



DEPARTMENT OF THE ARMY  
UNITED STATES ARMY, EUROPE  
UNIT 29351  
APO AE 09014-9351

REPLY TO  
ATTENTION OF:

AEAGA-CL

16 JUNE 2010

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: CPD Policy Memorandum, LN-GE-EMP 9, Enhanced Annulment Contract Program for Local National (LN) Employees in Germany

1. References:

a. Tariff Agreement of 31 August 1971 for the Social Security of the Employees of the Sending States Forces in the Federal Republic of Germany.

b. Tariff Agreement of 2 July 1997 on Protection from Rationalization Measures, Termination of Employment and Income Protection.

c. Memorandum, HQ USAREUR, AEAGA-CL, 30 September 2005, subject: CPD Policy Memorandum, LN-GE-EMP-3, Enhanced Indemnity Pay for Employees Eligible for Early Retirement (Effective 1 September 2005).

d. Electronic Mail, HQ USAREUR, CPD, 5 September 2003, subject: Annulment Contract Open Season for Local National (LN) Employees in Germany.

2. References 1c and d are herewith rescinded.

3. The purpose of this memorandum is to promulgate consolidated current (references 1c and d) and expanded policy governing the enhanced annulment contract and indemnity pay programs for LN employees in Germany. This program is a workforce management tool offering incentives to employees whose positions have been abolished (overhires), or will be abolished as a result of reduction in force (RIF) actions, or who are affected by workforce restructuring measures, as outlined in paragraph 4 below. Employees vacating a position for placement of employees subject to RIF will also be eligible for an annulment contract. It must be emphasized that this program is not an employee entitlement. Management officials must approve each annulment contract based on organizational mission requirements.

4. Workforce restructuring buyouts allow the organization to reshape its workforce without resorting to RIF, a RIF avoidance action, or the loss of a position. The application and use of the buyout must be tied directly to workforce restructuring actions in which management offers buyouts to create vacancies that shall be reshaped to meet mission objectives of the concerned organization.

a. Workforce restructuring buyouts may be used to correct skill imbalances or to reduce managerial or supervisory positions.

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b. Position restructuring is restricted to the vacancy created by application of the buyout. The resulting vacancy shall reflect a change in grade, dominant position duties, occupation, or supervisory status.

5. Enhanced annulment contract conditions are as follows:

a. For employees entitled to and taking advantage of the Social Security Agreement (SSA) benefits in accordance with reference 1a:

(1) Two months' pay in accordance with reference 1b, plus an additional eight months' pay, plus 50 percent of salary savings, if the individual notice period is waived.

(2) The maximum indemnity pay for employees observing their individual notice period will be 10 months' pay and for employees leaving earlier, the maximum indemnity pay will amount to 13.5 months' pay.

b. For employees not entitled to SSA benefits or waiving their SSA entitlements:

(1) One month's pay per creditable year of service for the first ten years, plus

(2) One half month's pay per creditable year of service, starting with the eleventh year, up to a maximum of five months' pay, plus

(3) 50 percent of salary savings, if the individual notice period is waived.

(4) Maximum indemnity pay for employees observing their individual notice period will be 15 months' pay and for employees leaving earlier, the maximum indemnity pay will amount to 18.5 months' pay.

c. Employees who vacate positions for placement of employees who are facing RIF and employees who are affected by workforce restructuring measures (paragraph 4 above) are not eligible for SSA benefits.

6. The following special provisions apply to LN employees who are eligible for early retirement:

a. Categories of employees eligible to exercise the option for voluntary early retirement:

(1) Employees aged 60 and above with a recognized severely handicapped status, provided they have served the legal waiting period for retirement eligibility of 35 years.

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(2) Female employees aged 60 and above, provided they have made social contributions for a minimum of 10 years after age 40, and have served a 15-year waiting period.

(3) Male employees aged 63 and above, provided they have served the legal waiting period of 35 years.

b. With the exception of employees addressed in d below, employees who retire voluntarily before they have reached the standard age limit for retirement (*Regelaltersrente*) will incur a pension reduction of 0.3 percent per month with a maximum deduction of 18 percent for retirement at age 60. Furthermore, the net pay from the Group Life Insurance (*Gruppenversicherungsvertrag*) will be lower because the employer will no longer pay premiums after the employee's retirement. This option is designed to encourage eligible employees to consider voluntary early retirement by granting lump sum compensations for the mandatory pension reduction and the loss of premiums paid to the Group Life Insurance. It also includes an indemnity package.

c. It is imperative that employees first contact their respective retirement insurance carrier (*Rentenversicherungsträger*) for resolution of their retirement insurance account (*Kontenklärung*). Once the account has been reconciled, employees must obtain a statement from their retirement insurance carrier, indicating the amount they would need to pay into their retirement insurance account to avoid a pension deduction due to early retirement. Upon presentation of this document, employees will be offered the following benefits:

(1) The indemnity of up to 15 months' pay for employees observing their individual notice period and up to 18.5 months' pay for employees leaving earlier (paragraph 5b above). The indemnity pay will be prorated for employees with less than 18.5 months until they reach the standard age limit for retirement.

(2) A lump-sum as compensation for the reduction in retirement benefits resulting from the early retirement decision. The amount of this payment is based on the statement obtained from the retirement insurance carrier. The employee can elect to have this lump-sum payment included in the indemnity or authorize the Foreign Forces Payroll Office to pay the amount directly to his/her retirement insurance carrier.


(3) Four percent of the annual salary for each year before reaching the standard age limit for retirement, to compensate for the loss of premium payments to the Group Life Insurance.

d. Employees born prior to 17 November 1950, and who attained severely handicapped status on or before 16 November 2000, will not incur a reduction in pension if they retire at age 60. Therefore, no lump-sum payment will be made to this group of employees.

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7. Without exception, annulment contracts under this program require prior approval from this office.
8. HQ USAREUR POC is Gerlinde Kluger, DSN 379-6575, email [gerlinde.kluger@us.army.mil](mailto:gerlinde.kluger@us.army.mil).

  
DONALD F. COPSON  
Assistant Deputy Chief of Staff, G1  
(Civilian Personnel)

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