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FERS '2nd Chance' Dead In Water

An informal survey of agency personnel officials finds that few federal employees seem to be taking advantage of the "second chance" to transfer from the government's old pension system, the Civil Service Retirement System (CSRS), to the new plan, the Federal Employees Retirement System (FERS).

"I've had two employees call about it in the past week and that is all," said a personnelist at the Department of Health and Human Services. "Very few employees seem to know or care about having a second chance to get into the FERS system."

The situation at HHS seemed to typify that at most agencies, although several officials elsewhere said they had received numerous inquiries. There is not yet a systematic effort by government personnel officials to make employees fully aware of the second opportunity to join FERS, say several contacted by UP•DATE.

Due to a loophole in the original law establishing the FERS system, the second chance came about earlier this year when officials discovered that employees could still switch from CSRS as late as June 30.

Due to congressional dawdling on several key issues involved with FERS and Social Security, most employees held back on deciding whether to switch until the last moment. That delay was then compounded by the fact that many employees who might have switched did not know that Congress had finally acted with only a few days left before the deadline.

But, according to UP•DATE's survey — an admittedly informal telephone exercise — the interest in FERS among the nearly 1.5 million employees who could still switch to the new system by June 30 is virtually nil.

Despite predictions by government pension experts last year that up to 40% of eligible employees would switch to FERS, fewer than 2% actually did so during the official Open Season.

All employees hired after Jan. 1, 1984, are automatically covered by FERS. Employees hired before that date may switch; stay in CSRS but open a Thrift Savings Plan under FERS; or simply remain in the old system.

Generally speaking, employees with many years of CSRS participation and with high grade levels can expect to do better by staying put, according to pension analysts.

Due to the portability of FERS benefits,

employees with fewer than 10 years of service, however, are likely to do better under the new pension plan, especially if they do not expect to make a career in government, or anticipate moving back and forth between government and the private sector.

Most of the personnelists contacted last week said they were still awaiting instructions from the Office of Personnel Management (OPM) on how to process the new applications.

The lack of response to the latest FERS switch opportunity probably dooms any chance of passage of legislation now pending in Congress to officially set up a second FERS Open Season.

"With an election coming in a few months, most Members are thinking about getting themselves set in their campaigns right now and, without a clear mandate from the workforce to try another Open Season, you just can't expect anything to happen on it," said a key congressional aide.

Virginia Republican Rep. Stan Parris had introduced the legislation earlier this year, but nothing has been done on it in the House Post Office and Civil Service Committee.

The low-ball response to the FERS second chance may also be complicated by the difficulties OPM has been having in processing retirement applications. Officials in the personnel agency's compensation division say too many retirement applications are being delayed by the departing employee's agency.

OPM director Constance Horner recently issued a memorandum to agency heads asking them to take steps to process retirement applications more quickly. Many employees who leave the government are having to wait as long as three months before receiving their first annuity check, Horner said in the memo.

Equal Raise Issue Unresolved

No word yet as this issue goes to press on whether Senate and House budget conferees have accepted a proposal for a 4% 1989 pay raise for both civilian and military government employees.

As we reported last week, the proposal has drawn significant support among the conferees. But adoption of the equal pay raise figure would require that the Senate back off its insistence on a 4.3% military raise.

Both the Senate and the House would have to

(Please Turn To Page 2)