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GAO

United States
General Accounting Office
Washington, D.C. 20548

General Government Division

B-249769

October 20, 1992



147809

The Honorable William V. Roth, Jr.
United States Senate

Dear Senator Roth:

This letter responds to your request that we evaluate the impact of the increase in federal employee retirement during the final months of calendar year 1990 as a result of the 5-year suspension of the alternative form of annuity--generally referred to as the lump-sum retirement benefit. You were interested in whether a dramatic increase in retirements may have adversely affected federal agencies' abilities to perform their missions.

Our analyses of data obtained from the Office of Personnel Management (OPM) show that there was a slight increase in the number of retirements during the last months of 1990 as compared with the last months of 1989. Our analyses also showed, however, that the overall pattern of retirements for 1990 was similar to that of 1989 and that agencies generally maintained their overall employment levels through new hires. We used the latest available data from OPM's Central Personnel Data File for our analyses. We did not independently verify the accuracy of the data. Enclosures I through V visually portray our analyses.

As shown in enclosures I and II, the pattern of agency retirements of full-time permanent General Schedule (GS) and Wage System (WS) employees was similar throughout both calendar years 1990 and 1989--with one exception. Enclosure I indicates that with the suspension of the lump-sum benefit on December 1, 1990, the largest number of monthly retirements for calendar year 1990 occurred 1 month earlier (i.e., in November rather than in December). There were 16,021 retirees in November 1990 compared with 11,161 retirees in December 1989. According to OPM officials, the suspension of the lump-sum benefit caused many employees to retire earlier in the fiscal year than they would have otherwise.

GAO/GGD-93-2R Lump-Sum Retirements

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As enclosure II shows, monthly retirements as a percentage of full-time permanent GS and WS employment amounted to less than 1 percent in both years. The December 1989 rate (the largest monthly rate in calendar year 1989) was 0.64 percent, and the November 1990 retirement rate (the largest monthly rate in calendar year 1990) was 0.89 percent--a difference of 0.25 percentage points.

Although retirements on a calendar year basis show an increase from 1989 to 1990, OPM data on retirements on a fiscal year basis show that suspension of the lump-sum benefit did not increase the retirement rate of full-time permanent GS and WS employees. As enclosure III shows, the retirement rate of 2.3 percent for combined GS and WS employees was the same for fiscal year 1991 (which includes November 1990) as it was for fiscal year 1990. The GS employee retirement rate of 2.2 percent was the same for both fiscal years, but the rate for WS employees increased from 2.9 percent in fiscal year 1990 to 3.2 percent in fiscal year 1991.

On an agency-by-agency basis, our analyses of data for the eight civilian agencies with the largest number of retirements showed that they had retirement rates of less than 0.5 percent for the last 4 months of 1990. As enclosure IV shows, the highest rate was 0.49 percent.

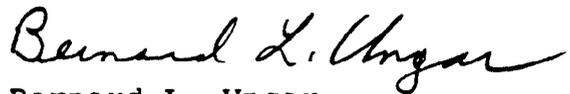
One way the agencies apparently compensated for the increased number of retirements was to increase agency hiring. As shown in enclosure V, new hires, as a percentage of the average monthly employment of the eight agencies, outpaced retirements of full-time permanent GS and WS employees after November 1990. New hires continued to outpace retirements through September 1991 (the date of the most recent available data on hires and retirements).

As arranged with you, we are not inquiring into the effect, if any, of increased retirements on the ability of the agencies to accomplish their missions because there does not appear to have been a significant reduction in agency staffing.

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I trust this information is helpful and satisfies your request.
Please call me on 202-275-5074 if I can be of further assistance.

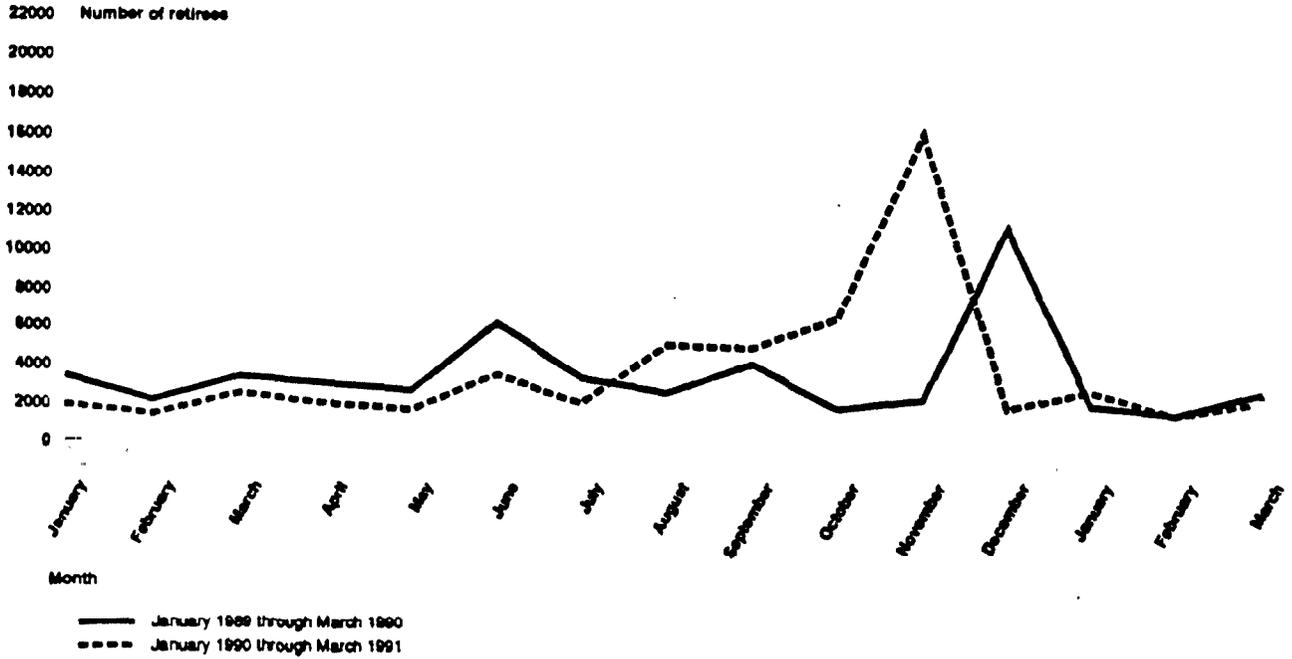
Sincerely yours,



Bernard L. Ungar
Director, Federal Human Resource
Management Issues

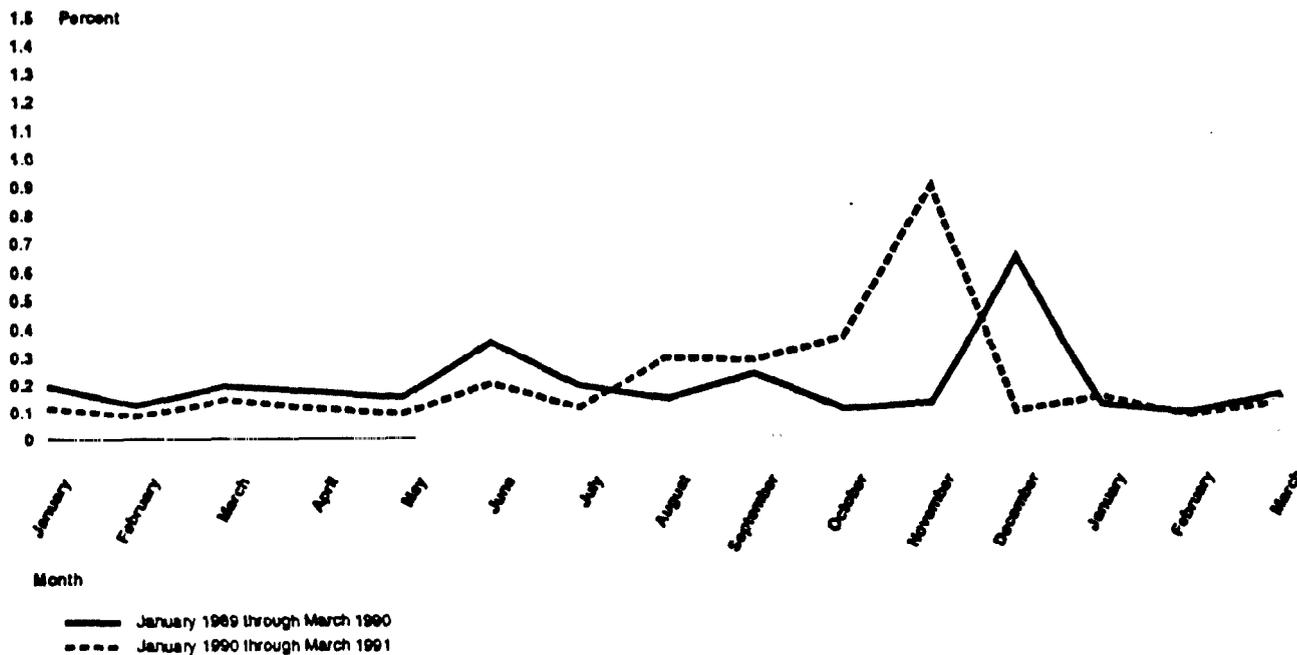
Enclosures (5)

MONTHLY NUMBER OF FULL-TIME PERMANENT
GENERAL SCHEDULE AND WAGE SYSTEM RETIREES



Source: OPM's Central Personnel Data File.

MONTHLY RETIREMENT RATES OF FULL-TIME PERMANENT
GENERAL SCHEDULE AND WAGE SYSTEM EMPLOYEES



Source: OPM's Central Personnel Data File.

RETIREMENT RATES OF FULL-TIME PERMANENT
GENERAL SCHEDULE AND WAGE SYSTEM EMPLOYEES
FOR FISCAL YEARS 1987-1991

Fiscal years	Employee pay system		
	General schedule	Wage system	Combined GS and WS
1987	2.4%	3.7%	2.7%
1988	2.8	4.6	3.2
1989	2.2	3.3	2.4
1990	2.2	2.9	2.3
1991	2.2	3.2	2.3

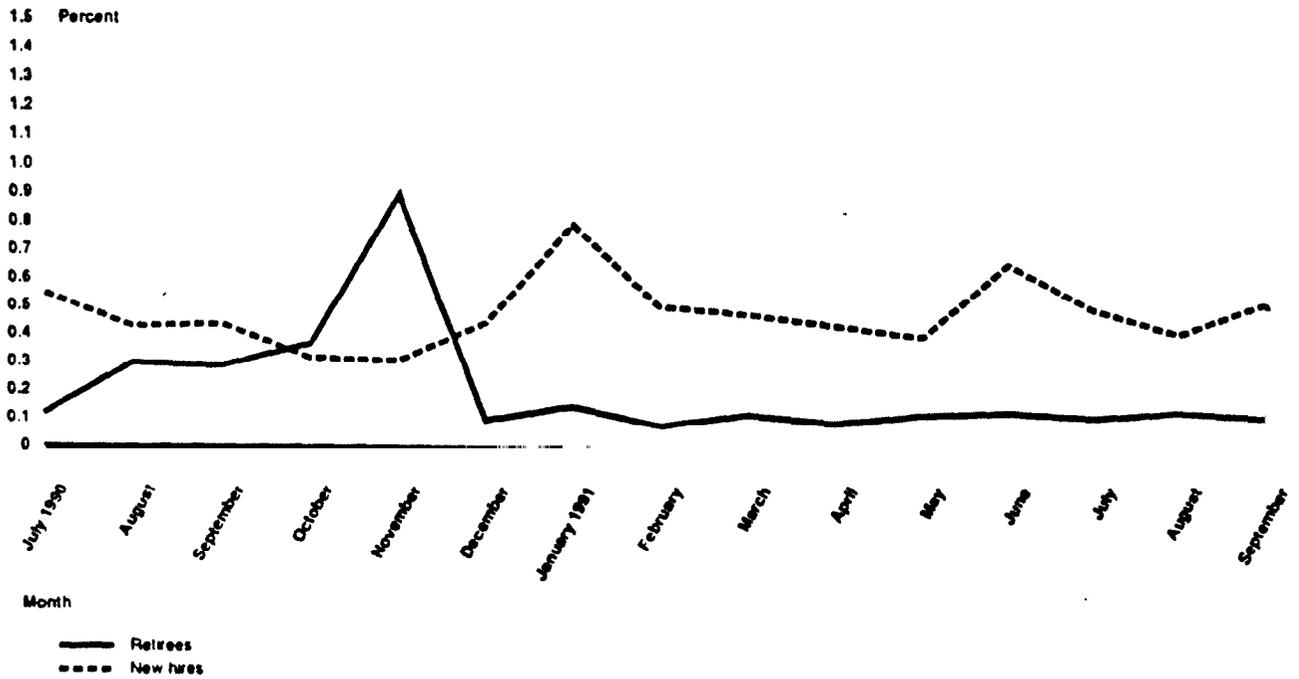
Source: OPM's Central Personnel Data File.

RETIREMENT RATES OF FULL-TIME PERMANENT GENERAL SCHEDULE
AND WAGE SYSTEM EMPLOYEES AT EIGHT FEDERAL CIVILIAN
AGENCIES FOR THE PERIOD SEPTEMBER TO DECEMBER 1990

Agency	Retirement rate
Department of Transportation	0.49%
Department of Agriculture	0.41
Department of the Interior	0.38
Department of Veterans Affairs	0.37
Department of Commerce	0.33
Department of Health and Human Services	0.31
Department of the Treasury	0.25
Department of Justice	0.18

Source: OPM's Central Personnel Data File.

COMPARISON OF RETIREMENT RATES WITH THE PERCENT OF
NEW HIRES AT EIGHT FEDERAL CIVILIAN AGENCIES FOR
JULY 1990 THROUGH SEPTEMBER 1991



Source: OPM's Central Personnel Data File.

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