

Part IV--RECOMMENDATIONS

Since feasibility of implementation of the proposed internalization of the administration of the Agency's retirement system appears likely, (provided that the necessary additional resources are made available), this section includes some recommendations for implementation--some of which are suggestions originated by the writer and some of which are suggestions of those who were interviewed and consulted on this issue. The "general" recommendations are introduced first, followed by some specific recommendations for the Office of Finance and the Office of Personnel, the two offices that are expected to experience the greatest impact.

General Recommendations:

1. Start at once. Or, at least once it looks very likely that the Agency will get the authority to fully administer its own retirement systems. Coordination will be required among all components which are involved in, or affected by, the retirement process. An initial meeting will be necessary to introduce the proposal.

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2. Following the initial meeting, set up a task force to organize the effort. Due to the complexity of designing and implementing the proposed new procedures, it is recommended that the task force members be available on a full-time basis. The task force should be made up of representatives from all the offices which will be affected by the reorganization. It should be responsible for determining which offices will absorb the new responsibilities, and among the individual offices, how they will be organized or reorganized. It should prepare progress reports (showing options and plans and the anticipated short and long run costs/impacts associated with each), and report on a regular basis to the concerned Office directors and to the Deputy Director for Administration. Its goal is to design a single Agency system; detailed plans or blueprints denoting the delineation of responsibility and where coordination is necessary, should be the result. In order to help them undertake the design and development of the proposed new plan, the individual task force members will want to consult with those currently involved in the retirement process on the working level, (both in the Agency and at OPM), specifically to gather opinions and assessments of additional resources which will be

necessary, the effect of proposed alternative plans, and other details. As an underlying concern, the task force should consider/project the impact on the following resources, from the implementation of the in-house system:

°Personnel

°Space

°Systems

°Money

The capacity of the currently available resources should be considered. Additional resources should be sought to ensure that the plans can be realistically carried out.

3. Visit OPM and study in detail the functions that it performs on the Agency's behalf, noting the extent of its involvement and the procedures and systems in place; then determine how and where these functions can be absorbed within the Agency.
4. Although the goal is to eliminate other government agency involvement, especially where the release of names of Agency employees is required, the Agency may wish to maintain cleared liaison contacts with OPM in

order to obtain required information on an individual's prior Federal service and contributions to the retirement fund. This is normally only done upon retirement, however this procedure may not meet the objectives of the plan, since Agency employee names and records would be maintained and handled by OPM employees.

A more secure alternative would be to place Agency personnel physically at OPM to verify dates of prior Federal service and amounts contributed to the Civil Service retirement fund. Although this would probably be a feasible alternative, it would not likely be a sufficient certification to support any transfers of money to the Agency from OPM on behalf of the unnamed Agency employee. As a cost of protecting the identities of Agency employees, a remedy for this problem is to set up a fund in the Agency's budget to match the contributions due to the retirement fund which are not transferred to the Agency by OPM.

5. Based on the recommendations of the task force,
 - a. Start working on the creation of new systems and enhancements of current systems. Consider contracting out for help. Be sure that future

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users and experienced personnel are involved in the determination of the identified needs and other decisions. Consult the Office of Information Technology (OIT) when necessary, especially as regards to the the immediate impact of this effort on current Agency systems (especially that of Compensation Division's Retirement Pay Branch), and the design and timing of bringing on new or upgraded systems.

- b. After the reorganization plans have been made, begin to consider staffing requirements, and arrange for new personnel slots. Training will need to be arranged for certain individuals. For example, some Finance personnel may need to take an OPM retirement benefit adjudicator's course. Courses which may also be sought are those which provide instruction on the administration and recordkeeping requirements of a thrift plan similar to the one proposed.
6. The task force should consider contracting out for assistance as it deems necessary.

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Specific Recommendations for the Office of Finance:

Two alternative methods of incorporating the additional responsibilities into the Office of Finance's current system were identified as a result of this study: establish a Retirement Division in the Office of Finance, or reorganize Compensation Division. Both of these options are discussed below:

1. Establishment of a Retirement Division in OF--

Because of the anticipated growth in responsibility, it will probably be necessary to establish a Retirement Division in the long run. It might be easier, however, to establish it initially before the volume of responsibility is so great that future reorganization would mean a major overhaul. The Division may be comparatively smaller than other divisions in OF at first, but it will need to expand over time to meet the additional demands and workload. The new Retirement Division would have three basic functions:

- a. Accounting/Recordkeeping--Responsible for keeping records of each individual's contributions and equity accumulated in

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the defined benefit and thrift plans; doing all the necessary recordkeeping for the various funds; preparing cash flow projections used to guide Monetary Division in its investment of certain funds; and preparing all the necessary periodic statements for each fund and for each participant. The various funds will probably need to be kept separate for actuarial review purposes.

- b. Adjudicating--Responsible for the verifying individual benefit computations and certifying to initiate payments.

- c. Payroll--Responsible for the correct and timely payment of all qualified annuitants, including the accuracy of the payroll deductions and home/bank addresses of annuitants and related information.

For control purposes, each function--the recordkeeping, verification, and payment functions--should be kept separate. In addition, in the interest of security, there may be a need

for different personnel to handle the pay and administration of covert and overt annuitants, especially where significantly diverse procedures are involved.

The new Retirement Division would have three major areas of responsibility. Shown below, they are broken down into branches for illustration purposes:

- (1) CIARDS Branch--To handle all of the above functions for both the current and new CIARDS and "CIARDS-like" annuitants.

- (2) CSRS Branch--To handle all of the above functions for only new Civil Service and "Civil Service-like" annuitants.

- (3) Thrift Plan Branch--To handle all the accounting-related functions for the new plan, including keeping track of individual records and also the amount required to be periodically sent to the Thrift Investment Board for investment. Finance's VIP Accountant could be relocated with this section, since their functions are related.

2. Reorganization of Compensation Division of OF--This is probably a less ambitious option than the establishment of an entirely new division. There are many combinations possible; some suggested alternatives for reorganizing Compensation Division are as follows:

- a. Retirement Pay Branch as it is today could be dissolved and its functions made a part of a system that is set up to accomodate both CSRS and CIARDS participants. A separate branch could be set up to accomodate the CSRS and CIARDS participants who are also covered by Social Security.
- b. Or, Retirement Pay Branch could remain intact and be expanded to accomodate the CIARDS participants who are under Social Security. A parallel system could then be designed to handle the pay and administration of the CSRS annuitants (including those under Social Security).
- c. Another alternative is to modify the current procedures and systems of the Retirement Pay Branch to accomodate its current workload, plus all prospective retirees under all systems, provided that the modified system in place could accomodate the additional numbers.

- d. A final alternative is to design and implement an entirely new "Retirement Pay Branch", to handle all Agency annuitants.

Further integration of the three branches suggested for the proposed Retirement Division, especially combining RPB (the CIARDS payroll function) with the Civil Service payroll function, may however cause excessive confusion or overloading of the system's capabilities. Retirement Pay Branch currently carries out a separate and distinct operation. It essentially has two functions: the payment of CIARDS annuitants and recordkeeping of the related investments. It has a "VM application" with some automated features, however, it also has a lot of manual requirements. In addition, there are some unique and time-consuming responsibilities which require personal attention and a high degree of security consciousness.

In any case, separate personnel will be needed to administer the new thrift plan. The staff should probably be located near, but not integrated with, the other pay and administration personnel who are also working with the retirement systems.

The determination of what the new form of the annuitant payroll and thrift plan systems will be, should be made with feasibility, efficiency, cost consciousness and any existing time constraints in mind. Anticipated future needs of the systems should also be considered.

Specific Recommendations for the Office of Personnel:

As mentioned, there are some additional responsibilities that the Office of Personnel will need to assume; however, the organization in place should be adequate to accomodate them. Therefore, the Office of Personnel should continue to handle its responsibilities to the Agency retirement systems as it does currently, with a few exceptions. One exception is the establishment of a new thrift plan administration staff that would perform essentially the same functions that the "VIP representative" performs for the Voluntary Investment Plan. Due to its anticipated popularity and volume of activity, a fully automated system should be designed and implemented. Increased personnel will be needed especially in the Annuitant Section to handle the increased workload. They will also need a data base system for maintaining the voluminous records of separated employees. Also, additional automation in both the Annuitant and Operations Sections will be essential in achieving efficiency and accuracy.