Examples of Private Sector Company Lump Sum Programs

The following highlights information about private sector companies experiences with lump sum payments based on articles that we reviewed.

<u>Company A</u> - The relocation policy was not tiered and was applicable to any management employee who was offered a position that required relocation. The amount of relocation was adjusted for location based on the per diem used for meals and lodging. All employees received the same lump sum, by number of days, for househunting.

(1) Temporary living –

a] <u>homeowners</u> received coverage for longer temporary living to allow for the transition involved in purchasing and selling a home. For example, the homeowner received 45 days of lodging for temporary living.
b] <u>renters</u> received only 25 days. The renter also received a one-time allowance for lease breakage.

(2) Pet Allowance - employees were eligible to receive up to $200 to move their pets.

<u>Company B</u> - The relocation department calculated the lump sum payment based on estimated cost of:

(1) househunting,
(2) temporary living, and
(3) miscellaneous expense allowances.

Company B grossed up the lump sum allowance for taxes.

<u>Company C</u> - The lump sum amount was based on estimates established by Runzheimer International:

(1) househunting - the money was budgeted to cover eight days of househunting,
(2) temporary living expenses - 60 days. Car rental, lodging and meals are included in the temporary living expense.
(3) return trips – employees were eligible for 4 return trips.

Company C employees had the option of using expense reports – but since the lump sum program was implemented only one employee has opted for the old process.

In 1994, the average cost to relocate a home-owning employee at Company C was $63,000. In 1995, Company C reported the average cost dropped to $53,000. Company C did not solely credit the lump sum program with the cost decrease but reported that it did help.

Company C also reported that its biggest savings was in time. With expense reports, each report passed through the relocation, travel, payroll, and accounts payable departments. Now the relocation department handles two payments per individual as opposed to 16 or 17 transactions under the expense report system.

Company D – The lump sum plan covered:

(1) travel for relocation,
(2) trips home when in a temporary living arrangement,
(3) the temporary living costs,
(4) househunting, and
(5) miscellaneous expenses incurred from the move.

Employees were given one check. The check amount was based on factors such as marital status, whether the individual owns or rents, and the distance of the relocation. Company D worked with corporate lodging organizations to determine the average costs of temporary living.

Company D was able to save $1.8 million in one year after implementing a lump sum arrangement and trimming some of the relocation allowances granted to transferred employees. While the lump sum approach was more cost-efficient from a labor and administrative perspective, Company D found that the average cost per relocation had not decreased. Company D's finding, as are other companies implementing the lump sum payments, that despite seeing no immediate drop in relocation costs themselves, the savings in time and other costs made the switch worthwhile.

Office of the Comptroller of the Currency's Formula for Calculating the Lump Sum Allowance

The following table displays the formula for the lump sum allowance by OC grade:

	OC-12 and Above	OC-11 and Below
• **The Pretransfer Trip**		
Miscellaneous Travel Cost (e.g., rental car, parking, and taxi fares)	$200.00	Same
Lodging	OCC lodging rate[1] x 8 nights	Same
Per Diem	Employee x per diem rate[2] x 9 days + telephone allowance x 8 nights ***and*** Spouse and dependents x per diem rate x 9 days + telephone allowance for spouse x 8 nights	Same
Mileage	Round trip mileage as determined by OCC x the standard mileage rate	Same
• **Miscellaneous Allowance**		
Miscellaneous Allowance	Base pay at time of selection divided by 2087 x 80 hours	Same
• **Temporary Living**		
Lodging	OCC lodging rate x 14 nights	OCC lodging rate x 6 nights
Per Diem	OCC per diem rate x 15 nights	OCC per diem rate x 7 nights
	$250 each for spouse and additional dependents	$125 each for spouse and additional dependents
Maximum Payment	**$10,000**	**$6,000**

Source: Comptroller's Handbook for Relocation

[1] The lodging rate is based on the current OCC lodging rate for the city in which the employee obtains lodging.

[2] The per diem rate is based on the OCC per diem rate for the employee's new field office.

Glossary of FDIC Relocation Cost Categories

TEMPORARY LIVING EXPENSES	Employees will be reimbursed for temporary living expenses incurred by them or by immediate family members who are required to travel as a result of an authorized relocation. Expenses that may be reimbursed include charges for lodging, per diem, transportation, and telephone calls while employees are absent from their residence or are between residences.
FAMILY TRAVEL	The authorized time period during which an eligible relocating employee may claim temporary living expenses for the family as a whole at a new official station.
ADVANCE HOUSEHUNTING TRIP	A reimbursable trip to the new official station for the purpose of selecting a new residence.
TRANSPORTATION OF HOUSEHOLD GOODS	Personal property which may be transported legally in interstate commerce and which belongs to and is in the possession of the employee and the employee's immediate family at the time notice of relocation is received, including clothing, books, and similar property.
REAL ESTATE SALE	Expenses associated with selling an employee's residence at the old official station. These expenses shall not exceed $23,070, or 10 percent of the actual sale price, whichever is less. The dollar limit is based on the current GSA limits. Reimbursable expenses include broker's fee and real estate commissions, advertising and selling expenses such as multiple listing services, legal and related expenses, and other expenses such as transfer taxes.
REAL ESTATE PURCHASE	Expenses incurred in connection with the purchase of a residence at the new official station. These expenses shall not exceed $11,534, or 5 percent of the actual purchase price, whichever is less. The dollar limit is based on the current GSA limits. Reimbursable expenses include fees for title search, title insurance, credit report; points; and home warranty policy.

HOME PURCHASE PROGRAM	Assistance is provided to employees who voluntarily participate in the program, in selling their qualifying property at the old official station so they can more quickly purchase a home at their new official station.
MISCELLANEOUS EXPENSE	Discontinuing a residence at one location and establishing a residence at a new location creates incidental expenses. To offset these expenses with requiring detailed recordkeeping and receipts, eligible employees are authorized to receive a Miscellaneous Expense Allowance (MEA) equal to 10 percent of annual base salary. The MEA is intended to cover any necessary and reasonable relocation expenses not specifically provided for elsewhere in the relocation regulations.
RENTAL DIFFERENTIAL ALLOWANCE	Limited compensation that is provided for a specified time period to eligible relocating employees when rental costs are higher at a new official station. The rental differential allowance was discontinued, effective January 1, 1998.
MORTGAGE INTEREST DIFFERENTIAL	Reimbursement to employees for a portion of specified additional expenses directly related to the net increased mortgage(s) of an equivalent residence at the new official station. The benefit consisted of MIDA I and MIDA II. • MIDA I provides for payment in the event that the mortgage interest rate on the new residence is higher than the mortgage interest rate the employee was paying on the residence at the last official station. • MIDA II addressed comparative real estate values. A MIDA II allowance may be payable to offset the additional principal and interest necessary to finance a comparable home at the new mortgage interest rate. MIDA II was discontinued, effective January 1, 1998.
LUMP SUM ALLOWANCE	A payment of $3,000 or 5 percent of the employee's base salary, whichever is less, or the amount of economic benefit to the FDIC. Managers are authorized to negotiate a lump sum relocation payment to meet specific FDIC business requirements which do not meet all the requirements of the relocation regulations. Specifically, the relocation must provide economic benefit to the FDIC.

OTHER RELOCATION COSTS	Other relocation costs include miscellaneous expenses such as taxi fares, storage costs for household goods which must be stored more than 30 days and up to 90 days, and transportation for weekend return trips.
INCOME TAX ALLOWANCE	Current Internal Revenue Service regulations and other applicable regulations require that all reimbursed moving and relocation expenses be included in employee gross income. The FDIC, in accordance with these regulations, withholds an appropriate amount for income tax from appropriate relocation payments. The Corporation will pay to the Federal Government and to other applicable governments, on behalf of eligible employees, specific estimated tax liabilities generated by excess non-deductible expenses directly related to relocation payments made by the FDIC, such as househunting, temporary quarters, real estate, and other relocation costs.