United States Office of Personnel Management

FAX TRANSMITTAL SHEET

Date: 12/13	
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OFFICE OF THE DIRECTOR
1900 E STREET, NW., ROOM 5H09
WASHINGTON, DC 20415-0001

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From:

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Remarks

Here's the more detailed break-out of Cost Figures I mentioned to you over the phone

We're still working on some other options

OPM Form 1615(WP)

May 1994

Temporary Employees

	2000	2001	2002	2003	2004	2005	Total
FEHB							
Assumed annual govt share premiums	3,518.64	3,798.96	4,079.04	4,381.32	4,700.16	5,041.68	
Temps gaining coverage	102,600	102,600	102,600	102,600	102,600	102,600	
Participation rate	85.00%	85.00%	85.00%	85.00%	85.00%	85.00%	
Discretionary Costs*	76,715,149	331,307,302	355,733,078	382,094,917	409,900,954	439,684,913	1,995,436,312
Effect on govt payment (1% per yr)	0	3,897,733	8,370,190	13,485,703	19,289,457	25,863,818	70,906,901
Mandatory Costs*	0	3,897,733	8,370,190	13,485,703	19,289,457	25,863,818	70,906,901
FEGLI							
Assumed annual govt share premiums	86.86	90.07	93.40	96.39	99.47	102.66	
Assumed annual empl share premiums	284.11	294.62	305.53	315.30	325.39	335.80	
Temps gaining coverage	102,600	102,600	102,600	102,600	102,600	102,600	
Participation rate	90.00%	90.00%	90.00%	90.00%	90.00%	90.00%	
Discretionary Costs*	2,005,051	8,316,951	8,624,678	8,900,668	9,185,489	9,479,425	46,512,262
Gain to Fund of govt share	(2,005,051)	(8,316,951)	(8,624,678)	(8,900,668)	(9,185,489)	(9,479,425)	(46,512,262)
Gain to Fund of empl share	(6,558,721)	(27,205,576)	(28,212,182)	(29,114,972)	(30,046,651)	(31,008,144)	(152,146,248)
Payment of claims	6,467,772	26,698,962	26,698,962	26,698,962	26,698,962	26,698,962	139,962,583
Mandatory Costs*	(2,096,000)	(8,823,565)	(10,137,898)	(11,316,678)	(12,533,178)	(13,788,607)	(58,695,927)
CSRDF							
Assumed annual govt share contribs	4,042	4,192	4,347	4,486	4,629	4,777	
Assumed annual empl share contribs	302	313	325	335	346	357	
Temps gaining coverage	102,600	102,600	102,600	102,600	102,600	102,600	
Discretionary costs*	103,679,037	430,060,645	445,972,889	460,244,021	474,971,830	490,170,928	2,405,099,349
Gain to Fund of govt share	(103,679,037)	(430,060,645)	(445,972,889)	(460,244,021)	(474,971,830)	(490,170,928)	(2,405,099,349)
Gain to Fund of empl share	(7,751,704)	(8,038,517)	(8,335,942)	(8,602,692)	(8,877,978)	(9,162,073)	(50,768,906)
Payment of annuities (1% per yr)	0	8,577,278	17,154,556	25,731,834	34,309,112	42,886,390	128,659,169
Mandatory Costs*	(111,430,741)	(429,521,884)	(437,154,275)	(443,114,879)	(449,540,696)	(456,446,612)	(2,327,209,086)
Annual TSP Contribution (4%)	1,511.05	1,566.96	1,624.94	1,685.06	1,747.41	1,812.06	
Temps gaining coverage	102,600	102,600	102,600	102,600	102,600	102,600	
Discretionary costs*	155,034,074	160,770,334	166,718,837	172,887,434	179,284,269	185,917,787	1,020,612,735
TOTAL, Discretionary costs*	337,433,310	930,455,232	977,049,482	1,024,127,040	1,073,342,541	1,125,253,053	5,467,660,658
TOTAL, Mandatory costs*	(113,526,741)	(434,447,715)	(438,921,983)	(440,945,854)	(442,784,418)	(444,371,401)	(2,314,998,112)
TOTAL COSTS*	223,906,569	496,007,516	538,127,499	583,181,186	630,558,124	680,881,652	3,152,662,546

* Assumes enactment on July 31, 2000

Enroll upon employment

Budget data request

• Agencies accomplished downsizing w/ relief from benefits to contractors

DRAFT I

fantastic

FEDERAL TEMPS

Temporary workers are used in the federal workforce and in the private sector to fill the needs of special, shorter-duration projects or to cut costs, since they usually do not receive benefits. There are a number of categories of temps that are employed by the Federal government, and each category has different access to benefits.

- Temporary Appointment: These employees are giving employed by the government access to benefits for a year, during which time they receive no benefits. If the contract for the temporary appointment is extended, ~~this~~ an employee may receive access to health benefits, but must pay both shares (employee and employer). OPM is interested in ~~letting~~ these employees ~~get in~~ paying only one share. ~~This~~ These employees are receive no access to pension benefits.
- Term Appointment: The term appointment is an appointment for up-to four years. These employees receive access to full benefits: health benefits, retirement benefits and life insurance.
- Contractor with Temporary Service Firm: The government does not provide benefits to contractors with temporary service firm (presumably, these employee should receive benefits from the temporary service firm).
- Straight Contractor: The government does not provide benefits to straight contractors (presumably, this person is self-employed).
- Part-Time Permanent Employee: This employee receives health and retirement benefits and life insurance on a pro-rated basis.

I. Extension of Benefits to Temporary Appointments

The Office of Personnel Management (OPM) analyzed the cost of providing benefits to temporary appointments and providing full, not only pro-rated, benefits to part-time workers.

As the chart below indicates, the cost of extending full benefits to the over 100,000 temporary appointments who work for the federal government would be about $930 million in FY02.

However, OPM is considering variables that could reduce cost and at the same time increase coverage. Some options include extending only health benefits to temporary appointments (which would cost approximately $330 million), or extending the opportunity to enroll in health insurance for the first year of employment, however requiring the temp to pay both the employee and employer share during that first year.

With regard to retirement benefits, OPM has been considering different scenarios that would most benefit temporary workers (since retirement benefits are most useful after considerable vesting, it is important to consider what would make the most sense for temporary workers).

OMB staff has ~~warned that~~ it if we are asking the ~~agencies~~ to absorb the cost of this program, we are likely to experience resistance to it because of the magnitude of the cost and because it is relatively late (after passback). They have suggested that we ~~would get~~ more support if we found money for the program.

Estimated FY 2001 Costs for Immediate Coverage of Temporary Employees
Source: OPM-and OWI
Note: These numbers only reflect costs to agencies and do not consider effects on mandatory accounts

Benefit	Average Govt. Cost per Employee	Participation Rate	Cost (in millions)
FEHBP	$3,798.96	85.00%	$331.31
FEGLI	$90.07	90.00%	$8.32
FERS	$4,191.62	100.00%	$430.06
TSP	$1,566.96	100.00%	$160.77
TOTAL			$930.46

-Assumes 102,600 temporary employees, based FY 1998 average on-board by quarter
-Assumptions based on FY 1998 salaries increased according to OMB economic assumptions
-FEHBP average cost assumes payment of full government contribution for part-time temporaries

II. Extension of Full Benefits to Part-Time Employees

Currently, part-time employees receive pro-rated health benefits. In the chart below, OPM calculated that extending full health benefits to the almost 50,000 part-time employees would cost over $178 million (in $ FY 01) (this does not include part-time temporary employees who are analyzed in the previous chart).

Estimated FY 2001 Cost for Expanding the Full
FEHB Government Contribution to all Part-Time Employees
Source: OPM- RIS and OWI
Note: These numbers only reflect costs to agencies and do not consider effects on mandatory accounts

FEHBP	Average Govt. Cost Per Employee	Participation Rate	Cost (in millions)
Current Costs	$2,469.32	85.00%	$122.39
Increased Costs	$1,329.64	85.00%	$56.02
Total Costs	$3,798.96	85.00%	$178.40

-Assumes 49,563 part-time employees who currently have access to FEHBP benefits (includes 39,752 part-time permanent and 9,811 part-time term and other nonpermanent employees).
-Does not include part-time temporary employees, who are included in the proposal to extend benefits to temporary employees.
-Assumes average tour of duty of 26 hours, based on comprising 4% of workforce, but contributing only 2.6% of work years.

III. Contracting with Progressive Companies

Providing federal benefits to independent contractors and to contractors with temporary service firms presents a number of challenges. Because each agency is independently responsible for its contractors, there is currently no compilation of these numbers, so we do not, at this point, have a sense of how large this population is. However, given the cost of covering temporary appointments (listed above), we can assume that covering contractors would be would be expensive. An additional challenge is that this policy would create a disincentive for private contracting companies to provide reasonable benefits to their employees, and force the federal government to subsidize the cost of benefits for companies that do not provide such coverage. We should consider developing a policy that encourages the federal government to contract with temporary and other contracting firms that provide reasonably priced benefits to their employees (often, temp companies provide access to coverage, but it is generally prohibitively expensive for the average temp).

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Remarks

Preliminary Cost Figures For expanding Benefits to temporary + pt Federal employees

OPM Form 1615(WP)

May 1994

Estimated FY 2001 Costs for Immediate Coverage of Temporary Employees

Source: OPM- RIS and OWI

Note: These numbers only reflect costs to agencies and do not consider effects on mandatory accounts

Benefit		Average Govt. Cost per Employee	Participation Rate	Cost to the Gov (in millions)
FEHBP	Health	$3,798.96	85.00%	$331.31
FEGLI	Life	$90.07	90.00%	$8.32
FERS	Retirement	$4,191.62	100.00%	$430.06
TSP	401 K	$1,566.96	100.00%	$160.77
TOTAL				$930.46

- Assumes 102,600 temporary employees, based FY 1998 average on-board by quarter
- Assumptions based on FY 1998 salaries increased according to OMB economic assumptions
- FEHBP average cost assumes payment of full government contribution for part-time temporaries

wh scheds for a yr or less that
can be renewed
temporary appointments

Ways to ↓ cost. First-yr let employees pick up health bens
immediately
Not covering for retirement

Estimated FY 2001 Cost for Expanding the Full FEHB Government Contribution to all Part-Time Employees

Source: OPM- RIS and OWI

Note: These numbers only reflect costs to agencies and do not consider effects on mandatory accounts

- spouse does insurance

FEHBP	Average Govt. Cost per Employee	Participation Rate	Cost (in millions)
Current Costs	$2,469.32	85.00%	$122.39
Increased Costs	$1,329.64	85.00%	$56.02
Total Costs	$3,798.96	85.00%	$178.40

- Assumes 49,563 part-time employees who currently have access to FEHBP benefits (includes 39,752 part-time permanent and 9,811 part-time term and other nonpermanent employees).
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- Assumes average tour of duty of 26 hours, based on comprising 4% of workforce, but contributing only 2.6% of workyears.

Part time have pro-rated on hours HI only

Full gov contribution

Terms Retirement + Life : bens N prorated, calculated on salary. Automatic

If they get ret- coverage under FERS

Part-Time Employees

FEHB	2000	2001	2002	2003	2004	2005	Total
Part-timers gaining govt contr	49,563	49,563	49,563	49,563	49,563	49,563	
Assumed Hours worked	26	26	26	26	26	26	
Assumed annual govt share premiums	3,518.64	3,798.96	4,079.04	4,381.32	4,700.16	5,041.68	
Assumed annual increased contr	1,231.52	1,329.64	1,427.66	1,533.46	1,645.06	1,764.59	
Participation Rate	85.00%	85.00%	85.00%	85.00%	85.00%	85.00%	
Discretionary Costs*	12,970,580	56,015,637	60,145,414	64,602,531	69,303,824	74,339,534	337,377,519

* Assumes enactment on July 31, 2000

Permanent part-time employees are already fully covered under CSRS, FERS, and FEGLI.

FEGLI coverage is based on actual salary earned, therefore employees are receiving the full government contribution for the amount of life insurance for which they are eligible.

Regardless of the number of hours in each employee's tour of duty, the part-time permanent employee earns full-time credit for **title** to an annuity and eligibility to retain FEGLI as a retiree. For example, an employee who works 20 hours per week for 30 years is considered to have worked 30 full years at 40 hours per week for the purpose of qualifying for an immediate annuity and for the five-year participation requirement to continue FEGLI. For **annuity computation** purposes, the same employee is treated as having earned the full-time salary of the position in the computation of the employee's high-3 average salary. An adjustment for the part-time schedule is made in the computation of the annuity by prorating the time actually worked compared to a fulltime schedule. In the example cited above, the part-time employee would draw a benefit equal to 50% of the benefit earned by an employee who actually worked fulltime for 30 years.

– Put incentives in a contract