

# ***Non-Foreign Area OCONUS TLMS: Comparative Analysis***

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***Human Capital Management Office***

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***September 21, 2011***



# Non-foreign OCONUS TLMS: Background



## Intelligence

- Federal employees in OCONUS areas receive supplemental compensation in the form of Cost of Living Allowances (COLA) where *“living costs are substantially higher than in the District of Columbia.”* (5 USC §5941)
- DCIPS employees in non-foreign OCONUS areas receive higher compensation than that of most other federal employees in these areas due to the addition of a Targeted Local Market Supplement (TLMS) equal to the Baltimore/Washington LMS rate (24.22%)
  - Although the original basis for the TLMS rates was recruitment and retention challenges within the Combat Support Agencies, no approved business case currently exists to explain the difference in pay for these employees
  - Other federal employees, with the exception of CIA, receive only base pay and COLA
    - CIA pays the Baltimore/Washington locality rate globally plus non-COLA allowances in CONUS and non-foreign OCONUS areas. CIA's justification for this pay structure is the regular mandatory rotation of employees to the field and return to headquarters



# NAREAA



## Intelligence

- The Non-Foreign Area Retirement Equity Assurance Act (NAREAA) of 2009 addressed concerns of employees in non-foreign OCONUS areas who receive tax-free COLA that does not count towards “high-3” calculation for retirement, TSP, etc.
- To create equity with CONUS counterparts, locality pay for these non-foreign areas is being phased-in over three years as COLA is gradually reduced and then eliminated
- Defense Intelligence components are covered by NAREAA, but currently pay *both* the tax-free COLA paid to other federal employees and the Baltimore/Washington DC locality rate (paid as TLMS)
- The Defense Intelligence Human Resources Board (DIHRB) decided to increase the TLMS by 4.72% (the amount of the new locality rate) in January 2010 to offset the drop in COLA, and agreed to revisit this issue later in 2010 after a thorough analysis could be conducted



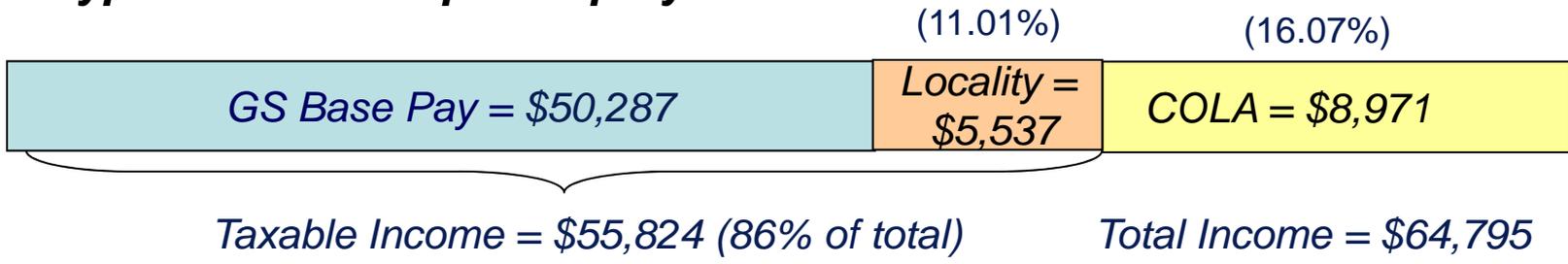
# Comparative Analysis: GS vs. DCIPS Employee in Honolulu



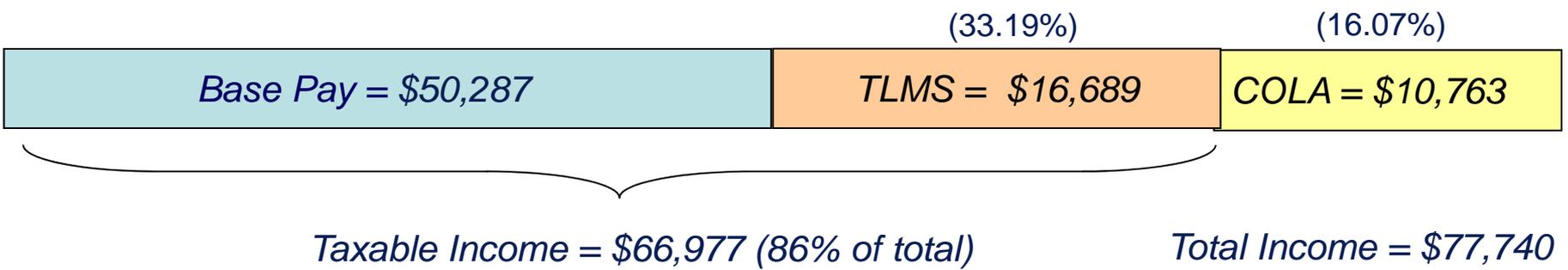
Intelligence

## 2011 Pay Comparison

### Typical GS 11/Step 1 employee



### DCIPS Band 3 (GG 11/Step 1 equivalent) employee receiving TLMS



**Difference = \$12,946 (20% higher than similarly situated GS employee)**



# Non-foreign OCONUS TLMS: Comparative Analysis cont'd



Intelligence

- In early 2010, Mercer HR Consulting produced a report for USD(I) showing DCIPS employees in non-foreign OCONUS areas are paid considerably higher than private sector organizations
  - With TLMS and COLA factored in, DCIPS pays, on average, 31% - 39% higher than private sector employees in Alaska, and 40% - 68% higher in Hawaii (percentage varies by DCIPS component and occupation)
  
- However, the comparison with private sector data does not take into consideration that some DCIPS employees are on rotation to OCONUS assignments which may require additional compensation as an incentive, or that the recruitment base for many positions is not the local non-foreign area
  - NSA employees are primarily on rotational assignments (typically 3-5 years)
  - DIA and the Military Services have a high percentage of employees permanently based in the non-foreign OCONUS areas



# Non-foreign OCONUS TLMS: Supporting Data



Intelligence

- Hawaii: Mercer 's report shows that, in general, cost-of-living is 13% higher in Hawaii than in the DC area (not including housing costs) \*

Expense Category	Index Score (Hawaii compared to DC)
Food at Home	124%
Alcohol and Tobacco	111%
Domestic Supplies	109%
Personal Care	104%
Clothing/Footwear	122%
Home Services	121%
Utilities	117%
Food Away from Home	119%
Transportation	101%
Sports and Leisure	108%
Aggregate	<b>113%</b>

\* Indices are the same for single and married employees



# Non-foreign OCONUS TLMS: Supporting Data



Intelligence

- Hawaii: 2009 average monthly rental costs, unfurnished apartments

	Single Employee	Married Employee	Married + 1 Child
Employee with \$80k gross income	\$1,614	\$1,869	\$2,245
Employee with \$100k gross income	\$1,682	\$1,973	\$2,348



# Non-foreign OCONUS TLMS: Supporting Data cont'd



Intelligence

- Alaska: Mercer 's report shows that, in general, cost-of-living is 22% lower in Alaska than in the DC area \*

Expense Category	% Difference (Alaska vs. DC)
Consumables	125%
Transportation	106%
Health Services	134%
Rent/Utilities/Insurance	56%
Income/Payroll Taxes	57%
Miscellaneous	100%
Aggregate	<b>78%</b>
Monthly Rent only	54%

\*Indies reflect costs for a single employee. The cost differential is similar for a married couple with two children

*Note: Differences in expense categories between Alaska and Hawaii (on the previous slide) reflect different data sources*



# Non-foreign OCONUS TLMS: Supporting Data cont'd



Intelligence

- OPM’s locality pay rates are meant to narrow the gap between private sector salaries and those of the federal government. They do *not* fully compensate for differences in cost of living
- For example, the projected 2012 locality pay rate for Alaska is substantially higher than that for Hawaii even though the cost of living is lower in Alaska. This reflects differences in *cost of labor* rather than *cost of living*

Locality Area	2012 LMS Rates
San Jose/San Francisco	35.15%
Los Angeles	27.16%
Baltimore/Washington	24.22%
Huntsville	16.02%
Rest of US	14.16%
Projected 2012 Hawaii Locality (fully phased-in rate)	16.51%
Projected 2012 Alaska Locality (fully phased-in rate)	24.69%



# 2012 Non-Foreign Area Pay with Local Market Supplements and COLA

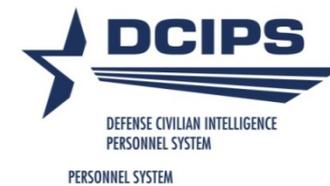


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- In Hawaii, LMS (16.51%) plus COLA (12.25%) results in total pay **30.8%** over the GS base rates
- In Alaska, LMS (24.69%) plus COLA (5.57%) results in total pay **31.6%** over the GS base rates
- Each of these are greater than the Washington DC/Baltimore LMS of 24.22%



Intelligence



# *Backup Slides*



# ***Non-foreign OCONUS TLMS: Comparative Analysis***



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## **Mercer HR Consulting Methodology**

- OUSD(I) provided job descriptions for DCIPS positions in the non-foreign areas
- Mercer compared DCIPS job descriptions with benchmark job descriptions from published compensation surveys
- 2009 market compensation data was extracted from multiple data sources
- 2008 and 2009 data was aged by 3% to March 1, 2010
- Where compensation data for the non-foreign areas was unavailable, Mercer used geographic pay differentials based on regression analyses from the Economic Research Institute's 2009 Geographic Assessor
- Additional data sources were consulted for cost of living data



# ***Non-foreign OCONUS TLMS: Comparative Analysis***



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## **Data Sources Used by Mercer HR Consulting**

- Business and Legal Reports (BLR): 2008 Survey of Non-Exempt Compensation (National and District of Columbia)
- Dietrich Associates Inc.: 2009 Support Services and Engineering Salary Surveys
- Economic Research Institute: 2009 Geographic Assessor and Relocation Assessor
- Employers Advisory Group: 2008 National Information Technology and Engineering Compensation Survey
- Gartner, Inc.: 2008 Information Technology Market Compensation Survey
- HR Association of the National Capital Area: 2009 Government Contractors Compensation Survey
- Mercer: 2009 Benchmark Database, Cost of Living and Quality of Living Calculator
- Watson Wyatt Data Services: 2009 Compensation Survey Reports on Office Personnel, Professional Administrative Services, Technician and Skilled Trades, Health Care Clinical and Professional Personnel, IT and e-Commerce, Middle Management, and Professional Specialized Services



# Non-foreign OCONUS TLMS: Comparative Analysis



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Sampling of Market Comparison: Private Sector to DCIPS

- DCIPS Salaries are for the full-performance work level

DCIPS Job Title	Market	DCIPS Military Services		DCIPS CSAs	
	Median Salary	Median Salary + COLA (25%)	% Variance from Market Median Salary	Median Salary + COLA (25%)	% Variance from Market Median
ADMINISTRATIVE ASSISTANT	\$44,800	\$78,165	74.5%	\$80,523	79.7%
BUDGET ANALYST	\$63,000	\$112,413	78.4%	\$114,651	82.0%
FINANCIAL ANALYST	\$57,700	\$82,924	43.7%	\$92,516	60.3%
INFO TECHNOLOGY SPEC. (INFORMATION SECURITY)	\$69,500	\$92,236	32.7%	\$128,448	84.8%
INFO TECHNOLOGY SPEC. (NETWORKING)	\$78,800	\$109,880	39.4%	\$128,308	62.8%
INFO TECHNOLOGY SPEC. (SYSTEMS ADMINISTRATOR)	\$73,200	\$117,789	60.9%	\$114,029	55.8%
INTELLIGENCE SPECIALIST	\$82,300	\$118,326	43.8%	\$117,998	43.4%
SECURITY SPECIALIST	\$60,200	\$97,303	61.6%	\$114,303	89.9%
Unweighted averages for all 27 occupations used in the analysis	<b>\$69,693</b>	<b>\$95,370</b>	<b>40.4%</b>	<b>\$91,398</b>	<b>67.9%</b>