

The Economic Consequences of A Civil Service Career For A  
Military Veteran

A Creative Component  
developed by  
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## CHAPTER I

### Introduction

#### Background and History

Government employment is as old as government itself. Where there are laws to enforce, order to maintain, and services to provide, there are people employed to get the job done. The Federal Government is an equal opportunity employer, this has not always been the case. During the early days of this country, our first President made appointments to the government based on membership to his political party. He also granted his cabinet officers broad discretion in making subordinate appointments with the understanding that members of other parties would be excluded. Although this action was prompted mainly because of the desire to create a strong and stable government, it would be considered an unacceptable practice today. However, in the early days, not only was it acceptable, it was essential to survival. The use of the spoils system and a very selective hiring practice was a way of life.

When John Quincy Adams was elected President in 1824, he replaced only 12 presidential officers during his first four years. Although his integrity was noble it was politically suicidal, his opponents used their official powers within the government to undermine him.

Because he would not dole out government jobs to his backers, he could not build a political party and therefore was defeated by Andrew Jackson in 1829.

When Abraham Lincoln entered the White House in 1861, he replaced nearly 90 percent of all Presidential officers, and replaced them with many Union generals. This, of course was justified because of the Civil war and the need for total control of all government agencies.

The Spoils system was finally curbed after President James A. Garfield was assassinated by an insane office seeker in 1881. This resulted in the enactment of the Pendleton Act of 1883.

The Pendleton Act curbed the spoils system by classifying most federal jobs, requiring them to be filled by competitive examinations.

Also, the law protected holders of classified offices from being removed for failing to support the party in power. With the loss of power to fill government jobs with friends and individuals with the same political views and aspirations came the loss of control of the cadre of government workforce.

As the Country grew, so grew the population in the government. By 1930, civil service had grown to 600,000 employees. With the United States entering World War II, it expanded to 1.4 million in 1941, and more than 3.8 million by 1945. In recent years, with budget cuts and no need to support a war effort, the number of civil service employees had leveled off to approximately 2.3 million.

With the growth of civil service came the need to provide uniform benefits. Over the years as needs changed, benefits also changed. Until the 1970s little attention was paid to the cost of supporting the federal civil service workforce. However, with the attempts to

trim the budget, came the realization that a large amount of the federal budget was dedicated to support active duty and retired military and civilian employees.

#### Military Veterans

Since the beginning of this country, veterans have received some type of recognition for their service. However, there was no formal national policy until 1865. That year, a Congressional resolution granted employment preference to veterans with service-incurred disabilities for Federal jobs. Through the years that followed, benefits and job preference were extended to nondisabled veterans, widows of veterans, and peacetime veterans.

The passage of the Veterans' Preference Act of 1944 was the culmination of a developing policy on veterans' preference. The act has been amended a number of times since its enactment, in each case, its original features were preserved and employment benefits expanded.

The Act now includes: preference in employment for nondisabled and disabled veterans, spouses of veteran preference eligibles, widows and widowers of veterans and mothers of eligibles; additional points added to passing test scores on civil service examinations; restriction of competition to veterans' preference eligibles in certain examinations (i.e., guard, elevator operator, messenger, and custodian) as long as the eligibles are available; allowing time spent in the military to be added to the length of time spent working in the Federal service; waiver of physical job requirements under certain conditions; special provisions in layoff situations; and job reinstatement rights.

## Purpose and Objectives

This study concerns itself with determining the economic benefits of a career in civil service and its value to a military retiree. A career in civil service as with most jobs, consumes a major part of ones working live. However, a career in the armed forces can be for a period as short as 20 years with an immediate annuity for life. Once retired from the military, a veteran is free to seek employment anywhere without loss of benefits or annuity.

Military service time can be counted toward total federal civil service time when computing retirement annuities. However, due to changes in public laws and the effects of Social Security on both military and civilian retirees, all military veterans are not treated equally.

Civil Service retirees with no military service may qualify for both Civil Service retirement annuity and Social Security.

Military retirees who have at least 10 years service after 1956 or who qualify for Social Security from other sources, may qualify for both military retirement annuity and Social Security.

An Individual with any military service after 1956, who enters Civil Service and retires, counting his military service in the computation of his annuity, is required at age 62 to forfeit that portion based on his military service if he is entitled to Social Security.

Public Laws 97-252 and 97-346 require that credit for post-1956 service can be made only if an individual makes a deposit for the

service. The deposit is equal to seven percent of all basic pay received during post-1956 service. Employees hired before October 1, 1982 had two years to make the deposit for credit. Those hired on or after October 1, 1982 had two years or until September 1986, after which time interest on the amount to be paid is added.

The only exception is for those with retirement based on a service-connected disability incurred in combat, or whose retirement was granted under chapter 67 of title 10, United States Code.

In summary, the objectives of this study include; (1) determining to the extent possible the benefits of a civil service career, (2) the benefits of civil service annuity based only on civil service time, and (3) the benefits of including military time and paying the seven percent of all basic pay received for post-1956 military service and the cost in interest if payment is not made until retirement at age 62.

### Assumptions and Limitations

There are many positive aspects to a job in the Federal government and in many ways, the benefits offered are greater than most private sector jobs. Therefore, the main emphasis of this study are being placed on the benefits of a Federal job as a second career for a military retiree.

There is a requirement to pay seven percent of all basic military pay for post-1956 military service, this will affect each individual differently. With approximately 36 percent of all civil service employees military veterans, arriving at the cost of to each individual is no small task. The cost to each individual could be anywhere from a few dollars to several thousand dollars depending on the amount of post-56 military service time and the grade attained in the military. The requirement to waive military retirement pay also has a great impact. An attempt has been made to select examples and circumstances and present pay scales that can be used to calculate other circumstances. The study is limited by the amount of source documentation, laws, books, articles and time available, as well as the vast range of possibilities.

## Definitions

The following definitions are given to clarify terms used in this study:

Veteran - a person who was separated with an honorable discharge or under honorable conditions from active duty in the armed forces after performing duty in a war or in a campaign or expedition for which a campaign badge has been authorized.

Active Duty - full-time duty with military pay and allowances in the armed forces.

Armed Forces - United States Army, Navy, Air Force, Marine Corps, and Coast Guard.

Disabled Veteran - a person who was separated under honorable conditions from active duty in the armed forces performed at any time and who has established the present existence of a service-connected disability.

Ex-serviceperson - a person who was separated from active duty performed in peace or war.

Spouse - a legal husband or wife.

Federal Employee - a person working for the United States Government in a civilian capacity.

Veterans' Preference - a uniform method by which special consideration is given to qualified veterans seeking Federal employment.

Five-Point Preference - five points added to the numerical ratings made in open, competitive examinations for appointments to jobs in

Federal civil service. All veterans as defined above qualify.

Ten-Point Preference - ten points added to the numerical ratings made in open, competitive examinations for appointments to jobs in Federal civil service. All disabled veterans as defined above qualify.

Federal Employment - a job, in any capacity, paid by the United States Government.

General Schedule (GS) - a classification designation assigned to white-collar workers in the federal government for pay purposes.

## CHAPTER II

### SALARIES AND BENEFITS

#### Introduction

As of September 30, 1985 there were 2,830,910 total Federal government employees including those in the U.S. Postal Service and Tennessee Valley Authority. The Federal government employs more people than any other organization in the United States. There are government offices in every State and Federal employees can be found in almost every city.

Although many rules and regulations are applicable to all Federal employees, the salaries and benefits vary. Therefore, for the purpose of this study, only classified (General Schedule (GS) - white collar) employees are included.

#### Salaries

Salaries of General Schedule (GS) workers are fixed by law. Pay rates are based on a 5-day, 40-hour week. Overtime is paid at a rate of time-and-one-half on the first \$24,011, and for those with salaries over \$24,011, the overtime pay is \$17.27 per hour.

New hires normally start at GS-3, 4 or 5 depending on education and experience. Promotion can either be in the same position with added duties and responsibilities or to another position of a higher

grade. Promotions are competitive and employees must meet minimum time-in-grade requirements. In cases where a position is placed in a higher grade, the incumbent may be eligible for noncompetitive promotion and retain the same position.

New employees start in Step one of the grade in which hired, i.e., GS-5, Step 1. Each grade is divided into several steps to allow pay increases for those who are not promoted. To advance from step 1, 2, 3, and 4, the waiting period is 52 calendar weeks. It takes 104 weeks to advanced to steps 5, 6, and 7 and 156 calendar weeks to advance to steps 8, 9, and 10. Step raises are not automatic. Supervisors review the performance of each employee and makes a recommendation either for or against the step raise.

Table 1 provides a breakdown of the pay schedule for the approximately 1.3 million white-collar (GS) civil service employees.

TABLE 1 - PAY CHART FOR GENERAL SCHEDULE (GS) EMPLOYEES, Effective through 1986

Step	1	2	3	4	5	6	7	8	9	10
GS-1	\$ 9,339	\$ 9,650	\$ 9,961	\$10,271	\$10,582	\$10,764	\$11,071	\$11,380	\$11,393	\$11,686
2	10,501	10,750	11,097	11,393	11,521	11,860	12,199	12,538	12,877	13,216
3	11,458	11,840	12,222	12,604	12,986	13,368	13,750	14,132	14,514	14,896
4	12,862	13,291	13,720	14,149	14,578	15,007	15,436	15,865	16,294	16,723
5	14,390	14,870	15,350	15,830	16,310	16,790	17,270	17,750	18,230	18,710
6	16,040	16,575	17,110	17,645	18,180	18,715	19,250	19,785	20,320	20,855
7	17,824	18,418	19,012	19,606	20,200	20,794	21,388	21,982	22,576	23,170
8	19,740	20,398	21,056	21,714	22,372	23,030	23,688	24,346	25,004	25,662
9	21,804	22,531	23,258	23,985	24,712	25,439	26,166	26,893	27,620	28,347
10	24,011	24,811	25,611	26,411	27,211	28,011	28,811	29,611	30,411	31,211
11	26,381	27,260	28,139	29,018	29,897	30,776	31,655	32,534	33,413	34,292
12	31,619	32,673	33,727	34,781	35,835	36,889	37,943	38,997	40,051	41,105
13	37,599	38,852	40,105	41,358	42,611	43,864	45,117	46,370	47,623	48,876
14	44,430	45,911	47,392	48,873	50,354	51,835	53,316	54,797	56,278	57,759
15	52,262	54,004	55,746	57,488	59,230	60,971	62,714	64,456	66,198	67,940
16	61,296	63,339	65,382	67,425	69,468*	71,511*	73,554*	75,597*	77,640*	
17	71,804*	74,197*	76,590*	78,983*	81,376*					
18	84,157*									

\*The rate of basic pay payable at these rates is limited to the rate payable for level V of the Executive Schedule, which is \$68,700.

## Other Benefits

Numerous benefits are available to civil service employees. Each of the following paragraphs provides a description of the major benefits available.

### Health Insurance.

Federal employees health benefits program is voluntary, with more than 200 health benefit companies participating. Though various plans employees are offered an opportunity to acquire for themselves and their families protection against the cost of health care services. The Government contributes approximately 60 percent of the cost for the plan and employees pay the rest through payroll deductions. Health insurance can also be maintained after retirement.

### Medicare.

As a result of a 1982 law, federal workers are now covered by Medicare Hospital Insurance for which 1.3% of their salaries is deducted. Eligibility for benefits begin at age 65 for both employee and their spouse. Enrollment in the supplementary medical insurance plan is voluntary after retirement with payment of \$15.50 monthly. This plan covers most doctors' bills in and outside the hospital. Medicare is intended to cover all retired federal employees employed January 1, 1983 and after.

### Life Insurance.

Employees are automatically covered with basic life insurance unless they specifically state in writing that they do not want it. Two-thirds of the cost of the insurance is paid by the employee and the remaining is paid by the Government. The amount of the basic

insurance is equal to the employee's annual salary rounded to the next higher thousand plus \$2,000. The employee pays \$ 0.20 per \$ 1,000 of basic coverage.

Employees with basic insurance may elect additional coverage equal to two, three, four, or five times their actual rate of pay plus the first rounding to the next \$1,000. Cost per \$1,000 coverage ranges from \$0.087 per month for those under 35 years of age to \$2.058 per month for those 60 and over.

Examples of basic life is as follows:

GS-05 step 4 - Salary \$15,220, age 27

Rounded to the next thousand + \$2,000 = 18,000 in insurance

$18 \times \$0.20 = \$ 7.79$  each pay period

Example for same person with additional coverage at five times salary:

Rounded to next thousand = \$16,000

$\$16,000 \times 5 = \$80,000$  of coverage

$80 \times \$0.087 = \$6.96$  per month.

Relocation Allowances.

An employee who transfers from one official station to another for permanent duty in the interest of the Government and who agrees to remain in the position for twelve months are authorized special allowances.

House Hunting Trip.

One round trip to the new place of assignment is authorized for the employee and spouse to seek residence. Transportation expenses and per diem allowance, reasonable expenses for local transportation at the location of new location are also authorized.

#### Per Diem En Route.

Per diem allowance for lodging and meals is provided for the employee and immediate family. Additional allowances for use of one or more privately owned automobiles while en route can also be authorized.

#### Shipment of Household Goods.

All employees, regardless of family status, are authorized to ship upto 18,000 pounds of household goods to the new location. An employee may handle his own move and will be reimbursed according to allowances contained in the General Services Administration commuted rate schedule.

#### Storage of Household Goods.

Temporary storage of household goods can be allowed upto 180 days on a normal move. Nontemporary storage can be allowed upto three years when transferred to an isolated duty station within the 48 United States or the total period of assignment when transferred overseas.

#### Temporary Quarters.

Additional funds to cover the expenses incurred while occupying temporary quarters can be authorized for 60 days for employees transferred within the United States. An additional 60 days may be authorized on a case-by-case basis. Reimbursement for subsistence expenses is computed based on the maximum statutory per diem rate for the locality in which the temporary quarters are located.

## CHAPTER III

## CIVIL SERVICE RETIREMENT SYSTEM

## Introduction

There are approximately 1.4 million Federal employees covered by the Civil Service Retirement System. With the exception of those employees covered by special legislation, such as the Tennessee Valley Authority, U.S. Postal Service and Foreign Service employees, coverage is compulsory. Covered employees contribute seven percent of their salaries to help fund their retirement, this is matched by the employing agency. In 1982, Congress enacted legislation that placed Federal employees under Social Security beginning with employees hired after December 31, 1983.

Prior to 1920, the full amount required to fund retirement was provided by the government. Beginning in August 1920, employees were required to contribute two-and-a-half percent of their salaries to help finance their retirement. In July 1926, the amount was increased to three-and-a-half percent, in July 1942, five percent, July 1948, six percent, October 1956, six-and-a-half percent and finally reached the present seven percent in January 1970.

Even with the increasing amounts being contributed to the retirement fund by employees, the amount of unfunded liabilities has grown rapidly. This unfunded liability is paid by the U.S. Treasury from general revenues. In an attempt to control the growth in unfunded liabilities, Congress enacted a law that required employees

hired after January 1, 1984 to be covered by Social Security. Complete details were not worked out, so affected individuals are covered under both Social Security and the Civil Service Retirement System. However, they are required to pay full Social Security tax (7.15 percent in 1986) plus 1.3 percent to the Civil Service Retirement System.

#### Eligibility to Retire

In order to retire with an immediate annuity, an employee must; have at least five years civilian service and be 62 years of age; have 20 years of service and be 60 years of age; or have 30 years of service and be at least 55 years of age. These are minimum requirements for a regular retirement.

If an employees' organization is under going a reduction-in-force, reorganization or transferring to an other location, they may retire under a special provision which requires 25 years of service at any age.

If an employee becomes totally disabled and unable to perform their job and no other job that they can do is available, they may retire under the disability clause with a minimum of five years.

#### Computation of Annuity.

Retirement annuities are based on the high three and length of service. The high three is the average annual pay received during any three consecutive years of service, overtime pay is not included. In the computation the first five years are computed at 1.5 percent, the next five years at 1.75 percent and 2 percent for all time over 10 years with a maximum of 80 percent of high three amount. The following are examples of how this works:

20 years service, high three average \$25,000

$$1.5\% \times 25,000 \times 5 = \$ 1,875$$

$$1.75\% \times 25,000 \times 5 = 2,188$$

$$2\% \times 25,000 \times 10 = 5,000$$

$$\text{Basic annuity} = \$ 9,063$$

40 years service, high three average \$25,000

$$1.5\% \times 25,000 \times 5 = \$ 1,875$$

$$1.75\% \times 25,000 \times 5 = 2,188$$

$$2\% \times 25,000 \times 30 = 15,000$$

$$\text{Basic annuity} = 19,063$$

Table 2 provides a range of annuities from \$15,000 high 3 with 10 years service thru \$68,000 high 3 with 40 years service.

Credit for Service.

All periods of service as an employee of the Federal Government are counted when calculating retired pay.

Credit for Sick Leave.

Days of unused sick leave can be credited when computing service time. Employees are credited with 13 days sick leave a year. There is no limit to the amount of sick leave an employee can accumulate during working years and accumulations of one to two thousand hours is common. An employee with 1,000 hours of unused sick leave would be credited with 5 months and 23 days for retirement purposes.

TABLE 2 - CIVIL SERVICE RETIREMENT TABLE

High 3

Years of Creditable Service

	10	15	16	17	18	19	20	22	23	24	25	30	35	40
15,000	2,438	3,938	4,238	4,538	4,838	5,138	5,438	6,038	6,338	6,638	6,938	8,438	9,938	11,438
16,000	2,600	4,200	4,520	4,840	5,160	5,480	5,800	6,440	6,760	7,080	7,400	9,000	10,600	12,200
17,000	2,763	4,463	4,803	5,143	5,423	5,823	6,163	6,843	7,183	7,523	7,863	9,563	11,263	12,963
18,000	2,925	4,725	5,085	5,445	5,805	6,165	6,525	7,245	7,605	7,965	8,325	10,125	11,925	13,725
19,000	3,088	4,988	5,368	5,748	6,128	6,508	6,888	7,648	8,028	8,408	8,788	10,688	12,588	14,488
20,000	3,250	5,250	5,650	6,050	6,450	6,850	7,250	8,050	8,450	8,850	9,250	11,250	13,250	15,250
22,000	3,575	5,775	6,215	6,655	7,095	7,535	7,975	8,855	9,295	9,735	10,175	12,375	14,575	16,775
24,000	3,900	6,300	6,780	7,260	7,740	8,220	8,700	9,660	10,140	10,620	11,100	13,500	15,900	18,300
26,000	4,225	6,825	7,345	7,865	8,385	8,905	9,425	10,985	10,985	11,505	12,025	14,625	17,225	19,825
28,000	4,550	7,350	7,910	8,470	9,030	9,590	10,150	11,270	11,830	12,390	12,950	15,750	18,550	21,350
30,000	4,875	7,975	8,475	9,075	9,675	10,275	10,875	12,075	12,675	13,275	13,875	16,875	19,875	22,875
32,000	5,200	8,400	9,040	9,680	10,320	10,960	11,600	12,880	13,520	14,160	14,800	18,000	21,200	24,400
34,000	5,525	8,925	9,605	10,285	10,965	11,645	12,325	13,685	14,365	15,045	15,725	19,125	22,525	25,925
36,000	5,850	9,450	10,170	10,890	11,610	12,330	13,050	14,490	15,210	15,930	16,650	20,250	23,850	27,450
38,000	6,175	9,975	10,735	11,495	12,255	13,015	13,775	15,295	16,055	16,815	17,575	21,375	25,175	28,975
40,000	6,500	10,500	11,300	12,100	12,900	13,700	14,500	16,100	16,900	17,700	18,500	22,500	26,500	30,500
42,000	6,825	11,025	11,865	12,705	13,545	14,385	15,225	16,905	17,745	18,585	19,425	23,625	27,825	32,025
44,000	7,150	11,550	12,430	13,310	14,190	15,070	15,950	17,710	18,590	19,470	20,350	24,750	29,150	33,550
46,000	7,475	12,075	12,995	13,915	14,835	15,755	16,675	18,515	19,435	20,355	21,275	25,875	30,475	35,075
48,000	7,800	12,600	13,560	14,520	15,480	16,440	17,400	19,320	20,280	21,240	22,200	27,000	31,800	36,600
50,000	8,125	13,125	14,125	15,125	16,125	17,125	18,125	20,125	21,125	22,125	23,125	28,125	33,125	38,125
55,000	8,938	14,438	15,538	16,638	17,738	18,838	19,938	22,138	23,238	24,338	25,438	30,938	36,438	41,938
60,000	9,750	15,750	16,950	18,150	19,350	20,550	21,750	24,150	25,350	26,550	27,750	33,750	39,750	45,750
65,000	10,563	17,063	18,363	19,663	20,963	22,263	23,563	26,163	27,463	28,763	30,063	36,563	43,063	49,563
68,000	11,050	17,850	19,210	20,570	21,930	23,290	24,650	27,370	28,730	30,090	31,450	38,250	45,050	51,850

#### Cost-of-Living-Increases.

Cost-of-living increases for Civil Service retirees have been inconstant. In 1983, increases were made effective March 1. In 1984 the effective date was changed from March to May 1. Present law requires the effective date to be December, with payment beginning with the first paycheck in January. The amount of increase is based on the average Consumer Price Index for Urban Wage Earners and Clerical Workers over the previous year.

#### Survivor Benefits.

Annuities for married employees are automatically computed to provide an annuity to their spouse. If this is not desirable the employee must state in writing that they do not want their survivors to receive this annuity upon their death. The cost is computed at two-and-a-half percent of the first \$3,600 and ten percent of any amount over \$3,600. Upon death of the retired employee, survivors receive 55% of the employees unreduced annuity. Table 3 provides the amount of annuity to be received if the cost for the survivor benefit program is deducted.

TABLE 3 - CIVIL SERVICE RETIREMENT TABLE MINUS SURVIVOR BENEFIT DEDUCTION

High 3	Years of Creditable Service													
	10	15	16	17	18	19	20	22	23	24	25	30	35	40
15,000	2,377	3,814	4,084	4,354	4,624	4,894	5,164	5,704	5,974	6,244	6,514	7,864	9,214	10,564
16,000	2,535	4,050	4,338	4,626	4,914	5,202	5,490	6,066	6,354	6,642	6,930	8,370	9,810	11,250
17,000	2,694	4,287	4,593	4,899	5,205	5,511	5,817	6,429	6,735	7,041	7,347	8,877	10,407	11,937
18,000	2,852	4,523	4,847	5,171	5,495	5,819	6,143	6,791	7,115	7,439	7,763	9,383	11,003	12,623
19,000	3,011	4,759	5,101	5,443	5,785	6,127	6,469	7,153	7,495	7,837	8,179	9,889	11,599	13,309
20,000	3,169	4,995	5,355	5,715	6,075	6,435	6,795	7,515	7,875	8,235	8,595	10,395	12,195	13,995
22,000	3,486	5,468	5,864	6,260	6,656	7,052	7,448	8,240	8,636	9,032	9,428	11,408	13,388	15,368
24,000	3,780	5,940	6,372	6,804	7,236	7,668	8,100	8,964	9,396	9,828	10,260	12,420	14,580	16,740
26,000	4,073	6,413	6,881	7,349	7,817	8,285	8,753	9,689	10,157	10,625	11,093	13,433	15,773	18,113
28,000	4,365	6,885	7,389	7,893	8,397	8,901	9,405	10,413	10,917	11,421	11,925	14,445	16,965	19,485
30,000	4,658	7,448	7,898	8,438	8,978	9,518	10,058	11,138	11,678	12,218	12,758	15,458	18,158	20,858
32,000	4,950	7,830	8,406	8,982	9,558	10,134	10,710	11,862	12,438	13,014	13,590	16,470	19,350	22,230
34,000	5,243	8,303	8,915	9,527	10,139	10,751	11,363	12,587	13,199	13,811	14,423	17,483	20,543	23,603
36,000	5,535	8,775	9,423	10,071	10,719	11,367	12,015	13,311	13,959	14,607	15,255	18,495	21,735	24,975
38,000	5,828	9,248	9,932	10,616	11,300	11,984	12,668	14,036	14,720	15,404	16,088	19,508	22,928	26,348
40,000	6,120	9,720	10,440	11,160	11,880	12,600	13,320	14,760	15,480	16,200	16,920	20,520	24,120	27,720
42,000	6,413	10,193	10,949	11,705	12,461	13,217	13,973	15,485	16,241	16,997	17,753	21,533	25,313	29,093
44,000	6,705	10,665	11,457	12,249	13,041	13,833	14,625	16,209	17,001	17,793	18,585	22,545	26,505	30,465
46,000	6,998	11,138	11,966	12,794	13,622	14,450	15,278	16,934	17,761	18,590	19,418	23,558	27,698	31,838
48,000	7,290	11,610	12,474	13,338	14,202	15,066	15,930	17,658	18,522	19,386	20,250	24,570	28,890	33,210
50,000	7,583	12,083	12,983	13,883	14,783	15,683	16,583	18,383	19,283	20,183	21,083	25,583	30,083	34,583
55,000	8,314	13,264	14,254	15,244	16,234	17,224	18,214	20,194	21,184	22,174	23,164	28,114	33,064	38,014
60,000	9,045	14,445	15,525	16,605	17,685	18,765	19,845	22,005	23,085	24,165	25,245	30,645	36,045	41,445
65,000	9,777	15,627	16,797	17,967	19,137	20,307	21,477	23,817	24,987	26,157	27,327	33,177	39,027	44,877
68,000	10,215	16,335	17,559	18,783	20,007	21,231	22,455	24,903	26,127	27,351	28,575	34,695	40,815	46,935

### Credit for Military Service.

Service in the Armed Forces of the United States can be credited for retirement if it is active service and terminated under honorable conditions. This credit does not automatically include military retirees unless the retired pay is awarded due to service-connected disability incurred in combat. If service is performed after December 1956 and social security benefits are payable, Public Law 97-252 and 97-346 makes the following exceptions.

An employee who is receiving military retired pay may elect to waive the retired pay and have the military service added to civilian service in computing the annuity. In order to do this, employees will receive credit for post-1956 military service only if they deposit seven percent of their military base pay for post-1956 service. Employees must make this seven percent deposit within two years of being hired or prior to October 1, 1986, or pay interest as of October 1, 1985, when the deposit is made. The rate of interest charged will be determined by the Secretary of the Treasury each year; interest for 1985 is 13 percent.

In an attempt to determine the financial impact this waiver and payment of seven percent will have, tables 4 through 10 have been provided.

Table 4 provides military pay grades and Equivalent rank. Table 5 provides current pay schedule as published in the Federal Employees' Almanac 1986. Table 6 provides retired pay for 20 years, 26 years and 30 years. These periods were chosen because of their significance. Twenty years is the first opportunity for a military person to retire with an annuity. Thirty years is the point that most military

personnel must retire. Twenty-six years is the last period active duty pay is increased. Using the 1985 pay scale as a basis, table 7 provides retired pay at the time of retirement for individuals who retire during 1970, 1980 and 1985. There was no attempt to make adjustments for cost-of-living increases that have been granted.

Table 8 depicts the amount which would be lost if retirement pay is waived. The period is calculated from age 62 through age 77. Table 9 provides the basis for calculating seven percent cost in basic pay received from 1956 to retirement, if retired in 1970 and 1980.

Table 10 calculates total cost of waiving retired pay and paying seven percent of all basic pay received from 1956 to retirement. Since the interest to be charged will be determined yearly, no attempt was made to show affect of interest and compounding. However, this could have a considerable impact on a decision to pay now, pay later or not pay at all.

TABLE 4

## AIR FORCE PAY GRADE AND EQUIVALENT RANK

## Officers

Pay Grade	Rank
O-10	General
O-9	Lieutenant General
O-8	Major General
O-7	Brigadier General
O-6	Colonel
O-5	Lieutenant Colonel
O-4	Major
O-3	Captain
O-2	First Lieutenant
O-1	Second Lieutenant

## Enlisted

E-9	Chief Master Sergeant
E-8	Senior Master Sergeant
E-7	Master Sergeant
E-6	Technical Sergeant
E-5	Staff Sergeant
E-4	Sergeant/Senior Airman
E-3	Airman First Class
E-2	Airman
E-1	Airman Basic

TABLE 5

RATES OF MONTHLY BASIC PAY FOR MEMBERS OF THE UNIFORMED SERVICES, Effective October 1, 1985

## YEARS OF SERVICE

Pay Grade	Under2	2	3	4	6	8	10	12	14	16	18	20	22	26
COMMISSIONED OFFICERS														
0-10	5221.50	5405.40	5405.40	5405.40	5405.40	5612.70	5612.70	5724.90	5724.90	5724.90	5724.90	5724.90	5724.90	5724.90
0-9	4627.80	4749.00	4850.10	4850.10	4850.10	4973.40	4973.40	5180.40	5180.40	5612.70	5612.70	5724.90	5724.90	5724.90
0-8	4191.60	4317.00	4419.60	4419.60	4419.60	4749.00	4749.00	4973.40	4973.40	5180.40	5405.40	5612.70	5724.90	5724.90
0-7	3483.00	3719.70	3719.70	3719.40	3886.20	3886.20	4111.80	4111.80	4317.00	4749.00	5075.40	5075.40	5075.40	5075.40
0-6	2581.50	2836.20	3021.90	3021.90	3021.90	3021.90	3021.90	3021.90	3124.50	3618.60	3803.70	3886.20	4111.80	4459.50
0-5	2064.60	2424.60	2592.00	2592.00	2592.00	2592.00	2670.60	2814.00	3002.70	3227.10	3412.50	3515.70	3638.40	3638.40
0-4	1740.30	2119.20	2260.50	2260.50	3202.50	2404.20	2568.00	2712.60	2836.20	2960.70	3042.60	3042.60	3042.60	3042.60
0-3	1617.30	1808.10	1932.90	2138.70	2241.00	2321.70	2447.10	2568.00	2631.30	2631.30	2631.30	2631.30	2631.30	2631.30
0-2	1410.30	1540.20	1850.10	1912.50	1952.70	1952.70	1952.70	1952.70	1952.70	1952.70	1952.70	1952.70	1952.70	1952.70
0-1	1224.30	1274.70	1540.20	1540.20	1540.20	1540.20	1540.20	1540.20	1540.20	1540.20	1540.20	1540.20	1540.20	1540.20
ENLISTED														
E-9							1916.40	1949.90	2004.30	2050.20	2095.80	2136.60	2249.10	2467.80
E-8						1607.40	1653.00	1696.50	1740.90	1796.50	1827.90	1872.90	1983.00	2204.10
E-7	1122.30	1211.40	1256.40	1300.20	1344.90	1387.50	1431.90	1476.30	1543.20	1587.00	1631.40	1652.70	1763.70	1983.00
E-6	965.40	1052.40	1096.20	1143.00	1185.30	1228.50	1273.90	1339.20	1381.20	1425.60	1447.50	1447.50	1447.50	1447.50
E-5	847.20	922.50	977.90	1009.20	1075.20	1119.00	1163.00	1163.70	1206.30	1228.50	1228.50	1228.50	1228.50	1228.50
E-4	790.50	834.60	883.50	952.20	989.70	989.70	989.70	989.70	989.70	989.70	989.70	989.70	989.70	989.70
E-3	744.60	785.10	816.90	849.30	849.30	849.30	849.30	849.30	849.30	849.30	849.30	849.30	849.30	849.30
E-2	716.40	716.40	716.40	716.40	716.40	716.40	716.40	716.40	716.40	716.40	716.40	716.40	716.40	716.40
E-1	639.00	639.00	639.00	639.00	639.00	639.00	639.00	639.00	639.00	639.00	639.00	639.00	639.00	639.00

TABLE 6  
MILITARY RETIREMENT PAY  
BASED ON 1986 PAY SCHEDULE

Years of Service	20	26	30
Percent of Active Pay	50	60	75
Pay Grade			
	Officers		
O-6	23,317	31,981	40,136
O-5	21,094	26,196	32,746
O-4	18,256	21,907	27,383
O-3	15,788	18,945	23,682
O-2	11,716	14,059	17,574
O-1	9,241	11,089	13,862
	Enlisted		
E-9	12,820	17,768	22,210
E-8	11,237	15,870	19,837
E-7	9,916	14,278	17,847
E-6	8,685	10,422	13,028
E-5	7,371	8,845	11,057

Totals have been rounded.

TABLE 7  
MILITARY RETIREMENT PAY  
AVERAGE ANNUITY FOR 20 YEARS SERVICE

Year of Retirement	1970	1980	1985
Pay Grade			
Officers			
0-4	5,510	11,683	18,256
0-3	4,850	10,104	15,788
0-2	3,599	7,498	11,716
0-1	2,839	5,914	9,241
Enlisted			
E-9	3,938	8,205	12,820
E-8	3,452	7,192	11,237
E-7	3,046	6,346	9,916
E-6	2,668	5,558	8,685
E-5	2,264	4,717	7,371

No attempt has been made to determine adjustments due to cost-of-living increases.

TABLE 8

MILITARY RETIREMENT PAY

AVERAGE ANNUITY FOR 20 YEARS SERVICE

ESTIMATED RETIREMENT INCOME FROM AGE 62 TO AGE 77

Year of Retirement	1970	1980
Pay Grade		
	Officers	
0-4	82,650	175,245
0-3	72,750	151,560
0-2	53,985	112,740
0-1	42,585	88,710
	Enlisted	
E-9	59,070	123,075
E-8	51,780	107,880
E-7	45,690	95,190
E-6	34,020	83,370
E-5	33,960	70,755

This is based on the average retirement age of 43 for officers and 38 for enlisted personnel.

TABLE 9  
MILITARY RETIREMENT PAY  
AVERAGE TOTAL EARNINGS FOR 20 YEARS SERVICE  
AFFECT OF SEVEN PERCENT CALCULATIONS FOR POST-1956 SERVICE

Pay Grade	Retired 1970	Earned Post-56	Seven Percent	Retired 1980	Seven Percent
Officers					
O-4	67,021	54,101	3,787	189,985	13,299
O-3	57,707	46,700	3,269	164,337	11,504
O-2	49,858	40,348	2,824	123,252	8,628
O-1	43,078	34,861	2,440	106,120	7,428
Enlisted					
E-9	46,851	37,916	2,654	149,386	10,457
E-8	41,071	33,238	2,326	130,697	9,149
E-7	36,019	29,149	2,040	114,346	8,004
E-6	31,589	25,564	1,789	100,144	7,010
E-5	27,703	22,420	1,569	87,726	6,140

Amounts based on average progression in grade.

TABLE 10 - APPROXIMATE COST OF WAIVING RETIRED PAY

TOTAL OF CALCULATED LOST RETIRED PAY FROM TABLE 8 PLUS 7% OF EARNED BASIC PAY

Pay Grade	Retired 1970		Retired 1980	
	Table 8 +	7% = Cost	Table 8 +	7% = Cost
Officers				
0-4	82,650	+ 3,787 = 86,437	175,245	+13,299 =188,544
0-3	72,750	+ 3,269 = 76,019	151,560	+11,504 =163,064
0-2	53,985	+ 2,824 = 56,809	112,740	+ 8,628 =121,368
0-1	42,584	+ 2,480 = 45,025	88,710	+ 7,428 = 96,138
Enlisted				
E-9	59,070	+ 2,654 = 61,724	123,075	+10,457 =133,532
E-8	51,780	+ 2,326 = 54,106	107,880	+ 9,149 =117,029
E-7	45,690	+ 2,040 = 47,730	95,190	+ 8,004 =103,194
E-6	34,020	+ 1,789 = 34,020	83,370	+ 7,010 = 90,380
E-5	33,960	+ 1,569 = 35,529	70,755	+ 6,140 = 76,895

Seven percent taken from table 7.

## CHAPTER IV

## SUMMARY AND CONCLUSIONS

There is little doubt that a career in the Federal Government has many benefits both while working and after retirement. The Federal Government is a leader in equal opportunity with an Equal Employment Opportunity Commission charged with enforcement responsibilities.

Employees can progress within job series or can change series or career fields to reach their goals. Pay raises occur within each grade as well as increases due to advancement in grade.

Employees may transfer to another location by either request or by transfer of position. In case of transfer of position, the employee has several options to retain employment and not transfer.

The benefit package available to civil servants is one of the best offered anywhere. The majority of the cost for benefits is paid by the government. According to a study made by the Tax Foundation in 1977, the civil service retirement program was the best offered anywhere. One of the reasons cited was that it was assured whereas in the private sector, due to the mobility of the work force, only about 15% of all workers covered by a plan, actually receive benefits due to vesting requirements, company bankruptcies and takeovers.

According to table 2, an employee with a high 3 of 26,000, can retire at age 55 with 30 years service and draw \$14,625 immediately and Social Security plus cost-of-living adjustments.

Government employment for military veterans can have many

advantages also such as, including military service time for retirement and greater opportunities on competitive examinations with the 5 and 10 point preference.

The benefits of government employment becomes harder to gage for military retirees. The period in which military service was performed is a factor as well as the rank attained. Since retired pay must be waived in most cases, the amount of loss between the ages of 62 and 77 must be considered.

In order to help compute actual costs, tables 7 through 10 were constructed. By using these tables we can see that an O-4 retiring in 1970 with 20 years service would loose \$86,437. This is not considering the cost of the 7% with interest compounding.

By using these tables and using an E-7 retiring in 1970 with 20 years service we see that there is a loss of \$47,730. However, using the same examples we find that the increase in annuity between 20 years and 40 years compensates for the basic amount.

The difference for the O-4 using \$30,000 high 3 as a base would be a gain of \$81,563. The difference for the E-7 using same high 3 would be a gain of \$64,806.

In conclusion, a military retiree will receive the same benefits as any other civil servant, however, advance planning is required long before the day of retirement from civil service. In the long run, waiving retired pay and paying 7% of all basic pay received may be economically wise. The kicker is the interest that is compounding on the 7%. It would be very wise to compute the 7% and find a high paying investment or pay now before additional interest accumulates.

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