



INTERNATIONAL FEDERATION OF
PROFESSIONAL AND TECHNICAL ENGINEERS
AFL-CIO & CLC

Remarks of Benjamin T. Toyama
Western Federal Area Vice President
International Federation of Professional & Technical
Engineers (IFPTE), AFL-CIO & CLC
&
President
IFPTE Local 121, Pearl Harbor Naval Shipyard

Prepared For:

**The Subcommittee on Oversight of Government Management,
the Federal Workforce, and the District of Columbia**

Hearing: Non-Foreign COLA and Locality Pay

Thursday, May 29, 2008 - 1:00 p.m. (HST)

Oahu Veterans' Center, Honolulu, HI

Testimony of Benjamin T. Toyama
Western Federal Area Vice President, International Federation of Professional and
Technical Engineers, AFL-CIO, CLC

I would like to thank the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia for holding today's hearing, and for the opportunity to provide this testimony to be inserted into the official record on behalf of IFPTE. I would also like to extend a special note of appreciation to Chairman Akaka, my Senator and good friend, for his foresight in holding today's hearing in Hawaii. I know I speak for all the Civil Servants here in Hawaii, particularly those that I represent at the Pearl Harbor Naval Shipyard, in extending our appreciation to Senator Akaka for his steadfast support of the Federal workforce.

The subject of today's hearing is on non-foreign COLAs and Locality Pay, and how COLAs in non-foreign States and regions such as Hawaii and Alaska, negatively impact the income and retirement of federal workers.

IFPTE believes that providing locality pay for our non-foreign COLA members would be a huge step in the right direction in bringing conformity to the wages of workers in places such as Hawaii, Alaska, Guam and other locations. The Federal Employee Pay Comparability Act (FEPCA) passed by congress annually, is not applied to the Federal Employees that receive COLA. I don't know if it was the intent of Congress as they passed the FEPCA to discriminate against the Federal Employees in

Hawaii and Alaska, but the application of the Act really does. For over eight (8) years the General Schedule Federal Employees have “lost” 1% per year because of the lack of locality pay. The annual wage increases for the Federal Employees across the country is about 3.5%, however, the Federal Employees who receive COLA, received an average of 2.5%. This is because the FEPCA, increased the General Schedule by about 2.5% and allocated 1% of the wage increase to the locality pay of the Federal Employees.

Unfortunately, as it stands now these GS workers are prevented from collecting locality pay which has created a longtime pay and retirement inequity for non-foreign area workers. The Federal Employees in Hawaii will receive about 17% less in retirement benefits as their similarly situated counter-parts on CONUS. A 17% reduction in the retirement pay can result in retirement benefits lowered by \$10K to \$20K annually. In fact, it is not out of the ordinary for federal workers in Hawaii to request transfers of work assignments to the Mainland for the purposes of retirement, only to return to Hawaii several years later. This is not only extremely unfortunate that workers have to resort to these measures simply to attain a fair retirement; it is also a problem for federal agencies in Hawaii who want to maintain their skilled and experienced workforces. This is unnecessary and should be corrected.

Currently, Federal Civil Servants in the other forty-eight states get locality pay as a part of their COLA. Locality pay is calculated after comparing wages in the private sector and local governments in a particular region. However, federal employees in Alaska, the Caribbean and Pacific Islands, and Hawaii do not receive locality. They only

get the Cost of Living Adjustment (COLA), which has created a serious discrepancy in both earnings and retirement benefits for hundreds of IFPTE members in Hawaii, as well as thousands of other Civil Servants in places like Alaska and the Caribbean and Pacific islands.

IFPTE is pleased to see the recent introduction of S. 3013, the *Non-Foreign Area Retirement Equity Act*. This bipartisan bill is being championed by Chairman Akaka and jointly introduced along with Senators Inouye (HI), Stevens (AK) and Murkowski (AK). IFPTE believes that this bill will go a long way toward bringing about a solution to the non-foreign area COLA issue for thousands of Civil Servants and is pleased to endorse this legislation.

Having said that, IFPTE is keenly aware of the budgetary challenges Congress is facing, and the fiscal impact that full locality pay and COLA in non foreign areas would have. Furthermore, IFPTE is cognizant of the reality of such a proposal passing muster with the Office of Management and Budget (OMB) and the Office of Personnel Management (OPM). While full locality pay and COLA would be the optimal solution, a more realistic approach to bringing more conformity to this inequity, and one that IFPTE would support, would be to replace the COLA with locality pay for federal workers in non-foreign areas. However, such a change would have to occur within one year. While IFPTE applauds the OPM for attempting to solve this inequity, the longer five year transition period from COLA to locality pay that they advocate for would result in

countless workers seeing reductions in take home pay during that transition period. It would have to occur within one year.

IFPTE supports an immediate transition from COLA to locality pay to be fully implemented within one year in the non-foreign areas of Alaska, Hawaii and the Caribbean and Pacific islands. This transition must be designed so the Federal Employees would not lose any pay and benefits as a result of the transition.

Overseas Post Allowance for Civil Servants at Foreign Locations

In addition to non-foreign COLAs, and under the purview of the Subcommittee's jurisdiction, is the foreign location COLA inequity facing US Civil Servants abroad. IFPTE would also like to take this opportunity to briefly talk about the compensation irregularities for Civil Servants working outside of the United States. Like non-foreign areas, COLAs for federal employees in foreign areas are also being shortchanged.

As the Committee is well aware, the 72,000 federal employees working and living abroad receive Overseas Post Allowance calculated by the U.S. Department of State, Office of Allowances, under 5 USC 5924, Cost-of-living allowances. The Overseas Post Allowance is the COLA for civil servants abroad.

When Congress wrote the law pertaining to the post allowance, most of the civilians covered were individuals based in Washington when they were not living at a

foreign post. The language in that law specifically indicates that any post allowance for civilians be based on a comparison of costs at the foreign location and those in the District of Columbia. The allowance is for all U.S. Government civilian employees assigned to the foreign area, so this ensures equity. The Department of Defense (DOD) uses the same information to establish the Overseas Cost of Living Allowance (COLA) for the uniformed services members.

The Uniformed Services Members COLA is a supplement designed to equalize purchasing power between members overseas and their Continental United States (CONUS) based counterparts. The basic measurement is a comparison of the CONUS national average shopping behavior and the aggregate shopping behavior at each overseas location.

There is no justification for the establishment of two separate formula calculations, one for the military based on a national average market basket survey and one for U.S. Government civilian employees based on the District of Columbia market basket survey. U.S. Government civilians do not live and work in areas in foreign countries that the U.S. military has not gone to first. The difference in the market basket survey results in an average reduction of 25% less overseas post allowance for U.S. Government civilians than their counterparts in the Uniformed Services. This disparity in overseas COLA for Uniformed Services and U.S. Government civilians serving our nation's interest abroad should be corrected.

IFPTE is requesting that 5 USC 5924(1), be changed to read:

- **A post allowance to offset the difference between the cost of living at the post of assignment of the employee in a foreign area and the cost of living in the Continental United States (CONUS), except that employees receiving the temporary subsistence allowance under section 5923(1) are ineligible for a post allowance under this paragraph.”**

We are hopeful the 110th Congress will solve both the non-foreign COLA issue, as well as the foreign COLA inequity being experienced by federal workers.

Thank you again for holding this important hearing and for the opportunity to insert this testimony into the official record.