NTEU

May 2003

Alert!

Chapter 52

The Raise and Other Money Issues.

As you know by now Federal Employees will receive a retroactive payraise of 4.1% and the check is in the mail. Employees are scheduled to receive the increase by June 12, 2003, except those who have had a pay action since January 1st. Delays are expected in those cases. The following articles will tell you what to expect in the future.

Future Raises Projected

from FedWeek

The Bush administration has projected that after a January 2004 increase of 2 percent, federal employees will get 3.4 percent raises in the following three years, paralleling the increases it expects for military personnel in those years. The projections came in a message from the Office of Management and Budget telling agencies what costs to use in cost studies under contracting-out policy. The numbers are not binding either on the administration or on Congress-the actual raise for a year is set in the budget process-but they do give an indication of the White House's expectations. While the exact figures may hold little significance, it could be noteworthy that the projection effectively expects pay parity between the military and federal employees to continue, even though the administration's recent budget proposals have endorsed breaking that linkage.

Locality Pay Boundaries Issue Addressed

from FedWeek

While the government later this year is expected to change the borders of many standard metropolitan statistical areas-the geographic zones used for numerous government statistical purposes-the boundaries will not change automatically for federal white-collar locality pay that is linked to those areas, under a final rule published in the April 22 Federal Register. The statistical zone boundaries are being updated to incorporate data from the 2000 census and likely will result in certain areas outlying some cities in being added to the areas, due to commuting patterns and other factors. However, the rule states that the general schedule locality pay boundaries will remain the same unless changed by the President's Pay Agent, a body consisting of the heads of the Labor Department, Office of Personnel Management and Office of Management and Budget

Locality Pay Executive Order Follows NTEU Recommendation; Kelley Calls 4.1% raise "Small Step" In Making Government Competitive Employer

from NTEU press release

Washington, D.C.—President Colleen M. Kelley of the National Treasury Employees Union (NTEU) applauded the administration's decision to designate the additional one percent pay raise for 2003 as locality pay, as NTEU had urged. Earlier this year, NTEU led the successful fight for a 4.1 percent federal civilian pay raise in the face of the administration's initial proposal for a sharply lower raise for its civilian workforce.

Although belated, the president's executive order assigning the additional one percentage point to locality pay is a welcome development, the NTEU leader said, calling it "a small step forward" in recognition by the government that higher pay is vital to recruiting and retaining the high-quality civilian employees it needs. The executive order follows the recommendation of the Federal Salary Council, of which President Kelley is a member.

President Bush initially proposed only a 2.6 percent civilian pay raise for this year, in contrast to the average 4.1 percent he proposed for members of the military, and ultimately set a pay raise of 3.1 percent for civilian employees. Working with members of Congress, NTEU pushed hard, and successfully, for a continuation of civilian-military pay parity. Congress approved the 4.1 percent civilian pay raise for this year as part of the omnibus appropriations bill signed into law Feb. 20. The raise is retroactive to the first pay period in January.

It took four weeks for the president to issue the executive order allocating the additional one percentage point to locality pay, which is designed to reflect the gap between private and public sector pay in various locations around the country.

Locality pay was established by the 1990 Federal Employees Pay Comparability Act (FEPCA), which was designed to close, in stages over 10 years, the public-private sector pay gap. The law has never been implemented as intended, and today, depending on location, the pay gap ranges as high as 32 percent.

Civilian-military pay parity again in 2004 is a NTEU priority. The administration's budget proposal calls for a civilian pay raise of only two percent next year, while proposing an average 4.1 percent raise for the military.

"NTEU has long supported higher pay for members of the military, and continues to do so," President Kelley said, adding that "it is both smart and fair for the government to raise the pay of its dedicated civilian employees—many of whom are working on the front lines of homeland security—by a similar amount."

Both the House and Senate Budget Committees have included in budget resolutions their recommendations for civilian-military pay parity in 2004.

Higher civilian pay is not only key to addressing the government's growing recruitment and retention problems, President Kelley said, but is central in sending the important message for federal civilian employees that their contributions and professionalism are both wanted and valued.

FLEXIBLE SPENDING ACCOUNTS ARE COMING SOON; CALCULATOR HELPS ESTIMATE POTENTIAL TAX SAVINGS

from FedManager

Many federal employees are less than two months away from being able to take advantage of Flexible Spending Accounts (FSAs). The program, which is slated to launch July 1st, allows qualified federal employees to use pre-tax dollars to pay for certain benefits. The two, new FSAs being offered to employees beginning July 1st are the Health Care FSA and the Dependent Care FSA.

The Health Care FSA permits employees to use pre-tax allotments to pay for certain health care expenses that are not reimbursed by FEHB or any other source, and not claimed on the participant's income tax return. The maximum amount an employee may set aside in any tax year is $3,000 and the minimum is $250.

The Dependent Care FSA lets employees use pre-tax allotments to pay for eligible dependent care expenses. Eligible expenses include childcare expenses as well as care for an adult who is disabled or otherwise dependent on the employee. The maximum amount an employee may set aside in any tax year is $5,000 ($2,500 if the employee is married and filing a separate income tax return), and the minimum amount is $250.

FSA participation is completely voluntary. Unlike the Federal Employees Health Benefits Program, the government makes no contribution.

If you are interested in estimating your FSA contribution and potential annual tax savings, OPM has an online calculator that can help. Click on http://www.fsafeds.com/fsafeds/fsa_calculator.asp to use the calculator.

FSA Fees Might Be Ended

article from Fedweek

The House Government Reform Committee has voted to end the administrative fees that are planned in the upcoming flexible spending account program, by allowing agencies to subsidize the cost of the program with the money they would save on Social Security taxes for employees who voluntarily reduce their salaries in order to divert money pre-tax into those accounts. For the health care accounts, the planned charge is $4 a month, meaning a maximum of $24 this year-with the initial plan year running the last six months of the calendar year-and $48 in future years. For dependent care accounts, the planned charge is 1.5 percent of the amount designated for a plan year, meaning a maximum of $75. The National Treasury Employees Union has criticized those fees, in view of the fact that private sector employers offering FSAs typically do not charge participation fees. The practical effect of the committee's action is uncertain, however, since it might not be possible to get final legislation enacted before the program's start-up July 1.

NTEU Applauds House Committee Amendment To Lift FSA Funding Burden From Employees

From a NTEU press release

Washington, D.C.—The National Treasury Employees Union (NTEU) today applauded quick action by Rep. Chris Van Hollen (D-MD) and the House Government Reform Committee to permit the administrative fees associated with the new Flexible Spending Account (FSA) program to be paid in ways that don't require participating federal employees to pay for this new benefit.

A week ago NTEU sharply criticized the Office of Personnel Management (OPM) for actions that would have lead to the payment by employees of substantial fees for taking part in the program. It was this criticism that sparked congressional action.

"The language approved by the Government Reform Committee is a step forward in bringing the FSA program in line with the private sector programs it is designed to emulate," said NTEU President Colleen M. Kelley. "Throughout the private sector, employees are not charged for participating in this program; the committee's language seeks to ensure that federal employees won't be charged either." She urged Congress to adopt it. Under FSAs, employees are permitted to deduct specific amounts from their pretax earnings to be used for out-of-pocket health and dependent care costs. As qualifying expenses are incurred, the employer reimburses the employee from his or her own money.

Under a contract OPM negotiated with a private company to administer the federal FSA program, participating employees would have been charged $4 per month for taking part in a health care FSA, plus an additional 1.5 percent of the amount an employee sets aside in a dependent care FSA.

The dependent care account can be used to set aside as much as $5,000 to cover child-care expenses for working parents. Deductions of up to $3,000 will be allowed for the health care account.

After NTEU brought the fees to light, Democratic Reps. Henry Waxman (CA), Danny Davis (IL) and Chris Van Hollen (MD) wrote to OPM Director Kay Coles James to oppose charging federal employees the proposed fees.

Under the amendment advanced by Van Hollen, federal agencies would be given the authority to use other funds available to them to fund the costs of operating the FSA program.

In addition to highlighting the potential costs to federal employees of the way OPM planned to implement the program, NTEU is also concerned that OPM has not planned a sufficient educational program to help employees understand the benefits and risks of the FSA program. It begins with an open season on May 19.

Update on Special Rate Back Pay Settlement

Articles from FedWeek

Special Rate Challenges Could Add Years

Individuals in the special rate back pay settlement class wishing to contest the amount calculated as due to them under the settlement should be aware that filing a challenge could mean they won't receive a payment for several more years, according to the National Treasury Employees Union, which sponsored the suit. Under terms of the settlement in the special rate case, which already has been in process for two decades, only those accepting the amount calculated for them will get money in the first payout, which is to occur late this year. "If you file a challenge, you will not receive any payment until all challenges are resolved, which could be a few years later," NTEU says. Further, those filing a challenge bear the risk that they will end up with less than the amount indicated for them in the "distribution packages" that recently were mailed out. Also, those filing an unsuccessful challenge will not be eligible for interest from the date they would have received their payments had they not filed the challenge. October 27 is the deadline for either submitting the form accepting the amount listed in the distribution packages or for filing a challenge to that amount.

Only Certain Aspects Can Be Challenged

NTEU says that while the information used to set the payment amounts was "derived from a reliable [Office of Personnel Management] database," there may be "a limited number of errors in the data" that individuals might wish to challenge. Employees may contest only what is called "employee status information"-- dates in a position, grade level, occupation, location, agency, and retirement date if applicable. A challenge form is included in the distribution packages. Employees will have to provide documentation supporting their assertions (such as an SF-50 for the relevant time period), and sign an oath that the information is correct. "The settlement administrator is not authorized to provide advice on whether to file a challenge and will not be able to inform you whether a successful challenge would result in a change to the amount you are owed," NTEU says.

Special Rules for Survivors

The distribution packages in the special rate settlement also are being sent to those in OPM records as survivor annuitants of deceased class members. However, survivor annuitants are not automatically entitled to payments-the settlement adjudicator will have to decide if the individual is the legal "successor in interest" of the class member and therefore entitled to the money. Like class members themselves, survivors may challenge the amounts due, subject to the same risks applying to class members who file a challenge.

THE FUNDS – Rates of Return
http://www.tsp.gov/

Rates of Return were updated on **May 2, 2003**.

	G Fund	F Fund	C Fund	S Fund	I Fund
April 2003	0.33%	0.83%	8.26%	8.31%	9.82%
Last 12 Months* (5/1/2002 - 4/30/2003)	4.55%	10.63%	(13.23%)	(15.02%)	(16.21%)

***** The G, F, C, S, and I Fund returns for the last twelve months assume, except for the crediting of earnings, unchanging balances (time-weighting) from month to month, and assume earnings are compounded on a monthly basis.

Following articles regarding TSP are from FedWeek

New TSP System Expected Next Month

Thrift Savings Plan officials have said they expect the TSP's new computer system will be available in mid-June, culminating a six-year-long upgrade project that has seen numerous delays and missed launch dates. Program officials have told the TSP governing board that while testing continues, they are confident the system will be ready in that time frame. Many investors have been most interested in the switch from monthly to daily valuation of accounts, which will include showing balances in shares and share prices (probably starting at $10 a share for each of the TSP's five funds) as well as in total dollar amounts and will allow interfund transfers as often as every business day. Currently, investors have to wait between two and six weeks to have transfers among funds become effective. Daily valuation also will speed processing of loans and withdrawals.

Withdrawal Changes on Tap

The TSP also will be implementing several important changes to its withdrawal policies along with the new system. Of potentially the greatest interest will be the option for investors to combine the three types of withdrawal options-lump-sum payments, annuities and monthly payments. Current rules require that an entire account be taken out as only one type of withdrawal. Also, one-time partial withdrawals will be allowed for those who didn't take an age-based withdrawal while actively employed. One other change in withdrawal policy affects the "substantially equal" monthly payments option. Currently, investors may choose one of three types of such withdrawals, based on a dollar amount per month, a number of months to draw down the account balance, or life expectancy-based payments calculated according to actuarial tables. After the changeover, the TSP will no longer allow withdrawals based on a number of months. However, unlike the current policy, dollar amount based withdrawals will be changeable, as often as once a year. Also, there will be a one-time opportunity for someone taking a life expectancy-based monthly withdrawal to change to a dollar amount-based withdrawal.

TSP Catch-Up Misunderstandings

Although the opportunity to make "catch-up" contributions to the Thrift Savings Plan is still several months away, some TSP participants apparently tried to get an early start on the program. The TSP in July will begin accepting catch-up contributions of up to $2,000 this year by those age 50 or older during the calendar year, over and above the percentage of salary-13 percent for FERS and 8 percent for CSRS-or dollar amount --$12,000 for each-limits applying to them. The catch-up contributions will be accepted only through a new form, to be called the TSP-1-C, that is not yet available. Filing that form will cause a separate deduction from pay into the TSP account. Investors will be able to elect a dollar amount investment only, with the deductions starting as soon as the first full pay period of August.

Adjustments Might Be Needed

Some participants age 50 and up apparently thought they could add in the extra money through their regular TSP investments and have set their ongoing contributions higher than they should be. They may need to readjust their contributions during the TSP open season that is continuing through June 30. Highly-paid FERS employees in particular should take care that their regular contributions don't hit the dollar limit until the end of the calendar year; if they hit the limit earlier, their investments shut off and so will the government matching contributions for them of up to 4 percent of salary.

No Timetable Set on New System

TSP officials have said the agency is still on target for launching its new computer system in mid-June, although as in previous similar announcements they did not set a specific target date. The long-awaited new system promises several improvements in account servicing, most notably a switch from monthly to daily valuation of accounts

Flexiplace is a Viable Alternative.

Telework Still Not Widely Used

from Fedweek

Although Congress and the Office of Personnel Management have been pushing agencies to make greater use of telecommuting for their employees, only 5 percent of employees telework even part-time, according to a recent OPM report. That's up from 4.2 percent in 2001, however, and about two-thirds of the total eligible workforce has been offered the opportunity to telework. The greatest increase was among employees teleworking because of a medical or disabling condition, and teleworking is most common in pay grades GS-12 through -15, OPM said. Numerous past studies have identified resistance by managers as the primary barrier to more use of telecommuting.

OPM SAYS TELEWORK IS HERE TO STAY, RELEASES NEW GUIDE
from FedManager

Federal managers and supervisors who are reluctant to let their employees telework, or who are unsure of how to establish and maintain a telework program, are getting new guidance from the Office of Personnel Management. Entitled "Telework: A Management Priority – A Guide for Managers, Supervisors, and Telework Coordinators," the new guide is designed to give managers and supervisors the information they need to set up effective telework programs. The guide covers a variety of topics, such as determining employee and position suitability; monitoring and evaluating performance; drafting telework agreements; and balancing employee concerns so that non-teleworking employees don't feel unfairly burdened and teleworkers don't feel "out of the loop." OPM points out that the number of teleworkers in the federal government has doubled since 1998, but says that more needs to be done. "I'd like to say to federal managers, in case you haven't gotten the message, telework is here to stay... it's not just a perk or special privilege, it's an opportunity to increase employee morale and increase the attractiveness of working for the federal government," said OPM Director Kay Coles James.

Kelley Slams Tax Collection Privatization Proposal As Much More Costly And Risky For Taxpayers

From a NTEU press release

Washington, D.C.—With just a small investment of additional resources, the Internal Revenue Service can collect more than ten times as much in back taxes—more than $9 billion—and at less cost than the administration's proposal to privatize tax debt collection, the leader of the union representing IRS employees told congressional lawmakers today.

"Let me be very clear," said President Colleen M. Kelley of the National Treasury Employees Union (NTEU) in testimony to the House Ways and Means Oversight Committee. "NTEU strongly opposes hiring private tax collection agencies on a commission basis to collect taxes." She said it would cost taxpayers far less to have IRS employees perform the work—and would keep sensitive taxpayer data out of the hands of private companies.

The collection cost analysis cited by President Kelley was put together last September by former IRS Commissioner Charles O. Rossotti in a report to the IRS Oversight Board. It said that if Congress would appropriate an additional $296 million to allow the IRS to hire more compliance employees, the agency could collect $9.47 billion in known tax debts annually. That would be a $31 return for every dollar spent.

President Kelley contrasted that return to what she called the administration's "costly and risky scheme" to contract out to private companies the collection of tax debts in return for up to 25 percent of the funds collected. That proposal, she said, would cost some $3.25 billion to collect $13 billion—a return of only a net $3 for every dollar spent, barely one-tenth of what IRS employees could accomplish.

The Rossotti report also found that while the IRS workload increased by 16 percent over a decade, the number of full time agency employees dropped from some 115,000 to about 95,000—including a disproportionate 28 percent decline in compliance personnel.

The NTEU leader also took sharp issue with the administration’s proposal in light of the IRS’s recent history of contractor oversight failures. She cited a number of examples, including a private contractor deceiving the IRS about the qualifications of bomb-sniffing dogs hired to protect an IRS facility in California, and Mellon Bank losing or destroying some 78,000 taxpayer checks worth more than $1.2 billion.

President Kelley pointed to a 1996 tax collection pilot project, which resulted in contractor violations of the Fair Debt Collection Practices Act—hundreds of completed calls were placed to taxpayers outside of the time period specified by the law, including calling at 4 a.m.—along with significant failures to protect confidential and sensitive taxpayer information, she said. That pilot was so bad that it led to the cancellation of another collection pilot planned for the following year.

These and other documented examples of abuse and failure by private contractors underscore IRS’s continuing lack of effective contractor oversight, and the importance of Congress soundly rejecting the administration’s contracting out proposal, she said.

“Instead of rushing to privatize,” the NTEU leader said, “the IRS should make the necessary investments today in increased staffing, resources and better training so that the compliance gap can be closed without compromising taxpayer rights.”

“Tax collection has historically been defined as an inherently governmental function,” she said, “and private contractors have been prevented from bidding for this work.” She strongly urged Congress to continue that prohibition by rejecting the proposed legislation that would permit it.

NTEU: Senate Tax Bill Provision To Allow Tax Collection On Commission Is Unwise And Misguided

From a NTEU press release

Washington, D.C.—A provision to allow contracting to the private sector the collection of federal tax debts, included in the Senate tax cut bill, would be costly to taxpayers in several important ways, the president of the National Treasury Employees Union (NTEU) said today.

NTEU President Colleen M. Kelley urged Congress to defeat an administration attempt to allow private collection agencies to collect overdue taxes and to be paid up to 25 percent of the amounts they collect. The Senate Finance Committee is scheduled to mark up the tax bill containing the contracting out provision later today.

“Turning the inherently governmental function of tax collection over to private companies not only would cost more than having Internal Revenue Service employees perform the work,” President Kelley said, “it would make available to contractors private taxpayer information and it would subject taxpayers to the most aggressive collection techniques.”

The NTEU leader repeated her assertion that privatizing tax collections flies in the face of congressional intent expressed in passage of the 1998 IRS Restructuring and Reform Act (RRA). One key provision of that law was to prevent the IRS from evaluating its employees, including its managers, by using collection statistics.

"The administration proposal to contract out the collection of overdue taxes for a fee subverts the intent and goals of RRA," President Kelley said. "Contract employees know they will be evaluated on the amount of money they collect, and taxpayers will be subject to the worst practices of the collection industry."

The NTEU leader noted that Congress authorized a test of private tax collections in 1996, finding not only that it produced far less revenue than anticipated, but that it actually cost money since IRS employees both had to train the contractors and were pulled away from their collection duties to do so. It was so unsuccessful that a similar test project in 1997 was cancelled.

An internal audit of that pilot project found that contractors had placed hundreds of calls to taxpayers that were not in compliance with the Fair Debt Collection Act, including calling at 4 a.m.

"As the tax bill moves through Congress, there will be opportunities to eliminate this provision," President Kelley said, "and NTEU will work tirelessly to try to make that happen."

Around the Office

By Chapter 52 Alert! Editor

- It appears management is taking a hard line stance on taxpayer service. Here is a message from Jerald H. Heschel, Director of Field Assistance: "Subject: January-February TIGTA Report - Referral Procedures Not Being Followed Attached is the January-February TIGTA review. While they commend us on the improved tax law accuracy they point out (starting with the title) how we are not following our referral procedures regarding out of scope issues. You must ensure that all managers re-emphasize to employees the requirement to not answer out of scope questions and follow the referral procedures. As a follow-through on our discussion on Friday I have decided that both the Area Manager Shopping and the QA Shopping are to include out of scope issues effective immediately. Since this is a conduct issue (the same as improper referral to publication) managers are to document and initiate appropriate disciplinary action for violations." Assistors beware!
- Apparently there is a glitch in the search for new quarters for the San Antonio POD. The two sites under consideration have dropped out. The search area has been greatly increased and the request for bids was re-announced. It may not be until next year before the move is made. Nothing in the GSA moves quickly.
- The Revenue Officers, have received their new Compaq computers, which run a hybrid of Windows XP and ICS, a UNIX based system. Everyone seems to enjoy the versatility and ability to access cases and email from off site.
- The Austin Rundberg office is scheduled to start remodeling on June 6th. The construction will be in two phases and is scheduled to be completed by the end of the summer.

- Another follow up on the November 2002 and January 2003 ***Alert!***, articles ***Your Rights and the Field Trip Visitation***, regarding the management's contention they have a right to mandate that they ride in your automobile on field visitations. The grievance filed was finally settled at the third step. The Territory Managers have been instructed to advise the Group Managers that the employees are not required to haul the group managers around on field visitations. The employee may volunteer to allow the group manager ride with them if they wish. The employee should be advised of personal liability if an accident occurs, with manager in the car, while they are driving. The manager can follow or meet the employee at the taxpayer's place of business or residence.
- Chapter 52 will have its Annual Chapter Meeting in late August. Details will follow.
- The new Commissioner of the Internal Revenue Service is Mark W. Everson, former deputy director for management at the Office of Management and Budget (OMB). His job for the past two years at OMB was to devise the ways and means to contract out federal jobs to the private sector. See the October 2002 and November 2002 *Alerts!* for more information on Privatization and Contracting out federal jobs. These *Alerts!* and all newsletters for the past two years can be found on our web page, http://www.nteu52.org/ .
- If you have any news regarding your POD or an event, please fax your story to 210-706-5376 or mail to NTEU Chapter 52, Stop 1700SANW.

TOM'S HUMOR PAGE

Did you know that one little pair of cowboy boots probably sums up thousands of years of human nature?

A Texas teacher was helping one of her kindergarten students put on his cowboy boots. Even with her pulling and him pushing, the little boots still didn't want to go on. Finally, the second boot was on. The little boy then said, " They're on the wrong feet." Sure enough, they were. It wasn't any easier pulling the boots off than it was putting them on. She worked to get the boots back on – this time of the right feet. He then announced, "These aren't my boots!" Once again, she struggled to help him pull off the ill-fitting boots. With the boots off, he said, "There're my brother's boots. My Mom made me wears 'em." She wrestled the boots on his feet again. Helping him into his coat, she asked, "Now, where are your mittens?" He said, "I stuffed 'em in the toes of my boots."

Chapter 52 *Alert!,* all the news that is fit to be copied!

This **Chapter 52 *Alert!*** and all ***Alerts!*** since January 2001, can be found on our

Chapter Web Page at http://www.nteu52.org/

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Send comments and/or articles to 1700SANW or fax 210-706-5376, attention Alert! Mick Eskew