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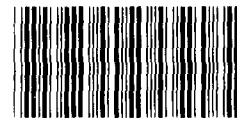
GAO

Fact Sheet for the Honorable  
William V. Roth, Jr., U.S. Senate

March 1988

# FEDERAL PERSONNEL

## Views From Two Agencies on Why More Employees Did Not Join the New Retirement System



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

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General Government Division

B-230387

March 11, 1988

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

Dear Senator Roth:

This fact sheet responds to your January 4, 1988, letter in which you expressed concern that fewer federal employees than anticipated had elected to join the new Federal Employees Retirement System (FERS). In a subsequent meeting, we agreed to provide you the views of certain agency officials on the major reasons why more employees did not transfer to FERS.

The FERS legislation was enacted on June 6, 1986. The new system automatically applied to employees first hired on or after January 1, 1984. In addition, the law gave employees hired before that date who were covered by the Civil Service Retirement System (CSRS) the option of transferring to FERS if they made their election by December 31, 1987.

At the request of the House Post Office and Civil Service Committee, we have been monitoring the actions taken by agencies to implement FERS. As part of our review, we obtained information from officials at 11 Department of the Army field offices and 10 Veterans Administration field installations about agency efforts to assist employees in making their decisions on whether to remain in CSRS or transfer to FERS. In October 1987, we interviewed 46 decision advisors<sup>1</sup> or personnel officials at these locations who were involved in the FERS implementation process. These officials provided their views on why employees did not transfer to FERS.

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<sup>1</sup>Decision advisors acted as focal points for communicating FERS information to employees (e.g., showed films, distributed pamphlets, answered questions).

The major reasons officials identified and the number of times these reasons were cited are as follows:

- Employees planned to make the federal government a career and believed CSRS provided greater benefits than FERS. Thirty-two officials cited this reason.
- Lack of trust in some aspect of the design or stability of FERS was cited by 25 officials. These aspects include: the viability of the social security system, which is a component of FERS (cited 15 times); future changes by the Administration (cited 13 times); future changes by Congress in the present design of FERS (cited 9 times); and the permanency of FERS benefits (cited 2 times). Some officials cited more than one aspect.
- Employees could not afford to contribute to the thrift plan component of FERS. Twenty-two officials cited this reason.
- Employees were waiting for Congress to act on proposals to change the FERS provisions, a reason cited by 13 officials. The provisions most frequently mentioned in this respect were those relating to "windfall" social security benefits, eligibility of FERS participants for social security spousal and survivor benefits, and/or discrimination tests on higher-paid employees' contributions to the thrift plan.
- FERS is too complex for employees to understand. This reason was cited by 10 officials.

As we discussed with your office, the Office of Personnel Management is surveying retirement counselors in all agencies to gather additional information on the factors influencing employees' decisions on transferring to FERS.

As arranged with your office, we are making copies of this fact sheet available to the House Post Office and Civil Service Committee, the Secretary of the Army, the

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Administrator of Veterans Affairs, and to others upon request. If you have further questions on this matter, contact me on 275-6204.

Sincerely yours,

*Roslyn S. Kleeman*  
Roslyn S. Kleeman  
Senior Associate Director

(966278)

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