



REPORT TO THE CONGRESS

Effective Conversion Of National Guard Technician Positions To Federal Positions B-20748

Department of Defense

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BY THE COMPTROLLER GENERAL
OF THE UNITED STATES

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B- 20748

To the President of the Senate and the
Speaker of the House of Representatives

This is our report on the effective conversion of National Guard technician positions to Federal positions in the Department of Defense.

Our review was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

Copies of this report are being sent to the Director, Office of Management and Budget; the Secretary of Defense; the Secretaries of the Army and Air Force; and the Chairman, Senate Committee on Armed Services.

A handwritten signature in cursive script, reading "James B. Aboites".

Comptroller General
of the United States

D I G E S T

WHY THE REVIEW WAS MADE

The National Guard Technicians Act of 1968 converted Army and Air National Guard technicians from State to Federal employee status, effective January 1, 1969. One of the principal purposes of the legislation was to provide an adequate and uniform retirement and fringe benefit program. (See p. 3.)

A National Guard technician is a civilian employee whose employment generally requires him to be a military member of the Guard also. Before the conversion the technicians were considered employees of the States, even though their salaries were paid from Federal funds.

The General Accounting Office (GAO) reviewed National Guard personnel and payroll records to see if the conversion had been accomplished in accordance with the act and implementing regulations.

FINDINGS AND CONCLUSIONS

GAO reviewed records of over 1,000 technicians selected at random in 12 States and found that the conversion, in general, had been carried out in accordance with the act and implementing regulations and instructions. With few exceptions the grades, rates of compensation, leave balances, and annual leave accrual categories recorded at the time of conversion were proper.

There were many discrepancies, however, in data pertaining to service prior to the conversion, attributable primarily to clerical error, omission of data, and misinterpretation of instructions. (See p. 5.)

The erroneous data had no significant effect on the status of the technicians at the time of conversion and generally will have no significant effect as long as they are employed by the Federal Government. The errors could have an effect on the technicians' retirement rights and benefits and on the related cost to the Government. (See p. 6.)

Nine of the 12 States had, or were planning to have, consolidated personnel offices; the other three had separate personnel offices for the Army National Guard and the Air National Guard. Consolidation offers the advantages of centralized authority, uniformity of operations, and possible savings in personnel costs. (See p. 14.)

The Secretary of Defense entered into agreements in 1961 with the governments of 19 States and Puerto Rico, providing for payments by the Federal Government of the employer's contribution to the retirement funds for National Guard technicians covered by State retirement systems. Since many of these technicians have elected, under the act of 1968, to be covered by the Federal civil service retirement system, a question has been raised concerning whether the States should be permitted to retain Federal contributions for those technicians who did not have a vested interest in, or who did not remain in, the State retirement system. The Senate Committee on Armed Services had requested the Department of Defense to resolve this matter with the States. (See p. 15.)

RECOMMENDATIONS OR SUGGESTIONS

The Secretary of Defense should require the National Guard Bureau, in cooperation with the States, to review the personnel records of all technicians converted to Federal employee status to ensure the accuracy of service records, service and annual leave computation dates, and gross compensation. (See p. 13.)

AGENCY ACTIONS AND UNRESOLVED ISSUES

The Assistant Secretary of Defense agreed, in general, except on the matter of Federal contributions. He said that corrective action to overcome the deficiencies would be taken promptly but that the Department had serious reservations regarding the recovery of Federal funds previously contributed to certain States.

The Department subsequently told GAO that personnel offices in all States had been consolidated by the end of calendar year 1970 and that the National Guard Bureau had been assigned responsibility for advising the Senate Committee on Armed Services on the matter of uncommitted Federal contributions in State retirement systems.

MATTERS FOR CONSIDERATION BY THE CONGRESS

The National Guard Technicians Act of 1968 was enacted as a result of many years of deliberations by committees of the Congress on ways to improve the employment conditions of civilian technicians.

GAO is sending this report to the Congress to inform it of the effectiveness and timeliness of this implementation of the act.

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CHAPTER 1

INTRODUCTION

The General Accounting Office reviewed the conversion of National Guard technician positions from State to Federal positions under the provisions of the National Guard Technicians Act of 1968, Public Law 90-486, (32 U.S.C. 709).

On August 13, 1968, the Congress enacted the National Guard Technicians Act of 1968, to become effective January 1, 1969. Among other things the act provided for (1) conversion of National Guard technicians from State to Federal employee status in General Schedule or wage board positions, (2) credit for all or part of past technician service for Federal employee purposes with respect to status, fringe benefits, and retirement, and (3) election by a technician to remain covered by a State retirement system with the consent of the State.

Both the Senate and House Committees on Armed Services reported that one purpose of the legislation was to provide a retirement and fringe benefit program that would be both uniform and adequate.

The act provided that the Secretary of the Army or of the Air Force be responsible for fixing the rates of basic compensation for all technician positions existing on January 1, 1969, in the Army National Guard or the Air National Guard, respectively. The rates of compensation, except the special rates for technicians assigned to perform operational duties at air defense sites, were to be fixed in accordance with the General Schedule or with the appropriate prevailing wage schedules, as applicable.

Authority for administering the National Guard Technician Program is specifically delegated to the Chief, National Guard Bureau, a joint bureau of the Departments of the Army and the Air Force.

Upon passage of the act, officials of the National Guard Bureau made an intensive effort to provide information to all States on the major features of the act and on the implementing procedures for the conversion. Information was

provided for use by the States in briefing technicians on the impact of the act upon them as individuals and on the fringe benefits involved. In addition, area orientation conferences were held and visits to States were made by National Guard Bureau officials to discuss the conversion procedures.

The adjutant general of each State is responsible for carrying out and administering, through a civilian personnel office, the National Guard Technician Program authorized for his State. It is the prerogative of each State adjutant general to organize and operate either a centralized or a decentralized civilian personnel office.

At the time of their conversion to Federal employee status, there were about 40,000 technicians who were full-time civilian employees of the National Guard in the 50 States, the District of Columbia, and Puerto Rico. As a condition for their civilian technician employment, about 95 percent of the technicians are required by regulations to be military members of the National Guard. Before the conversion the technicians, except those in the District of Columbia National Guard, were considered employees of the States, even though their salaries were paid from Federal funds.

Prior to January 1, 1969, 19 States and Puerto Rico provided coverage of National Guard technicians under their State retirement systems. The act provided coverage under the Federal civil service retirement system for all new technicians to be employed after January 1, 1969, and for all technicians employed on that date, except those who elected to remain covered by a State retirement system with the consent of the State concerned. Approximately 4,450 technicians had acquired a vested interest in a future annuity under one of the State retirement systems on the basis of past service.

CHAPTER 2

VERIFICATION OF RECORDS PERTAINING TO SERVICE PRIOR TO CONVERSION

We examined the personnel and payroll records of 673 Army National Guard technicians and of 419 Air National Guard technicians, selected at random from 9,571 Army and 5,951 Air technicians, respectively, who had converted from State to Federal employee status as of January 1, 1969, in the 12 States in which we did our work.

The short period of time in which technicians were to be converted from State to Federal employee status--August 13, 1968, to January 1, 1969--caused a crash program to be undertaken to transfer all pertinent data and records to Federal forms. We were informed that the volume of work to be performed in some States was greater than could be accomplished within that time by the limited number of personnel available.

With few exceptions we found that the grades, rates of compensation, leave balances, and annual leave accrual categories recorded at the time of conversion were proper for the technicians selected at random for review. We found many discrepancies, however, in both Army and Air National Guard records pertaining to service prior to the date of conversion, attributable primarily to clerical errors, omission of data, and misinterpretation of instructions. The discrepancies generally involved

- incorrect beginning or ending dates of prior service,
- omission of periods of prior creditable service or inclusion of periods of noncreditable service,
- incorrect computations or recording of data,
- incomplete data, and
- absence of certification to show that prior service had been verified.

The erroneous data had no significant effect on the status of the technicians at the time of conversion and generally will have no significant effect as long as the technicians are actively employed by the Federal Government. The errors could have an effect on the rights and benefits accruing to the technicians, particularly with regard to their retirement rights and benefits, and on the related cost to the Government.

The following table shows the extent of errors found in our examination of the records of 673 Army National Guard technicians and of 419 Air National Guard technicians selected at random for review.

	<u>Army</u>			<u>Air</u>		
	<u>Total examined</u>	<u>Total with errors</u>	<u>Percent with errors</u>	<u>Total examined</u>	<u>Total with errors</u>	<u>Percent with errors</u>
Service records	673	238	35	419	139	33
Service computation dates	673	243	36	419	172	41
Annual leave computa- tion dates	673	244	36	408 ^a	181	44
Annual leave accrual category	673	9	1	408 ^a	6	1
Annual leave balances	673	7	1	419	9	2
Sick leave balances	673	-	-	419	1	-
Gross compensation recorded on individ- ual retirement re- cords (note b)	562	361	64	374	246	66
Salary rates	673	4	1	419	3	1

^aDates had not been computed at one location for 11 Air technicians selected for review.

^bDoes not include incomplete records or records of those technicians who elected to remain covered by State retirement systems.

The nature, extent, and possible effect of the discrepancies are discussed below.

SERVICE RECORDS

Public Law 90-486, section 3.(c), provided that, for National Guard technicians who continued to perform service on or after January 1, 1969, all technician service performed before that date be included and credited in the

determination of length of service for purposes of leave, Federal employee's death and disability compensation, group life and health insurance, severance pay, tenure, and career status.

The National Guard Bureau instructed the States to use Service Record, Standard Form 7, for recording prior service of the technicians. This record was to contain a chronological listing of all actions affecting the rate of compensation or assignment to an organizational unit and was to show all active military duty and all technician service.

The accuracy of the data recorded on the service record is important since the record is the primary source for determining that time requirements for such personnel actions as promotions and within-grade increases have been met. Also, the service record for service prior to conversion becomes a part of the service history section of the individual retirement record which is used by the Civil Service Commission in determining retirement entitlements.

Our review of the data recorded on the service records for the technicians selected at random is summarized below.

	<u>Army</u>	<u>Air</u>
States with discrepancies	11	11
Technician records reviewed	673	419
Number of records not certified	57	72
Number of records with discrepancies	238	139
Total entries recorded or to be recorded on records with discrepancies	4,871	2,850
Total discrepancies found	759	540
Types of discrepancies:		
Incorrect effective date of action	176	111
Erroneous job description	13	21
Incorrect grade or step	15	22
Incorrect salary or pay rate	36	34
Entry omitted	493	341
Entry not documented	26	11

SERVICE COMPUTATION DATES

Public Law 90-486, section 5.(a), provided to technicians who continued to perform service on or after January 1, 1969, credit for years of past technician service for civil service retirement eligibility purposes.

In accordance with National Guard Bureau instructions, a Statement of Prior Federal Civilian and Military Service, Standard Form 144, was to be prepared for each technician at the time of conversion to show all prior periods of National Guard technician service, Federal civilian service, and active military service.

Periods of creditable service should be accurately computed to establish a correct service computation date for use in establishing the date when a technician becomes eligible for retirement. The length of creditable service also can affect the retention rights of a technician in the event of a reduction in force and is one of the factors used in computing the amount of severance pay.

Our review of service computation dates of the technicians selected at random is summarized below.

	<u>Army</u>	<u>Air</u>
States with discrepancies	11	12
Technician records reviewed	673	419
Number of records not prepared or completed	250	143
Number of records not certified	300	134
Total discrepancies found	243	172
Reasons for discrepancies:		
Use of incorrect beginning or ending dates of creditable service	66	48
Mathematical errors	29	44
Prior creditable service not considered	18	18
Other	16	31
Not identified--information not available	114	31

	<u>Army</u>			<u>Air</u>		
	<u>Yrs.</u>	<u>Mos.</u>	<u>Days</u>	<u>Yrs.</u>	<u>Mos.</u>	<u>Days</u>
Range of discrepancies:						
Creditable service			1 to			1 to
not included	7	-	16	11	-	12
Noncreditable ser-			1 to			1 to
vice included	8	11	29	17	6	7

LEAVE STATUS

Public Law 90-486, section 3.(d), provided that annual leave and sick leave to which a technician was entitled on the day before the conversion of his position should be credited to him in his new position.

Sick leave is accrued at the rate of 4 hours each bi-weekly pay period. Annual leave is accrued at the rate of 4, 6, or 8 hours each biweekly pay period on the basis of the length of creditable service. In determining the period of creditable service for annual leave accrual purposes, it was National Guard Bureau policy to grant credit for active duty training prior to employment as a technician. Therefore in many instances the annual leave computation date differed from the service computation date.

It is important that the annual leave computation date be accurate since this date is used to determine when a technician's annual leave accrual category is subject to change.

During our review of the leave status of the technicians selected at random, we found the following discrepancies in annual leave computation dates.

	<u>Army</u>	<u>Air</u>
States with discrepancies	12	12
Technician records reviewed	673	408
Total discrepancies found	244	181
Reasons for discrepancies:		
Use of incorrect beginning or ending dates of creditable service	26	38
Mathematical errors	46	51
Prior creditable service not considered	36	47
Other	33	12
Not identified--information not available	103	33

	Army			Air		
	<u>Yrs.</u>	<u>Mos.</u>	<u>Days</u>	<u>Yrs.</u>	<u>Mos.</u>	<u>Days</u>
Range of discrepancies:						
Creditable service			1 to			1 to
not included	6	11	4	11	-	26
Noncreditable						
service in-			1 to			1 to
cluded	8	11	29	10	8	8

In most States we found that the annual leave balances recorded on the leave records had been carried forward correctly at the beginning of the leave year immediately following the date of conversion. The balances carried forward were incorrect for seven Army technicians in one State and for nine Air technicians in two States.

With regard to sick leave balances, we found only one error of 4 hours for one Air technician.

GROSS COMPENSATION

Public Law 90-486, section 5.(b) and (c), provided that technician service performed prior to the effective date of the National Guard Technicians Act of 1968 be recognized to the extent of 55 percent as creditable service for retirement annuity computation purposes.

To receive the maximum annuity, each technician converted to Federal employee status must deposit with the Civil Service Commission, for credit to his retirement account, the amount that he would have contributed on 55 percent of his gross compensation during the prior years of creditable service. If the technician elects to make no deposit for credit to his retirement account, his annuity will be reduced by 10 percent of the amount not deposited.

The gross compensation received by a technician for creditable service is used by the Civil Service Commission in computing the amount of the deposit to the retirement fund that may be made for technician service performed prior to January 1, 1969. The accuracy of total compensation becomes significant at the time of a technician's retirement, since his annual annuity would be reduced by 10 percent of the amount not deposited.

Our review of gross compensation recorded on the Individual Retirement Record, Standard Form 2806, for the technicians selected at random, is summarized below.

	<u>Army</u>	<u>Air</u>
States with discrepancies	9	11
Technician records reviewed	562	374
Number of records not certified	161	60
Records with discrepancies	361	246
Total discrepancies found	375	283
Reasons for discrepancies:		
Understatement of gross compensation:		
Portion of December 1968 accrued earnings not included	211	231
Clerical errors	33	41
Overstatement of gross compensation:		
Partial January 1969 earnings included	101	0
Clerical errors	30	11
Range of discrepancies:		
Understatement of gross compensation	\$ 8 to \$25,233	\$10 to \$38,105
Overstatement of gross compensation	\$44 to \$21,651	\$92 to \$30,590

Apparently the failure to record gross compensation earned through December 31, 1968, was attributable to misinterpretation of the instructions contained in Technician Information Letter 68-7. During our review we called this matter to the attention of officials of the National Guard Bureau. More specific instructions were issued in Technician Information Letter 69-7, dated November 21, 1969, and the States were requested to correct the records as time permitted, but prior to a technician's application for deposit or separation, whichever comes first.

SALARY RATES

Public Law 90-486, section 8(a), provided that the Secretary of the Army or of the Air Force, as appropriate, fix the rate of basic compensation of positions existing on the date of enactment of this act in accordance with General Schedule or prevailing wage board rates, as applicable. Under the rate-fixing provisions of this section, a technician would not receive a rate of basic compensation less than that which he received prior to his conversion.

The National Guard Bureau furnished the States with grade and series conversion schedules, which were to be effective January 1, 1969, for Army and Air National Guard technicians.

In most States we found that the salary rates given to the technicians were in compliance with the conversion schedules. Salary rates were incorrect for four Army technicians in two States and for three Air technicians in three States.

At the completion of our review, in each State we discussed the nature and extent of the discrepancies found with the adjutant general and/or other officials who generally agreed with our findings and with the need to initiate corrective action. In most States the officials agreed that, in view of the number of discrepancies found during our examination of a random sample of records, the records of all technicians should be reviewed. Subsequently our findings, conclusions, and proposals for action to be taken were presented in a letter report to the adjutant general of each State and to the Chief, National Guard Bureau.

CONCLUSION

We believe that the conversion of Army and Air National Guard technicians to Federal employee status on January 1, 1969, generally was carried out in accordance with the provisions of the National Guard Technicians Act of 1968 and with the implementing regulations and instructions in the 12 States in which we reviewed records selected at random. We found, however, that significant numbers of errors had been made on the records of the converted technicians. The

erroneous data could have an effect on the rights and benefits accruing to the technicians, particularly with regard to their retirement rights and benefits, and on the cost to the Government.

RECOMMENDATION

We recommend that the Secretary of Defense require the National Guard Bureau, in cooperation with the States, to review the personnel records of all technicians, including those in States which we did not visit, to ensure the accuracy of the data recorded.

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The Department of Defense agreed with our findings and recommendation and said that corrective action would be taken.

CHAPTER 3

CONSOLIDATION OF PERSONNEL OFFICES

In four of the 12 States included in our review, a consolidated personnel office administered personnel matters for both Army and Air National Guard technicians on January 1, 1969. Prior to the completion of our review, four additional States had changed from decentralized to consolidated personnel operations and one State had initiated action to make the change.

We discussed this matter with the State adjutants general and/or personnel officers of 11 States and obtained their views on the advantages or disadvantages of consolidation. In eight of the States which had, or were planning to have, consolidated personnel offices, the consensus was that consolidation was advantageous from the standpoint of centralized authority, uniformity of operations, and, in some instances, savings in personnel costs. In the three States not having, or not planning to have, consolidated personnel offices, the consensus was that consolidation would be disadvantageous because of the differences in Army and Air Force regulations, the additional time required for processing documents through a central personnel office, the necessity for duplicate records, and the increase in personnel costs.

AGENCY ACTION

In our draft report we proposed that the Secretary of Defense instruct the National Guard Bureau to initiate action in each State still having separate Army National Guard and Air National Guard personnel offices to consolidate these activities into a single personnel office.

The Department of Defense agreed with our proposal and said that action would be taken. We have since been advised by the National Guard Bureau that, as of the end of calendar year 1970, single personnel offices have been established in each of the States and Puerto Rico.

CHAPTER 4

UNCOMMITTED FEDERAL CONTRIBUTIONS

TO STATE RETIREMENT SYSTEMS

Since 1961 legislation enacted by the Congress has authorized, within certain limitations, payment by the Federal Government of the employer's contribution to the States which have retirement systems. Puerto Rico and 19 States provided coverage of National Guard technicians under their State retirement systems; and, as of January 1, 1968, about 16,000, or 40 percent, of all technicians were covered by these retirement systems.

The Secretary of Defense entered into agreements with the governments of the 19 States and Puerto Rico, providing for payment by the Federal Government of the employer's contribution to the retirement funds for the National Guard technicians covered by State retirement systems. The contributions were not to exceed 6-1/2 percent of the compensation paid to the technicians from Federal funds, and from that amount was to be deducted the Federal Government's contribution for the employer's tax under the social security system.

The proceeds of these retirement systems' funds were to be used solely for the payment of benefits or compensation to technicians or their beneficiaries. We found that the agreements between the Secretary of Defense and the States were silent with respect to the rights of the Federal Government to recoup from the States any portion of its contributions not committed to pay retirement benefits to the technicians.

For fiscal years 1962-68, Federal contributions to the retirement systems of the 19 States and Puerto Rico totaled about \$19.6 million for the technicians who were actively employed as of January 1, 1968. For all technicians, including those who were in the program during those fiscal years but who were no longer actively employed, the Federal contributions totaled about \$22.5 million.

In its report on the National Guard Technicians Act of 1968, the Senate Committee on Armed Services discussed in some detail the "MATTER OF UNCOMMITTED FUNDS IN STATE RETIREMENT SYSTEMS CONTRIBUTED BY FEDERAL GOVERNMENT." The Committee said, in part, that:

"It is the desire of the committee that the Department of Defense negotiate with the various States where such Federal contributions have been made with a view toward determining the portion of the Federal contributions which is uncommitted to pay for technician retirement and which otherwise will constitute Federal windfalls to the retirement systems of these States. It is recognized that actuarial commitments of these funds will have been made in the following instances: (a) where claims have been or are being paid; (b) to the extent that some 4,400 technicians with a vested interest to a future State annuity remain eligible; and (c) to the extent that technicians elect to remain in the State retirement system in lieu of coming under the Federal civil service system.

"It would appear that a substantial portion of the funds which have been paid on behalf of some 16,000 individuals would be uncommitted and therefore available for return to the Federal Government. The committee as a part of this report is hereby requesting the Department of Defense to first determine, with the cooperation of the States, the portion of these funds which are uncommitted with a view to thereafter determining the most equitable means of either a return of the money to the Federal Government or an offset from Federal funds which might otherwise be made available to the States." (Cal. 1426, Rept. 1446, 90th Cong., 2d sess., pp. 17 and 18.)

In recognition of the interest of the Senate Committee on Armed Services in the portion of Federal contributions not committed to pay for technician retirement benefits, the National Guard Bureau requested the States to present their views on the feasibility of refunding to the Federal Government the uncommitted portion of its contribution to the State retirement funds. The position taken by the States generally was that there were no identifiable uncommitted funds since the Federal contributions for all technicians were not sufficient to cover the Federal share of the commitments for the approximately 4,450 technicians having a vested interest in a State annuity.

Our review included four States which covered technicians under State retirement programs prior to the date of conversion. For three of the States, we obtained the following information concerning the election of technicians to be covered by either the State retirement system or the Federal civil service retirement system after January 1, 1969.

	<u>Army</u>	<u>Air</u>
Number who elected to remain in a State retirement system	591	290
Number who elected to be covered by the Federal civil service retirement system	<u>1,697</u>	<u>897</u>
Total	<u>2,288</u>	<u>1,187</u>

We discussed this matter with National Guard officials of three of these States. The opinion of these officials was that no part of the Federal contributions should be returned. Officials of two States said that the Federal contributions made for all technicians were insufficient to cover the Federal share of actuarial commitments of funds for technicians who now have a vested interest in, or who elected to remain in, the State retirement system. Officials of the third State told us that the Federal contributions were unidentifiable since they were part of the general fund of the State and therefore could not be returned.

AGENCY COMMENTS

In our draft report submitted to the Secretary of Defense for comment, we proposed that, in view of the expressed congressional interest in this matter, appropriate action be taken to resolve with the 19 States and Puerto Rico the matter of the return to the Government of that portion of Federal contributions which is not committed to pay for technician retirement benefits.

The Assistant Secretary of Defense (Manpower and Reserve Affairs) said in his September 1, 1970, letter that the matter of previously contributed Federal funds to the retirement systems of certain States had been explored and that the Department had serious reservations regarding this matter. (See app. I.)

An attachment to the Assistant Secretary's letter stated that there was no obligation on the part of the States under their contracts with the Government and presented data which showed that expenditures with respect to technicians and their survivors would exceed the total Federal contribution. It stated also that:

"*** In establishing, maintaining and budgeting for retirement systems, the fact that some employees are separated before completing the years of service required for vesting, and others withdraw their deposits upon separation, leaving uncommitted the employer's contribution with respect to their employment, is taken into consideration."

Although this statement is a valid actuarial assumption used in pension plan calculations, the conclusion to which it leads is not valid in the case of the conversion of the National Guard technicians. This is because the termination assumption accounts for normal and anticipated terminations but not for such wholesale terminations as transfers to another retirement system, as in the case of the National Guard technicians.

CONCLUSION

We believe that a distinction should be made between the Federal funds contributed, prior to the date of conversion to Federal employee status, for those technicians who elected to remain under State retirement systems and the funds contributed for those technicians who elected to transfer to the Federal retirement system. State retirement systems now have, and will have in the future, a commitment to the payment of benefits to technicians who had a vested interest as of the date of their conversion to Federal employee status or who elected to remain under a State retirement system. The National Guard Technicians Act of 1968 stated that the Federal Government may continue to pay to the States the amount of the employer's contribution for the technicians who elected to remain covered by a State retirement system.

On the other hand, State retirement systems do not now have, and will not have in the future, a commitment to the payment of benefits to the many technicians who transferred to the Federal retirement system without a vested interest in, and therefore without a future claim against, a State retirement system; the Federal retirement system has the commitment to payment of benefits to these technicians. We question whether States should be permitted to retain any uncommitted Federal contributions.

On October 1, 1970, we were told that neither the Department of Defense nor the National Guard Bureau had reported to the Senate Committee on Armed Services on the determination made with respect to the matter of uncommitted Federal funds in State retirement system. On March 4, 1971, the Deputy Assistant Secretary of Defense (Manpower and Reserve Affairs) instructed the Chief, National Guard Bureau, to report to the Committee on this matter.

CHAPTER 5

SCOPE OF REVIEW

We reviewed Public Law 90-486 and the implementing regulations and discussed with appropriate officials at Headquarters, National Guard Bureau, and in 12 States the procedures entailed in converting the National Guard technicians to Federal status January 1, 1969. Our field review was made at all National Guard civilian personnel and payroll offices in the States of California, Colorado, Illinois, Indiana, Louisiana, Massachusetts, New Jersey, New York, Pennsylvania, Rhode Island, Tennessee, and Texas. We examined pertinent personnel and payroll records of technicians selected at random in each State.

Since some States now have decentralized personnel offices for Army National Guard and Air National Guard technicians, we inquired into the feasibility of having a single consolidated personnel office within each State.

We inquired into action taken by the National Guard Bureau to negotiate with those States that had covered technicians under their retirement systems for the return to the Federal Government of that portion of Federal contributions which no longer is committed to payment of future technician retirement benefits.

APPENDIXES



ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

1 SEP 1970

MANPOWER AND
RESERVE AFFAIRS

Mr. Charles M. Bailey
Defense Division
General Accounting Office
Washington, D. C. 20548

Dear Mr. Bailey:

The draft of the proposed report to the Congress on your review of the conversion of National Guard technicians to Federal status (OSD Case #3122) has been closely examined. The privilege of reviewing and offering comments on the report prior to its being submitted to the Congress is appreciated.

The enclosure to this letter explores the matter of previously contributed Federal funds to the retirement systems of certain states. We have serious reservations regarding this matter and are requesting a reconsideration of this aspect of the report prior to its being furnished to the Congress.

Except for this item, this Department offers no suggestions for change or modification to the report as drafted. Corrective action to overcome the deficiencies will be promptly directed to formalize the recognition being given to the report. In this regard, however, we are advised that the debriefings and informal reviews that your evaluators provided have resulted in a substantial corrective effort already being underway.

The National Guard Bureau has expressed its gratitude for the benefits to be derived by this identification of discrepancies early in the application of P. L. 90-486. Also, we are advised that the states visited considered this evaluation as an assist to their effort and have expressed appreciation for the professional review.

APPENDIX I

Likewise, this Department conveys its appreciation for the managerial and administrative benefits that will accrue from the efforts of this evaluation.

Sincerely,



W. P. Mack
Vice Admiral, U.S. Navy
Acting

Enclosure
Federal contributions to State
Retirement Systems

PRINCIPAL OFFICIALS
OF THE DEPARTMENT OF DEFENSE,
THE DEPARTMENTS OF THE ARMY, AND THE AIR FORCE,
AND THE NATIONAL GUARD BUREAU
RESPONSIBLE FOR ADMINISTRATION OF ACTIVITIES
DISCUSSED IN THIS REPORT

		<u>Tenure of office</u>	
		<u>From</u>	<u>To</u>

DEPARTMENT OF DEFENSE

SECRETARY OF DEFENSE:

Melvin R. Laird	Jan. 1969	Present
Clark M. Clifford	Mar. 1968	Jan. 1969

ASSISTANT SECRETARY OF DEFENSE
(MANPOWER AND RESERVE AFFAIRS):

Roger T. Kelley	Mar. 1969	Present
Vacant	Feb. 1969	Feb. 1969
Alfred B. Fitt	Oct. 1967	Jan. 1969

DEPARTMENT OF THE ARMY

SECRETARY OF THE ARMY:

Stanley R. Resor	July 1965	Present
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ASSISTANT SECRETARY OF THE ARMY
(MANPOWER AND RESERVE AFFAIRS):

William K. Brehm	Apr. 1968	Present
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DEPARTMENT OF THE AIR FORCE

SECRETARY OF THE AIR FORCE:

Dr. Robert C. Seamans, Jr.	Jan. 1969	Present
Dr. Harold Brown	Oct. 1965	Jan. 1969

Tenure of office
From To

DEPARTMENT OF THE AIR FORCE (continued)

ASSISTANT SECRETARY OF THE AIR
FORCE (MANPOWER AND RESERVE AF-
FAIRS):

James P. Goode (acting)	Apr. 1970	Present
Dr. Curtis W. Tarr	June 1969	Apr. 1970
James P. Goode (acting)	Mar. 1969	June 1969
J. William Doolittle	Apr. 1968	Mar. 1969

NATIONAL GUARD BUREAU

CHIEF, NATIONAL GUARD BUREAU:

Maj. Gen. Winston P. Wilson	Sept. 1963	Present
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