

GAO

Briefing Report to the Chairman,
Subcommittee on Civil Service,
Post Office, and General Services
Committee on Governmental Affairs
United States Senate

June 1986

FEDERAL WORKFORCE

Retirement Credit has Contributed to Reduced Sick Leave Usage



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June 6, 1986

The Honorable Ted Stevens
Chairman, Subcommittee on Civil Service,
Post Office, and General Services
Committee on Governmental Affairs
United States Senate

Dear Mr. Chairman:

This is in response to your letter of April 30, 1985, requesting information on several federal personnel management issues, including leave matters. As agreed with your office, in this report we are providing information on whether the 1969 law authorizing additional retirement benefits for unused sick leave has had its intended effect of encouraging employees to use their sick leave appropriately. We plan to address the other issues in separate reports.

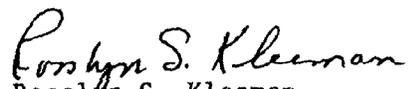
Public Law 91-93, enacted on October 20, 1969, provided that federal employees would receive service credit in the computation of their civil service retirement annuities for any unused sick leave they had at the time of retirement. For example, a retiring employee with 30 years of service and 1 year of accumulated sick leave would be considered to have 31 years of service for annuity computation purposes. To pay for this and other retirement benefit liberalizations, the 1969 law increased employee and agency contributions to the civil service retirement fund from 6.5 percent to 7.0 percent of pay.

To determine the effect of the sick leave credit, we compared the average sick leave balance of employees who retired in 1968, the year prior to the change, to the average sick leave balance of employees who retired in 1984 and 1985. We found the recent retirees had significantly higher average balances of unused sick leave than those who retired in 1968, which we believe can be attributed in part to the change in the law. The average unused sick leave balances for employees who retired in 1984 and 1985 were 38 and 46 percent higher, respectively, than the estimated average balance of 1968 retirees. As agreed with your office, we did not attempt to identify and measure other variables which may have contributed to this difference. Additional information on our methodology and findings is contained in the appendix to this report.

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As arranged with your office, copies of this report are being sent to the Directors, Office of Management and Budget and Office of Personnel Management, and other parties who have an interest in this matter. If you have any questions, please contact me at 275-6204.

Sincerely yours,


Rosslyn S. Kleeman
Senior Associate Director

UNUSED SICK LEAVE BALANCES OF RETIRING FEDERAL
EMPLOYEES HAVE INCREASED SINCE 1968

BACKGROUND INFORMATION

Federal employees receive 13 days (104 hours) of sick leave each year. Unused sick leave may be carried over from year to year without limit during an employee's career. Before 1969, employees forfeited any unused sick leave at the time of their retirement, thus having an incentive to use the leave before retiring. This situation was changed when Public Law 91-93, enacted on October 20, 1969, granted future retiring employees service credit for accumulated sick leave in computing their retirement annuities. The cost of this change was estimated at that time to be 0.06 percent of payroll. To pay for this and other retirement benefit changes, the law increased both employee and agency contributions to the civil service retirement fund from 6.5 to 7.0 percent of pay.

Reasons for granting sick
leave credits

The legislative history shows that providing retirement service credit for unused sick leave was partly justified by Civil Service Commission [now Office of Personnel Management (OPM)] estimates that about half of all retiring federal employees had zero sick leave balances, while the other half had an average accumulation of about 44 days that was forfeited on retirement. A House Post Office and Civil Service Committee report also noted that retiring employees used an average of 40 days of sick leave during their last year of employment. The Committee report stated that this change was being made to grant limited recognition to those employees who prudently utilized their sick leave. Moreover, the Committee believed that the credit would reduce sick leave usage throughout the federal service.

OBJECTIVE, SCOPE, AND METHODOLOGY

The Chairman of the Senate Subcommittee on Civil Service, Post Office, and General Services, in a letter dated April 30, 1985, requested that we provide information on several federal personnel management issues, including leave matters. In a subsequent meeting with Subcommittee representatives, we agreed to provide information on whether the 1969 law authorizing retirement credit for unused sick leave has had its intended effect of encouraging employees to use their sick leave appropriately. We will address the other concerns of the Subcommittee in separate reports.

In conducting our review, we obtained information on retired federal employees from the master annuity file at OPM in Washington, D.C. OPM officials provided us computer listings which showed the sick leave balances of all employees who retired under the normal retirement provisions¹ during calendar years 1984 and 1985. However, sick leave information was not available in the master annuity file for those employees who retired in 1968. We developed the 1968 information by applying statistical sampling procedures to individual personnel file folders at the National Personnel Records Center in St. Louis, Missouri. Our work was performed from November 1985 through March 1986.

We selected a random sample of 600 of the 28,504 employees who retired in 1968. The Records Center could not find 20 of the 600 personnel files we requested. In addition, 84 of the 580 files furnished did not contain sick leave information. This reduced the universe to which we could project sick leave information to 23,563.

From the 496 files which contained sick leave information, we obtained retirees' unused sick leave balances recorded on forms such as the Standard Form 1150, Record of Leave Data Transferred. We used a statistical sampling formula to project a 95-percent chance of producing estimates that enclosed the "true" average for unused sick leave.

UNUSED SICK LEAVE
BALANCES HAVE INCREASED

Federal employees who retired in 1984 and in 1985 had significantly higher average balances of unused sick leave upon retirement than those who retired in 1968. The following schedule shows our findings:

¹Does not include individuals who retired on disability or under other special provisions.

Calendar year	<u>Total number of</u>		<u>Unused sick leave hours</u>	
	<u>Retirees</u>	<u>Sick leave hours</u>	<u>Retirees' average</u>	<u>Percent increase from 1968 average</u>
1968 ^a	23,563	15,127,780	642 ^b	
1984	70,332	62,331,360	886	38
1985	66,019	62,088,582	940	46

^aThe 1968 figures are projections from a statistical sample.

^bThis figure has a sampling error range of +/- 61 hours. Thus, based on our review, we believe the "true" average to be between 581 and 703 hours.

We believe that the retirement benefits provided by Public Law 91-93 contributed to reducing the overall usage of sick leave and increasing the unused sick leave balances of retiring federal employees. We did not attempt to identify and measure other variables that may have contributed to these effects during this period. Other factors, such as flexible working hours, longer federal employment, the improved availability and access to health care, etc., may have also contributed to these positive developments.



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