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FINAL REPLY:

Carol A. Bonosaro
G. Jerry Shaw
Senior Executives Association

TO:
Chairman Meserve

FOR SIGNATURE OF : ** GRN ** CRC NO: 02-0626

Bird, HR

DESC: ROUTING:

Pay Compression Among Senior Executives

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DATE: 10/01/02

ASSIGNED TO: CONTACT:
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SPECIAL INSTRUCTIONS OR REMARKS:

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September 27, 2002

The Honorable Richard A. Meserve
Nuclear Regulatory Commission
Washington, DC 20555

Dear Chairman Meserve:

We have written to you in the past regarding the continuing crisis of pay compression among Senior Executives and those executives in equivalent systems in the federal government. The Senior Executives Association (SEA) has done everything in its power to sway Congress and the Administration, including hosting a town hall meeting on Capitol Hill, preparing reports which demonstrate the impact of pay compression on federal agencies, and meeting with Senators and Representatives, and officials at OPM and OMB, as well as White House staff. We have been unable, however, to persuade the Administration to take a position on this critical issue, and Congress is reluctant to do anything without the Administration giving an indication of where it stands. We urgently need to find a way to get both the Administration and Congress to work together to develop a solution that can be implemented this year.

As you know, the problem with the continued cap on SES pay is that the best of your career executives are the first to leave because the private sector is recruiting them for immediate positions with increased pay and benefits. Your agency will not be able to retain the best and brightest members without offering some kind of incentive for them to stay. By raising the pay cap, Congress can give the President the power to provide an incentive to keep the most outstanding achievers within your agency.

We urgently need your attention to this matter. Please contact the directors of OPM and OMB to show your support for eliminating the pay cap. Educate them on the importance of continuity in your agency and the need to retain executives with the knowledge, skill, and experience to lead our nation in these trying times.

Sincerely,

Carol A. Bonosaro

CAROL A. BONOSARO
President

G. Jerry Shaw

G. JERRY SHAW
General Counsel

Senior Executives, Lawmakers Rally To Raise Pay Caps

By TIM KAUFFMAN

Efforts to raise the pay cap for top federal executives appear likely to fall this year, despite a last-ditch attempt by the Senior Executives Association to build support for the cause.

Rep. Tom Davis, R-Va., who introduced a bill in May 2001 to increase salaries for Senior Executive Service (SES) members and other top career employees, said he has given up on getting the measure approved in the current congressional session.

"It's not easy. We're dealing with members who are more concerned about the price of wheat in some cases [or] some of the social service programs," Davis said Sept. 5 at a meeting organized by the Senior Executives Association, which represents the 6,000 career senior executives.

Rep. Frank Wolf, R-Va., one of the Davis bill's four co-sponsors, also said he is looking ahead to next year. He urged senior executives attending the forum to raise the pay issue with the heads of their agencies, who could



JILL DIPASQUALE/FEDERALTIMES

Carol Bonosaro, president of the Senior Executives Association, said Congress is already spending money to create specialized pay systems.

press for support from the White House.

"This ought to be in the president's budget when it comes up," Wolf said. "If it's in the president's budget, the chances of it passing are very, very high."

Almost 70 percent of senior executives earn the same pay — despite being spread across six pay grades and holding varying levels

of responsibility — because of a statutory cap on their earnings. Basic pay for SES members is capped at the fourth-highest level of the Executive Schedule, currently \$190,000, and basic pay plus locality pay is capped at the third-highest level, currently \$138,200.

The Davis bill and a companion measure in the Senate, intro-

duced in June 2001 by Sen. John Warner, R-Va., would raise the basic pay cap to Level III. Total pay could not exceed the vice president's salary, currently \$192,600.

The legislation would cost the government \$176 million over five years, the Congressional Budget Office estimated.

But Carol Bonosaro, president of the Senior Executives Association, said Congress already is shelling out big bucks to remove employees at some agencies from the government's traditional pay systems.

"The pressure to pass individual pay systems is fracturing the SES," Bonosaro said. "In the end, that is going to cost the government more than if we solve the problem governmentwide with the Davis-Warner bills."

The pay issue is affecting the government's ability to recruit and retain career executives, and the number of SES defections is expected to increase dramatically in coming years, speakers at the forum said. Nearly 70 percent of senior executives will reach retirement age in the next five years

Peter Murphy, counsel for the Marine Corps commandant, said executives are leaving the Marine Corps for jobs in the private sector that pay at least twice as much as their government salaries.

"None of us joined government for the money, I realize that, but it's getting ridiculous," Murphy said.

Executives from the Justice, Energy and Veterans Affairs departments and the National Defense University shared similar tales during the meeting.

Justice has advertised three times without success to fill the assistant attorney general for administration position, said John Euler, acting director of torts in the agency's civil division. The person who held the position previously retired early, in March 2001, for more money and less responsibility as an administrator for a private law firm, Euler said.

"The job is still vacant because most of us SES employees know that the job requires long hours, lots of responsibility and no additional pay," he said.



Daily Briefing

September 5, 2002

Senior executives warn of impending pay crisis

By Tanya N. Ballard
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Senior executives would receive better annual compensation increases if they retired, leaders of the Senior Executives Association told their members at a town hall meeting on Capitol Hill Thursday.

SEA President Carol Bonosaro used charts to show that the average cost-of-living adjustment for retirees during the past eight years—2.5 percent—has been more than twice the average Senior Executive Service pay increase over the same period. This disparity makes leaving the government more attractive than staying, she said.

"Everyone clearly recognizes the problem, but there's been no solution," Bonosaro said.

"Pay compression has reached a place where the SES is going to be damaged, if not mutilated," SEA Counsel Jerry Shaw added.

SES members administer programs at the top levels of the federal government. Positions are primarily managerial and supervisory and candidates must undergo a rigorous selection process. Annual SES pay increases are computed using the same formula used for civil service employees' annual increases: an across-the-board increase based on increases in the Labor Department's Employment Cost Index, along with locality pay increases.

However, unlike civil service employees, SES salaries have a statutory pay cap because their compensation is linked to congressional and Cabinet-level salaries. According to law, senior executives can't make more than Level III of the Executive Schedule, which was \$133,700 in 2001 and is \$138,200 in 2002. The Executive Schedule determines congressional and Cabinet-level salaries. This year, every federal executive at the top three levels of the SES will make \$138,200.

* "The figure 70 percent is one we want to keep in mind," Rep. Jim Moran, D-Va., told the group. "Seventy percent of the SES is eligible to retire in the next five years; 70 percent are receiving the same pay. No business would do that to its employees." ←

* Several members of Congress addressed the group, including Rep. Tom Davis, R-Va., whose bill, H.R. 1824, seeks to raise the pay cap on senior executives' base pay, allowing executives to get full raises over at least the next few years, even if Congress doesn't allow the pay of political appointees to rise. Sen. John Warner, R-Va., who introduced a similar bill last year, also addressed the group. *

* "To have your pay compared to a member of Congress or a senator is wrong," Davis said. "It was the wrong way to go, you have just fallen farther and farther behind. But the government still doesn't get it." *

* Rep. Frank Wolf, R-Va., told senior executives to encourage their Cabinet chiefs to advocate on their behalf with Office of Management and Budget Director Mitch Daniels. *

* "Ideally, you want something like this put into the budget," Wolf said. "This ought to be in the president's budget when it comes up." *

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