A recent survey and report by the Senior Executives Association and Deloitte examined known problems in the system executives and employees work under—for example, troubles in the federal government’s civil service leadership pipeline. The survey’s results demonstrate a need to design and implement more effective leadership and development programs. The survey of more than 750 federal leaders shows government is simply not attracting or retaining the best talent—and agencies are not doing a great job identifying and promoting high-potential leaders. Just 22 percent of survey respondents reported they felt that their agency was well prepared to retain top talent, for example. This week, Nathan Abse talks with SEA President Bill Valdez about the survey’s troubling findings—and about possible ways forward.

Q & A WITH BILL VALDEZ

According to the SEA/Deloitte survey, the federal leadership pipeline is just not doing a good job attracting or retaining talent. No surprise there—something reported for years. But, the survey’s dismal 22 percent who approve of agency capability here—that’s really low, right?

Valdez: It is. But I think that it’s an opportunity—it could be—for all of us to take a step back, and think about this issue. What are we doing here? The survey results are pretty clear. Agencies might now better focus on the leadership pipeline—on recruiting or cultivating their own career executives. The overall sense we get is, “Hey—we need to develop policies and programs that will lead to a stronger pipeline and a more effective senior executive corps.

What are the three most important changes that you surmise might be the...
most helpful in turning around the leadership pipeline situation?

Valdez: Let’s start with, mainly, one thing. That first thing here is the issue of money. The sad fact is that agencies have not been able to or allowed to allocate the right kind of resources required to improve things. That’s because training and human resources budgets are typically hit pretty hard, when as in recent years Congress has been running toward cutting things. That’s the budgetary part of this. I think it would be very, very important to have real dedicated funding for this purpose. I have testified on this issue—before Sen. Langford’s government reform subcommittee. And that committee basically said, “Yes, we agree with you at SEA that proper funding is the answer, but we really want to make dead sure the money is spent right.”

That’s one factor—money—so what would be the next two factors that could improve the leadership pipeline issue, specifically?

Valdez: Well, that the subcommittee said they want to focus on making sure any money is spent correctly, before they are inclined to vote for it, means that, first, we need better information. So, we need much stronger data and workforce analytics—in order to look more deeply and carefully at the hiring and recruitment process and where it goes wrong, in greater detail. All this I’m saying, that’s the second thing needed here.

What about a third, if you have one?

Valdez: The third thing, I think, is to set out to discover and implement something basic: Just what does it take to be a leader in the federal government? We have gone from going for our original purpose of the senior executive corps being a government-wide resource, to something different which I think the survey reveals. That is, now we are a group of executives that believe they are not empowered and not being fully utilized. The question is, what are some ways we can rebuild the capacity of leaders here?

We really need to be better at recruiting the millennials and keeping them in government. That’s something that a lot of organizations—inside and outside of the government—are struggling with, too.

Ok, but I hear you say to your mind the money problem should be dealt with first—perhaps along with it a more searching assessment of how to better use any money improvements.

Valdez: Yes—but I emphasize that we need a full understanding of workforce dynamics that can lead to better leadership development—and hiring and recruitment.

So, the data is lacking? Or at least crunching the data properly is lacking, for answers on what factors are causing a dispirited leadership here? You’re saying we just don’t know the real causes?

Valdez: I think that’s right, to a significant degree. Look, everyone talks about the need to hire more cyber talent, at the very least. But, you know, we are in a war with the rest of the commercial and public sectors to hire that talent. Yet we still don’t understand the first thing about how to be competitive with them. I just had a meeting with 25 deans of schools of public policy across the country, and we discussed this issue. One question we dealt with was: Are these institutions even producing the kind of people the federal government needs? And the answer is: Maybe not. We need to look beyond money and question deeply, where we are searching for talent, how we develop that talent—and to recognize that we are in a very tight competition for the top-notch people we thing are needed for the federal government.

Yes, most of the educated talent it seems wants to work for the private sector, despite all these beautiful reports—by government and think tanks—filled with data allegedly offering information on how to win them over. You’re emphasizing this—that agencies just don’t have the right hooks laid out there to get many from the stream of prospective recruits, right?

Valdez: Yes, I think that’s about right. We especially don’t know how to address the multi-generational workforce. We really need to be better at recruiting the millennials and keeping them in government. That’s something that a lot of organizations—inside and outside of the government—are struggling with, too. But we just don’t have good answers on how we in government should go about fixing our end of that, yet.

That’s interesting, what you say, to me, because for years so many organizations and agencies have issued data-driven reports on this subject, purporting to get at data with insight on leadership. Yet you are saying that despite all that
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AS MANY FEDERAL EMPLOYEES ARE currently receiving, or perhaps will receive in the future inherited IRA accounts from deceased relatives, they need to understand the rules associated with inherited IRAs. In the fourth of four columns discussing rules associated with inherited IRAs, this week's column discusses the rules for naming trusts as IRA beneficiaries.

Before discussing the specifics of naming a trust as an IRA beneficiary, it is important to review the ultimate purpose of IRA beneficiary designations. Perhaps the main purpose for having beneficiary designations for either a traditional IRA or a Roth IRA is to ensure that the assets in the IRA will be “stretched” over the lives of the beneficiaries. In so doing, any income taxes due upon required inherited traditional IRA withdrawals will be minimized and the traditional and Roth IRA assets can be preserved for as long as possible. For typical family situations, making one’s spouse as the primary beneficiary and children or siblings as contingent beneficiaries is the recommended structure to achieve the goal of the “stretched” IRA.

But there are situations in which an IRA owner may have good reason to prevent IRA beneficiaries from directly receiving inherited IRA assets. For example, if the beneficiaries are minor children, or if adult children are spendthrifts. Adult children in a difficult marital situation can also be a reason not to name an adult child as an IRA beneficiary. Second marriages may also cause problems for the recommended spousal beneficiary designation, especially when a new spouse does not get along with the other spouse’s children.

In these just mentioned situations, naming a trust as an IRA beneficiary may seem like the most logical and practical alternative. In short, a trust allows an IRA owner at his or her death to control the distribution of the IRA assets and ensures that the IRA meets his or her “stretch” objectives. The IRS has specific rules detailing what a qualified trust is, and these rules are listed here:

- The trust must be valid under state law;
- The trust is irrevocable or becomes irrevocable upon the trust owner’s death;
- The trust’s beneficiaries are identifiable from the trust document; and
- The trust’s trustee provides the necessary documents to the IRA custodian.

Even if all the rules for naming a trust as IRA beneficiary are followed, there are two potential traps for the IRA owner, which are now discussed.

Only individuals may be considered designated beneficiaries for purposes of taking advantage of the “stretch” IRA provisions. A trust is not an “individual” and because of that cannot be considered as a “beneficiary”. As such, if an entity other than an individual is named as a beneficiary of the trust, then the IRA is treated as having no designated beneficiary. The entire IRA would be required to be distributed within five years of the date of death of the IRA owner if the owner had not reached the age of 70.5. If the deceased IRA owner had reached age 70.5, then the remaining assets would have to be paid out over the remaining life of the IRA owner. In both cases, the IRA payout arrangement does not allow for lifetime distributions based on the life expectancy of the IRA beneficiaries, resulting in no “stretch”.

Another trap involves the requirement that the trust be considered a "conduit" trust in order to take advantage of the “stretch” IRA provisions. To be considered as a “conduit” trust, the trust document should specifically state that amounts distributed from the IRA as required minimum distributions be distributed and paid out to the trust beneficiaries. If this trust provision is not included, then the trust is assumed to be able to accumulate the IRA distributions instead of paying them out as required.

In the latter situation, since a trust cannot be a designated beneficiary, the IRS will count all potential beneficiaries of the trust as beneficiaries of the IRA for determining the life expectancy to use when calculating minimum required distributions. In fact, the IRS may have to look “far down the line” of trust beneficiaries. If an individual in the line of trust beneficiaries is much older than the other beneficiaries, the IRA required minimum distributions will have to be taken more rapidly over the person’s shorter life expectancy, thus shortening the IRA “stretch”.

While it is permissible and sometimes desirable to name a trust as the beneficiary of a traditional or Roth IRA, great care should be taken in making this decision. It is highly recommended that interested IRA owners first discuss the idea of naming of trust as IRA beneficiary with a qualified estate attorney. Most importantly, the issue of whether naming a trust as an IRA beneficiary truly fits into the IRA owner’s overall estate planning goals should be thoroughly addressed and investigated.

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data, we still don’t have answers?

Valdez: That’s right.

It’s amazing. So much data and yet to you, no good answer why so much poor recruiting and retention. In any case, some data, some reporting, shows that younger people want more autonomy, more say hour-to-hour, and more telework and use of their electronic devices.

Valdez: Yes, all that is some of this divide. But another question here is: What are the systemic constraints to bringing that younger demographic into our workforce? Some of it is what you described—that there is this growing Silicon Valley model of how to manage talented people. And the federal government isn’t really great on that. But, we just don’t have the answers. That’s why we did the survey. We had a strong feeling that we were missing something. What we are going to do here, in the SEA, is to work with OPM, with OMB, with people on Capitol Hill, to try to resolve some of these issues—what we see as some of the serious issues in leadership pipeline and leadership development.

Right. But remember this generational recruiting problem—and the other problems like the money issues—happened anyway, for over a decade at least now. Can you comment?

Valdez: What previous surveys make clear is that there is that—on the one hand, the morale problem, just as you mention. But that is different than the whole leadership development and pipeline that we are dealing with at that point, in this report. Certainly, these are interrelated issues—morale and leadership pipeline. But they are different issues. And we are trying to examine them separately. And by the way, we already know a lot about the morale problem.

Got it—you’re saying the SEA is still a great idea—a pan-government, highly-trained management corps—a hope and idea. But, to you, right now, SEA is not in an ideal state of affairs.

Valdez: I think that’s a great way to put it.

But did your survey get useful and deeper information, to your mind, on the other subjects mentioned in the report? Is the leadership pipeline the leading issue here?

Valdez: Yes, about getting useful information. But, no, the issues we dealt with in the survey are all related and should be treated as equally important issues. They are interrelated and follow each other.

So, looking ahead, what has SEA done with the survey to move toward improvements?

Valdez: SEA has created something called “communities of change.” One of these is called the Human Capital Leadership Community of Change. And we tasked that group with coming up with some out of the box solutions to the problems explored in the report. And one of those initial responses has been to look at various leadership development models and then compare and see where our survey findings best match with those, to suggest a way forward to improvements. And in the next few months, we’ll be seeing and sharing the results of this analysis. We’ll be having a conference on Dec. 7—the Presidential Rank Award Leadership Summit. And, in that context, we’ll be taking a look at these findings—seeing how the right conditions lead to the right kind of leaders.

One more thing, in the corporate world as you know being a lifelong learner is key. What are you doing on that in the federal government—helping it become part of the culture?

Valdez: Part of it is that the SEA will develop some programs for lifelong learners. But another part of the way forward on this subject is that federal agencies need to step up and provide more lifelong learning for their SES workers. We’re hopeful on this. There is an appetite for it on Capitol Hill, and at OPM and OMB. So we are hopeful—although, as you know, it’s a zero-sum game right now in the world of federal budgets. Your readers can learn more about all of the issues we handled in the survey in the report. These include not only improving the leadership pipeline in the ways we discussed here, but using evidence-based assessments, identifying individuals who are high potential, and many others.

House passes resolution calling for $32 billion cut to fed benefits

ON OCT. 5, THE HOUSE OF Representatives passed a budget resolution that effectively orders $32 billion cut to federal benefits.
billion in cuts to federal retirement benefits.

Congressional Resolution 71, which carried by a vote of 219 to 206, contains reconciliation instructions demanding the billions in cuts be made over a 10-year time frame, specifically to spending that is managed by the House Committee on Oversight and Government Reform, known as OGR.

“What the resolution does, is that it gives instructions to the oversight and government reform committee, OGR, asking them to find that $32 billion in savings,” Jessica Klement, NARFE’s legislative director, told **FEND**. “OGR can find that money to cut, nominally under any mandatory spending under its jurisdiction.”

But the only substantial mandatory spending that falls under OGR are retirement benefits for feds and postal employees.

“So, in practice the only place OGR can go for that is federal employee retirement programs,” Klement clarified. “If this resolution is agreed to by the Senate, those cuts are going to be used to pay for tax reform,” Klement said. “It doesn’t make sense—you are taxing middle-class federal employees, to provide tax cuts to other middle-class Americans. We are calling this a ‘retirement tax.’”

“This budget resolution was touted as setting the stage for tax changes that will provide a break to hard-working, middle class Americans,” Richard G. Thissen, NARFE’s president, said in a statement. “In reality, it sets the stage for broken promises, lower paychecks, and less retirement and health security for hard-working, middle class public servants.”

“The House passed a budget resolution that targets the hard-earned retirement and health benefits of federal and postal workers and retirees for at least $32 billion in cuts,” Thissen continued. “The policies required to meet that target range from bad to worse – from imposing a retirement tax on these workers by raising payroll contributions toward retirement without any benefit increase, to dramatically reducing the value of federal pensions for those nearing, or even in, retirement.”

**SENATE WOULD HAVE TO CONCUR TO HAVE EFFECT**

“These cuts would break promises to employees and retirees who have based career and retirement planning on long-standing, promised benefit calculations. Federal retirement benefits were earned through years of hard work – they are not gifts to rescind,” Thissen said.

“The Senate hasn’t passed this bill yet,” Klement noted. “They will take it up. But they will probably have problems with passage, since the...
Senate can afford to lose two votes.”
“So, if the Senate passes its budget resolution, then the two parts of Congress would have to pass it and it would have to go into a conference—and from there, the differences would have to be negotiated, agreed to, and put into a concurrent budget resolution,” Klement said. “If these cuts are in a concurrent budget resolution—one that both the House and Senate agree to—then it is all but certain that federal employees and retirees would be paying for the so-called ‘tax-reform.’”

“Now, there is some possibility that the concurrent budget resolution will not contain these cuts, these instructions,” Klement told FEND. “How this plays out remains to be seen.”

Major federal employee unions—including the American Federation of Government Employees and the National Treasury Employees Union—are also committed to defeating any legislative move toward the massive cuts.

“NTEU is fighting to block these harmful proposals, but we need every member to get involved before it’s too late,” the union said on its “action center” blog. “We ask every member to call their lawmakers immediately to urge them to protect federal employee take-home pay and benefits.”

“In Brief

**OGE Warns Agency Leaders About Unethical Behavior**

THE OFFICE OF GOVERNMENT ETHICS IS reminding agency leaders that they are responsible for the ethical culture within their organizations, a message that comes at a time when the Trump administration has been criticized for agency secretaries’ use of private jets.

David Apol, the acting director and general counsel for the Office of Government Ethics, sent a memo to agency leaders reminding them to set positive examples as leaders.

“As a leader in the United States government, the choices that you make and the work that you do will have profound effects upon your nation and its citizens,” Apol writes, continuing, “You are ultimately responsible for the culture within your organization. The priorities that you set, the messages that you deliver, and the actions that you take, demonstrate your level of commitment to ethics in government.”

Apol said that he has been “deeply concerned” about some of the conduct among government leaders.

Last month, House Oversight and Government Reform Committee Chairman Rep. Trey Gowdy (R-S.C.) and ranking member Rep. Elijah Cummings (D-Md.) sent leaders of 24 federal agencies requesting information on all flights of non-career officials using government-owned and non-commercial private aircraft since Jan. 20, 2017 after reports of misuse of chartered planes by administration leaders for personal pleasure at taxpayer expense.

He also attached a separate document that outlines the role agency leaders play in promoting a positive ethical culture.

**Committee OKs Hiring Boost At CBP**

A HOUSE COMMITTEE HAS PASSED legislation that aims to strengthen border security by, in part, boosting and streamlining hiring at Customs and Border Protection.

The bill—Border Security For America Act—was approved 18-12 by the House Homeland Security Committee on Oct. 4.

It calls for 5,000 new Border Patrol agents and 5,000 customs officers,

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and also streamlines the way that veterans and existing law enforcement officers can be hired at the agency.

Chairman Michael McCaul (R-Texas) introduced the bill, along with 70 cosponsors.

“We have been talking about border security for many years,” McCaul said in a statement. “Now that we finally have a partner in the White House who has prioritized this issue, it’s time for Congress to do its part and get the job done.”

SURVEY OF FEDERAL EXECUTIVES FINDS LEADERSHIP PROBLEMS

A recent survey by Deloitte and the Senior Executives Association found that the federal government has issues with its leadership pipeline and needs to design leadership and development programs—among other initiatives—to address the matter.

The survey of more than 750 federal leaders found that the government is not attracting and retaining top talent, and agencies are struggling to identify and promote high-potential leaders over employees with strong technical expertise.

Only 22 percent of respondents said they felt that their agency is well prepared to retain top talent. They also expressed concern over leadership development opportunities, and identified the need for better infrastructure as the cause.

“Agencies are not prepared for the future of work, and even the most senior executive leaders believe significant innovation and collaboration are discouraged by institutional or cultural barriers,” the survey states, adding, “Furthermore, only 28 percent of respondents felt their agencies had systems in place to enable knowledge-sharing across government leadership.”

There was a bright side to the survey findings. “The good news is that federal executives care deeply about the organizations they lead, clearly understand what they are accountable for, and are anxious to see key changes to help improve leadership selection, development, and empowerment,” according to the survey.

Federal Benefits Q&A

**QUESTION:** My wife resigned from her federal job about ten years ago with an accumulative active federal service of about 27 years. She has FERS with CSRS component and never took her annuity, planning on waiting until she was 60 to withdraw it unreduced. She worked at various agencies because I was the primary income source and was posted around the world as a DEA agent. We think she has all her sf-50’s. She recently turned 58 and we want to start getting everything together to submit when it is time. My questions are: What is the process? Where do we get the application? To whom and where do we submit it?

**ANSWER:** She can apply now, since she has that much service time and has reached her Minimum Retirement Age. There is no benefit to her waiting until age 60. Here is a link to OPM’s page on Deferred Retirement. For FERS (including TransFERS), she needs to download form RI 92-19. Follow the instructions on the form. It will be mailed to the address on the form, which is: OPM RETIREMENT SERVICES FERS PO BOX 45 BOYERS PA 16017-0045.

Readers are encouraged to ask questions related to general employee benefits—such as CSRS, FERS, the Thrift Savings Plan, tax and estate planning, insurance, Social Security and Medicare—at the “Federal Benefits Q&A” at www.FederalSoup.com.

Visit us on the Internet at www.FederalSoup.com
That’s the principle of long-term investing which is what the TSP is all about.

The worst thing people can do, Stein says, “is to head for the ‘safety’ of the G-fund and to stay there.” When people leave the stock market because of a correction or crash they seldom come back. They wind up selling (stocks) when they are at a low point and the few that come back when it is ‘safe’ miss out on the massive rebound and miss purchasing the C and S funds when they were on sale.

John Templeton, a famous financial guru, said that the best time to buy stocks was when there is “blood on the floor;” meaning when the market is way down.

Think long haul when investing. In 2016 the average annual return for the G-fund was 1.8 percent. Over three-years it was 2.1 percent and over 10-years, it was 2.6 percent. By contrast, the returns for the F-fund bonds were 2.9 percent, 3.5 percent and 4.6 percent. Safer, it turns out, than the super-safe G-fund

Over a one, three, five and 10 year period the C-fund average return was 12 percent, 9 percent, 14.7 percent and 7 percent over the 10-year span. The S-fund did better racking up a one year return of 16.9 percent; 6.8 percent over three years, 14.8 percent over 5 years and 8.1 percent over the 10 year period. All that despite the Great Recession.

Is there going to be a major correction, perhaps of 30 percent or more? Based on past performance when will it be? Short answer; nobody knows.

The important question, based on your age, finances, risk tolerance and retirement time table is what are you going to do when the big one hits? Think about it for sure. And be careful what you consider is a ‘safe’ move.