PERSONNEL AND READINESS

UNDER SECRETARY OF DEFENSE
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WASHINGTON, D.C. 20301-4000

SEP 12 2013

MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: Civilian Workforce Shaping

The purpose of this memorandum is to provide overarching guidance for workforce shaping as the Department continues to operate in a climate of fiscal uncertainty. As we contend with funding reductions and the prospect of continued sequestration, the Department must continue to effectively manage our civilian workforce to ensure we maintain the appropriate mix of skill sets, and related expertise, to maintain the readiness of our military.

Our goal is to shape the workforce in a manner that minimizes adversity to our valued and talented career civilian workforce. To that end, we are still under current hiring controls as announced in the Deputy Secretary's memorandum dated January 10, 2013. Further, the liberal use of Voluntary Separation Incentive Pay (VSIP) and Voluntary Early Retirement Authority (VERA), both of which have been valuable in reducing involuntary separations and associated costs, is authorized and encouraged.

Specifically, during periods of potential drawdowns, VSIP and VERA may be offered whenever incentivized voluntary separations offset involuntary separations. VSIP and VERA can also be used to reshape the workforce either through de-layering or correcting skills imbalances without a concurrent need to draw down. For example, the incentives could be used to vacate managerial or supervisory positions so they can be restructured to non-supervisory positions, or an organization with a surplus of technicians and a shortage of engineers could incentivize technicians and restructure the positions to create openings for engineers.

Both VSIP and VERA are authorized by section 9902 of title 5, U.S. Code, and the governing issuance for the Department of Defense (DoD) VSIP and VERA authorities is DoD Instruction 1400.25, Volume 1702, "DoD Civilian Personnel Management System: Voluntary Separation Programs." This regulation includes a delegation of authority from the Secretary of Defense to the DoD Components and special instructions for obtaining approval for buyouts and early retirement for senior executives. The number of buyouts under the DoD VSIP authority is limited by law to 25,000 per fiscal year. The Deputy Assistant Secretary of Defense for Civilian Personnel Policy is charged with allocating each Component's share and will soon be announcing the allocations for Fiscal Year (FY) 2014. The distribution is proportional to Component end strength for the current FY as projected in the FY 2014 DoD budget estimate. There are no numerical limits on the VERA authority. In order to maximize savings to the Department, employees taking advantage of VSIP/VERA authorities should plan the end of January 2014 as their end of active Federal service. However, where a DoD Component determines it can achieve loss targets by exercising VSIP/VERA authorities with a later separation date, the Component may announce such opportunities.

It is the Department's goal to make every effort to avoid widespread involuntary separations. Careful planning and timing in conjunction with exercising hiring controls and VSIP/VERA authorities, along with prudent use of reductions in force (RIF), can contribute to the Department's goal to avoid involuntary separations. However, if RIFs should become necessary, we will take full advantage of our inventory of civilian transition assistance programs, benefits, and initiatives that serve to lessen the adverse effects of workforce transformation. The attached summary provides a brief description of all available tools. Your civilian personnel policy staffs are also well versed in the various workforce shaping tools and can advise you on their use.

As you develop your shaping plans, please keep me informed of the particulars so I may fully support you going forward.

If you need additional information, my point of contact is Ms. Paige Hinkle-Bowles, Deputy Assistant Secretary of Defense for Civilian Personnel Policy, at stephanie.p.hinkle-bowles.civ@mail.mil or (703) 571-9282.

Jessica L. Wright
Acting

Attachment:
As stated

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Civilian Workforce Shaping Tools

The following programs, benefits, and initiatives are designed to assist Department of Defense (DoD) civilian employees adversely affected by workforce restructuring.

- **Priority Placement Program (PPP)**
  - Reference: DoD Instruction 1400.20, "DoD Program for Stability of Civilian Employment"; DoD Instruction 1400.25, Volume 1800, "DoD Civilian Personnel Management System: DoD Priority Placement Program (PPP)"
  - Automated, mandatory placement program used to match displaced employees with vacant positions in the Department
  - Operates under the administrative authority of the Secretary of Defense
  - Commander or activity head may authorize registration up to 1 year prior to effective date of reduction in force (RIF) or transfer of function

- **Reemployment Priority List (RPL)**
  - Reference: title 5, Code of Federal Regulations (CFR), section 330, Subpart B; DoD Instruction 1400.25, Volume 1703, "DoD Civilian Personnel Management System: Retraining and Outplacement Assistance"
  - Office of Personnel Management (OPM) placement program used to match displaced competitive service employees with vacant positions within the same agency in the commuting area
  - Employees must be in receipt of a specific RIF separation notice or certificate of expected separation
  - DoD Components use the RPL online registration and matching system

- **Interagency Career Transition Assistance Plan**
  - Reference: title 5, CFR, section 330, Subpart G; DoD Instruction 1400.25, Volume 1703
  - OPM program that provides interagency placement consideration within the commuting area for employees separating by RIF or as a result of declining directed reassignment or transfer of function outside the commuting area
  - Employees must apply for vacancies and include a copy of their separation notice or Notification of Personnel Action, Standard Form 50, documenting separation

- **Voluntary Separation Incentive Pay (VSIP)**
  - Reference: title 5, U.S. Code (U.S.C.), section 9902(f); DoD Instruction 1400.25, Volume 1702, "DoD Civilian Personnel Management System: Voluntary Separation Programs"
  - Permanent VSIP, or "buyout," authority provided to DoD by the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2004, Public Law (Pub. L.) 108-136 (November 24, 2003)
  - Provides up to $25,000 (pre-tax) to an employee who voluntarily retires or resigns; vacancy can be used to save another employee from separation, or it can be restructured to align with mission requirements
  - DoD annual usage is limited to 25,000 per fiscal year
  - To assist employees with their financial planning, buyouts may be paid in installments rather than a lump sum

- Approval authority delegated to the DoD Components; may be re-delegated no lower than local installation commander or activity head

- **Voluntary Early Retirement Authority (VERA)**
  - Reference: title 5, U.S.C., section 9902(f); DoD Instruction 1400.25, Volume 1702
  - Permanent VERA authority provided by the NDAA for FY 2004, Pub. L. 108-136 (November 24, 2003)
  - VERA allows employees to take early retirement at age 50 with 20 years of Federal service or at any age with 25 years of Federal service (Civil Service Retirement System and Federal Employees Retirement System)
  - No annual limitations
  - Delegation of approving authority same as VSIP

- **Voluntary Reduction in Force** (VRIF)
  - Reference: title 5, U.S.C., section 3502(f); DoD Instruction 1400.25, Volume 1702
  - Allows employees not affected by RIF to volunteer for separation to save another employee from being affected by RIF
  - Volunteers may receive RIF separation benefits (for example, severance pay, temporary continuation of Federal Employees' Health Benefits (FEHB) coverage) if otherwise eligible, but are not eligible for PPP registration or VSIP
  - Current authority expires September 30, 2014[1]

- **Outplacement Subsidy**
  - Reference: title 5, U.S.C., section 5724(e); DoD Instruction 1400.25, Volume 1702
  - Allows DoD agencies to reimburse up to $20,000 in relocation costs incurred by another Federal agency, when that agency hires a DoD employee displaced by RIF or transfer of function
  - Employees must apply for positions in other Federal agencies and advise the gaining agency of the outplacement subsidy
  - Employees who decline valid PPP offers are ineligible

- **Workforce Investment Act (WIA)**
  - Reference: Workforce Investment Act of 1998, Pub. L. 105 (August 7, 1998)
  - Department of Labor sponsored program that provides funding for retraining and readjustment assistance to displaced Federal workers
  - WIA provides assistance including retraining, counseling, testing, placement assistance, and other related support activities
  - WIA is administered through state employment security agencies

- **Outplacement Assistance**
  - Reference: Comptroller General Decision B-226380 (December 5, 1988)
  - Commanders and activity heads may authorize appropriated funds for outplacement assistance when it is a necessary expense of the Department and the costs are reasonable

[1] Section 1101 of S. 1197, as reported, the Senate's version of the FY 2014 NDAA, would extend VRIF authority through September 30, 2018

- Assistance may be provided for:
  - Career transition and remedial training;
  - Contractor placement services for which there are no job placement fees;
  - Administrative support, such as use of computers, copiers, and other equipment; and
  - Clerical support to prepare job applications or resumes
- Assistance is traditionally obtained at installation level and often utilizes a contract provider

- **Extended Employment for Retirement and/or Health Benefits**
  - Reference: title 5, CFR, section 351.606(b)
  - Authorizes use of annual leave for an involuntarily separated individual to remain on DoD rolls in order to reach initial eligibility for retirement and/or continuance of health benefits
  - Employees are carried in an annual leave status beyond the scheduled RIF separation date, provided the employee has enough annual leave to attain first eligibility for retirement and/or continuation of FEHB into retirement

- **FEHB – Temporary Continuation of Coverage (TCC)**
  - Reference: title 5, U.S.C., section 8905a(d)(4); DoD Instruction 1400.25, Volume 1704, "DoD Civilian Personnel Management System: Post Separation Entitlement and Benefit Authority"
  - TCC provides for continuation of health coverage for 18 months after involuntary separation resulting from RIF. Individual pays employee cost; the Department pays government contributions and administrative fees.
  - Current authority expires December 31, 2016; may be used for FY 2017 separations with effective dates as late as February 1, 2017, but only if a RIF notice is issued before December 31, 2016

- **Automatic Waiver of FEHB Minimum Participation Requirement**
  - Reference: title 5, U.S.C., section 8905(b); OPM Benefits Administration Letter (BAL), 04-208, September 8, 2004
  - Title 5, U.S.C., section 8905, requires employee enrollment in the FEHB program for at least 5 years immediately prior to separation
  - As explained in BAL 04-208, OPM granted pre-approved waivers of the 5-year requirement to DoD employees covered under the FEHB program continuously since the beginning date of the DoD VERA/VSIP period, which is October 1 of each fiscal year
  - Employees must retire during the VERA/VSIP period, that is, at any time during the applicable fiscal year, and:
    - Receive VSIP; or
    - Take early optional retirement; or
    - Take discontinued service retirement based on an involuntary separation due to RIF, directed reassignment, reclassification to a lower grade, or abolishment of position

- **Lump-Sum Payment of Severance Pay**
  - Reference: title 5, U.S.C., section 5595(i)(4)
  - Option for displaced employees to receive severance pay in a lump sum in lieu of bi-weekly payments
  - Requires repayment on a pro-rated basis upon reemployment

- Current authority applies only to separations occurring before October 1, 2014[2]

- **VSIP Phase II**
  - Reference: title 5, U.S.C., section 9902(f); DoD Instruction 1400.25, Volume 1702
  - Designed to expand the use of buyouts beyond the boundaries of individual activities
  - Non-downsizing DoD activities may use buyouts to create vacancies to place PPP registrants facing RIF separation at downsizing DoD activities
  - Operated through the PPP; buyout and relocation costs are paid by the downsizing activity where the eligible PPP registrant was displaced

[2] Section 1102 of S. 1197, as reported, the Senate's version of the FY 2014 NDAA, would extend lump sum severance option for separations occurring before October 1, 2018