



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

REPLY TO  
ATTENTION OF:

AEPE-C

15 JUNE 2015

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: 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, 11 November 2011, subject: CPD Policy Memorandum, LN-GE-EMP-9, Enhanced Annulment Contract Program for Local National (LN) Employees in Germany.

2. Reference 1c is herewith rescinded.

3. The purpose of this memorandum is to promulgate expanded policy governing the ordinary and 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, 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, or who are subject to termination of employment as a result of a relocation of their employing organization outside of the commuting area, as outlined in paragraph 5 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. Annulment contracts 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 annulment contract program must be tied directly to workforce restructuring actions in which management offers incentives to vacate positions that will be utilized to place RIF candidates, be restructured to meet mission objectives of the concerned organization or be abolished.

a. Annulment Contracts may be used to correct skill imbalances or to reduce managerial or supervisory positions.

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

5. Regular annulment contracts are separated into two categories; with Social Security Agreement (SSA) benefits and without SSA benefits. Payment for each is as follows:

- a. Annulment contracts with benefits based on the Social Security Agreement (SSA) 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. Annulment contracts without SSA benefits:

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

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

- (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. Payments for periods of employment as an apprentice will equal one half month's salary per creditable year of service.

6. The following special provisions (Enhanced Annulment Contract) 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.

(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 45 years.

b. For employees who retire voluntarily before they have reached the standard age limit for retirement (*Regelaltersrente*) a pension reduction of 0.3 percent per month with a maximum deduction of 18 percent for retirement will incur. 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.

7. For any type of annulment contract concluded under the above conditions, under no circumstances will the total amount of indemnity pay exceed the total expenses the employer would have incurred had the employee continued to serve until he/she reached regular retirement age.

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8. Without exception, annulment contracts under this program require prior approval from this office.

9. HQ USAREUR POC is Christine Schneider-Saxton, DSN 537-1521, email [christine.m.schneider8.ln@mail.mil](mailto:christine.m.schneider8.ln@mail.mil).

  
VERA A. GARCIA DEP DIR G1-CDD  
Assistant Deputy Chief of Staff, G1  
(Civilian Personnel)

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Office of the Director DODDS-Europe, ATTN: Resource Management Office, Unit 29649,  
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Director, Civilian Human Resources Agency, Europe, Kleber Kaserne, Bldg 3209, Unit 23152,  
APO AE 09227-3152

CF:

Director, Civilian Personnel Advisory Center Grafenwoehr, Unit 28130, APO AE 09114-8130  
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Director, Civilian Personnel Advisory Center Wiesbaden, Unit 29623, Box 0029,  
APO AE 09096-0029