

**GAO**

Fact Sheet for the Honorable Vic Fazio  
and the Honorable Michael D. Barnes  
House of Representatives

August 1986

**FEDERAL  
RETIREMENT**

Retirement Data for  
Selected Agencies



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

General Government Division

B-223730

August 1, 1986

The Honorable Vic Fazio  
The Honorable Michael D. Barnes  
House of Representatives

This is in response to your March 20, 1986, request that we survey selected federal agencies to obtain information on the extent to which their employees may be retiring to avoid the consequences of proposed legislation to change the taxation of annuities.

Currently, federal and other retirement annuities are taxed under a 3-year rule. If, within 3 years after retirement, retirees receive annuity payments equivalent to the amounts they contributed to the retirement fund, they pay no taxes on their annuities until the contribution equivalent is received. In most cases, it takes federal retirees about 19 months to receive their contribution equivalents.

Repeal of the 3-year rule would mean the tax-free recovery of contributions would be pro-rated over the retirees' expected lifetimes. The balance of the annuity would be taxed from the commencement of retirement. Both the House of Representatives and the Senate have approved proposals to eliminate the 3-year rule as part of the overall tax reform program. The earliest proposed effective date is contained in the House bill, whereby any retiree whose annuity starting date is after July 1, 1986, would be affected. The Senate version contains later effective dates. The differing versions are now being considered by a House and Senate conference committee.

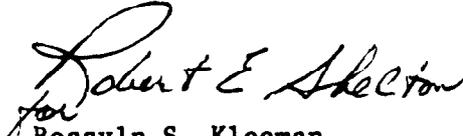
You asked that we compare the number of employees retiring this fiscal year with the number who retired last year at a limited number of agencies with responsibilities for national security, public safety, space exploration, and basic research.

Accordingly, we obtained retirement data from the Departments of State, Army, and Navy; the Federal Aviation Administration (FAA); the National Aeronautics and Space Administration (NASA); the Social Security Administration (SSA); the Federal Bureau of Investigation (FBI); and the Internal Revenue Service (IRS).

The enclosed table compares the number of voluntary retirements experienced by those agencies during various periods in fiscal year 1986 and the corresponding periods in fiscal year 1985. As the table shows, the number of voluntary retirements during the first three quarters of fiscal year 1986, compared to the number of retirements during the same period in fiscal year 1985, increased in seven of the eight agencies surveyed and decreased in one. Retirements in all agencies were greater in June 1986 than in June 1985, although the rate of increase varied considerably among agencies.

We did not verify this retirement data, which was provided by agency officials. As you requested, we did not obtain agency comments on this information.

As arranged with your office, we will send copies of this fact sheet to the Secretaries of State, Army, and Navy; the Commissioners of SSA and IRS; the Administrators of FAA and NASA; and the Directors of FBI and Office of Management and Budget. If you have any questions, please contact me on (202) 275-6204.

  
for  
Roslyn S. Kleeman  
Senior Associate Director

RETIREMENT DATA FOR SELECTED AGENCIES

<u>Agency</u>	<u>Total permanent workforce</u>	<u>Estimated number eligible to retire</u>	<u>Voluntary retirements October through June</u>		<u>Percent change</u>
			<u>FY 1985</u>	<u>FY 1986</u>	
Army	360,000	24,046 <sup>a</sup>	3,217 <sup>e</sup>	3,914 <sup>e</sup>	+22
FAA	45,800	5,124 <sup>a</sup>	1,200	1,351	+13
FBI	21,000	466 <sup>a</sup>	148	200	+35
IRS <sup>f</sup>	80,000	4,048 <sup>b</sup>	1,410	1,641	+16
NASA	21,400	2,735 <sup>c</sup>	460	564	+23
Navy	303,500	25,000 <sup>a</sup>	5,962	5,650	-5
SSA	78,500	4,191 <sup>d</sup>	1,125	1,204	+7
State	14,100	1,730 <sup>a</sup>	228	267	+17

<u>Agency</u>	<u>Voluntary retirements</u>		<u>Percent change</u>	<u>Voluntary retirements</u>		<u>Percent change</u>
	<u>May 1985</u>	<u>May 1986</u>		<u>June 1985</u>	<u>June 1986</u>	
Army	285	520	+82	360	452	+26
FAA	109	184	+69	112	202	+80
FBI	16	37	+131	9	28	+211
IRS <sup>f</sup>	259	302	+17	139	219	+58
NASA	33	60	+82	51	112	+120
Navy	811	919	+13	670	751	+12
SSA	131	102	-22	94	138	+47
State	35	29	-17	37	50	+35

<sup>a</sup>As of June 30, 1986.

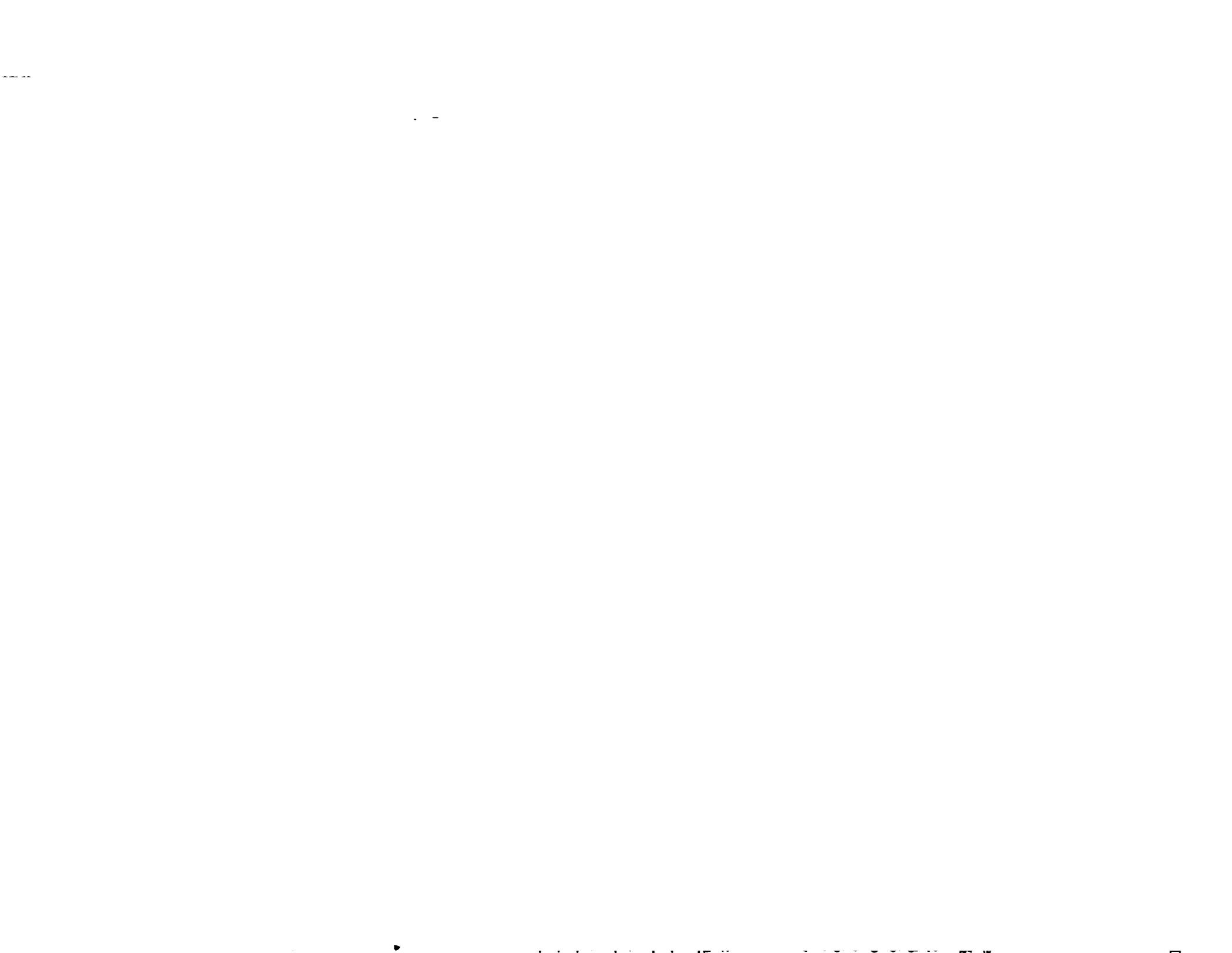
<sup>b</sup>As of June 1, 1986.

<sup>c</sup>As of September 30, 1986.

<sup>d</sup>As of December 31, 1986.

<sup>e</sup>These figures do not include the months of October and November.

<sup>f</sup>The IRS reported its retirement data on a pay period rather than monthly basis. Thus, its reporting periods are slightly different from the other agencies' but still cover the months of May and June.



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