INTELLIGENCE

Fact Sheet
Prepared by USD(I) HCMO **1 December 2010**

Non-Foreign Area Targeted Local Market Supplement

The non-foreign area Targeted Local Market Supplement (TLMS) Fact Sheet provides information on the decision to phase out TLMS for Defense intelligence employees in non-foreign areas outside the contiguous United States (OCONUS).

Background

In 2001, a Targeted Local Market Supplement, originally in the form of a special salary rate, equivalent to the Baltimore-Washington DC locality pay rate was introduced for some employees assigned to non-foreign OCONUS areas. Over time, the non-foreign area TLMS became a benefit for all Defense Intelligence employees, in the Defense Intelligence Combat Support Agencies (Defense Intelligence Agency, National Security Agency, and the National Geospatial-Intelligence Agency), the Service intelligence components and the Defense Security Service assigned to non-foreign OCONUS areas.

The non-foreign area TLMS rate was paid in addition to the non-taxable Cost-of-Living Allowance (COLA) paid to federal employees assigned to the non-foreign OCONUS areas; the rates were established to address recruitment and retention issues experienced by the Defense Intelligence components in the locations that did not receive local market supplements (also known as locality pay).

The Non-Foreign Area Retirement Equity Assurance Act of 2009 established locality pay rates for non-foreign OCONUS areas applicable to all Federal employees, including Defense Intelligence employees, and a schedule for the gradual phasing out of non-foreign area COLA. This was done to address employee concerns that COLA does not count toward the employee's Thrift Savings Plan (TSP) contributions or as income for the "high three" retirement income calculations, while locality pay counts toward both.

In December 2009, the Defense Intelligence Human Resources Board (DIHRB) decided to increase the non-foreign area TLMS for 2010 by the same percentage as the new non-foreign area locality pay rate (4.72%), and determined that further analysis was needed to determine the appropriate way ahead for future years. These decisions were communicated to the workforce in the publication, "The Non-Foreign Area Retirement Equity Assurance Act of 2009: Implications for DCIPS Employees," dated January 2010.

The Department recently completed an independent review of cost of living and labor market data. As a result of this review, the USD(I) determined that there is no longer a business case for continuing the current TLMS rate structure for non-foreign areas. With the implementation of the Non-Foreign AREA Act, phasing-out of the non-foreign area TLMS will create more equitable pay between Defense intelligence employees and other Department civilian employees assigned to those same non-foreign areas.

The phasing-out of non-foreign area TLMS affects approximately 1,200 Defense intelligence employees in Alaska, Hawaii, the Territory of Guam, and the Commonwealth of Puerto Rico.

How non-foreign area TLMS will be phased-out

The phase-out of the non-foreign area TLMS will begin in January 2011 with the elimination of TLMS for newly assigned or newly hired Defense Intelligence employees in non-foreign OCONUS areas, as well as an adjustment of the TLMS rates for current Defense intelligence employees already receiving the non-foreign area TLMS.

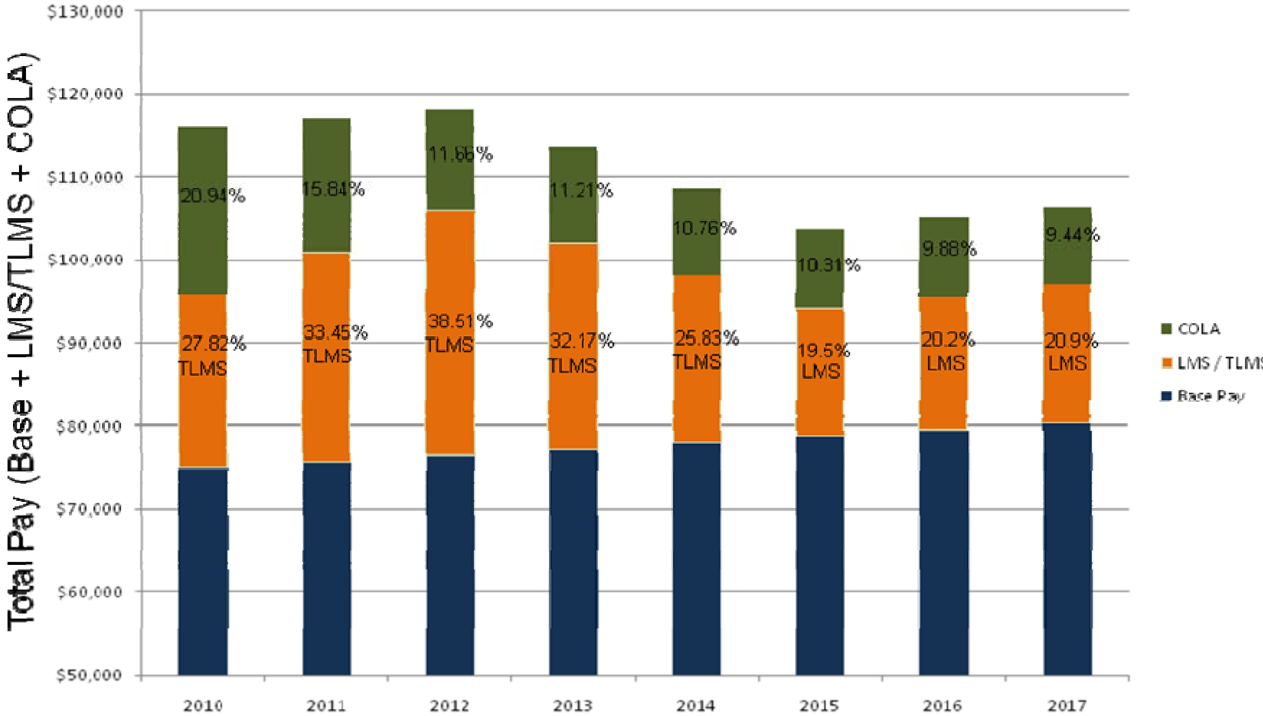
1. Effective January 2, 2011, employees newly assigned or hired into, Defense Intelligence positions in non-foreign OCONUS areas will receive the appropriate COLA and local market supplement (i.e., locality pay) for their geographic area; they will not receive the non-foreign area TLMS. There is a formal process available to components for requesting exceptions to this policy. Please reference USD(I) memo "Implementing Guidance for Phasing out the Target Local Market Supplement for Defense Intelligence Employees in Non-Foreign Areas Outside the Contiguous United States".

2. Eligible Defense Intelligence employees in non-foreign areas will continue to receive any General Pay Increase authorized by the President. COLA will decrease annually in accordance with the phase-out schedule effected by the Non-Foreign AREA Act . In January 2011 and again in January 2012, the non-foreign area TLMS will be adjusted slightly to offset the decrease in COLA. No other adjustments related to the payment of the non-foreign area TLMS will be made for those employees. Affected employees will see a slight increase in gross pay.

3. Beginning in January 2013, the final stage of the phase-out of the non-foreign area TLMS will begin. Affected Defense Intelligence employees will see a gradual decrease in non-foreign area TLMS over three years, ending with a complete elimination of non-foreign area TLMS in January 2015.

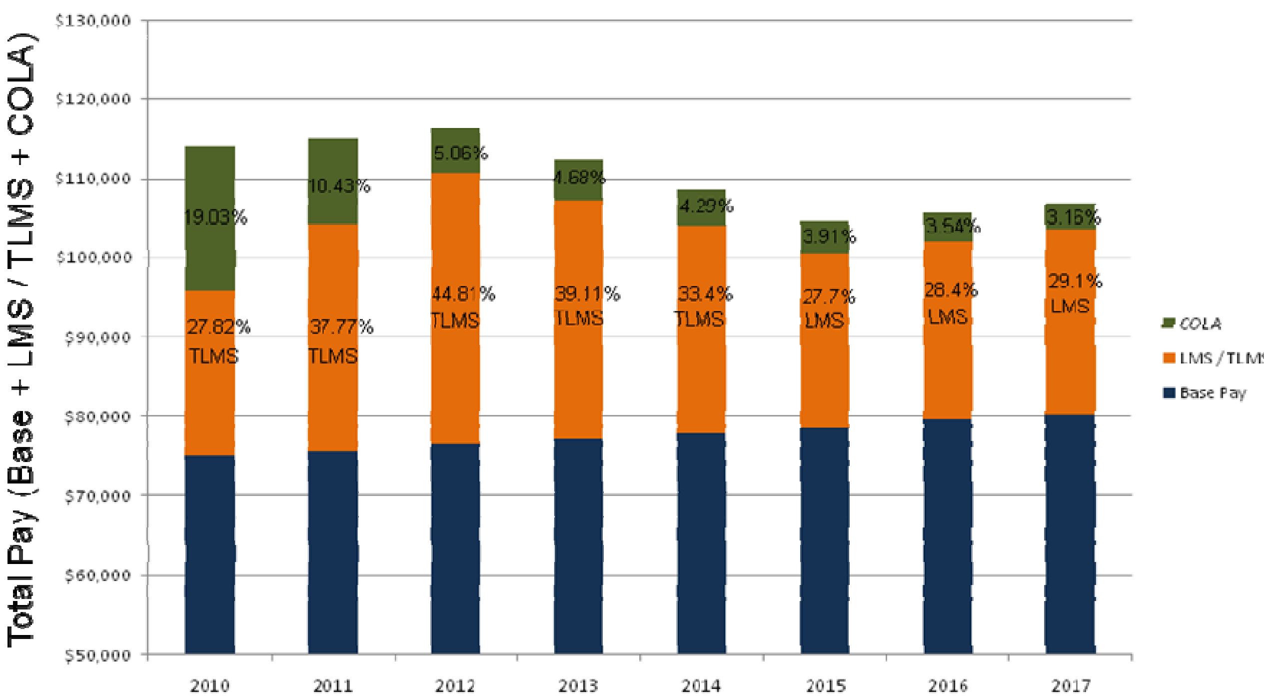
Illustrations of Reduction and Elimination of Non-Foreign OCONUS TLMS

Example: Employee in <u>Hawaii</u> with 2010 salary of $75k + TLMS and COLA



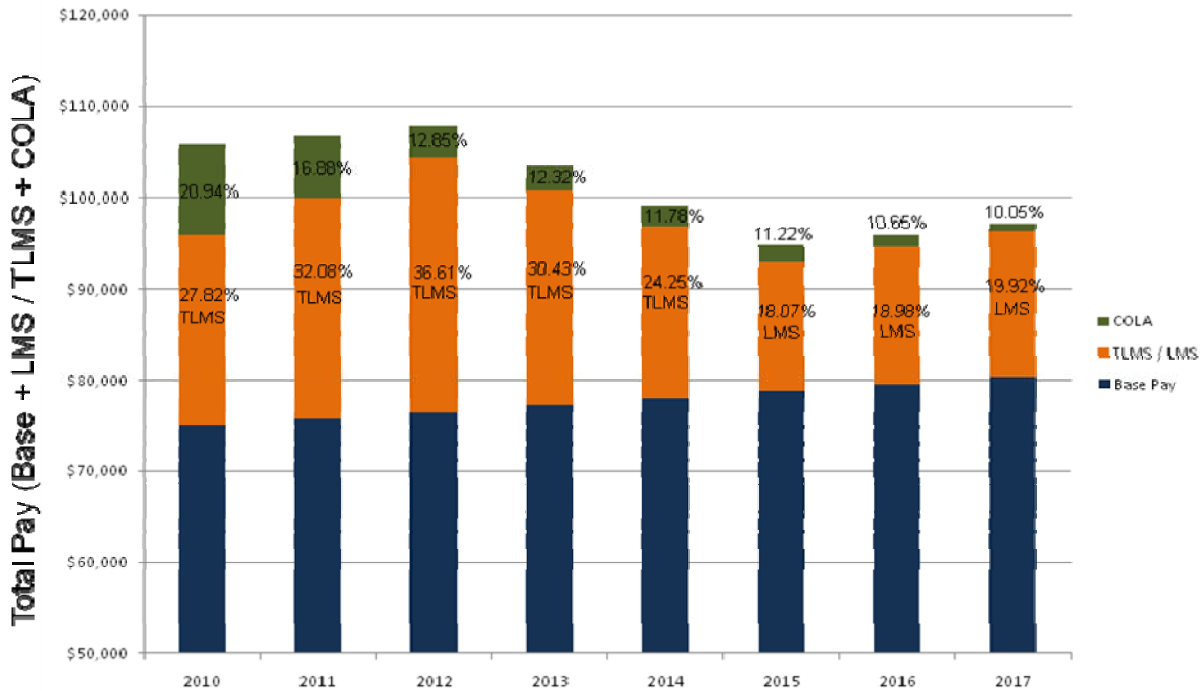
Note: All percentages after 2010 are estimates.

Example: Employee in <u>Alaska</u> with 2010 base salary of $75k + TLMS and COLA



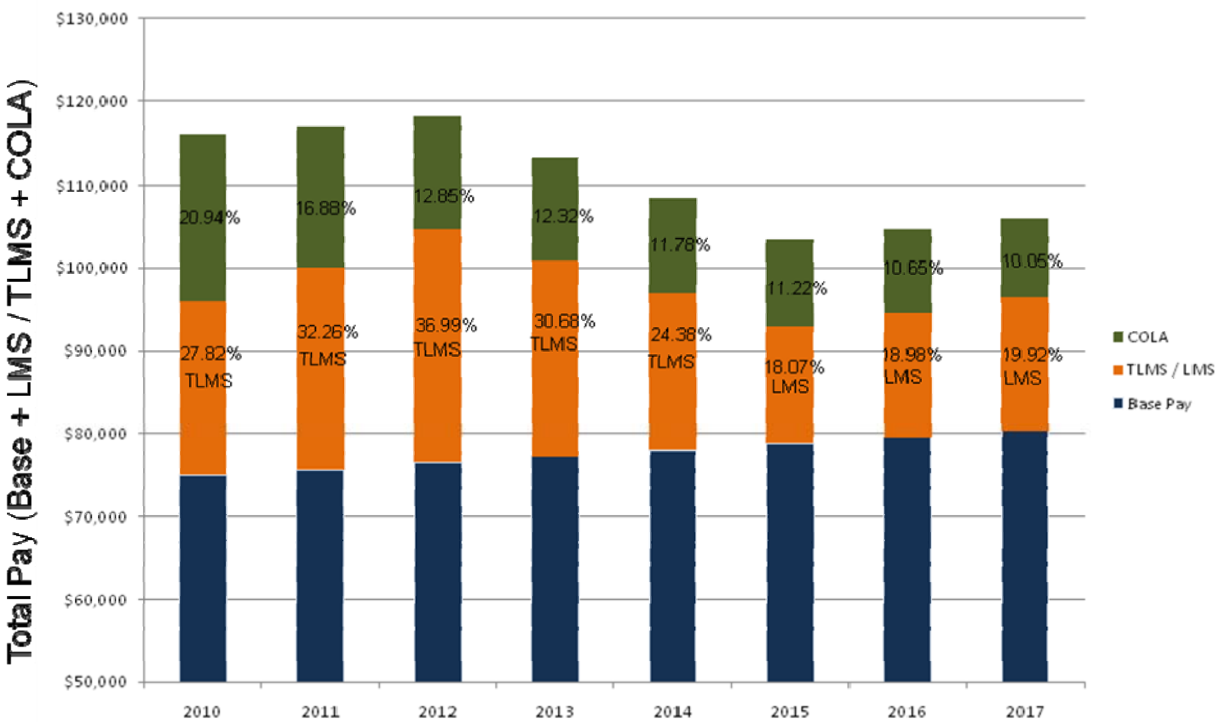
Note: All percentages after 2010 are estimates.

Example: Employee in Puerto Rico with 2010 base salary of $75k + TLMS and COLA



Note: All percentages after 2010 are estimates.

Example: Employee in Guam with 2010 base salary of $75k + TLMS and COLA



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