Officials aim to boost rehiring incentives for retirees

By MOLLIE ZIEGLER

As the federal government ratchets up recruiting efforts to replace retiring employees, it is stymied by laws and regulations from considering one pool of possible job candidates: the retirees themselves.

Some lawmakers and government officials want to change that.

The Office of Personnel Management warns of a looming brain drain when, within the next five years, more than half of senior managers will be eligible to retire. Further, the middle ranks of federal employees won't always be ready to fill the shoes of their retiring superiors. Congress, agencies and professional associations are scrambling for a solution that involves rehiring or retaining retirement-ready government employees.

The problem is that the current laws governing the pay of rehired federal employees is a confusing hodge-podge that penalizes retirees who return to public service, Rep. Jon Porter, R-Nev., said at a July 25 hearing of the House Government Reform subcommittee on the federal workforce. At most agencies, retirees who return to the federal sector take a cut in pay equivalent to their annuity payments. Secret Service agents, on the other hand, can retire from federal law enforcement service and start second federal law careers with other agencies without penalty, but other federal law enforcement retirees have to get a waiver to do so. And the Defense Department can rehire employees without any salary or retirement penalty.

Since the cut in pay acts as a disincentive to retirees returning to federal employment, they frequently retire from federal service to work for contractors. Because of this, agency leaders ask OPM for waivers of the law, particularly if they need to fill difficult positions or in emergencies.

"Current laws on re-employed annuitants are not accommodating the national need or are not being implemented wisely," Porter said at the hearing.

SHEILA VEMMER/FEDERAL TIMES

Nancy Kichak, OPM's associate director for strategic human resources, says waivers to allow rehired retirees to get full salaries must be used judiciously.

Still, paying federal employees a full annuity and salary could give them an incentive to retire before they need to and double-dip from federal taxpayers, personnel experts note.

"Because waivers result in compensation from both the retirement fund and salary, they must be used judiciously," said Nancy Kichak, OPM's associate director for strategic human resources.

Porter plans to introduce legislation to give retirees a more flexible role in federal government after their careers end, he said. Though legislation has not been drafted, some of the options he is considering include:

- Requiring that federal employees take a break in service or change jobs before being rehired.
- Limiting how many years rehired federal employees can work.
- Encouraging part-time or temporary employment of federal retirees by waiving some or all of the pay penalty.
- Authorizing re-employment, without requiring waivers, in emergency situations.
- Allowing agency managers to adjust the amount of salary that is offset for retirees.

The problem with current law is that it only applies to emergency situations, said Kichak. OPM proposed an update to its regulations July 21 that would allow it to grant agencies leeway in rehiring employees without a salary penalty in both emergencies and abnormal situations that are not emergencies, she said. OPM is also intending to introduce new career pattern options that would encourage employees to extend their federal careers upon retirement age with part-time employment, she said.

Military exception

The 2004 National Defense Authorization Act gave the Pentagon the authority to re-employ federal retirees without requiring their salaries be cut by the amount of their annuity payments. Department policy only allows the authority's use under limited circumstances, such as to fill critical positions or those positions requiring unusual qualifications, said Patricia Bradshaw, deputy undersecretary for civilian personnel policy. Since the law was passed, the agency has hired more than 1,500 annuitants using the authority, or less than 1 percent of total hires during the period.

Bradshaw said the provision could be improved, however. Any retiree hired by the department is entitled to receive both full salary and full annuity. That means the agency is required to pay full salary and full annuity to any retiree who is rehired. More retirees could be rehired if the department had more flexibility to negotiate salary offsets as recruiting tools instead of always being required to pay full salaries, she said.

"We believe it is more appropriate to manage the authority by limiting the application of the salary offset rather than limiting the actual employment of annuitants," Bradshaw said.

Receiving full salary and full annuities can be disadvantageous for some federal employees, she said. That's because re-employed retirees who receive full salary are unable to contribute to the retirement system and cannot earn additional service credit no matter how long they are employees.

Employees who were forced into early retirement cannot add to their significantly reduced annuities when they are re-employed, she said. The situation is worse for Federal Employee Retirement System employees, who have lower annuity benefits, than for Civil Service Retirement System employees. In addition, the other components of FERS-covered employees' benefits — Social Security and the Thrift Savings Plan — may not be available to them as early retirees.

Annuitant database

Veterans Affairs Department leaders told Porter they could use a database of retired feds who are interested in returning to work. Maintaining a governmentwide pipeline of experienced former employees could provide a ready source of talent to complement agencies' existing work forces, said Barbara Panther, associate deputy assistant secretary for human resources management at VA. Such a database would have come in quite handy during the aftermath of Hurricane Katrina, she said.

Intelligence agencies have the authority to establish a national intelligence reserve corps, said Ronald Sanders, chief human capital officer for the Director of National Intelligence. The 2004 Intelligence Reform Act permits the temporary re-employment of former civilian employees during emergency periods. The director has determined a period of emergency exists and has established an intelligence corps, although details are classified. Retired intelligence employees have the opportunity to place their names on the roster of volunteers, he said.

"We seek to re-employ exceptional people to meet exceptional circumstances, to leverage their priceless experience and intellectual capacity without having to ask them to suffer a financial penalty," said Sanders.

E-mail: mziegler@federaltimes.com

California feds take case for housing allowance to Washington

By AIMEE CURL

California-based advocates for giving civil servants a military-like housing allowance may not have found a champion on Capitol Hill yet, but they did find plenty of interest in their idea during meetings with lawmakers last week.

"Senator [Dianne] Feinstein recognizes that the high cost of housing in California, especially in areas like L.A. and San Francisco, makes it difficult for federal employees. We're supportive of encouraging innovative approaches to try and deal with the problem," said Howard Gantman, a spokesman for the California Democrat.

"This group has raised a serious issue about housing affordability for federal employees. I'm concerned about their findings that federal agencies' largest barrier in recruiting and keeping good employees is the high cost of housing, and I will look into the issue," Rep. Henry Waxman, D-Calif., said in a statement.

Representatives from the California-based Federal Executive Boards, in Washington for an annual visit with the state delegation, talked with lawmakers and their staffs about their idea to replace locality pay with a housing allowance similar to the Basic Allowance for Housing provided military personnel.

Under their proposal — outlined in a report titled, "Imperfect Storm, The Looming Human Capital Crisis in California's High-Cost Cities" — the rest of the U.S. locality pay rate would become the new base pay. Like the Defense Department model, the Variable Housing Allowance for civil servants would not be taxed and would not count toward retirement.

Agency managers in California argue that locality pay, which is figured based on the cost of labor in different regions, doesn't do enough to offset the high cost of housing in some metropolitan areas. They say that lack of adequate pay makes it difficult to recruit and retain federal employees, and that those who live in cities like Los Angeles and San Francisco often suffer through long commutes and undesirable accommodations.

"We've accomplished our goal of starting the awareness process," said Kathrene Hansen, executive director of the Greater Los Angeles Federal Executive Board. "They're not sure our solution is the solution, but we feel we started a constructive dialogue and got people to look at the situation."

Diana Louie, executive director of the San Francisco Bay Area Federal Executive Board, said the boards were encouraged by what they heard from lawmakers and their staffs.

"Hopefully in the next month we will hear more," she said.

Hansen said cost was the No. 1 concern raised by people with whom they met.

Feinstein's spokesman Gantman highlighted this concern.

"At present the proposal doesn't have a cost estimate, which would be the most crucial aspect," he said.

Hansen said they agreed with congressional staff about the need for a cost-benefit analysis of the proposal, which currently doesn't specify which cities would qualify for the housing allowance or how this would be figured.

"There is a recognition that [a cost-benefit analysis] is the next step, but who will take that step has not been defined," Hansen said, noting that this is up to lawmakers and not the role of the executive board representatives.

An independent analysis of agency recruitment and retention issues to "validate the extent of the problem," may also be needed, Hansen said.

"There is a desire to find out if the problem exists beyond California," she said.

A member of California Democratic Rep. Tom Lantos' staff said it's clear from their report that the members of the Federal Executive Boards have done some "good work" on the issue.

"Representative Lantos is very concerned about the issues of recruitment and retention" of federal employees, the staffer said. "Their proposal offers a reasonable, possible approach."

The staffer, who declined to be identified by name because he's not Lantos' spokesman, said a cost-benefit analysis, perhaps done by the Government Accountability Office, would be the next step.

Lantos, who is on the House Government Reform Committee, may consult with Waxman, the committee's ranking minority member, on whether to request that GAO undertake such a study, the aide said.

A spokesman for Waxman said it's too soon to comment on whether he will request such an analysis.

The Office of Personnel Management declined to comment on the proposal.

Some observers have suggested that the Defense Department's new pay plan, the National Security Personnel System, could factor in housing costs as part of efforts to make compensation more market sensitive.

NSPS spokeswoman Joanne Groves said including a housing allowance in the new system would require changing Title 5, the portion of the U.S. statute that governs federal personnel rules, and that would take an act of Congress.

Email: acurl@federaltimes.com