The National Council of Social Security Management Associations, Inc.

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- **Congressional Report**

Capitol Hill is quiet this week with Congress on a weeklong recess to commemorate Memorial Day. Shocking as it may be, 2002 is shaping up to be a year more about politics and elections than about legislative achievements. There are only about 55 to 60 legislative workdays remaining until Congress is scheduled to adjourn on October 4. The "must do" legislation for the year includes 13 appropriations bills for FY03 and raising the debt limit, but little else.

Congress has yet to agree on a Budget Resolution, theoretically leaving the appropriators with a free rein. However, last week the House of Representatives passed a FY02 Supplemental Appropriations bill that assumes Congress will abide by the budget constraints of the House-passed Budget Resolution when it considers the FY03 appropriations bills. The Senate Appropriations Committee has reported its version of the FY02 bill to the full Senate without including budget limits for FY03, but this will certainly be addressed when the bill hits the Senate floor the week of June 3.

Much of official Washington's focus is on the November elections, particularly whether the Republicans can maintain their majority in the House and the Democrats their majority in the Senate. And though the President is not running this year, he clearly has a lot at stake in ensuring that Congressional Republicans do well on Election Day.

In the Senate, with 20 Republican and 14 Democrat seats up for election, the five seats considered "tossups" are in Arkansas, New Hampshire, Minnesota, Missouri, and South Dakota. For those of you who live in those states, it might be advisable to invest in a DVD player to avoid all the political commercials coming your way. With a one-seat majority in the Senate, you can be assured that money will be no object in the contest to control the "world's most exclusive club."

In recent years, it is not uncommon that 95% of House incumbents are re-elected. Given that startling statistic, most of the attention in the House will be focused on the 35 "open" seats where there is no incumbent running and the 16 seats that were created as a result of redistricting. With a Republican majority of nine seats, the House is definitely in "play" but seems to be the Republicans' to lose.

With Members of Congress spending more time in their home states and districts than usual this year, 2002 offers ample opportunity to visit with your Senators and Representatives about SSA issues of concern to managers. Please let us know if you would like any background material about NCSSMA issues as you prepare for these meetings.

- **<u>Rep. Connie Morella (R-MD) Introduces Human Capital Legislation</u>**

Rep. Connie Morella (R-MD) has introduced the "Good People, Good Government Act". The measure (H.R. 4580) focuses on improving the Federal Government's management of human capital in three areas: recruitment, training, and management. This would be accomplished by the establishment of a "chief human capital officer" at each executive branch agency to direct workforce planning and strategy, and a requirement for each agency to hire a training officer and recruitment officer to assist in those efforts.

H.R. 4580 would also require agencies to set up specific training programs to develop managers in addition to training managers in how to deal with employees with unacceptable performance. The bill would also lift some restrictions on the ability of agencies to pay for academic training. The bill would also increase the government's contribution for federal employee health insurance.

The legislation has been referred to the House Committee on Government Reform and is similar to the bill (S. 1603) introduced by Sen. George Voinovich (R-OH) earlier this year. Sen. Voinovich's legislation would also create chief human capital officer and training officer positions. Sen. Voinovich's legislation is currently before the Senate Governmental Affairs Subcommittee on International Security, Proliferation and Federal Services.

It is important to remember that while this legislation may seem like a good step in the right direction, it makes no provisions for additional appropriated funds to carry out its intent.

- **<u>TSP "Catch-up" Contributions Legislation</u>**

The House Government Reform Committee has approved the "Catch-up Contributions for All Act" (H.R. 3340). The legislation, sponsored by Rep. Connie Morella (R-MD), would allow federal employees age 50 and older to contribute an extra $2,000 to their Thrift Savings Plan accounts next year. The $2,000 "catch-up" contributions would be on top of the contributions the employees would make under normal TSP rules. For 2003, normal TSP rules limit employees under FERS to annual contributions of $12,000, or 13 percent of salary per paycheck, whichever is lower. Employees under CSRS and military personnel are limited to annual contributions of $12,000, or 8 percent of salary per paycheck, whichever is lower.

Under the legislation, the limit on TSP contributions for federal employees age 50 or older would be $2,000 higher than for younger workers in 2003, $3,000 higher in 2004, $4,000 higher in 2005, $5,000 higher in 2006. After 2006, the limit for people age 50 or older would remain at $5,000 above the limit for younger people. Combined with planned increases in normal TSP contributions, federal employees age 50 or older would be able to contribute as much as $20,000 a year to their TSP accounts beginning in 2006.

As part of last year's tax relief bill, Congress gave private sector workers the ability to make "catch-up" contributions to their 401k plans. Special legislation is required to extend the benefit to TSP participants. Last year's tax bill assumes the costs of extending the catch-up contribution to TSP enrollees. Translation – cost won't be as much a deterrent to congressional support as it has been in past efforts to beef up the TSP. The full House and the Senate must pass the legislation before it can go to President Bush for his signature.

Sen. Daniel Akaka (D-HI) introduced companion legislation (S. 1822) in the Senate. The measure has been approved by the Senate Committee on Governmental Affairs.

- **<u>NoFEAR Legislation (H.R. 169) Signed by President Bush</u>**

On May 15, President Bush signed into law the "Notification and Federal Employee Anti-Discrimination and Retaliation (NoFEAR) Act of 2001". The Act will make individual federal agencies more accountable for discrimination and retaliation against employees.

Agencies will now be required to pay judgements and damage awards granted to employees who win or settle discrimination and whistleblower retaliation claims. These judgements are currently paid out of a general fund. The act also requires agencies to send an annual report to Congress that lists the number of discrimination cases brought against the agency, the disposition of those cases, and the number of agency employees disciplined. Agencies are also required to provide information and training to employees pertaining to relevant discrimination and whistleblower protection laws. Supporters of the legislation felt that forcing agencies to pay settlements out of their own budgets would provide increased accountability and an added incentive to root out workplace discrimination.

Most importantly, the final version of the legislation included a Senate amendment expressing the sense of Congress that agencies should not react to the increased accountability by lashing out at managers accused of discrimination. We added our support to fellow member organizations of the Coalition for Effective Change (CEC) who worked to get the sense of Congress amendment language included.

- **<u>Pay Parity Supported in Both the House and Senate</u>**

The House has passed the "Bob Stump National Defense Authorization Act" (Department of Defense authorization bill) (H.R. 4546). The legislation includes language setting a matching 4.1% pay increase for military and federal employees in January 2003. This legislation is the first binding measure to address the 2003 pay raise issue.

As you know, President Bush's FY 2003 budget calls for a 2.6 percent average pay raise for federal workers and a 4.1 percent increase for military personnel. Under the House bill, some mid-grade and senior officers could receive raises of up to 8.5 percent – making the average military raise 4.7 percent.

The Senate Armed Services Committee has finished work on its version of the Department of Defense authorization bill (S. 2514) for FY 2003. The measure contains the same pay recommendation as the House version. Some mid-career officers and enlisted service members (in hard to fill positions) would receive raises of 5.0 percent to 6.5 percent. OMB has said the pay increase could go as high as 8.5 percent for some military personnel, although Department of Defense officials have said that fewer than 100 people would get the higher percentage pay raise which they attribute to technical adjustments being made to the military pay table.

- **GPO-WEP Legislation Update**

We are continuing to monitor several pieces of legislation affecting the GPO and WEP.

- Rep. William Jefferson's (D-LA) GPO reform bill (H.R. 664) currently has 289 cosponsors and Sen. Barbara Mikulski's (D-MD) companion bill (S. 611) has 29 cosponsors.
- Rep. Howard "Buck" McKeon's (R-CA) legislation to eliminate the GPO and WEP (H.R. 2638) has 151 cosponsors.
- Senator Diane Feinstein's (D-CA) legislation (S. 1523) to repeal the GPO and WEP currently has 7 cosponsors.
- The Social Security Reform legislation introduced by Rep. E. Clay Shaw (R-FL) currently has 4 cosponsors. This legislation (H.R. 3497) reduces the GPO from a 2/3 offset to a 1/3 offset.
- Rep. Barney Frank's (D-MA) legislation (HR-1073) currently has 226 co-sponsors. The legislation would amend OASDI so that the full windfall penalty would apply only to combined monthly benefits above $3,000. The legislation would also phase in a reduction and impose a lesser phased-in penalty for amounts between $2,000 and $3,000.

- **Legislation Introduced in House and Senate to Make Long-Term Care Premiums Tax-Deductible**

Legislation has been introduced in the House by Rep. Nancy Johnson (R-CT) and in the Senate by Sen. Charles Grassley (R-IA) that would allow a tax deduction for long-term care insurance premiums. The two bills, H.R. 831 and S. 627, amend the Internal Revenue Code to allow a deduction up to a maximum of $3000.00 (based on years of continuous coverage) for eligible long-term care insurance premiums for a taxpayer, spouse, and dependents, including accelerated deduction percentages for persons who are 55 years old. The legislation would also allow long-term care insurance to be offered under cafeteria plans and flexible spending arrangements. Both measures also allow an income-adjusted limited credit for eligible individuals with long-term care needs.

Under current law, taxpayers can deduct the cost of long-term care premiums if their medical and dental expenses for the year (including premiums) add up to more the 7.5 percent of their adjusted gross income. The proposed measures would make long-term care premiums a stand-alone deduction with no total spending requirements. This change was also proposed by the Bush Administration in its FY 2003 Budget.

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