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THE AGENCY SINGLE RETIREMENT PLAN
& THE IMPACT OF INTERNALIZING ITS ADMINISTRATION

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THE AGENCY SINGLE RETIREMENT PLAN
& THE IMPACT OF INTERNALIZING ITS ADMINISTRATION

Part I--INTRODUCTION

Purpose of the Study: To project potential Agency resource requirements in establishing a single Agency Retirement System, entirely administered "in-house", assuming the proper legislation is enacted into law, and to make recommendations for beginning the implementation.

Scope of the Report: This report encompasses the discussion of the impact on Agency resources of beginning to adjudicate, pay and administer all cases of Agency employee separations. In short, eliminating other government agency involvement, especially where the release of the names of Agency employees is required, is the goal.

Assumptions: The following are the assumptions upon which this report is based:

1. That the major "three-tier" provisions of Senator Stevens' Supplemental Retirement Bill, entitled the "Federal Retirement Reform Act of 1985", are included in the final version of the legislation passed by Congress--specifically, the design of the supplemental retirement plan for new Federal employees; Amendment No. 978 which brings C.I.A. employees who entered on duty after 31 December 1983 and are covered under the Social Security System into the proposed supplemental plan; and Amendment No. 979 which gives the Agency the authority to administer its own retirement system. (Note that the House of Representatives also has its own version of a Civil Service supplemental retirement plan, the Ford-Oakar bill.)
2. That the Agency will not attempt to assume responsibility for the pay and administration of the current Agency Civil Service annuitants, who are handled by the Office of Personnel Management.
3. That the Agency will not assume responsibility for the adjudication, payment and administration of Social Security benefits for its employees at the same time that it assumes these duties for the rest of the

Agency's retirement benefit plans. However, the feasibility and impact of doing this at a later date should be considered, as a possible system enhancement.

How This Study Was Conducted: The primary Agency personnel who are currently involved in the retirement process were interviewed, first to gain an understanding of the nature and extent of their involvement in the process, and secondly to introduce the likelihood of the Agency gaining legal authority to fully self-administer its retirement and disability programs. Reactions to the proposal, suggestions for implementation, and other recommendations were noted. The information gathered during this exercise serves as the basis of this report.

Organization of the Report: The following summarizes the additional issues discussed in the report:

- ° Background: This section discusses the Agency's justification for wanting to administer its own plan; the current systems in place, the level of participation in each; the composition of the proposed "Agency Single Retirement Plan", including a description of the supplemental system for new employees who are under Social Security. In

addition, the current delineation of responsibility for the administration of the retirement systems is discussed. (Part II)

- ° Overview-- What Will Need To Be Done: This section summarizes the major changes that will have to take place, particularly in the Offices of Finance and Personnel. (Part III)

- ° Recommendations for Implementation: This section lists some suggestions for the implementation of the internally-administered "Agency Single Retirement Plan". (Part IV)

- ° Projected Impact on Resource Requirements: Based on the identified changes that will occur, both the long term and short term impact on the Agency's resource requirements, and those of its individual offices, are considered. The focus is on projecting incremental needs in the areas of money, personnel, systems, and space. (Part V)

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Part II--BACKGROUND

Why does the Agency want to administer its own retirement

programs? The main reason that the Agency is seeking legislation to grant it the authority to internally administer its own retirement programs, is to avoid the dissemination of sensitive Agency personnel information to other federal departments and agencies. Upon separation, the Agency sends the former employee's retirement records to OPM; [REDACTED]

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[REDACTED] Currently there are approximately [REDACTED] separations per year from the Agency; less than 20% are retirees. Only the records of the CIARDS participants are currently maintained by the Agency upon separation. With the implementation of the proposed plan, the Agency will begin to store and maintain the records on all separating Agency employees, instead of sending them to OPM.

The Agency's Current Retirement Systems: The current retirement systems, of which the majority of Agency employees are members, are the CIARD and Civil Service Retirement Systems. A small percentage of employees hired since 1 January 1984 are covered by Social Security. (They are also covered

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STAT for the interim under the current Civil Service System, until the final design of the supplemental plan is decided upon by Congress.) Currently, less than 20 percent of Agency employees are CIARDS participants; the remainder are members of the Civil Service. There are an estimated [] Agency retirees per year, about an equal number from each system.

STAT An additional option available to Agency employees is the Voluntary Investment Plan (VIP), a qualified pension plan to which employees who choose to join can contribute a limited proportion of their salaries, during the period of time that they are active employees. The members have the choice of having their contributions invested in one of two funds. Since it is a qualified pension plan, most of the employee contributions and none of the income portion is eligible for withdrawal until retirement; the income earned is not taxable until the time that the funds are disbursed. VIP currently has approximately [] members, about [] of which are retirees who have elected to defer distribution of their equity. The costs to operate the plan is fully funded by its members.

"The Agency Single Plan": The concept of an "Agency Single Plan" is a comprehensive retirement plan which would encompass both the current CIARDS and Civil Service System, in addition

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to the system which is set up to cover the new employees who are under Social Security. Under the Stevens' bill for the latter, this system would be three-tiered, as follows:

1. A base benefit of Social Security coverage, which would provide the basis of retirement income, disability protection and survivor benefits;
2. A defined benefit plan, to supplement the Social Security benefit; and
3. A capital accumulation (thrift or defined contribution) plan (CAP) which allows each employee the option of contributing a portion of his/her salary, with the Government matching a limited proportion. Employee contributions would be handled on a tax-deferred (401(k)) basis.

Presumably, there will eventually be both "CIARDS-like" and "Civil Service-like" members among the new employees. If this is the case, the "Agency Single Retirement Plan" would be comprised of the following four different systems (exclusive of VIP):

Current Systems:

1. CIARDS
2. Civil Service Retirement System

New Systems (for those under Social Security):

3. CIARDS-like
4. CSRS-like

Each employee will be a member of only one system, and will have to be identified as such for purposes of the administration of the new system.

Administration of CIARDS and CSRS--The Agency administers the CIARD System, while the Office of Personnel Management (OPM) administers the Civil Service Retirement System (CSRS). Within the Agency, Retirement Division of the Office of Personnel and Compensation Division of the Office of Finance are the offices which are most involved in the retirement process.

In general, Operations Section, Retirement Operations Branch of Personnel's Retirement Division, has the responsibility for the calculation of annuity estimates and making sure all the necessary paperwork is completed on each retiring employee. The "counselors" prepare a "package" for each employee or eligible beneficiary. (Once the case is

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adjudicated, this package serves as the basis for making annuity payments.) The CIARDS members' cases are then forwarded to the Program Administration Branch of Finance's Compensation Division for verification of qualifying service dates, and finally to Retirement Pay Branch for adjudication, pay and administration. The CSRS members' cases, in turn, are sent to OPM for adjudication, pay and administration. Following retirement, the Annuitant Section, (Retirement Operations Branch of Personnel's Retirement Division), and OPM have the responsibility for correspondence with and for handling any benefit questions or problems of CIARDS and Civil Service annuitants, respectively.

Administration of the Voluntary Investment Plan--The Voluntary Investment Plan is administered by one full-time representative in each of the Offices of Personnel and Finance. The OP "VIP Representative" position belongs to Retirement Services Branch of Retirement Division, and the OF "VIP Accountant" belongs to Proprietary Systems Branch of Commercial Systems and Audit Division. VIP's Fiscal Year 1986 operating budget exceeds most of which is made up of the two full-time salaries, but it also includes allocations of charges from other Agency components which provide services to the Plan and its members. Although the administration of VIP is essentially done on a manual basis, due to the attractiveness of the

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Government matching contributions included in the proposed thrift plan, (which is part of the design of the Senate's supplemental retirement plan), the Plan's future growth can probably be accommodated by the current system, if no other changes were made. In any case, the decision to undertake any system enhancements would be left to the Plan.

Part III--OVERVIEW: WHAT WILL NEED TO BE DONE

By assuming full responsibility for the administration of the various retirement systems for all Agency employees, the Agency will be absorbing essentially all of the functions currently carried out for us by OPM. Also included would be any other procedures currently carried out by others outside the Agency which require submitting the names of Agency employees outside the Agency, especially those who have served overseas and/or under cover. As previously mentioned, one possible exception may be the collection of Social Security contributions and the administration of benefits. In addition, some functions, such as the payment of Agency employee and annuitant insurance premiums on their behalf may continue to be handled as it is currently. This procedure does not require that any names be released. The Agency, however, may wish to obtain concurrence from FEGLI/New York to let trained Agency representatives certify appropriate life insurance coverage in retiree death cases. It is important to emphasize that the main concern is the compromise of sensitive Agency personnel information.

Current OPM Involvement--The primary functions that OPM currently performs on behalf of Agency employees and annuitants, are as follows:

- (1) Adjudication of all CSRS retiree applications.
- (2) Arranges for payment of all Civil Service annuitants.
- (3) Approval/Disproval of CSRS disability applications.
- (4) Maintenance of the CSRS retirement fund including employee and employer contributions, and transfers of funds back to the Agency when an employee becomes a participant of CIARDS.
- (5) Maintenance of CSRS retirement files, and records of those who transferred into CIARDS.
- (6) Certification of FEGLI benefit entitlement for both CIARDS and CSRS participants.
- (7) Receipt of pay cards on Agency CSRS resignees and handling of requests for refunds of contributions.
- (8) Confirmation of prior Federal service.
- (9) Processing of requests for deposits and redeposits for CSRS employees.

If the Agency indeed internalizes the administration of its retirement systems, all of the above functions will have to be absorbed primarily by the Agency's Office of Finance and Office of Personnel.

Initial Actions Required--As one of the first steps in preparing to administer its retirement systems internally, the Agency must request that OPM:

1. Release all "lock-up" and any other files on Agency employees (these would consist mostly of retirement pay cards, refund, deposit/redeposit, and insurance records); and
2. Return the employee and employer contributions that it currently holds; it is questionable that the Agency would receive interest on these funds as the amount would probably be difficult to determine.

Role of the Offices of Finance and Personnel--Depending on the final form of the plan, implementing the proposal at hand may not be as difficult as it may at first appear. The Agency already has systems in place to fully administer the CIARD System, aside from some involvement by OPM. The design and implementation of the proposed thrift plan will be one of the major tasks at hand. As with the Voluntary Investment Plan,

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both Finance and Personnel employees will probably be involved in its administration. In addition, the maintenance of records on all separated employees will likely be an area of substantial impact in both offices. Discussed below are some foreseen additional responsibilities of the Offices of Finance and Personnel:

Office of Finance (OF): This office will be impacted the greatest. Compensation Division will be assuming the adjudication, pay and administration of all new Civil Service annuitants. The Retirement Pay Branch of Compensation Division will be inheriting double the current number of new annuitants that it now receives, on an annual basis. Monetary Division will have to begin investing the Civil Service retirement fund contributions as it does for the CIARDS members' contributions.

Another area of potentially substantial impact within OF will be the assumption of recordkeeping and related responsibilities to support the proposed thrift plan. The required support would be similar to that currently performed for VIP, except that the Agency will not be required to invest the contributions collected, since it is proposed within the legislation that they will be sent to a centralized Government-wide Thrift Investment Board. However, the recordkeeping potentially will be much more complex than that

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which is required for VIP because of the tax provisions and IRS reporting requirements associated with 401(k) type programs.

In addition, since the Office of Finance will be required to retain all information pertaining to retirement contributions for all employees, including those who eventually separate, then a data base will eventually need to be established whereby information can be readily retrieved and securely retained.

Office of Personnel (OP): In general, the role of the Office of Personnel will not be altered as dramatically as that of the Office of Finance by the assumption of the prospective Civil Service retirees; it already performs most of the functions related to the administration of both of the Agency's current retirement systems.

One exception is that the Annuitant Section (within OP's Retirement Division, Retirement Operations Branch) will have to assume responsibility for all necessary correspondence with the new Civil Service annuitants, handling of their disability, death, former spouse, and student-child cases, in addition to those of the current and prospective CIARDS annuitants. The Operations Section of Retirement Division will also have some additional responsibilities relating to prior Federal service verifications (which under current procedures requires

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correspondence and/or coordination with the OPM facility in Boyers, Pennsylvania or the National Personnel Records Center), and deposit/redeposit computations and the related paperwork. There is no foreseen impact on Retirement Division's Social Security Section, unless, of course, the Agency also gains the authority to administer Social Security benefits. The Retirement Board Secretariat, who is also part of Retirement Division, will have to begin keeping statistics on Civil Service retirement and disability cases, in addition to those involving CIARDS participants.

In addition, if the Agency chooses to retain all records on separated employees, the Office of Personnel will have to begin storing the information and it will likely be involved in the handling of requests for verification of prior Federal service from other government agencies on behalf of these individuals. The Offices of Personnel and Finance may wish to consider the establishment of a single data base, to which they would both have access, that would include all the necessary information on current and separated Agency employees.

Role of the Office of Information Technology--Inherent in any changes will be the requirement to review the existing computer support systems. Regardless of whether or not an internal retirement system for all employees is developed, new computer support systems will be required to handle the effects of the

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supplemental program created for employees hired since 1 January 1984. As such, coordination with OIT will be essential to the future administration of such programs.

Once all aspects of the proposal have been considered in detail, and the changes to be implemented have been determined, arrangements will have to be made for the projected additional resources that will be needed for implementation. In addition, regulations will have to be rewritten and training for those who are taking on new responsibilities should be considered.

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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

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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

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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 accommodate both CSRS and CIARDS participants. A separate branch could be set up to accommodate the CSRS and CIARDS participants who are also covered by Social Security.
- b. Or, Retirement Pay Branch could remain intact and be expanded to accommodate 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 accommodate its current workload, plus all prospective retirees under all systems, provided that the modified system in place could accommodate the additional numbers.

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- 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 alot 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.

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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.

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Part V--PROJECTED IMPACT ON RESOURCE REQUIREMENTS

It is a fact that the enactment into law of the proposed legislation, which would permit the Agency to fully, internally administer its retirement systems, will require increased resources in the four general areas of personnel, money, systems and office space. However, since the Agency is not planning to administer the current Agency Civil Service retirees, it should be noted that much of the incremental resource requirements that will be needed as a result of bringing the administration of the Agency's retirement system in-house, can be phased in over a period of years. The pay and administration function which will only be absorbing new Civil Service annuitants, for example, will experience its fullest impact in the long run. This is true also of the Agency's proposed assumption of responsibility for the continued maintenance of the retirement records of all prospective separating employees: the additional office space and personnel that will be needed will increase as the number of files increase. However, if the future needs of both the payroll and file maintenance functions are thoughtfully projected at the initial stages, automated systems can be set up to accommodate

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the respective long term requirements. In turn, other aspects of the proposed system, such as the new recordkeeping responsibilities, will have to be effected immediately.

The amount of additional resources needed is entirely dependent upon what specific plans are made for reorganization. This is particularly true in the Office of Finance, where major changes are likely to occur. The impact on resource requirements in the Office of Personnel is more readily determinable and estimable, however, because of the smaller scale changes that will be required. The personnel dedicated to the Voluntary Investment Plan should not be affected at all by changes or reorganizations in the other offices. The following paragraphs address the projected additional resource requirements in the Offices of Finance and Personnel of implementing the subject proposal.

Office of Finance:

Retirement Pay Branch/Compensation Division--Without knowing the exact or even general design of the final organization (that is the result of the creation of a new, or a modification of a current one), it is difficult to predict the specific additional needs which relate to the pay and administration of all Agency annuitants.

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Given the current systems and procedures in place, the pay and administration of the current CIARDS, and prospective CIARDS and CSRS annuitants, could probably be handled by some additional pay technicians at the GS-09 level--if some new systems and system enhancements are implemented. Specifically, a computer program similar to that currently in use for computing benefit entitlements for CIARDS annuitants, needs to be designed and made available for computing CSRS benefit entitlements. In addition, the extensive recordkeeping and financial statement requirements that are currently being almost entirely done manually need to be automated; an "off-the-shelf" software package could probably be used with some slight modifications.

These initiatives will not, however, produce a system that will accommodate the various recordkeeping requirements and procedures that are peculiar to the administration of the new Social Security-covered employees, or the thrift plan. Separate staffs and systems will need to be set up to perform these new responsibilities. This will, of course, require additional office space and funds to implement these plans.

Other Branches/Compensation Division--Although the Automated Operations and the Special Payroll Branches will have

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additional deductions to make, especially with the proposed Social Security-covered employees' plan and its thrift plan, this should not require much, if any, additional resources. The Pay Administration Branch should not have any significant change in responsibility or effort, hence there is no foreseen need for any additional resources.

Other Divisions in OF with Perceived Additional Responsibilities--The following divisions within the Office of Finance are likely to be affected by the implementation of the proposal to internalize the administration of the Agency's retirement systems, however, in each case the perceived impact which is mentioned is unlikely to require any additional resources.

Accounts Division--This division will conceivably have to set up some additional general ledger accounts.

Monetary Division--As previously mentioned, this division will likely be responsible for investing the equity in the Civil Service retirement fund, as it currently does for the CIARDS fund. It may also have additional funds to invest with implementation of the proposed new system.

Assistant Director for Liaison (ADL)--This staff may need to be involved with the transfer back to the Agency from OPM of Agency employees' equity in the Civil Service retirement fund.

In conclusion, the final organizational form of the staffs, their corresponding responsibilities, and plans for additional systems and system enhancements, will necessarily dictate the impact and incremental resource requirements in the Office of Finance.

Office of Personnel:

Annuitant Section/Retirement Operations Branch/Retirement Division--This staff of six people currently handles all the correspondence and problem-solving related duties for all CIARDS annuitants, of which there are currently about It will be inheriting the entire number of approximately additional annuitants on an annual basis if Civil Service is administered in-house. Without considering annuitant deaths, this represents an increase of more than 10% a year, which is double what it normally experiences. In addition, its personnel must become familiar with the existing Civil Service laws. They must also begin to make the necessary notifications

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to Civil Service annuitants of relevant changes in the law when they occur, as it currently does for CIARDS annuitants and changes in the C.I.A. laws. With the additional responsibilities, a gradual increase in personnel will be necessary; the working level of the "Employee Benefits Assistant" appears to a GS-09. One suggestion that will hold down the number of positions needed would be to provide some automation to cut down the time-consuming effort required in the mass mailing process that the section must carry out several times a year.

Operations Section/Retirement Operations Branch/Retirement Division--This staff initially will be minimally affected by the proposed internalization of the retirement processing and payment. It already carries out all the necessary procedures to prepare each annuitant case for payment. It will, however, have to begin processing cases for employees under the new system and must become familiar with the new supplemental program features. Computerization would appear to be an essential ingredient to performing functions currently done on a manual basis. This includes integration with other data sources in the Office of Finance and the Office of Personnel.

Retirement Board Secretariat--As mentioned in the Overview section of this report, the Retirement Board Secretariat will

have to begin keeping statistics on participants and annuitants of all retirement systems, instead of just for CIARDS members. The individual who currently holds this position has the aid of another for four hours a day. This part-time position may have to be expanded into a full-time assistant position, depending on the additional time constraints imposed by the incremental recordkeeping and reporting requirements. Again, automation would enhance this operation.

Part VI--CONCLUSION

Following a brief introduction and background, this report includes an overview of the proposal at hand, and some recommendations for implementation of "The Agency Single Retirement Plan". The final part of the paper suggests the impact on the resource requirements of the two Agency offices that are the most involved in the retirement process. Some additional offices that may be impacted, but have not been considered in detail, are the Office of Information Technology, Central Cover Staff, and the Office of the Comptroller, among others which have not been identified or mentioned.

As recommended, additional study and consideration by a task force made up of experienced and knowledgeable personnel should yield better estimates and projections of the anticipated impact on the Agency's resource requirements. Their decisions regarding the specific design of the staffs of personnel and the related systems, will allow for meaningful estimates to be made of the necessary additional office space and funds.

CIA's Requirements in its Retirement Program

Forward

The CIA has monitored closely the Administration and Congressional efforts to develop new supplemental retirement programs for employees covered by Social Security and possible changes to the current Federal retirement systems. Concurrently, the CIA undertook an in-depth evaluation of the provisions of CIA's current retirement system coverage and procedures (i.e., CIARDS and CSRS) to assess their effectiveness in serving CIA's security and work force management requirements in the intelligence world of the 1980's and beyond. This review reaffirmed that in the CIA the provisions of our retirement programs must serve as the single most important management tool in maintaining the type, characteristics, and quality of employee cadre required for the successful accomplishment of CIA's national foreign intelligence mission.

It is vitally important that the provisions of future retirement program coverage of all CIA employees are fully compatible and supportive of the need to recruit and maintain a young and vigorous employee cadre for relatively short, but full careers of 20 to 30 years and then be retired before continued employment becomes detrimental to the best national security interests of our country.

Equally important in today's intelligence environment is the need to assure maximum security protection of the foreign intelligence interests of the United States in the administration of CIA personnel-related affairs. Today, as legislative proposals relative to the structure and provisions of retirement are taking shape, the Agency foresees certain of these proposals as seriously incompatible with CIA's needs and would seriously damage CIA's intelligence capabilities should the special needs of the Agency not be recognized and accommodated. This concern pertains to both proposed changes in the provisions of existing retirement systems and to possible supplemental retirement legislation. It is clear that over the years, this vital understanding and forthcoming support by the Congress at-large has been realized through the diligent efforts of the Members of the Congressional Intelligence Oversight Committees privy to the special circumstances and needs of the CIA.

Such support by the Oversight Committees is needed again to preserve the Director of Central Intelligence's ability to carry out his statutory responsibilities in maintaining the quality intelligence service that now exists and is required to meet the critical national security requirements of our Nation and its citizens.

In the Attachment we have provided an overview of the CIA today with summaries of the Agency's situation, concerns and needs. We hope this information is useful to Members of the Oversight Committees in providing understanding within the Congress as they address current and future legislative proposals affecting CIA.

Overview
of
CIA's Requirements in its Retirement Program

Attachment

CIA's Requirements in its Retirement Program

I. Background

The mission and special requirements of the CIA, established by the Congress in the National Security Act of 1947 and the CIA Act of 1949, involve all Agency employees in ways unique to the Federal government. This legislatively mandated special status for CIA and its impact on all our people is the basis for a personnel system which is different from any other Federal agency ranging in all personnel management aspects from recruitment and appointment practices through to retirement.

In establishing CIA, Congress recognized the Agency's special personnel needs, the unique nature of the careers it would offer, and the demands it would make of its employees. As a result, the CIA Act of 1949 and subsequent legislation established and refined an independent CIA personnel system to allow, among other things:

- the hiring of all CIA employees under the statutory authority of the Director of Central Intelligence;
- the classification of CIA positions for pay purposes and the setting of certain pay rates by CIA standards;
- the establishment of minimum and maximum age requirements for Agency employment;
- the determination of job and employee qualification standards under the Director's authority;

- the termination of employees under the Director's authorities without further recourse by the employees.
- exemption from Civil Service Reform Act of 1978 which allowed creation of Federal employee unions, established certain prohibited personnel practices and created Senior Executive Service system.
- exemption from the Drug Abuse Office and Treatment Act of 1972, which forbade denial of employment to former drug users.
- exemption from Federal Advisory Committee Act of 1972.
- exemption from Federal Employees Part-Time Career Employment of 1978.

Among other important legislation for the Agency were PL 88-643 (in 1964) which established the CIA Retirement and Disability System (CIARDS) and in 1982 new security legislation (PL 97-200) which imposed severe penalties for the unauthorized disclosure of the identities of intelligence personnel whose affiliation with U.S. Intelligence is classified.

All of these special authorities entrusted by Congress to successive Directors of Central Intelligence have served our national security interests extremely well. The Directors of Central Intelligence have been scrupulous in their use of these broad authorities and have sought special provisions, or necessary accommodations to general Federal legislation, only when they impinged on the Agency's capability to effectively perform its mission or were required to provide security

protection of national security interests. Wherever possible the Agency has accepted program coverage in accord with general Federal statutes and procedures when compatible with CIA organizational and security requirements.

Included in this category has been acceptance by CIA of retirement coverage by all Agency employees under the regular provisions of the Civil Service Retirement System (CSRS). The CIARDS Act of 1964 provided special statutory authority for the Director of Central Intelligence to transfer retirement coverage of certain employees from CSRS to the internally administered CIARDS system when the special nature and duration of their duties meet the qualification requisites for CIARDS participation.

The effectiveness of this policy, while serving the CIA's managerial needs quite well over the past years, is eroding in the face of the rapidly changing intelligence environment of today and the future.

The need for strengthening the secure administration and structure of the current retirement program is clearly evident if the Director of Central Intelligence is to fulfill his statutory responsibility to protect the security interests of the foreign intelligence activities of the United States.

Two elements continue to fortify these needs - the continuing and increasing attempts to expose Agency operatives for the purpose of hostile terrorist attacks, and the tremendous strides made in computer automation making it increasingly simpler to evaluate and piece together information on Agency employees.

Technology in the latter continues to grow at geometric proportions making it more difficult, if not impossible to adequately protect the identities of Agency employees where information on these individuals required by external reporting requirement goes beyond Agency control. Our review of such requirements has surfaced many areas where the 1960's and 70's solutions to these concerns are not sufficient to cope with the technological advances in information processing, particularly given the penetration efforts and hostile actions continually directed at the Agency. In some instances, administrative fixes are possible and perhaps appropriate. For retirement, however, the situation is pervasive and the magnitude such that we feel the only solution, benefits aside, is to totally administer internally the retirement program for all employees.

In addition to the security aspect, the retirement program must continue to provide managerial flexibility to the Director to maintain, control and effectively use the CIA work force in meeting current intelligence requirements. Many of the retirement proposals, both as regards the current systems and new programs for post-1983 employees, that are being actively considered within the Congress would be incompatible and damaging to CIA's capabilities and would further exacerbate the erosion of effectiveness already noted. CIA's special needs must be understood and accommodated to preclude inadvertent damage to our nation's intelligence capability.

CIA is a Single, Unified Agency

The CIA is a single, indivisible Agency with a single culture and ethic. This concept is consciously fostered in the perceptions of all CIA employees and is vital to maintaining the needed cohesiveness of effort in accomplishment of the Agency's mission.

Frequently the CIA is viewed as similar to the Department of State regarding its organizations, use of the work force, and the "foreign affairs" nature of our mission.

Some similarities do exist, particularly in the increasingly hostile environment in which both State and the CIA operate abroad. However, State utilizes a two-tiered work force--a Secretary of State managed Foreign Service cadre dedicated to State's foreign diplomatic mission, and a separate domestic Civil Service status employee cadre carrying out the Department's domestic responsibilities.

Unlike State, all CIA employees are appointed under the statutory authority of the DCI and form the Agency's single, unified work force.

CIA employees do not gain status as "Civil Service" employees and do not come under the purview of OPM. All CIA employees are subject for service in any locale--whether domestic or foreign, either open or under cover--where Agency requirements demand their services.

From CIA's inception in 1947 to the current time, all new appointees, regardless of the nature or locations of their assignment, are covered initially by the Federal Civil Service

Retirement System. This coverage provides the same survivor, disability, and longevity benefits as are provided Federal employees in domestic-oriented Federal agencies like the Departments of Agriculture and Labor. This basic coverage continues for CIA employees until they serve a minimum of five years of "qualifying service" for CIARDS. The typical career operations officer serves a minimum of six to eight years of service with at least two overseas tours in high casualty-risk and stressful environments under regular CSRS coverage before accruing sufficient qualifying service for the slightly preferential CIARDS coverage.

While it is possible to estimate the percentage within each new entry groups of new CIA employees who can be expected to perform sufficient qualifying service for designation eventually as CIARDS participants, it is not possible to identify which specific individuals will perform this type of duty until later in their careers.

Differentiation between classes of CIA employees based upon their retirement coverage or restriction of availability of certain employee categories to specific types or locales of assignment would create serious problems for the Agency in utilizing the CIA work force when and where needed to meet requirements.

II. The Intelligence World of Today

The accomplishment of the CIA intelligence mission in the 1980's is significantly more complex and demanding on both Agency management and the CIA work force than in earlier decades. These differences impact upon the Agency as follows:

Increased Scope and Complexities of Intelligence Requirements

Developments anywhere in the world, and indeed now in outer space, have ramifications on the national security of the United States. In earlier days CIA dealt primarily with the threat to the United States from our major antagonists in the world. While this threat remains our principal concern, its scope constantly enlarges and demands intelligence attention. All of these and other developing issues requiring daily intelligence vigilance substantially impact on all facts of Agency activity. Examples of these developments are:

- the explosion of the scientific and technological development in recent years and transfer of these developments to a wide range of applications.
- the impact of economic and financial stability of foreign governments on the United States.
- volatility of international political affairs
- world petroleum production.
- international terrorism

- international narcotics trafficking
- weaponry and space technology

The increase in the scope and criticality of intelligence requirements of today have produced increased impacts on the CIA work force, the demands of the working environment and managerial requisites for effective tools to sustain the quality of employee force required to meet mission requirements.

III. Impact on the CIA Work Force

◦ Employees serving in support of CIA operational activities

Overseas Duty

Employment with the CIA means availability for service where and when Agency requirements dictate.

This means potential for assignment overseas without any restriction relative to whether an employee is covered by the Civil Service Retirement System (CSRS) or the CIA Retirement and Disability System (CIARDS). For example:

-- Only 36 percent of CIA employees currently serving overseas have qualified for CIARDS; the remaining 64 percent are covered under the CSRS. Unlike members of the Foreign Service, all of whom are eligible for the foreign service retirement program from the moment they begin their careers, CIA employees must earn their way into CIARDS by serving a minimum of five years overseas. Given CIA policy of rotating people in and out of the Washington area it takes time for employees to earn the five year credit. Obviously, some never do. This explains why, in an overseas oriented organization, only 18.6 percent of the staff is in CIARDS.

STAT

-- Nearly two-thirds of the officers in our clandestine service presently have not qualified for CIARDS and are under the Civil Service Retirement System (CSRS).

STAT -- CIA has over [] employees who have served abroad but have not yet qualified for CIARDS.

-- Intelligence analysts responsible for interpreting foreign developments are going overseas in increasing numbers in direct response to Congressional and Administrative mandates. In 1985, more than [] analysts will travel and work overseas. More than

STAT [] non-CIARDS qualified analysts are serving abroad in such dangerous posts as []

STAT []

-- Agency scientists and engineers are also going overseas in increasing numbers on important temporary duty.

STAT -- We have had more than [] high tech specialists serve in a highly sensitive project under the most primitive conditions [] They are separated from their families for prolonged periods. None have earned CIARDS membership.

STAT []

Increased Stress and Danger

Overseas service is becoming more dangerous for all Americans, but especially for employees of CIA. The mortality figures for our people are grim.

-- Since 1968 there have been over 8,500 terrorists incidents world-wide. Over 3,500 were targetted against Americans. Risk of death, injury, and capture, and of CIA personnel makes it painfully obvious that overseas service with the CIA--even in "friendly" locales--is extremely dangerous to assignees and their families.

STAT -- Since the 1950's, [] Agency employees have died serving abroad. Only [] (28%) were CIARDS-qualified.

STAT -- We have [] gold stars in our entry foyer honoring our colleagues who died from hostile action or while participating in highly dangerous Agency activities.

STAT Only [] (20%) were CIARDS qualified.

-- One of the two most senior CIA officers slain in hostile action overseas was the Director of a Headquarters analytical office.

-- In addition to hostile action and the clinical health hazards of world-wide service, Agency personnel travelling and working overseas serve under circumstances of civil disorder, terrorist threat, and high local crime rates. This is further magnified by requirements that our people--case officers, support personnel, technicians and analysts--frequent remote

areas under primitive conditions and travel via poorly maintained local air transport and use of crude landing fields which do not meet U.S. safety standards. As evidenced by the examples cited above, a large segment of Agency personnel serving in high risk assignments abroad, or who are not openly identified with the CIA (or the U.S. government in some instances), are covered under the regular provisions of CSRS because they have not met the stringent requisites for CIARDS participation.

Assignment under Cover (domestic and overseas)

Among all other considerations which impact on CIA employees and Agency management, the single heaviest burden of all is the need to establish and maintain cover (i.e., concealment of identification with the CIA or even the United States government) to protect sensitive activities, organizations and identities of employees engaged in supporting these activities.

-- Employment at CIA means that a high number of Agency employees will be called upon to serve under cover without regard to whether they are protected by CIARDS or CSRS.

-- Today CIA employees are serving under cover because of the sensitivity of the activities involved and/or to provide personal protection for the employee and family against hostile action.

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- The nature and conditions of operations work in itself leads to relatively early employee "burnout" and diminishing effectiveness.
- Operational and physical environments abroad demand sustained high motivation, courage, good health, adaptability, and vigor in these employees.
- After age 50 nearly 50 percent of Agency employees are not eligible for full service medical clearance.

Management Requisites

As a management mechanism for employees who qualify for CIARDS, the retirement provisions of the system have been intimately woven into the personnel management system of the operational cadre and its supporting elements.

It has contributed most effectively in fulfilling such essential managerial needs as:

- Providing the Agency with a secure mechanism for the Administration of retirement affairs for members of the CIARDS.
- Enabling the Agency to recruit and retain the type and quality of work force essential to fulfilling critical work requirements and the capability for timely retirement of those individuals who have passed their peak performance. Mandatory retirement at age 60 and

voluntary early retirement (50 with 20 years) without penalty reduction of benefits are essential contributors to meeting managerial objectives of keeping the operational cadre fully effective; permits the flow-through of new employees; providing opportunities for employee developmental assignments; timely promotions; and in meeting reduced personnel ceilings when required. If the mandatory and voluntary retirement eligibility ages were to be extended and current annuity levels reduced for CIARDS, severe problems would be created in terms of an unacceptable aging of the overall operational cadre; the diminution of vigor and adaptability among its ranks, and increased difficulty in arranging cover. Effective management of the cadre would be severely weakened in terms of attracting recruits in the first place; the creation of severe blockages in essential flow-through assignment opportunities within the ranks; promotion; and timely retirement.

- Employees serving CIA's scientific, technical and substantive intelligence requirements

CIA has responded to the expanding developments of scientific, technical, economic and political developments by establishing new or expanding existing organizations (both domestic and abroad) staffed by experts in a wide-range of exotic disciplines. Recruitment and retention of these specialized

professionals is extremely difficult in a highly competitive labor market which offers substantially higher pay and better benefits.

These are the people:

- whose research in the U-2 program provided the medical basis on which NASA later built its space survival knowledge;
- whose imagination and energy created the program which brought the first photographic satellite back from space;
- whose creativity in high performance aircraft design was used by Boeing when planning the SST;
- whose determination built and launched the largest antenna in space;
- who have built advanced computer systems with capabilities and applications unique in the world;
- who have built the world's most sophisticated space-based reconnaissance vehicles;
- and who have done all these tasks at or below budget and on schedule.

Work Environment Factors

Scientific, technical and substantive intelligence analysts and support personnel who perform periods of service abroad

endure the same stressful and hazardous conditions for the duration of such service as the career operational cadre.

STAT
STAT

STAT A substantial number of employees in these categories, comprising approximately [] percent of the work force, spend the major portion of their Agency careers in domestic assignments and are not exposed to the extreme employment conditions encountered by career CIARDS and pre-CIARDS personnel.

As compared to regular Civil Service employees elsewhere in government however, they are liable for service where needed, subject to intrusive security standards, limitations on social interchange and external professional recognition and status that have common application to all CIA employees but are atypical of their counterparts elsewhere in government.

The nature of intelligence work and the critical importance of its product generates its pressures of continuous stress, extreme consequence of error, lessening of skills and "burnout" at ages somewhat older than those in the operational milieu but nonetheless at relatively young ages.

Management Requisites

Just as the special management requirements of the Agency's clandestine service have been effectively accommodated through the CIARDS mechanism, the provisions of Civil Service retirement, particularly the early optional retirement feature with non-reduced annuities at 55 with 30 years of service, have proven to be most effective tools for Agency managers in accommodating the different but equally important requirements served by CIA's

analytical, scientific, and support cadres by providing:

- Recruitment inducement in the face of intense competition with the private sector (where higher salaries are frequently available) of the best expertise in a broad spectrum of professional disciplines and fields of specialization.
- Predictability of the projected patterns of the timing and numbers of future retirements that enable Agency managers to establish employee career development, progression, and replacement on a definitive basis.
- Retention of substantive analysts, scientific and technical experts, and administrative specialists through their most productive years with sustained currency in their areas of expertise and state of the art.
- Capability of managers of these non-operational cadres to encourage voluntary retirement at appropriate combinations of age and service compatible with organizational needs.

IV. CIA's Specific Concerns
Relative To Its Retirement Systems Needs

Role of the Agency's retirement system

The several retirement related proposals now under consideration by the Congress, both as regards changes to the current Federal Retirement System and supplemental plans for new employees, are heavily focused on perceptions of the "benefit" role of retirement systems rather than improvements in their use as work force management mechanisms.

The Agency's retirement system must continue to be designed to serve as the key management tool in maintaining the required characteristics of the work force required to accomplish the CIA mission.

While the importance of the economic and social aspects of benefit entitlements is fully recognized, the payment of relatively attractive retirement benefits in itself is an important element in attaining managerial objectives.

Among the various combinations of proposals, those which would increase retirement ages for non-reduced annuities from age 50 with 20 years for CIARDS, and from 55 to age 65 for non-CIARDS (i. e. now under CSRS) participants would severely weaken the managerial utility of CIA's system and would be destructive to the Agency and capabilities now developed within the Agency to protect the vital national security interests of our country.

Maintaining the Principle of the Single CIA Work Force

As previously stated, the CIA is a single, unified Agency with a single, unified employee body.

The Agency does not categorize its employees into separate "Civil Service" and "CIARDS" classes in terms of personnel status or availability for assignment where their services are required. All CIA employees are subject to the same intrusive security investigation and standards, periodic polygraphing and personal restrictions that are identified with Agency employment.

The only "Civil Service" connotation within the CIA is relative to the fact that all Agency employees are covered by the provisions of the CSRS until they qualify for participation in the internally administered CIARDS program.

Agency employees understand and accept a two-tiered retirement policy which provides some employees the eligibility for retiring five years earlier because they know the grueling hardships of a prolonged overseas career under stressful circumstances.

None could, or indeed should, understand a rationale that would call for a ten to fifteen year spread between those in CIARDS and the majority performing similar work outside CIARDS. Such a situation would shatter the Agency culture and risk polarizing a work force which to be effective, must work as a team.

Substantial differences in retirement provisions applicable to employees on board prior to 1 January 1984 and those hired

after 31 December 1983 who are serving under the same conditions and circumstances would present similar risks.

Need for Retention of Specific Retirement Provisions Applicable to Employees Serving Different Patterns of Career Employment

There are specific differences within the CIA applicable to members of the work force who primarily serve in support of the Agency's overseas intelligence activities and those who are primarily engaged in domestic intelligence functions.

The Agency's current retirement program, though based on two separate statutory systems--the internally administered CIARDS, and OPM managed CSRS--has provided "sets" of retirement eligibility and benefit provisions that have been effective in providing Agency management with the flexibility to meet the quite different work environment and management implications of these different career employment patterns.

Weaknesses in the current systems are not related so much to specific retirement provisions in themselves, but to the fact that Agency employees serving in high risk assignments abroad are provided only regular CSRS coverage until they meet the statutory and regulatory requisites for participation in CIARDS with the administrative security that it provides.

This accounts for the fact that approximately percent of CIA's overseas assignees are covered by CSRS. This reality creates a major concern for the CIA as outlined in the next category.

Administration of Retirement Affairs with Full Security

Protection

STAT The high number of CSRS employees serving abroad [redacted]

STAT [redacted] because of the sensitivity of the activity, poses the problem that casualty cases (death and disability) among them must be processed through OPM and bureaucratic processes that are designed to handle routine overt employees of the regular Federal establishment. Employees who came on duty with CIA after 31 December 1983 and are covered by Social Security, present an additional bureaucratic security dilemma in terms of providing needed security protection of foreign intelligence interests from unauthorized disclosure.

These security risks are not limited to retirement matters only, but extend to processing FEGLI, Health Insurance, and Bureau of Employee Compensation claims through external channels that simply are not attuned to handling highly sensitive security conditions.

STAT The processing of benefit entitlements for any employee who is currently or in past years has been under cover, [redacted]

STAT [redacted] poses the same risks of sensitive security disclosures as casualty cases incurred through hostile action abroad.

V. Features of a Model Retirement System
that Would Most Effectively Serve CIA Needs

Establishment of a single CIA Retirement System administered
under the Authority of the Director of Central Intelligence

Such a single system administered under the authority of the Director of Central Intelligence would cover all CIA employees and consist of sets of specific provisions applicable to CIARDS and CSRS--type participants.

These provisions would be essentially the same as currently provided in the existing CIARDS and CSRS system and would not alter the present numbers of individuals ultimately qualifying for CIARDS retirement.

The purpose of establishing a single CIA system would be to:

- Provide the Director of Central Intelligence with the capability to fulfill his statutory responsibility under Title 50 USC 403 for the protection of sensitive identities, organizations and activities relative to the intelligence interests of the United States.
- Recognize and provide the needed security protection of intelligence interests that are increasingly vulnerable today because of the increased risks flowing from the long duration and large numbers of CSRS covered employees serving abroad or under cover in support of the Agency's intelligence mission. Inclusion of all CIA

employees (old and new) under a fully secure system would reverse current procedures and provide maximum security protection of employee identities and affiliation from inadvertent disclosure when required.

- ° Reinforce the DCI's managerial flexibility to administer the personnel affairs of the CIA, enhance the unity and improve control over utility of the work force.
- ° Through protection of employee identities and affiliation with the CIA, extend the career utility of employees for assignment to sensitive activities and expand the pool of eligibles for such assignments.

Key Provisions Required in the System

- Retention of current non-penalized early retirement eligibility criteria now specified for career CIARDS and CSRS covered personnel.
- Involuntary/discontinued service retirement on an immediate annuity for CIARDS and non-CIARDS members.
- Mandatory retirement at current statutory age for CIARDS members.
- Annuity accrual rates at levels sufficient to attract and retain the needed type and quality of work force, and make retirement feasible at designated combinations of age and service when the needs of the Agency determine it necessary.
- Establishing equitable cost and benefits for pre-1984 and post-1983 employees.

- Reasonable cost-of-living adjustments for annuitants as a further inducement for retirement when CIA management prefers employees leave the service.
- Sufficient Government funding/financing levels to sustain the types of retirement systems necessary to maintain the characteristics of the work force essential to meeting mission requirements.

Defined Benefit Plan as Primary Basis for Basic Annuity

- Primary emphasis on a defined benefit plan which establishes a specified level of benefit when employee meets age and service criteria is essential to permit managerial predictability of future retirements and permit planned employee development, flow through and retirement of employees when Agency requirements so dictate.
- A modest Voluntary Accumulation Plan would provide additional strength to the total system.

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*file copy
Agency Plan*

CURRENT RETIREMENT PROGRAMS

	<u>CIARDS (CIA Administered)</u>	<u>CIVIL SERVICE (OPM Administered)</u>
Optional Retirement Eligibility	Age 50 w/20 service (Non-Reduced Benefit)	<ul style="list-style-type: none"> ◦ Age 55 w/30 years service ◦ Age 60 w/20 years service ◦ Age 62 w/5 years service (Non-Reduced Benefit)
Accrual Rate	2% (Maximum 70%)	1.5% 1st five years 1.75% 2nd five years 2.0% all years over 10 (Maximum 80%)
COLA	Full Indexing	Full Indexing
Mandatory Retirement	<ul style="list-style-type: none"> ◦ Age 60 ◦ Age 65-SIS 4 and above 	None
Involuntary Retirement	<ul style="list-style-type: none"> ◦ Any age w/25 years service ◦ Age 50 w/20 years service (Non-Reduced benefits) 	<ul style="list-style-type: none"> ◦ Any age w/25 years service ◦ Age 50 w/20 years service (Benefits reduced 2% for each year under age 55)
Annuity Computation Base	High-3 Average Salary	High-3 Average Salary
Employee Contributions		
Basic	7%	7%
Social Security	---	---
Thrift	---	---
Cost of Government	40%	

CIARDS

Age 50 w/20 Service
(Non-Reduced Benefit)

- 2% for qualifying years of service
- Current CIARDS formula (2%) For All other years of service (Non-Reduced Benefit)

2/3 Indexing**

- Age 60
- Age 65-SIS 4 and above

- Any age w/25 years service
- Age 50 w/20 years service (Non-Reduced benefits)

High-5 Average salary**

Pre 1984
CIARDS & CIVIL SERVICE**

9%

Voluntary?

CIVIL SERVICE

- Age 55 w/30 years service
- Age 60 w/20 years service
- Age 62 w/5 years service (Non-Reduced Benefit)

- 2 1/2% for qualifying years of service
- Current CSRS formula (1.5%, 1.75% etc.) for all other years of service (Non-Reduced Benefit)

2/3 Indexing**

None

- Any age w/25 years service
- Age 50 w/20 years service (Benefits Reduced 2% for Each Year Under Age 55)

High-5 Average Salary**

Post 1983
CIARDS & CIVIL SERVICE**

3.3%

5.7%*

Voluntary (Up to 15% of basic pay government matches \$.50 for \$1. up to 6% of basic pay)

34%

* Once S.S. maximum contribution reached in a year (in 1985 5.7% of first \$39,600 basic pay) 5.7% of amounts over SIS maximum base go to basic plan.

** Assumes similar reductions in benefits are implemented for all of government.

SPECIAL

- Age 50 w/25 Service
- Age 62 w/10 years service
(Non-Reduced Benefit)

.85%
+ Unknown supplement

3/4 Indexing

None

- Any age w/25 years service
- Age 50 w/20 years service
(Benefit reduced 2% for
each year under age 62)

High-5 Average Salary

None
5.7%
Voluntary (Up to 16% of basic
pay. Government matches \$2 for
\$1 up to 4% of basic pay)

BASIC

- Age 55 w/30 years service
- Age 62 w/10 years service
(Benefits reduced 2% for each
year under age 62)

.85%

3/4 Indexing

None

Same

High-5 Average Salary

None
5.7%
Same

Regency

Possible Questions That May Be Raised Regarding CIA's Retirement Proposal For A Single CIA Administered Retirement System For All CIA Employees

1. QUESTION:

What purpose will be served by putting all CIA employees under a single retirement plan administered by the Agency?

RESPONSE:

(Use Reasons cited in the "Overview Summary")

2. QUESTION:

What is "qualifying service" for CIARDS?

RESPONSE:

Performance of duty as an Agency employee:

- (a) When assigned either PCS or TDY to any place outside the 50 states, the District of Columbia, Puerto Rico, the Virgin Islands, and Guam;
- (b) Which, in support of Agency activities abroad, requires a substantial risk to the life or health of the employee;
- (c) Which requires the continued practice of tradecraft under conditions of most stringent security in support of Agency activities; or
- (d) Which, when retirement is imminent, is adjudged to have been so sensitive or so specialized that security requirements forbid disclosure of this duty and that, as a result, it is unlikely the employee will be able to obtain employment for which otherwise qualified.

3. QUESTION:

Why doesn't the Agency simply place CSRS employees slated for or serving in CIARDS qualifying type duty under CIARDS when they first come into the CIA?

RESPONSE:

The criteria established by statute CIARDS participation limits membership to employees who serve a minimum of 5 years of qualifying service. Until meeting this requirement all CIA employees must be covered under regular CSRS.

4. QUESTION:

Why do you believe that CIA's domestic civil service employees are so different that they should not be handled like other Federal civil service employees?

RESPONSE:

Its not that CIA considers our civil service employees to be different but that the conditions of employment, working environment, and mangerial requirements flowing from the CIA's intelligence mission are significantly different from what is found in other civil service agencies.

These circumstances require that the provisions of CIA's retirement systems must serve as work-force management tools. The need to maintain relatively young CIARDS and non-CIARDS cadre to effectively do the work of the Agency are made possible by the early retirement provisions of current law and a policy to encourage voluntary early retirement when CIA needs dictate.