



UNITED STATES GOVERNMENT
National Labor Relations Board
Office of Inspector General

Memorandum

September 15, 2005

To: Catherine McCoy
Human Resources Director

From: Jane E. Altenhofen
Inspector General

A handwritten signature in black ink that reads "Jane E. Altenhofen". The signature is written in a cursive style and is positioned to the right of the printed name "Jane E. Altenhofen".

Subject: Inspection Report No. OIG-INS-38-05-03: Agency Retirement Records

We initiated this inspection in July 2005 to assess whether the National Labor Relations Board (NLRB or Agency) is maintaining the appropriate records for retirement deductions.

The Agency does not maintain the records for employee retirement deductions. The Department of the Interior's National Business Center (NBC), which provides payroll services to the Agency, maintains the records for retirement deductions made since September 2002. The Agency's previous retirement deductions records have been sent to the Office of Personnel Management (OPM). NBC also certifies the retirement records and submits them to OPM when an employee separates from the Agency.

SCOPE

We reviewed laws and regulations related to retirement under the Civil Service Retirement System (CSRS) and the Federal Employee Retirement System (FERS). We reviewed guidance from OPM, including the *CSRS and FERS Handbook for Personnel and Payroll Offices* (CSRS and FERS Handbook), and guidance from NBC related to the maintenance of retirement records. We interviewed staff in the Human Resources Branch (HRB) to learn about the maintenance of retirement records. We also interviewed employees at NBC to learn NBC's processes for maintaining retirement records.

We conducted this review in July and August 2005. This review was done in accordance with the Quality Standards for Inspections issued by the President's Council on Integrity and Efficiency.

BACKGROUND

Sections 8334 and 8422, Title 5, United States Code, state that agencies shall deduct and withhold a percentage of an employee's basic pay for retirement. The percentages are 7 percent for CSRS and 0.8 percent for FERS. The annuity that an employee will receive at retirement is not based on the retirement deductions. Instead, OPM uses a formula that is based on the employee's length of service and the employee's average highest basic pay over any three consecutive years of creditable service. The retirement deductions are relevant for two reasons. First, all employees who leave the Federal government without being eligible to receive an immediate annuity may elect to receive a refund of their retirement deductions. Second, the cumulative retirement deductions are also provided by OPM at retirement so the annuitant can calculate the portion of the annuity that is tax-free.

The statutes also state that amounts deducted for retirement shall be entered on individual retirement records. OPM Regulations state that every Federal agency having employees subject to either CSRS or FERS shall initiate and maintain retirement accounts for those employees as prescribed by OPM issuances. The Individual Retirement Record (IRR), Standard Form (SF) 2806 / SF 3100, is used by OPM as the basic record for determining the retirement benefits payable to separated employees and their survivors. The IRR reflects the employee's retirement contributions for his or her current service, pay rates, unused sick leave credit for civil service retirement purposes, last day of pay, date and type of separation, and other data that is necessary for OPM to determine retirement benefits.

The CSRS and FERS Handbook states that the IRR should be prepared for each new employee covered by CSRS or FERS. The agency's servicing payroll office is responsible for preparing and maintaining the IRR. The payroll office also certifies the IRRs and ensures the correctness of data in these records. The Agency has entered into an agreement with NBC to provide payroll and personnel services to the NLRB. The base level payroll services provided by NBC include the maintenance and certification of retirement records. OPM's Benefits Administration Letter 01-324, Handling of Individual Retirement Records When Discontinuing Payroll Services, dated September 26, 2001, states that a new payroll office must initiate the accumulation of individual retirement record data for all affected employees as of the first day it has payroll responsibility. The Agency's payroll services have been provided by NBC since September 22, 2002.

RESULTS

Agency Responsibilities

HRB confirmed that the Agency does not maintain records related to employee retirement deductions. They said that NBC is the Agency's servicing payroll office and handles maintaining the retirement records. They noted that NBC kept records of

retirement deductions since the conversion to NBC in September 2002. They added that retirement records under all previous retirement systems were forwarded to OPM. In a memorandum dated April 24, 2002, the Human Resources Director informed all employees that cumulative retirement deductions under the prior payroll system will be closed out and sent to OPM and that information regarding cumulative contributions under the prior system will be on the last Leave and Earnings Statement.

The cumulative retirement deductions since the conversion to NBC are shown on the employee's Leave and Earnings Statement. HRB noted that the current retirement deductions are available through the Federal Personnel and Payroll System (FPPS). The retirement deduction records from prior payroll systems are available by contacting OPM's Retirement Operations Center in Boyers, Pennsylvania. HRB noted that ultimately the responsibility for maintaining the documentation to verify the correctness of retirement deduction information belongs with the employee.

NBC Responsibilities

The NBC Client Interface Manual states that NBC is responsible for maintaining retirement records for current employees. Staff at NBC stated that the IRRs are maintained in the Retirement Subsystem, which is distinct from FPPS. NBC noted that the pay history and the retirement deductions are transferred from FPPS to the Retirement Subsystem. NBC also noted that client agencies such as the NLRB are unable to access the Retirement Subsystem, but are able to request from NBC a copy of the IRR with the retirement deductions and payroll history since NBC has maintained the IRR.

NBC is also responsible for producing the final IRR, certifying that the IRR is correct, and transmitting the IRR to OPM. Staff at NBC noted that the client agencies are not involved in the processing of the IRR. NBC added that the only involvement of the client agencies in the process is the forwarding of the employee's retirement forms to NBC, which then inserts the certified IRR into the package and sends it to OPM.