



DEPARTMENT OF THE ARMY
HEADQUARTERS, U.S. ARMY MATERIEL COMMAND
5001 EISENHOWER AVENUE, ALEXANDRIA, VA 22333 - 0001

REPLY TO
ATTENTION OF

AMCPE-CE (690-351)

25 OCT 1996

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Voluntary Separation Incentive Pay (VSIP)

1. References:

a. Memorandum, HQ AMC, AMCPE-CE, 06 Dec 95, subject: Voluntary Separation Incentive Pay (VSIP) Guidance.

b. Memorandum, HQ AMC, AMCPE-CE, 26 Jul 96, subject: Voluntary Separation Incentive Pay (VSIP) Plans and Procedures.

2. In response to a request from a commander of a U.S. Army Materiel Command (AMC) Major Subordinate Command, members of my staff met with Mrs. Carol Ashby Smith, Office of the Assistant Secretary of the Army (Manpower & Reserve Affairs (ASA(M&RA))), to discuss AMC's current VSIP requirements; to determine if our requirements for execution may be too restrictive; and to seek any flexibilities available with regard to VSIP execution. It is our goal to provide AMC managers with the maximum flexibility allowed in the execution of VSIP, but we must ensure that we remain within the legal and regulatory parameters established by Congress, Department of the Army, and Department of Defense.

3. Since some of you may have similar ideas concerning execution of VSIP, I am enclosing a copy of the proposals discussed with Mrs. Smith and her specific response concerning each proposal. Although Mrs. Smith acknowledged that some of these proposals may make good business sense, she said the law does not allow for most of the flexibilities requested.

4. Within the past year, we have published the guidance referenced above to use when planning for and executing VSIP windows. My staff is always willing to discuss this guidance and work with you and your staff to ensure that they understand all the flexibility available within the legal and regulatory parameters.

5. AMC -- America's Arsenal for the Brave.

Encl
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JOHNNIE E. WILSON
General, USA
Commanding

AMCPE-CE

SUBJECT: Voluntary Separation Incentive Pay (VSIP)

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SUBJECT: Voluntary Separation Incentive Pay (VSIP)

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Reserve Affairs), 111 Army Pentagon, Washington, D.C. 20310-0111

RECOMMENDED PROCESS FOR ADMINISTERING VSIP:

We met with Mrs. Carol Smith, OASA(M&RA), to discuss the VSIP flexibilities requested and received her guidance on the proposed process. The following information was prepared based on this meeting and is provided in response to the recommended process proposed by an AMC Commander for administering VSIP:

a. **RECOMMENDATION:** That AMC grant VSIP authority to activities on a fiscal year basis in order to manage the program based on whether or not the activity must incur reductions which cannot be achieved through normal attrition. The activity could then open and close the VSIP window as necessary.

OASA(M&RA) RESPONSE: The VSIP authority has been delegated to the MACOM level. The MACOMs have the option of redelegating the VSIP authority to lower levels or retaining it at the MACOM level. This is solely a MACOM decision. The AMC chose to retain this authority at the MACOM level since there has been, and continues to be, much close scrutiny of the use of VSIP, particularly at AMC activities. Since reshape actions are very sensitive and generate much high level interest, it is critical that AMC's Command Group be fully cognizant of all reshape actions being taken throughout the command. Anytime an AMC activity is projecting the need for a RIF (a requirement to use VSIP authority), HQ AMC must be notified immediately and authority to offer VSIP requested. When such a request is received, VSIP authority is granted. Once the authority is granted to an activity, the activity Commander is free to open and close the VSIP window as necessary. This is the maximum latitude we can offer.

b. **RECOMMENDATION:** Activities have the option of "audit trailing" the VSIP via current AMC guidance, OR by documenting the financial savings achieved through the use of VSIP.

OASA(M&RA) RESPONSE: The law requires that we not only save money, but that we also save an employee from involuntary separation. Both requirements must be met to satisfy the requirements of the law. The purpose of the law was to provide incentives for employees to voluntarily retire or resign, thereby facilitating downsizing and to aid employees facing involuntary separation as a result of downsizing. The law is not solely for the purpose of saving money and reshaping our work force.

(1) **RECOMMENDATION:** Retain a high grade VSIP taker's position as vacant long enough to generate sufficient salary/benefit savings to fund one or two lower-level surplus jobs.

OASA(M&RA) RESPONSE: Retaining a high grade VSIP taker's position as vacant to save a lower-level surplus employee can satisfy the VSIP audit trail requirement, but if management later decides to fill the VSIP taker's position, alternate VSIP savings must be documented. If the VSIP taker's position is reinstated and filled without alternate savings documented, the surplus employee would remain surplus even though sufficient hire-lag money may have

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been generated to pay the salary of the surplus employee. Both requirements of the law, saving an employee from separation and net savings over a two-year period, would not be satisfied by this process. Therefore it is an inappropriate use of VSIP.

(2) **RECOMMENDATION:** Document savings in the out years relative to lower work year costs resulting from less paid out in saved grade and pay.

OASA (M&RA) RESPONSE: The law requires that we not only save money, but that we also save an employee from involuntary separation. Since this proposal does not satisfy both requirements, it is an inappropriate use of VSIP.

(3) **RECOMMENDATION:** Document savings realized by backfilling a higher step VSIP taker's position (i.e., GS-13/Step 10) with a lower step employee (i.e., GS-13/Step 1).

OASA (M&RA) RESPONSE: There may be considerable dollar savings, but no employee would be saved from involuntary separation since a new employee would be hired to replace the VSIP taker, so the legal requirements are not satisfied by this proposal, thus this would be an inappropriate use of VSIP.

c. **RECOMMENDATION:** In those instances where the VSIP taker's position cannot be directly audited, abolish a different position to generate the savings necessary to document a save.

OASA (M&RA) RESPONSE: This is an acceptable VSIP audit trail and is already allowed by AMC guidance (see reference 1b, paragraph 3 of enclosure). It is important to note that all decisions made by management concerning VSIP approvals and subsequent savings should be thoroughly documented in writing to include any intervening placements or abolishments that may have taken place during the chain of events that began with approval of a VSIP application. The documentation should be clear enough to allow reconstruction by a third party.

d. **RECOMMENDATION:** Allow activities to complete all VSIP audit trails within 2 years from the date the VSIP is approved. This is consistent with the DOD guidance which requires that net aggregate savings are achieved within a two-year period.

OASA (M&RA) RESPONSE: The DOD requires that payment of VSIP be tied to saving an employee from involuntary separation and must also result in aggregate net savings over a two-year period. An employee who will be saved from involuntary separation must be identified at the time a VSIP payment is approved. The two-year period is the time during which the VSIP payment must be recouped; it is not the time period during which employees can be identified for involuntary separation and subsequently saved. This proposal is inconsistent with DOD guidance and would be an inappropriate use of VSIP.