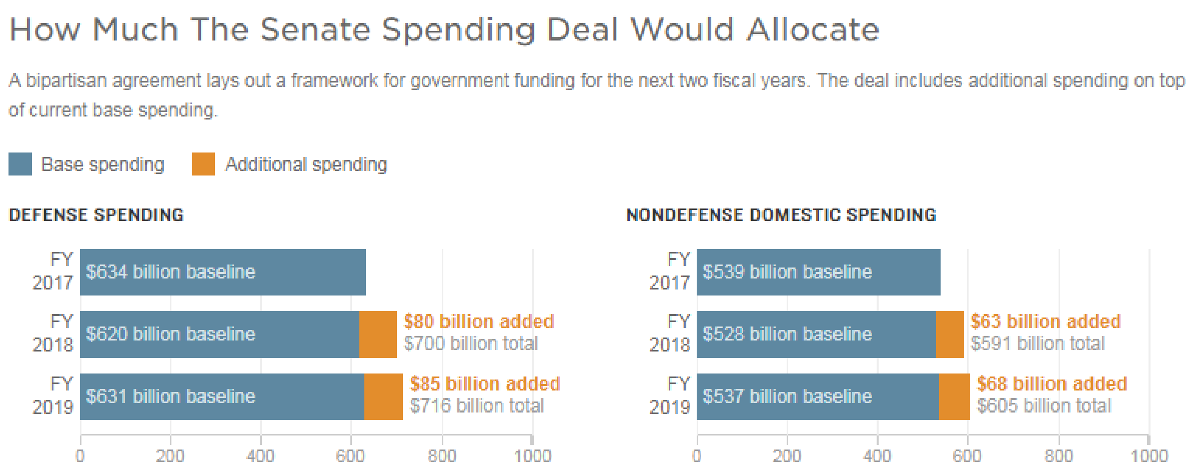
WORKFORCE UPDATE March 30, 2018

Now that Congress has set FY-18 budgets and avoided another potential government shut down, its focus now shifts to the budget for the fiscal year starting in October, and the administration's proposals regarding federal pay and benefits. The wrap-up budget measure reflected increases in funding from a February agreement and results in notable boosts in funding—some of which could translate into higher employment levels—at agencies including the IRS, Census Bureau, EEOC and Customs and Border Protection.



Also included was language that could slow or even block reorganization plans at numerous agencies by requiring additional review first and/or by limiting the funds available to carry them out.

It also rejected a proposal to close nearly two dozen small agencies or subcomponents of larger agencies.

The measure does not approve the administration's proposal to boost the maximum buyout payment government-wide from the standard $25,000 to the $40,000 allowed at the Defense Department.

That will be among the issues to be decided in the new budget cycle.

The new budget cycle also will be the opportunity for Congress to take a position on federal pay. In recent years it has avoided the issue, allowing the White House's recommended raises of around 1-2 percent to take effect by default. For 2019, the White House has recommended no raise, potentially forcing Congress to formally take a position for the first time in years. Some Democrats have proposed 3 percent and unlike in prior years there is no risk in forcing a vote that might result in a raise lower than the default figure.

2019 Presidential Budget:

The budget is available here: https://honolulu-pacific.feb.gov/1829-2/

Proposes a pay freeze for federal civilian employees, and a 2.6 % pay raise for military members.

Legislative Proposals – FY-2019 as Developed by the Office of Personnel Management (OPM)

OPM prepares various legislative proposals during the preparation of its annual budget submission, which align with the strategic goals and objectives of the agency. OPM designs these proposals to enhance and improve its programs, increase efficiency in executing these programs, and reduce overall costs for the Government.

The Federal Government, with annual civilian personnel costs of almost $300 billion, should seek an optimally sized and skilled workforce operating out of locations best suited to accomplish its various missions.

OPM offers several proposals to begin to bring Federal total compensation more in line with the private sector. In addition, OPM will be working on an effort to begin to research and explore the potential benefits, including the recruitment benefit, of moving to a defined-contribution only annuity benefit for new Federal workers, and those desiring to transfer out of the existing hybrid system.

Federal Employees Health Benefits (FEHB)

Medical Liability Reform

Reform would limit potential government liability for medical malpractice/damage awards arising from FEHB providers. If enacted, the Administration's medical liability reform proposal would affect the FEHB Program beginning in 2021. Capping awards and shortening the statute of limitations could potentially reduce costs for malpractice insurance carriers.

Modify the Government Contribution Rate Based on Plan Performance

Consistent with OPM's strategic objective to improve healthcare quality and affordability in the FEHB Program, the government contribution formula would be revised to encourage enrollment in high performing health plans to achieve savings. This proposal would revise the government contribution rate to base it on a plan's score from the FEHB Program Plan Performance Assessment. This proposal would incentivize enrollees to select high performing, high value plans by making them more affordable while simultaneously saving the government approximately 2 percent in premium contributions based on performance scores, enrollment, and rates.

Retirement and Government-wide Proposals

Change Retirement Calculation from High-3 Years to High-5 Years

This legislative proposal would change the annuity benefit calculation of future retirees. Rather than using the current average of a Federal employee's three highest salary-earning years (High-3), the calculation would use the highest five consecutive salary years.

Eliminate FERS COLA, Reduce CSRS COLA by 0.5 Percent

This legislative proposal would eliminate cost of living adjustments (COLA) for current and future FERS retirees. Under current law, FERS retirees (starting at age 62) receive a full COLA if the Consumer Price Index (CPI) is up to 2 percent and up to 1 percent less than the change in the CPI if the change is more than 2 percent. This legislative proposal would change the policy, by eliminating the FERS COLA, and reducing the COLA for CSRS retirees by 0.5 percent receiving benefits are from the CSRS population.

Eliminate the FERS Annuity Supplement

This legislative proposal would eliminate the annuity supplement FERS retirees receive until they reach age 62, the age when they become eligible for Social Security. It would apply to all new FERS retirees.

Increase Employee Contributions to 50 Percent of Cost, Phased in at 1 Percent per year

This legislative proposal would increase Federal employee contributions to the Federal Employees Retirement System (FERS) such that an employee and employer would each pay half the normal cost. Under current law, Federal employees contribute between 0.8 percent and 4.4 percent of their salary towards their Federal pension. Federal agencies contribute the remainder of the normal cost. To mitigate the impact on employees, this provision would be phased in over several years, with individuals contributing an additional one percent of their salary each year until equalized.

Convert to a "Paid Time Off" Leave Model

At this time, a Federal employee with less than three years of service earns 13 paid vacation days each year. An employee with 3 to 15 years of service earns 20 vacation days and an employee with more than 15 years earns 26 vacations days annually. All employees, regardless of the number of years of service, earn 13 paid sick days each year that can be used if the conditions for use of sick leave are met. By combining Federal vacation and sick leave into a Paid Time Off plan, similar to that offered by some large, private sector employers, Federal employees would gain flexibility in how total leave balances are spent. This proposal would reduce the total number of leave days accrued by an employee annually, while adding a short-term disability insurance policy to protect employees who experience a serious medical situation or other eligible short-term disability event.

Scale Back Time-Based Pay Progression

The General Schedule (GS) pay system covers roughly 70 percent of Federal civilian employees. Separate pay systems cover other employees, such as senior executives and blue-collar workers.

The GS pay system consists of 15 pay grades and 10 steps within each grade. The standard within-grade (step) increase requires completion of a waiting period and certification that the employee is performing at an acceptable level of competence. Since almost all employees are certified as meeting the required minimum level of performance, standard within-grade increases are virtually automatic.

This proposal would slow longevity-based progression through the 10-step GS pay scale by adding one year to each within-grade increase waiting period.