

SECTION 32—PERSONNEL COMPENSATION, BENEFITS, AND RELATED COSTS

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Summary of Changes

Updates guidance on estimating the budget year pay raise costs (section [32.1](#)).

Updates FERS retirement costs (section [32.3](#)).

32.1 How should I estimate personnel compensation in my budget request?

Personnel compensation

(a) *Pay scales.* Agencies should use 1.7 percent as their provisional estimate of the pay raise for January 2014. However, in making their final estimates for the 2014 Budget, agencies should anticipate revising pay raise amounts after the President makes a pay raise decision.

This assumed pay raise will apply to the statutory pay systems (General Schedule, Foreign Service, and Veterans Health Administration), the Executive Schedule, the Senior Executive Service (SES), and wage grade employees. The pay raises encompass both the national schedule adjustment and locality pay without assumption as to how the total increase will be distributed between the two. Use pay scales that reflect the most recent locality pay rates in preparing your estimates. You should be prepared to provide supporting detail on calculating pay costs, including separate identification of the pre-pay raise wage base reflected in the submission. For compensation costs, you must explicitly justify any increases in average compensation for the budget year, other than those due to changes in pay scales.

(b) *Hourly rates.* For all employees (as defined in [5 U.S.C. 5504\(b\)](#)), use hourly rates of compensation determined by dividing the annual rate of basic pay by 2,087, in accordance with section 15203(a) of the Consolidated Omnibus Budget Reconciliation Act of 1985 (Public Law 99-272).

(c) *Within-grade increases.* Additional resources for within-grade increases are normally not allowed. Offset the net cost, if any, of within-grade salary increases (i.e., costs after turnover, downgrades, and other grade or step reducing events are taken into account) by savings due to greater productivity and efficiency.

(d) *Vacancies.* For vacancies expected to be filled in the budget year, use the entrance salary for the vacancies involved.

(e) *Savings in personnel compensation.* Give full consideration to savings in personnel compensation due to personnel reductions, delay in filling vacant positions, leave without pay, lag in recruitment for

new positions, filling vacancies at lower rates of pay, part-time employment, and grade reduction actions. Identify terminal leave payments, including those for SES, as offsets against such savings.

(f) *Positions above grade GS/GM-15.* Reflect these positions, including SES, only to the extent that positions have been authorized in those grades by OPM or other authority, or are specifically authorized in substantive law.

(g) *Awards.* Estimates should include amounts for all cash incentive awards. Upon request by OMB, be prepared to provide detailed information on your cash incentive awards program, including a narrative explanation of the basis on which your agency distributes awards and how that relates to its overall performance management program. Instructions for annual reporting of Senior Executive awards and pay adjustments are issued separately but be prepared to explain budget estimates upon request.

(h) *Executive selection and development programs.* Include in your estimates provisions for reasonable amounts for such programs, as required under Title IV of the Civil Service Reform Act of 1978 and by implementing guidelines issued by the Office of Personnel Management.

(i) *Premium pay and overtime.* Fully justify increases over amounts for the preceding year for premium pay. In preparing estimates for overtime, you should analyze the use of overtime to ensure that it is used in a prudent and efficient manner; explore all reasonable alternatives to overtime (such as improved scheduling); and ensure that adequate approval, monitoring, and audit procedures are in place to avoid overtime abuses.

(j) *Special rates for experts and consultants.* Reflect these positions and rates only to the extent that they are authorized per 5 U.S.C. 3109.

(k) *Severance pay.* Estimate severance pay at the amount needed for the fiscal year. However, obligations will be incurred on a pay-period by pay-period basis, notwithstanding the fact that a liability arises at the time of an employee's separation. Your estimates must include changes in severance pay and personnel compensation that would occur upon any reduction in force.

(l) *Physicians comparability allowance.* Reflect in your estimates approved plans to pay physician comparability allowance under 5 U.S.C. 5948. Instructions for reporting on the physicians' comparability allowance program are issued separately.

(m) *Bonuses and allowances.* Reflect in your estimates approved agency plans for paying recruitment and relocation bonuses and retention allowances. You should be prepared to supply information on planned and actual expenditures upon request by OMB.

(n) *Retirement costs.* Reflect in your estimates the cost effects of changes in the distribution of employees between the Civil Service Retirement System (CSRS) and the Federal Employees' Retirement System (FERS).

32.2 How do I treat agency benefit payments under the Federal Employees' Compensation Act?

For accounts subject to appropriations action, include in your budget year estimates the amount billed by the Office of Workers' Compensation Programs of the Department of Labor for benefits paid on behalf of employees of your agency in the past year under the Federal Employees' Compensation Act.

For accounts not subject to appropriations action, you must pay the bill in the current year.

32.3 How do I budget for Federal employee retirement costs?

Agency contributions to the large retirement receipt accounts, including those managed by the Departments of Defense, State, Treasury, the Social Security Administration, and the Office of Personnel

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Management, should reflect the effects of: 1) Changes to the agency contribution rates for employee retirement and of civilian and military pay raises using the pay raise assumptions specified for these accounts in the Mid-Session Review; and 2) Increased employee Federal Employees Retirement System (FERS) Revised Annuity Employee (RAE) contributions for employees hired after December 30, 2012 with less than five years of prior creditable service, and reduced employer contributions for such employees, under the Middle Class Tax Relief and Job Creation Act of 2012.

You may need to adjust your estimates when final pay assumptions for the budget are released. This applies to:

- Governmental receipt accounts containing Federal employee contributions to Federal employee retirement;
- Offsetting receipt accounts (employer share, employee retirement) containing employing agency contributions to Federal employee retirement and Federal agency share of Social Security and Medicare payroll taxes; and
- General fund contributions to Federal employee retirement.

The Middle Class Tax Relief and Job Creation Act of 2012 increased employee, and reduced employer contributions for RAE employees. These modifications impact some of the contribution levels last adjusted by the Board of Actuaries of the Civil Service Retirement System (CSRS) and the FERS on effective October 1, 2011, consistent with the following tables.

The Normal Cost is an actuarially determined percentage which represents the amount that must be saved each pay period over an employee’s entire working career to fully finance, with interest, the cost of the employee’s retirement. The percentage for employing agency and employee contributions in the CSRS is set in law (at 7% each for most employees) and has not changed.

Retirement Groups	FERS Non-RAE Employees			FERS RAE Employees		
	Normal Cost	Employee Contribution	Employing Agency Contribution	Normal Cost	Employee Contribution	Employing Agency Contribution
Regular	12.7%	0.8%	11.9%	12.7%	3.1%	9.6%
Law Enforcement	27.6%	1.3%	26.3%	27.6%	3.6%	24.0%
Air Traffic Controller	27.3%	1.3%	26.0%	27.3%	3.6%	23.7%
Military Reserve Technicians	15.7%	0.8%	14.9%	15.7%	3.1%	12.6%
CIA Special Overseas *	18.0%	1.3%	16.7%	18.0%	3.6%	14.4%
Members of Congress**	19.6%	1.3%	18.3%	19.6%	3.1%	16.5%
Congressional Staff**	18.0%	1.3%	16.7%	18.0%	3.1%	14.9%

* Employees under section 303 of the CIA Act of 1964 for certain employees (when serving abroad).

** For information only.

32.4 How do I budget for unemployment compensation?

In general, you should not budget for the costs of unemployment compensation for former Federal civilian and military personnel. The congressional intent is that such unemployment compensation be paid from appropriations available to the employing agencies. The liable agencies must absorb these reimbursements when they are required to be paid.

If you do not employ large numbers of temporary employees or other personnel expected to lead to significant unemployment compensation claims, your estimates for the current and budget year will not contain any special provisions for the costs of reimbursing the unemployment trust fund for such payments.

If you employ large numbers of temporary employees to meet part-year workload, you may request approval from OMB to budget for unemployment compensation costs for your temporary employees. OMB will consider such requests if you can demonstrate that you have a sound administrative control system for unemployment compensation claims.

32.5 How do I budget for Uniformed Services health care?

- *For Uniformed Services post-retirement medical care.* Post-retirement medical care for "Medicare-eligible" retirees and their dependents/survivors was funded on an accrual basis beginning in FY 2003. Budget estimates must assume inclusion of all Medicare-eligible retirees and families. Agencies must calculate the following estimates for their budget submission:
 - ▶ Accrual contribution to the Department of Defense Medicare-Eligible Retiree Health Care Fund (see below).
 - ▶ Estimate of the health care dollars to be expended for all retirees.
- *Accrual contribution to the Department of Defense Medicare-Eligible Retiree Health Care Fund.* To develop appropriate annual accrual contribution estimates, agencies must use the per-capita rates set by the Department of Defense Medicare-Eligible Retiree Health Care Board of Actuaries. Every summer, the Board sends a letter to the agencies promulgating the annual per-capita rates. Agencies must multiply these rates by the estimated average number of current uniformed service personnel. The resulting calculation is the accrual contribution, which should be budgeted in the agency's personnel account.
- *Estimate of the health care dollars to be expended for all retirees.* Agencies must estimate expenditures for retiree health care. (Separate estimates must be provided for Medicare-eligible retirees and non-Medicare-eligible retirees). The Medicare-eligible estimates are needed to develop the Trust Fund outlays for uniformed service health care and the non-Medicare eligible estimates to be included in agency budgets. To prevent double counting Medicare-eligibles, each agency must ensure that their health care account request does not include any amount for Medicare-eligible retiree health care other than the accrual contribution amounts.

32.6 Are there other places in A–11 where I can find related guidance?

Yes. Please see the table below for additional guidance on Federal employment.

Other Federal employment guidance and A–11 links	Section
When do I record obligations for Federal employment?	20.5(b)

Other Federal employment guidance and A–11 links	Section
How is civilian and military pay coded in my baseline (schedule S)?	81.2
What object class codes are used for employee compensation in the baseline?	83.7
What object classes are used to designate relocation expenses?	83.8
How are FTEs computed?	85.5
How do I complete the employment summary (MAX schedule Q)?	85.6
What employment plans should my agency make prior to a funding hiatus?	124.2
Should my agency furlough employees during a hiatus in appropriations?	124.3

