

September 1987

FEDERAL WORKFORCE

INITIATION OF EMPLOYER BENEFITS



United States
General Accounting Office
Washington, D.C. 20548

General Government Division

B-228720

September 3, 1987

The Honorable Vic Fazio
House of Representatives

The Honorable Alan Wheat
House of Representatives

The Honorable Steny Hoyer
House of Representatives

This fact sheet responds to your June 17, 1986, request that we examine how well federal agencies meet their employees' need for information on the various benefit programs in the federal compensation package. In subsequent discussions with your offices, we agreed to concentrate our work on the personalized employee benefits statements that some federal employees receive and the accessibility of benefits information to agency personnel specialists for responding to employee questions.

The federal government provides a wide range of benefits to its employees at a substantial cost. We estimated the government's share of benefits cost to be about \$29 billion in fiscal year 1986. Because of the increasing number of options in the health and life insurance and retirement programs offered by the government, employees are often confronted with complex and difficult choices about program participation. Employees who are unfamiliar with the benefit programs and/or cannot get timely answers to their questions may find it difficult to make informed decisions.

Some federal and private employers use annual personalized benefits statements to make their employees more aware of their fringe benefits. The statements typically explain the benefits program and show employees the value of the benefits to them. The statements also usually show how much the benefits cost the employer and employee. Our survey of 23 federal agencies identified four large and six small agencies which provided personalized benefits statements to their employees.

Information on employee benefits is throughout the Federal Personnel Manual supplements, and title 5 of the Code of Federal Regulations (CFR). Some personnel officials said having to spend a great deal of effort to respond to employee questions. Further, said the FPM has not been kept up to date on the recommendation of a working group of representatives from departments and agencies, OPM is considering a new benefits handbook to make it easier for employees to get answers to employee questions about those benefits.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our objectives were to obtain information on federal agencies' efforts to provide personalized benefits statements to their employees and to provide access to existing benefits information to personnel specialists. Our work was completed in August 1987 in accordance with general government auditing standards.

To determine the status of federal agencies' efforts to provide employees with personalized benefits statements, we conducted a telephone survey of the agencies which employ about 94 percent of the civilian workforce. An example of a personalized benefits statement is shown in the appendix. To determine the accessibility of benefits information to personnel specialists, we interviewed personnel specialists and reviewed the FPM, CFR, and public laws relating to benefits. In connection with both objectives, we interviewed officials at OPM who are responsible for administering the benefits programs, officials at the President's Council on Management Policy, and officials studying employee benefits information in three of the agencies which provide personalized benefits statements to their employees.

PERSONALIZED BENEFITS STATEMENTS

Personalized benefits statements are provided by private sector employers as well as some government employers to inform employees about their fringe benefits and associated costs. Officials at two private sector firms said that it is a common practice for private sector employers to provide benefits statements to their employees. We found that some federal

believe that benefits statements are a useful way of communicating benefits information and are valuable to their employees. For example, the cover on the statements provided by the Department of Agriculture says:

"As an employee of the federal government, you should be aware of your benefits and how they impact on you and your family. All too often we consider only our paychecks, giving little thought to the increasing value of our fringe benefits."

Our survey of 23 federal agencies and departments identified four organizations--the Departments of Agriculture, the Interior, and Commerce, and the Environmental Protection Agency--which annually provide their employees with personalized benefits statements. A National Aeronautics and Space Administration (NASA) official said that NASA plans to provide such statements in the near future. The Department of Agriculture, through its National Finance Center, also prepares benefits statements for six other agencies for whom it processes payrolls--Merit Systems Protection Board, the Federal Mine Safety and Health Review Commission, ACTION, the Federal Deposit Insurance Corporation, the Appalachian Regional Commission, and the National Endowment for the Arts.

EMPLOYEE BENEFITS INFORMATION

We found that information on employee benefits is scattered throughout thousands of pages of the FPM and its supplements and title 5 of the CFR. Some personnel officials have complained that having this information dispersed so widely often causes them to spend a great deal of effort to respond to employee questions. For example, a NASA personnel official citing employee divorce cases said that many questions need to be researched and answered regarding insurance coverage of children. The NASA official said that information is not in one place and it is difficult to determine whether or not the information is complete and up-to-date. Furthermore, according to an OPM official, the FPM has not been kept up to date. He said bulletins and letters have been issued by OPM on benefit changes but many of these changes have not been incorporated into the FPM. This has the effect of expanding the materials that must be researched to answer employee questions.

The President's Council on Management Improvement established a working group representing 17 major departments and agencies, principally at the Director of Personnel level, to develop governmentwide recommendations for increasing productivity in federal personnel administration. The Council's March 1987 report to the Director of OPM concludes that agency staff spend an inordinate amount of time researching regulatory and FPM guidance in order to provide needed assistance to employees. The Council recommended that OPM develop a benefits handbook for agencies to use as a primary reference source in advising employees on their benefits.

The Council believed that making a benefits handbook available to agencies' personnel offices would

- improve personnel advisory support to managers and employees,
- reduce agency staff time in researching and developing answers to employee questions,
- reduce employee frustration in trying to obtain current information, and
- reduce paperwork by eliminating preparation of redundant explanatory materials of uneven quality in hundreds of agency personnel offices.

As requested by your offices, we did not obtain agency comments; however, we discussed this fact sheet with an OPM official who said that OPM is committed to developing a benefits handbook. He said it would start by using the retirement information developed during the implementation of the new federal employee retirement system, but no milestones have been established for when the handbook will be available. He also said that OPM has not adopted a position on whether personalized employee benefits statements are needed, but it does not object to their use if agencies find them to be worthwhile.

As arranged with your offices, copies of this fact sheet are being sent to the Secretaries of Agriculture and the Interior; the Administrator of the Environmental Protection Agency; the Director, Office of Personnel Management; the Chairperson, President's Council on Management Improvement;

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and other interested parties upon request. If you have any questions, please contact me on (202) 275-6204.

Rosslyn S. Kleeman
Rosslyn S. Kleeman
Senior Associate Director

EXAMPLE OF EMPLOYEE BENEFITS STATEMENT

**YOUR PERSONAL
STATEMENT OF BENEFITS**

PREPARED AS OF JANUARY 3, 1987

Social security number

Birth date

Service computation date

Retirement system contributions:
from the USDA/NFC Payroll
Personnel System to the end
of Pay Period 25

Agency/employing office

TO USDA EMPLOYEES

THE OFFICE OF PERSONNEL AND THE NATIONAL FINANCE CENTER ARE PLEASED TO ISSUE THIS PERSONAL STATEMENT OF BENEFITS TO YOU. AS AN EMPLOYEE OF THE FEDERAL GOVERNMENT, YOU SHOULD BE AWARE OF YOUR BENEFITS AND HOW THEY IMPACT YOU AND YOUR FAMILY. ALL TOO OFTEN WE CONSIDER ONLY OUR PAYCHECKS, GIVING LITTLE THOUGHT TO THE INCREASING VALUE OF OUR FRINGE BENEFITS.

THIS STATEMENT IS PREPARED ANNUALLY FOR ALL PERMANENT EMPLOYEES. PLEASE REVIEW IT CAREFULLY AND RETAIN IT FOR YOUR FUTURE REFERENCE.

YOUR TOTAL COMPENSATION FOR 1986

Your salary for the year was **\$52,880**
 This amount is based on your 01/03/87 salary rate not counting overtime or increases in pay, but including pay for holidays, annual leave, and sick leave.

The value of your benefits during 1986 was approximately **\$4,433** representing the Government's estimated contribution toward the cost of providing the benefits shown for you in this report. This was in addition to your estimated contributions of **\$4,301**

If you become eligible for a retirement annuity the total value of your benefits would be substantially greater.

Your estimated total compensation for 1986 was **\$56,883**
 As your salary increases in the future, many of your benefits, and their value, will likewise increase.

WHEN THERE ARE MEDICAL EXPENSES

You are covered by:

PLAN: GEHA

CODE: 311

Your cost per pay period in 1987 is **\$12.14**

Benefits are described as follows:

MEDICAL-SURGICAL PRIMARY CARE

YOU PAY: • CY Ded **\$200**
 • Catastrophic Limit (max. covered out of pocket) person/family **\$2,000/\$2,000**
 • Other **CI**

PLAN PAYS: Inpatient Care Hospital Charges

• Room & Board **100%**
 • Other Hospital Expenses **80%**

Inpatient Care Physicians Charges

• Surgeons (C & R) **80%**
 • Other Drs (C & R) **80%**

Outpatient Care

• Surgeons (C & R) **85%**
 • Other Drs (C & R) **85%**
 • Diagnostic Test (C & R) **85%**

MENTAL HEALTH SERVICES

YOU PAY - Catastrophic Limit **\$8,000**

PLAN PAYS - Lifetime Maximum **\$50,000**

OTHER BENEFIT FEATURES

• ECF and/or HMC **HMC**
 • Dental Care **YES**
 • RX Drugs **YES**

OTHER BENEFIT FEATURES (Cont'd)

• Chiropractor **YES**
 • Hospice Care
 • Vision Care
 • Substance Abuse Care **YES**

OTHER CHARGES YOU PAY

• Inpatient Services
 • Outpatient Services

ABBREVIATIONS

CI - Coinsurance	GPP - Group Practice Plan
CP - Copayment	HMC - Home Health Care
C&R - Customary and Reasonable	IP - Inpatient
CY - Calendar Year	IPP - Individual Practice Plan
DED - Deductible	NA - Not Applicable
ECF - Extended Care Facility	SA - Scheduled Allowance
	MMP - Mixed Model Plan

FOOTNOTES

A - To dollar and/or day limit, then less (See brochure)
 B - Pre-admission approval/precertification required
 C - With second opinion
 D - Per person
 E - Subject to conditions specified in brochure
 F - Also applies to outpatient care
 G - For most conditions
 H - Hospital care
 I - Surgery
 J - Doctors visits
 K - Diagnostic tests
 L - Detoxification only

• Plans are open ONLY to specific groups

IN CASE OF DISABILITY

INCOME BENEFITS

SICK LEAVE

If you are unable to work because of illness or injury, your full pay continues for the period of your accumulated sick leave. Your accumulated hours of sick leave as of 01/03/87 was **991.00**. You may use annual leave in place of or as an extension of sick leave for an off-the-job disability.

RETIREMENT SYSTEM

If you have five or more years of civilian service and become totally disabled, you could receive a monthly disability pension of about **\$1,853** starting when you separate from service or your pay status terminates, and continuing as long as you remain disabled and can't work, even for life.

FEDERAL EMPLOYEES' COMPENSATION ACT (FECA)

If total disability results from an on-the-job injury, you can receive full pay for up to 45 calendar days. Thereafter, if you remain disabled and can't work, income is payable monthly as follows:

• For you only **\$2,919**
 • For you and your eligible dependents **\$3,284**

Benefits start within 14 days and continue as long as you can't work, or for life in case of total and permanent disability.

If you qualify for both retirement system and FECA benefits, you may choose the more advantageous.

OTHER BENEFITS

ACCIDENTAL DISMEMBERMENT INSURANCE

Payable for accidental loss of limbs or total eyesight **\$55,000**

Half that amount is payable for loss of one limb or eye.

HEALTH BENEFITS PROGRAM

If eligible, you may continue coverage for yourself and your eligible family members.

If you qualify for retirement system or FECA benefits:

- Regular life insurance (but not accidental death and dismemberment coverage) continues at no cost to you.
- Optional life insurance (but not accidental death and dismemberment coverage) may be continued if you are eligible.

IN CASE OF DEATH BEFORE RETIREMENT

LUMP SUM BENEFITS

REGULAR LIFE INSURANCE

Payable at death from any cause **\$55,000**

OPTIONAL LIFE INSURANCE

Payable at death from any cause:

- Standard optional life insurance **N/A**
- Additional optional life insurance **N/A**

ACCIDENTAL DEATH INSURANCE

Payable if death results from an accident, an additional **\$55,000**

PAYMENT OF ACCRUED ANNUAL LEAVE

Annual Leave balance as of 01/03/87 **252.00 HRS. \$6,345.36**

INCOME AND OTHER BENEFITS

RETIREMENT SYSTEM

If you have at least 18 months of civilian service, your eligible spouse could receive monthly payments of about **\$909** payable for life, or until remarriage if before age 60. Eligible children receive additional benefits.

FEDERAL EMPLOYEES' COMPENSATION ACT

If death results from an on-the-job injury, in addition to a lump sum of up to \$1,000, income is payable to your eligible spouse and/or dependent children as follows:

- For your spouse without children monthly payments of **\$2,123**

- For your spouse and one child monthly payments of **\$2,547**

- For your spouse and two or more children monthly payments of **\$3,184**

If there is no surviving spouse:

- A surviving child could receive monthly payments of **\$1,698**

with **\$636**

payable for each additional child, up to a monthly maximum of **\$3,184** for all children.

Spouse's benefits are payable for life, or until remarriage if before age 60. A spouse who remarries before age 60 receives a lump sum payment equal to 24 months' benefits. Children's benefits continue as long as they qualify as dependents. If your survivors are eligible for benefits under both the retirement system and FECA, they may choose whichever is the more advantageous.

HEALTH BENEFITS PROGRAM

Coverage for your enrolled dependents may continue if they are eligible for retirement system or FECA survivor benefits.

FAMILY OPTIONAL LIFE INSURANCE

- Your spouse's coverage **N/A**
- Each eligible child's coverage **N/A**

WHEN YOU RETIRE

INCOME BENEFITS

RETIREMENT SYSTEM

Your estimated monthly benefits starting at the ages indicated are shown as an annuity without survivor benefits normally payable if you are single, and as an annuity with survivor benefit to spouse - normally payable if you are married. In either case, you may elect the form of payment you prefer.

If you retire at age

60 62 65

Which occurs on

02/20/93 02/20/95 02/20/98

Your annuity without survivor benefits

\$2,040 \$2,215 \$2,477

Annuity with survivor benefits to spouse

- For you for life **\$1,858 \$2,016 \$2,252**

- For your surviving spouse **\$1,122 \$1,218 \$1,362**

For computation your 'High-3' average is **\$52,550** and your length of service at age **60** will be **25.16**

For most people, it has been assumed that the 01/03/87 salary rate is the 'high-3' average pay for retirement system purposes. However, there are exceptions. Please refer to the Civil Service Retirement System section for important information on how these and other retirement system benefits shown for you have been estimated.

OTHER BENEFITS

HEALTH BENEFITS PROGRAM

If eligible, you may continue coverage for yourself and your eligible dependents during retirement. Dependents may continue coverage after your death if a family member receives retirement system survivor benefits.

BASIC LIFE INSURANCE

Full coverage of **\$88,000**
 may continue to age 65 at no cost to you. After age 65, you may continue full coverage or 50% coverage by paying the required premiums. Or you may continue, at no cost, coverage that decreases monthly to a minimum of **\$13,780**

OPTIONAL LIFE INSURANCE

If eligible, you may continue full coverage - standard, additional and family - to age 65. After age 65, standard coverage continues at no cost to you, decreasing by **N/A** \$200 a month to a minimum of **N/A**. Your additional and family coverages continue at no cost to you, decreasing by 2% a month for 50 months.

ADDITIONAL INFORMATION

HEALTH BENEFITS PROGRAM

To continue coverage during disability or retirement, you must retire with an immediate annuity or receive Federal Employees' Compensation Act benefits. You must also have had five years creditable service and be enrolled for the preceding five years or, if less than five years, since you first became eligible.

HOSPITAL INSURANCE TAX COVERAGE

Social security hospital insurance taxes were extended in 1983 to Federal employees previously excluded. Such employees became subject to the hospital insurance tax for wages paid after December 31, 1982, and therefore are eligible for these benefits where requirements are met.

LIFE INSURANCE

Coverage can continue during disability or retirement if you retire with an immediate annuity (either for disability or, after five years creditable service) or receive FECA benefits. Optional life insurance

If any of the information shown for you appears to be incorrect, please contact your agency personnel office. While every effort has been made to assure the accuracy of the benefits shown for you, errors can occur. In all cases, actual benefits paid will be in accordance with the governing plan documents or insurance contracts. If 'N/A' appears on your statement instead of a benefit amount, it indicates that you are either not eligible for or have elected not to participate in a specific coverage. For further information about your benefits, please contact your agency personnel office.

Benefit statements are produced annually for all permanent employees and are not available on special request.

coverage can be continued if you had coverage the preceding five years or, if less than five years, for the full period it was available. Coverage is not reduced at age 65 if you are receiving FECA benefits at that time. In October of 1981 the amount of basic life insurance was increased by an 'extra benefit' for participants under age 45. This benefit doubles the amount of basic life insurance if you are age 35 or younger. Beginning on your 36th birthday the extra benefit decreases 10% each year until, at age 45, there is no extra benefit.

CIVIL SERVICE RETIREMENT SYSTEM

For the purpose of this statement, retirement benefits beginning more than three years in the future have been based on your salary rate as of the date shown. Retirement benefits payable within the next three years (including disability and survivor benefits) have been estimated using your salary rate as of the date shown. Since you recently transferred to this payroll system, reasonable assumptions regarding your past earnings history have been made. In all cases, estimated benefits have been based on your total service credited under the Civil Service Retirement System. Retirement system contributions shown are those you have made since you entered into the USDA/NFC Payroll Personnel System. Any normal contributions you made before that date are in addition to the amount shown.

Actual benefits paid will be based on your total retirement system service and on your 'high-3' average pay, whether earned before or after your entrance into the USDA/NFC Payroll Personnel System. You must have five years of retirement system civilian service to qualify for benefits. Unless you retire for disability, at least one year of civilian service must be within the two-year period before the separation upon which your retirement is based. You and your spouse must be married at least one year or have a child in order for your spouse to qualify for retirement system survivor benefits. Eligible children - generally unmarried children under age 18 or under age 22 if full-time students - may also qualify for benefits. The amount of the post-retirement surviving spouse's benefit shown does not depend on your spouse's age. However, if you are not married when you retire and you elect an annuity with a survivor benefit, the amount by which your annuity is reduced and the amount payable to your named survivor will depend on your named survivor's age. Estimated retirement system benefits shown do not reflect:

- Any voluntary contributions you have made in addition to your normal contributions.
- Your use of any accumulated sick leave at retirement to increase your total service.
- Any unpaid deposit or redeposit of your contributions for past service.
- Any future cost-of-living adjustments in benefits.

FEDERAL EMPLOYEES' COMPENSATION ACT

Benefits shown are based on your salary rate as of the date shown.

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Post Office Box 6015
Cathlamet, Maryland 20877

Telephone: 202-375-6241

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