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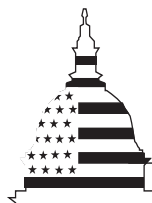
Briefing Report to the Chairman  
Subcommittee on Civil Service  
Committee on Government Reform  
House of Representatives

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May 2000

# SENIOR EXECUTIVE SERVICE

## Retirement Trends Underscore the Importance of Succession Planning



G A O

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

B-282485

May 12, 2000

The Honorable Joe Scarborough  
Chairman, Civil Service Subcommittee  
Committee on Government Reform  
House of Representatives

Dear Mr. Chairman:

This briefing report responds to your request that we describe past and future retirement trends for career members of the federal government's Senior Executive Service (SES).<sup>1</sup> Members of the career SES are critical to the execution of agency missions and the effective management of federal programs. If a significant number of them were to retire, this would result in a loss of leadership continuity, institutional knowledge, and expertise.

In response to your request, we agreed to describe trends in retirement eligibility and in actual and projected retirements. In doing so, we

- Identified the likely regular retirement<sup>2</sup> trends for the federal government's SES workforce governmentwide and for selected agencies and occupational series through fiscal year 2005 and how they compared with the trends over the 7-year period ending in fiscal year 1998.
- Identified the implications of these SES retirement trends for SES succession planning—which is a comprehensive, ongoing strategic process that provides for forecasting executive resource needs; identifying and developing potential SES candidates; and selecting individuals from among a pool of qualified, diverse candidates to meet executive resource needs.

In addition, as agreed with your office, we are providing data on trends in SES early retirement for fiscal years 1992 through 1998 and projected

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<sup>1</sup>Career SES members are individuals with civil service status who are appointed competitively to SES positions and serve in positions below the top political appointees in the executive branch of government.

<sup>2</sup>Regular retirement is optional retirement in which an eligible employee may choose to retire and receive an immediate, full annuity. For purposes of this report, we refer to optional retirement as regular retirement.

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trends for fiscal years 1999 through 2005 (see app. I). We also are providing data for each fiscal year between 1992 and 1998 on the number of (1) SES appointments filled by career SES members; (2) career SES accessions (promotions and outside hires); and (3) career SES separations, such as retirements and resignations (see app. II).

We briefed your staff on the results of our work. This report summarizes and updates information provided at that briefing.

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## Results in Brief

The federal government, as a whole, may need to replace a substantial number of career SES members who will become eligible to retire between September 30, 1999, and September 30, 2005. Our analysis of the fixed group of almost 6,000 career SES members employed as of September 30, 1998, shows that 71 percent will reach regular retirement eligibility as of the end of fiscal year 2005. This rate is about 20 percent greater than the 60 percent of the fixed group of career SES members employed as of September 30, 1991, who became eligible to retire over the fiscal years from 1992 through 1998. An increase in SES retirement eligibility between these two periods occurred in 12 of the 14 selected agencies and 7 of the 8 occupations included in our review (see app. III for regular retirement eligibility rates by agency and occupational series).

Although not all of the September 1998 SES members who become eligible to retire actually will do so by September 2005, a sizeable percentage likely will retire. The Office of Personnel Management (OPM), the central management agency which oversees SES operations, estimates that of the almost 6,000 career SES members, about 45 percent will retire during fiscal years 1999 through 2005.<sup>3</sup> During the fiscal year 1992 through 1998 period, a total of 39 percent (or 2,553) of the career SES workforce actually retired.

Assuming the departing SES members are replaced and a staffing level of almost 6,000 career SES members is maintained through the end of fiscal year 2005, on average, 6.4 percent of career SES members employed each year will likely retire between fiscal years 1999 through 2005. This estimated annual percentage of career SES retirements is about 1-percentage point higher than the annual average of 5.5 percent of career SES members who retired each fiscal year between 1992 and 1998. Actual regular retirement rates for career SES members were consistently higher

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<sup>3</sup>OPM's retirement estimate was based on actual retirement patterns during fiscal years 1996 through 1998 to eliminate the effect on the estimate of downsizing through buyouts and other strategies that occurred during fiscal years 1994 and 1995 and the increase in retirements that occurred in fiscal year 1994, 3 years after the substantial 1991 SES pay increase.

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than retirement rates for non-SES career employees during fiscal years 1992 through 1998.

The proportion of career SES members employed in selected agencies and occupational series<sup>4</sup> who will be eligible to retire by the end of fiscal year 2005 varies by agency and occupational series and differs from the governmentwide rate of 71 percent. For instance, the Department of Veterans Affairs (VA) will have the highest SES regular retirement eligibility rate of the 14 selected agencies in our review. VA may have to replace a large number of its career SES members because 82 percent of those members and 81 percent of SES members in health system administration, who are primarily employed at VA, will be eligible to retire by September 30, 2005. Health system administration will have the second highest retirement eligibility rate of the eight selected occupational series included in our review; criminal investigation will have the highest. Conversely, the Environmental Protection Agency (EPA); the Nuclear Regulatory Commission (NRC); and attorneys will have the lowest SES retirement eligibility rates by September 30, 2005—65 percent, 65 percent, and 58 percent, respectively. Both EPA and the attorney series will experience the greatest increase in the proportion of the career SES workforce to attain retirement eligibility. For instance, 32 percent of the SES employed in EPA as of September 30, 1991, became eligible to retire by the end of fiscal year 1998, but 65 percent of those employed as of September 30, 1998, will be eligible to retire by the end of fiscal year 2005.

The SES retirement trends projected for the first few years of this decade illustrate that the SES is an aging workforce. Because individuals normally do not enter the SES until well into their careers, SES retirement eligibility generally is much higher than for the workforce in general, but SES retirement eligibility also is growing compared with eligibility early in the 1990s. These trends highlight the importance of SES succession planning because the SES retirements will result in a loss in leadership continuity, institutional knowledge, and expertise among the SES corps with the degree of the loss varying among agencies and occupations. Although we have not reviewed agencies' succession planning efforts, available evidence suggests that formal SES succession planning is not being done universally. For example, SES members from more than 24 agencies, in

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<sup>4</sup> The agencies we selected were the Departments of Agriculture, Commerce, Defense, Energy, Health and Human Services, the Interior, Justice, Labor, Transportation, the Treasury, and Veterans Affairs; the Environmental Protection Agency; the National Aeronautics and Space Administration; and the Nuclear Regulatory Commission. The occupational series we selected were administration, attorney, criminal investigation, economist, general engineering, health systems administration, physical science, and program management. We selected these agencies and occupational series because each had at least 100 career SES members employed as of September 30, 1991, and September 30, 1998.

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responding to a survey that OPM and the Senior Executives Association (SEA) administered in 1999, said their agencies do not have a formal succession planning program for the SES. Overall, over half of the respondents to the survey said this, although the percentage of respondents from individual agencies who said this ranged from 17 percent to 87 percent. OPM officials said they have not surveyed the status of succession planning in agencies and do not plan to do so, but the survey results confirm their anecdotal evidence that most agencies will not likely have formal, comprehensive succession plans. Also, studies by the National Academy of Public Administration (NAPA) in 1994 and 1997 showed that formal SES succession planning generally was not being done in the federal government.<sup>5</sup>

We believe that placing appropriate emphasis and attention on SES succession planning will help agencies ensure that they have a well prepared, qualified, and diverse group of people available to fill career SES positions. Such emphasis and attention on SES succession planning may be particularly important for agencies that will have relatively high SES retirement eligibility rates or agencies with a significant number of career SES members in occupational series that will have relatively high retirement eligibility rates. We have been on record since 1989 in discussing the importance of succession planning as a good management practice for any workforce planning effort.<sup>6</sup> In our 1989 report, we stated that addressing turnover among SES members was one area where agencies needed to enhance their succession planning efforts. In 1999, we published a self-assessment checklist for agency leaders to use as a tool in quickly assessing their human capital policies and practices in various areas, including the area of succession planning.<sup>7</sup> The checklist suggested that agencies examine whether or not they take steps to ensure continuity in leadership through executive succession planning.

Others also have recognized the importance of placing appropriate emphasis and attention on SES succession planning. In its 1997 study, NAPA stated that managing succession and developing leaders needs to be seen as a primary responsibility of the career SES, given the relatively

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<sup>5</sup> See The State of Executive Succession Planning in the Federal Government, National Academy of Public Administration, December 1994 and Managing Succession and Developing Leadership: Growing the Next Generation of Public Service Leaders, National Academy of Public Administration, August 1997.

<sup>6</sup> See Managing Human Resources: Greater OPM Leadership Needed to Address Critical Challenges (GAO/GGD-89-19, Jan. 19, 1989).

<sup>7</sup> See Human Capital: A Self-Assessment Checklist for Agency Leaders (GAO/GGD-99-179, Sept. 1999).

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short tenure of political appointees. In 1998, the President's Management Council (PMC)<sup>8</sup>, under the leadership of the Office of Management and Budget (OMB) which plays a role in setting governmentwide management priorities, identified three areas related to succession planning where agencies could take action to strengthen their SES corps; one of the three areas was to establish an executive succession planning program.<sup>9</sup> In 1999, OPM's Inspector General (IG) identified succession planning as a challenge facing OPM and the federal government as a whole because of, among other things, the relatively high percentage of SES members who will be eligible to retire over the next few years. The OPM IG said that OPM has recognized the need to take a leadership role in this area.

According to OPM officials, agencies should be paying more attention to succession planning. Officials said that since OPM issued its Executive Succession Planning Tool Kit in 1995, OPM has provided guidance and tools to agencies to assist them with their succession planning and workforce planning activities. OPM officials said that OPM's role is to provide guidance and assistance to agencies, not to certify whether they have a succession plan or dictate how they are supposed to do succession planning. They said that OPM has provided assistance to agencies either in response to their requests or by initiating outreach actions itself and cited several examples of how assistance has been provided. OPM officials also said that a workforce planning model that is to be pilot tested in fiscal year 2000 and made generally available to agencies in fiscal year 2001 should also be helpful to agencies in preparing succession plans.

While these exhortations and tools are important, we believe that OPM, with its responsibility for overseeing SES operations, should take a more proactive role in assessing the status of agencies' succession planning efforts and assisting agencies to address this important human capital challenge. Accordingly, we make recommendations to that end.

OPM's director, in providing comments on a draft of our report, said she agrees that federal agencies need to focus attention on SES succession

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<sup>8</sup> The PMC was established by a Presidential Memorandum, dated October 1, 1993, to advise and assist the President and the Vice President in ensuring that the reforms adopted as a result of the National Performance Review are carried out throughout the executive branch. Members of the Council include the Deputy Director for Management at OMB, who chairs the Council; chief operating officers at 14 departments, EPA, and 3 other executive branch agencies designated by the Council chair; the Director of OPM; the Administrator of the General Services Administration; the Secretary of the Cabinet; and other officials of executive departments and agencies that the President may designate from time to time.

<sup>9</sup> The remaining two areas identified by the PMC were conduct periodic reviews/reassessments of SES resource allocations and invest in continuing executive development.

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planning. However, she said she does not believe that an OPM survey of agencies' succession planning programs would help focus their attention on succession planning. We did not recommend that OPM do a survey for that purpose. Rather, we recommended that OPM take a proactive, systematic approach to identifying the current status of succession planning in the federal government and suggested a survey as one possible means for doing so.

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## Background

Career SES members can participate in several federal civilian retirement plans, the two largest of which are the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS). In general, CSRS covers employees who first entered federal service on or before December 31, 1983, and FERS covers employees who first entered federal service after that date. As of September 30, 1998, the majority of career SES members participated in CSRS. Over the next few years, most career SES members will be FERS participants, because CSRS has been closed to new entrants since 1983. As more career SES members become FERS participants, the pension portability of FERS could have an effect on career SES retention.

The eligibility requirements concerning age and years of service for regular retirement with a full annuity generally differ under these two federal retirement plans. Under CSRS, employees can retire with an immediate, full annuity at ages 55, 60, and 62 with 30, 20, and 5 years of service, respectively. Employees under FERS can retire with an immediate, full annuity at ages 60 and 62 with 20 and 5 years of service, respectively. Also under FERS, employees can retire with an immediate, full annuity if they have 30 years of service and have reached the minimum retirement age, which ranges from ages 55 to 57 and is determined on the basis of when an employee was born.<sup>10</sup> For example, the minimum retirement age for employees born in 1953 through 1969 is 56.

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## Scope and Methodology

For our first objective, we calculated and compared the career SES regular retirement eligibility rates for fiscal years 1992 to 1998 (computed on the basis of 7,160 career SES members employed as of September 30, 1991) with the rates for fiscal years 1999 to 2005 (computed on the basis of 5,981 career SES members employed as of September 30, 1998). On the basis of data from OPM's Central Personnel Data File (CPDF), OPM's database of federal civilian employees, we calculated the rates governmentwide and

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<sup>10</sup>The minimum retirement age varies depending on an employee's year of birth. Employees who were born in or before 1952 can retire at age 55. Those born in 1953 through 1969 can retire at age 56, and those born in 1970 or after can retire at age 57.



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among selected agencies and occupational series that had at least 100 career SES members. To calculate the retirement eligibility rates over this 14-year period, we used cohort analysis.<sup>11</sup> Retirement eligibility rates calculated as a result of cohort analysis represent a true picture of the cumulative percent eligible to retire among each career SES cohort, not the percent of career SES eligible to retire in any given year because the calculations do not take into account those who enter or leave the SES.

For our first objective, we also computed the average estimated career SES yearly retirement rate for fiscal years 1999 through 2005. We computed the yearly rate on the basis of OPM's estimate of the career SES retirement rate for the entire 7-year period and compared the average estimated career SES retirement rate for that period with the average actual career SES retirement rate for the fiscal year 1992 through 1998 period. OPM's retirement estimate was based on the actual number of career SES retirements during fiscal years 1996 through 1998 to eliminate the effect on the estimate of downsizing through buyouts and other strategies that occurred during fiscal years 1994 and 1995 and the increase in retirements that occurred in fiscal year 1994, 3 years after the substantial 1991 SES pay increase.

To meet our second objective, we identified the implications of the SES retirement trends for SES succession planning through fiscal year 2005 by making observations on the basis of our analyses of the retirement data from objective 1, analyses of responses to selected questions contained in a survey that OPM and the SEA administered in August 1999 to 6,800 SES members, review of studies issued by NAPA in 1994 and 1997 on executive succession planning, and discussions with OPM officials. Appendix IV provides more details about our scope and methodology.

We did our work in Washington, D.C., from May 1999 through March 2000 in accordance with generally accepted government auditing standards.

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## Conclusions

The results of our review of career SES retirement trends point to the importance of agencies placing appropriate emphasis and attention on SES succession planning and raise the question of whether or not agencies are doing so. The career SES retirement trends projected through fiscal year 2005 show that about 20 percent more career SES members will be eligible

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<sup>11</sup> Cohort analysis takes a group of individuals at a point in time and follows them across time to a target date. Individuals do not leave (such as retire or resign) or enter (such as promoted to SES) the cohort during this time. We calculated the cumulative percent of career SES eligible to retire across each of the 7-year periods (fiscal years 1992 through 1998 and 1999 through 2005) after determining when each person in the cohort became or would become eligible to retire.

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to retire by that date than were eligible to retire as of the end of fiscal year 1998. In addition, the portion of the career SES workforce that is likely to retire by the end of fiscal year 2005 will be slightly higher than the portion of the career SES workforce that actually retired by the end of fiscal year 1998. The results of a joint OPM and SEA survey of SES members in 1999 and NAPA reports issued in 1994 and 1997 indicated that federal agencies generally were not doing formal SES succession planning. Also, the PMC's identification of executive succession planning as an area where agencies could strengthen their SES corps suggests that all agencies do not have a SES succession planning program.

From our perspective, it is important for agencies to place appropriate emphasis and attention on SES succession planning because it will help prepare them to deal with the loss of continuity in SES intellectual capital and leadership that will result from career SES retirements. Placing appropriate emphasis and attention on SES succession planning will also help agencies ensure that they have a well-prepared, qualified, and diverse pool of SES candidates to meet their executive resource needs.

Although OPM recognizes the importance of agencies doing SES succession planning, OPM officials indicated that OPM does not plan to identify which agencies are not doing such planning. OPM views its role as assisting agencies with succession planning, not certifying whether or not they are doing succession planning or dictating how they should do it.

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## Recommendations

Given the results of our review and the importance of succession planning as recognized by us as well as others, we believe that OPM, in light of its role of overseeing the SES, should take a proactive, systematic approach to identifying to what extent agencies are doing formal SES succession planning. Thus, we recommend that the Director of OPM take steps to identify the current status of formal SES succession planning in the federal government. These steps could be in the form of conducting a survey of agencies' succession planning efforts. The purpose of the survey would be to determine whether or not agencies have established a comprehensive, ongoing SES succession planning program that enables them to forecast their SES resource needs and identify and develop a pool of qualified, diverse individuals from which to select potential SES candidates.

For agencies that are not doing formal SES succession planning, we also recommend that the Director of OPM contact the agencies, ensure that they are aware of tools or models that OPM or others have available to assist agencies in doing succession planning, and periodically follow up to determine whether the agencies need any additional assistance.

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## Agency Comments and Our Evaluation

We provided a draft of this report to the Director of OPM for her review and comments. The Director of OPM provided us written comments on a draft of this report in a letter dated May 1, 2000. These comments are reprinted in appendix V.

OPM's director said she agreed with our report's conclusion that federal agencies need to focus attention on executive succession planning. She said that effective succession planning is central to the development of a world-class corps of career executives who can deliver the results that Americans expect. She also said that OPM would continue to provide the leadership and technical tools that agencies need to address this crucial issue. She provided further elaboration on actions that OPM has taken in the recent past and is now taking to make sure that government programs will not be jeopardized if large numbers of career executives decide to retire.

Although OPM's director agreed with our conclusion and recognized that effective succession planning is crucial, she said that OPM, at this point, does not believe that an OPM survey of agency succession planning programs would help focus agencies' attention on succession planning. We did not suggest a survey for the purpose of focusing agencies' attention on succession planning. Rather, we suggested a survey as one possible means for OPM to identify the current status of formal succession planning in the federal government. Our point is that OPM should take a systematic and proactive approach to determining whether or not agencies are doing effective succession planning. We believe that such an approach, whether it be a survey or some other means, is necessary to help OPM target its assistance either to agencies that have not established a succession planning program or to agencies that are not doing effective succession planning.

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We are providing copies of this briefing report to the Director of OPM. We are also providing copies to Representative Dan Burton and Representative Henry A. Waxman, Chairman and Ranking Minority Member, respectively, Committee on Government Reform; Representative Elijah E. Cummings, Ranking Minority Member, Subcommittee on Civil Service, Committee on Government Reform; Senator Fred Thompson and Senator Joseph I. Lieberman, Chairman and Ranking Minority Member, respectively, Committee on Governmental Affairs; and Senator Thad Cochran and Senator Daniel K. Akaka, Chairman and Ranking Minority Member, respectively, Subcommittee on International Security, Proliferation and Federal Services, Committee on Governmental Affairs. We will make copies available to others upon request.

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The key contributors to this briefing report are listed in appendix VI. If you have any questions about this report, please call me on (202) 512-8676.

Sincerely yours,



Michael Brostek  
Associate Director, Federal Management  
and Workforce Issues

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**Abbreviations**

CDP	candidate development program
CPDF	Central Personnel Data File
CSRS	Civil Service Retirement System
EPA	Environmental Protection Agency
FBI	Federal Bureau of Investigation
FERS	Federal Employees Retirement System
HUD	Department of Housing and Urban Development
IG	Inspector General
NAPA	National Academy of Public Administration
NASA	National Aeronautics and Space Administration
NRC	Nuclear Regulatory Commission
OMB	Office of Management and Budget
OPM	Office of Personnel Management
SEA	Senior Executives Association
SES	Senior Executive Service
VA	Department of Veterans Affairs

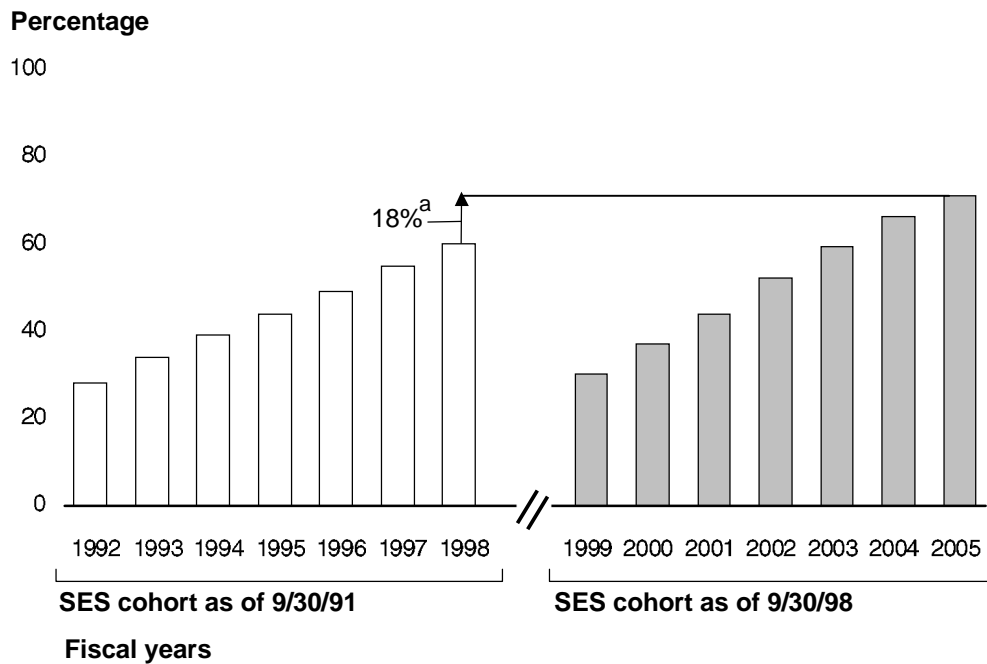


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# Career SES Regular Retirement Trends

## GAO Regular Retirement Eligibility Rates Will Continue to Increase in the Future for Selected SES Cohorts



Note: The cumulative regular retirement eligibility rates are as of September 30 of each fiscal year and were computed using cohort analysis. Cohort analysis takes a group of individuals at a point in time and follows them across time to a target date. No individuals leave (such as resign or retire) or enter (such as promoted to SES) the cohort during this time. Rates for the 1992 to 1998 period were calculated based on the cohort of 7,160 career SES members employed as of September 30, 1991. Rates for the 1999 to 2005 period were calculated based on the cohort of 5,981 career SES members employed as of September 30, 1998. The retirement eligibility rates calculated as a result of cohort analysis represent a true picture of the cumulative percent eligible to retire among each SES cohort, not the percent of SES eligible to retire in any given year because the calculations do not take into account those who enter or leave the SES.

<sup>a</sup>The 18-percent increase was computed by subtracting the 1998 retirement eligibility rate from the 2005 retirement eligibility rate and dividing the difference by the 1998 rate.

Source: GAO's analysis of retirement eligibility data contained in OPM's CPDF.

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**Regular Retirement Eligibility Rates Will Continue to Increase in the Future for Selected SES Cohorts**

As of September 30, 2005, 71 percent of the 5,981 career SES members employed by the federal government as of the end of fiscal year 1998 will reach regular retirement eligibility. The 2005 retirement eligibility rate represents an 18-percent increase<sup>1</sup> over the 60 percent retirement eligibility rate as of the end of fiscal year 1998 for the 7,160 career SES members employed as of September 30, 1991. Over the fiscal year 1999 to 2005 period, retirement eligibility rates for the SES cohort as of September 30, 1998, will continually increase each year at an average rate of about 7 percentage points each year, compared with the average rate of increase of 5 percentage points each year that was calculated for the fiscal year 1992 to 1998 period.

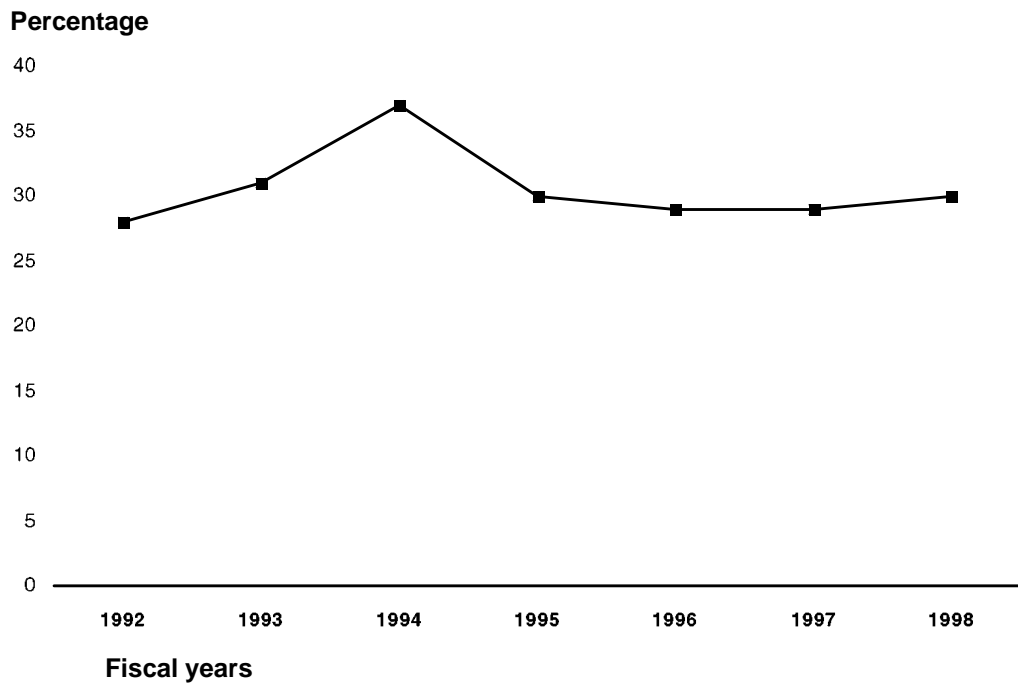
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<sup>1</sup> The 18-percent increase was computed by subtracting the 1998 retirement eligibility rate from the 2005 retirement eligibility rate and dividing the difference by the 1998 rate.

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**GAO** Generally, Under One-Third of All Career SES Employees Each Year From 1992 Through 1998 Were Eligible to Retire

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Note: Regular retirement eligibility rates were calculated based on the number of career SES members employed as of September 30 of each fiscal year between 1992 and 1998.

Source: GAO's analysis of retirement eligibility data contained in OPM's CPDF.

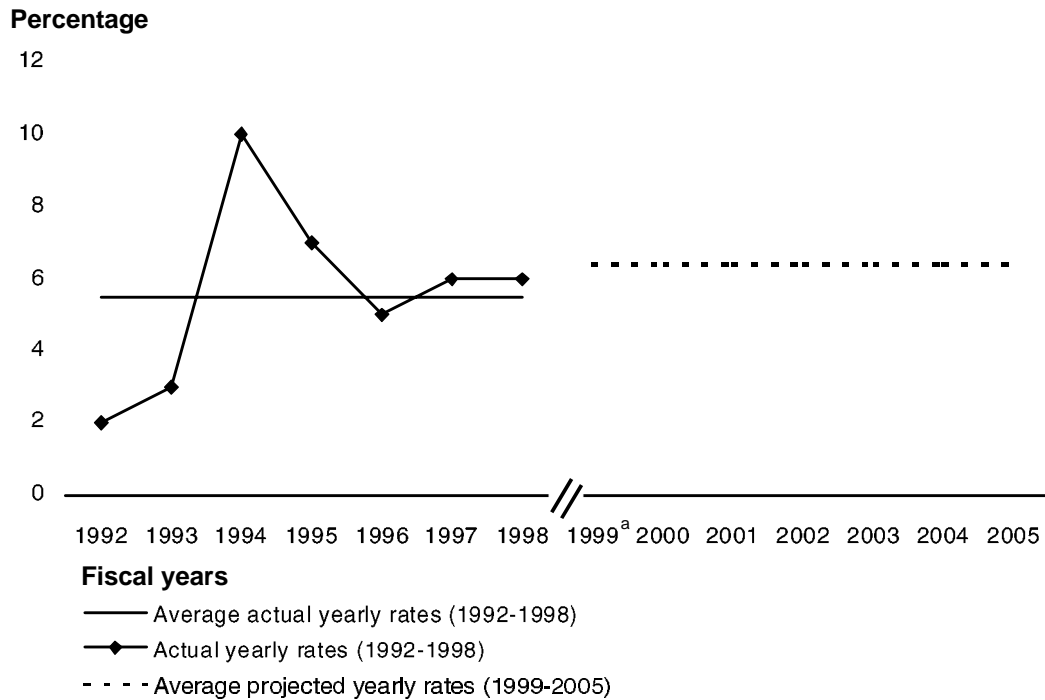
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**Generally, Under One-Third of All Career SES Employed Each Year From 1992 Through 1998 Were Eligible to Retire**

Retirement eligibility calculations for a fixed cohort, while useful for indicating the loss of career SES members that may occur from a pool of career SES members at a point in time, do not show the actual yearly retirement eligibility rates that agencies face. Eligibility rates that take into account replacements for SES who have retired or separated for other reasons show the percentage of SES employed in any given year who are eligible to retire. Thus, although regular retirement eligibility rates calculated for the fixed cohort of SES members employed as of September 30, 1991, continually increased over the 1992 to 1998 period, the portion of SES members employed each year who were eligible to retire remained fairly stable.

For 6 of the 7 years, the portion of employed career SES members eligible yearly for regular retirement was between 28 percent and 31 percent. In 1994, the percentage was higher—37 percent. This increase was due to SES members delaying their retirements to earn higher average salaries following the significant SES pay increase that occurred in 1991. Retirement annuities are based on the average salary for the 3 years of highest salary.

**GAO** Actual Career SES Regular Retirement Rates for 1992 to 1998 Varied Widely; Past and Projected Rates, on Average, Were Similar



Note: Regular retirement rates are as of September 30 of each fiscal year. The actual yearly rates for the 1992 to 1998 period were calculated by dividing the total number of regular retirements each year during this 7-year period by the number of career SES members on board as of September 30 of each fiscal year during this period. The average actual yearly retirement rates for this 7-year period were computed by dividing the sum of the total number of career SES regular retirements by the sum of the total number of career SES members employed as of the end of each fiscal year. The average yearly retirement rates for the 1999 to 2005 period were calculated by dividing OPM's estimated retirement rate of 45 percent by 7 years.

<sup>a</sup>The actual retirement rate for fiscal year 1999 was 5.9 percent; 358 career SES members retired as of the end of that fiscal year.

Source: GAO's analysis of retirement data contained in OPM's CPDF and of retirement projections provided by OPM's Office of Workforce Information.

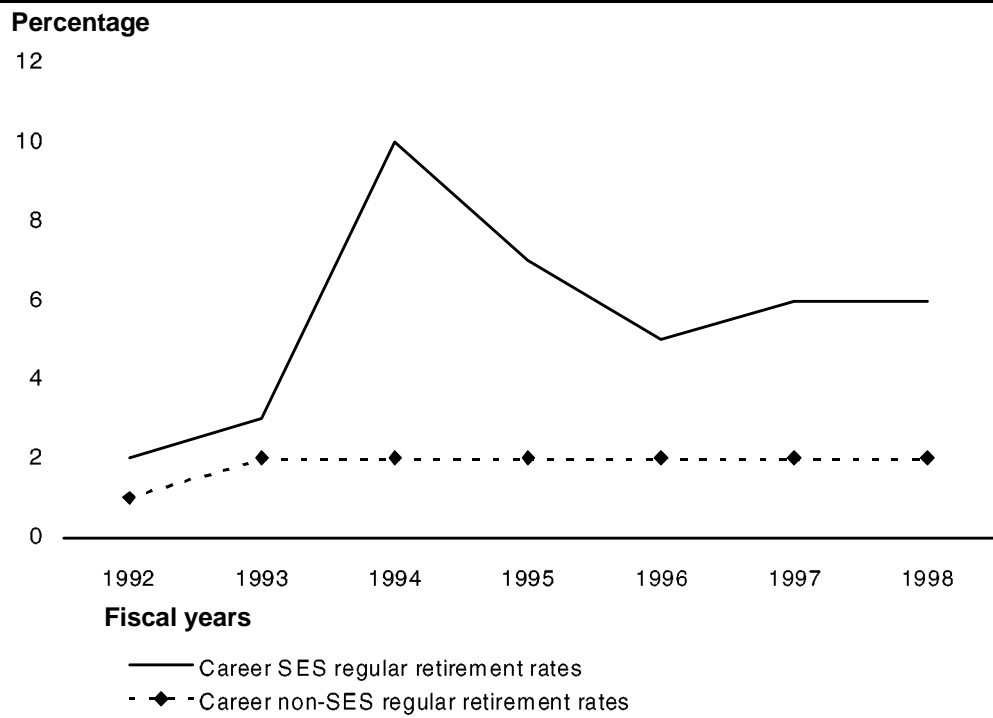
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**Career SES Regular Retirement Rates for 1992 to 1998 Varied Widely; Past and Projected Rates, On Average, Were Similar**

During the fiscal year 1992 through 1998 period, the rate at which career SES members retired from federal service varied widely from a low of 2 percent in 1992 to a high of 10 percent in 1994. The retirements peaked in 1994 because many career SES members delayed their retirements after receiving significant salary increases in 1991. Also, the peak in retirements in 1994 coincides with the period that agencies were planning their downsizing efforts and offered buyouts to employees to encourage voluntary retirements. Of the 695 career SES members who retired during fiscal year 1994, 121 of them received buyouts. We recognize that unanticipated events, such as the significant SES pay increase in 1991 and downsizing through buyouts and other strategies, altered the retirement patterns in the recent past and assume that such events could affect future retirement patterns.

If the career SES workforce remains staffed at about 6,000 through the end of fiscal year 2005, on average 6.4 percent (384) of the career SES workforce will likely retire each year during fiscal years 1999 through 2005. The number of career SES members who will have to be replaced during this 7-year period is about 1 more for every 100 SES members each year than the number that had to be replaced during the 1992 to 1998 period. On average, 5.5 percent of the career SES workforce retired each year during this period. In total, OPM estimates that 45 percent (2,700) of the nearly 6,000 career SES members employed as of October 1, 1998, will retire by the end of fiscal year 2005. A total of 39 percent of the career SES workforce retired during fiscal years 1992 through 1998.

## GAO Career SES Employees Regular Retirement Rates Higher Than Rates for Other Career Employees in 1992 to 1998



Note: Regular retirement rates are as of September 30 of each fiscal year. The career SES and non-SES career retirement rates for the 1992 to 1998 period were computed by dividing the number of regular retirements for each group of employees during this 7-year period by the number of employees on board in each group as of September 30 of each fiscal year.

Source: GAO's analysis of retirement data contained in OPM's CPDF.



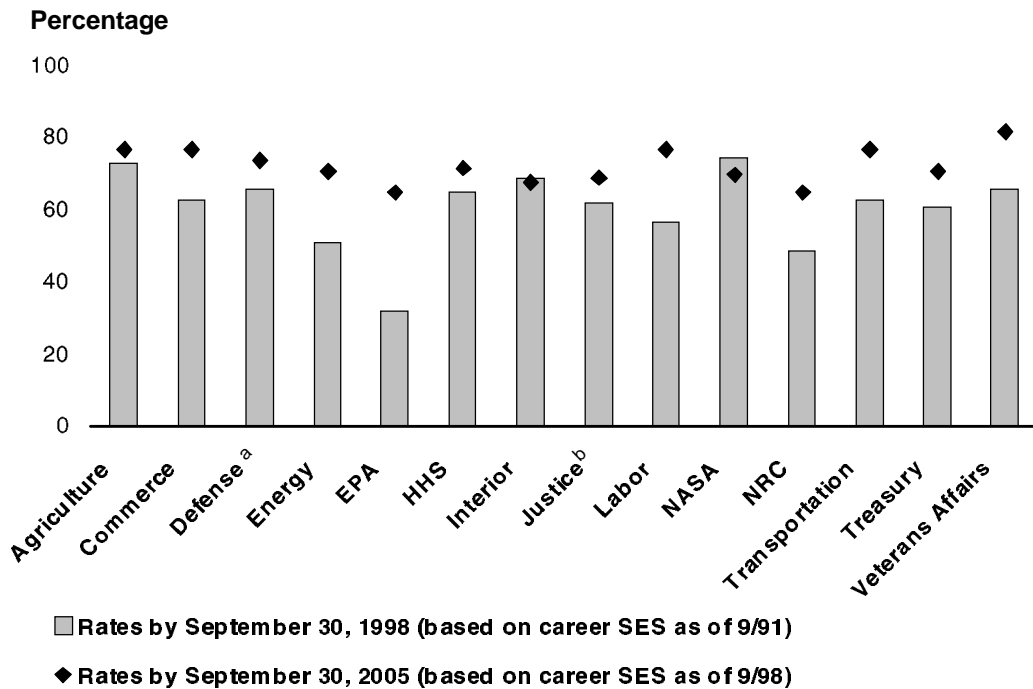
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## **Career SES Employees Regular Retirement Rates Higher Than Rates for Other Career Employees in 1992 to 1998**

Career SES employees retired at a higher rate than other federal career employees during fiscal years 1992 through 1998. The percentage of non-SES career employees retiring during this 7-year period was between 1 percent or 2 percent, compared with 2 percent to 10 percent for career SES employees.

The career SES retirement rate is higher than the non-SES career retirement rate most likely because the career SES workforce consists of older employees with more years of service. As of September 30, 1998, the average age and length of service of SES members was 52 and 23 years, respectively. The rest of the career federal workforce consists of younger employees with fewer years of service, which contributes to their retirement rate being lower than the SES retirement rate. As of September 30, 1998, the average age and length of service of the rest of the federal workforce was 46 and 17 years, respectively.

**GAO** Regular Retirement Eligibility Rates for Selected SES Cohorts Generally Will Be Higher at Certain Agencies by the End of Fiscal Year 2005



Note: Regular retirement eligibility rates as of September 30, 1998, were calculated based on the 7,160 career SES members employed as of September 30, 1991. Rates as of September 30, 2005 were calculated based on the 5,981 career SES members employed as of September 30, 1998.

<sup>a</sup>Defense data include retirement eligibility rates for career SES members in the three military departments—Air Force, Army, and Navy—as well as the Defense agencies.

<sup>b</sup>Justice data exclude career SES members in the Federal Bureau of Investigation (FBI) because FBI does not report personnel actions to the CPDF.

Source: GAO's analysis of retirement eligibility data contained in OPM's CPDF.

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## Regular Retirement Eligibility Rates for Selected SES Cohorts Generally Will Be Higher at Certain Agencies by the End of Fiscal Year 2005

By the end of fiscal year 2005, the Department of Veterans Affairs (VA) will have the highest SES regular retirement eligibility rate among the 14 selected agencies included in our review.<sup>2</sup> Eighty-two percent of VA's career SES members who were employed as of September 30, 1998, will reach regular retirement eligibility by the end of fiscal year 2005 compared with 66 percent of its career SES members who were employed as of September 30, 1991, who reached retirement eligibility by the end of fiscal year 1998.

In addition to VA, 11 other of the 14 selected agencies' career SES regular retirement eligibility rates for 2005 will increase above the 1998 rates. For the remaining two agencies—Interior and the National Aeronautics and Space Administration (NASA)—the 2005 retirement eligibility rates will be slightly below the 1998 rates.

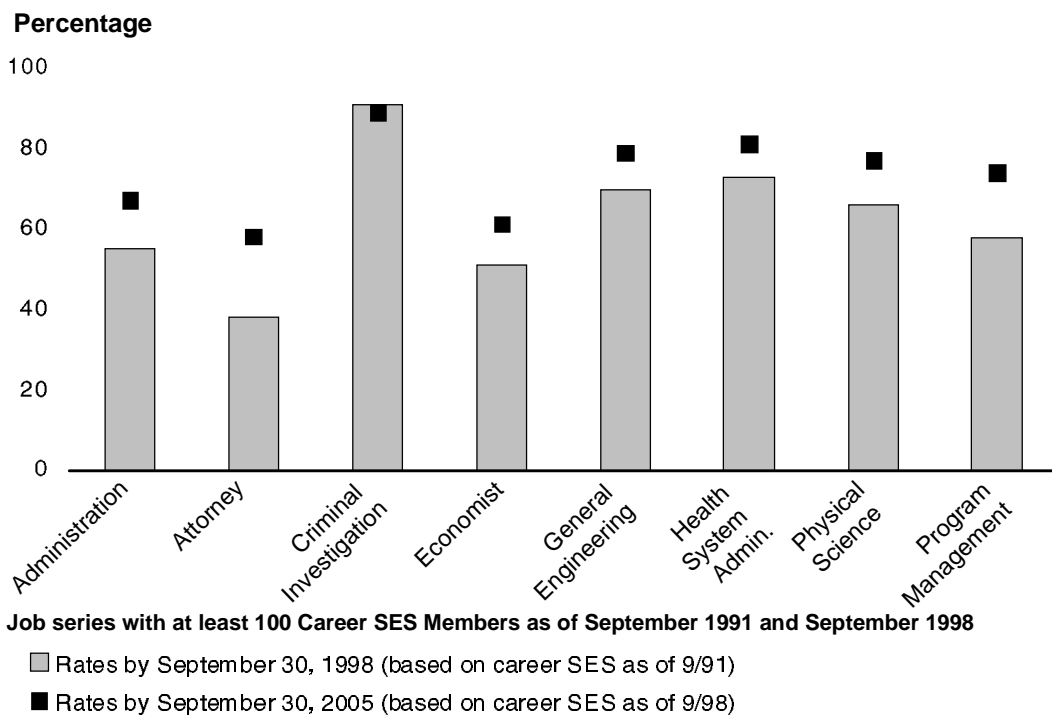
Of the 12 agencies that will experience an increase in the proportion of their career SES workforce who will be retirement eligible by 2005, the Environmental Protection Agency (EPA) will experience the greatest increase. By 2005, 65 percent of EPA's career SES workforce as of September 30, 1998, will become retirement eligible, which represents a 103 percent increase above the 1998 rate of 32 percent of its career SES workforce as of September 30, 1991. The relatively low retirement eligibility rate in 1998 for EPA career SES members appears to indicate that EPA's career SES population as of September 30, 1991, was younger or had fewer years of service than the career SES populations at the other selected agencies as of that date. The retirement eligibility rates by the end of fiscal year 2005 for the remaining 11 agencies will range from 5 percent to 39 percent above the 1998 rates.

Appendix III contains the retirement eligibility rates as of the end of each fiscal year at each of the 14 agencies over the fiscal year 1992 through 1998 period and the fiscal year 1999 through 2005 period.

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<sup>2</sup> These 14 agencies were selected because each had at least 100 career SES members employed as of September 30, 1991, and September 30, 1998—the points in time we chose to calculate future retirement eligibility rates based on fixed cohorts of SES members. The total number of career SES members at these agencies represented 83 percent and 81 percent of the career SES population governmentwide as of the end of fiscal year 1991 (7,160) and fiscal year 1998 (5,981), respectively.

**GAO** Regular Retirement Eligibility Rates Will Be Higher in 7 of the 8 Most Populous Job Series, With Criminal Investigation Series Having the Highest Rate



Note: According to OPM, an official occupational classification does not exist for positions in the SES. Agencies tend to use broad occupational series, such as program management, when asked what occupational series best applies to a SES position even though the subject matter requirements of the position may be technical. For the eight job series listed above, the regular retirement eligibility rates as of September 30, 1998, were calculated based on the 7,160 career SES members on board as of September 30, 1991. Rates as of September 30, 2005 were calculated based on the 5,981 career SES members on board as of September 30, 1998.

Source: GAO's analysis of retirement eligibility data contained in OPM's CPDF.

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## Regular Retirement Eligibility Rates Will Be Higher in 7 of the 8 Most Populous Job Series, With Criminal Investigation Series Having the Highest Rate

For 7 of the 8 job series that had at least 100 career SES members as of the end of fiscal years 1991 and 1998, the retirement eligibility rates for 2005 will be above the rates for 1998. The attorney series will experience the greatest increase by 2005. Fifty-eight percent of the career SES members in this job series will be eligible to retire by that date, which represents a 53 percent increase above the 1998 rate of 38 percent. The one remaining job series, criminal investigation, will have in the future, as it had in the past, the most career SES members eligible for retirement.<sup>3</sup> By the end of fiscal year 2005, 89 percent of the 152 career SES members employed in the criminal investigation series as of September 30, 1998, will be eligible for regular retirement, which is slightly below the 1998 rate of 91 percent.

Employees in the criminal investigation job series are law enforcement personnel and are eligible for regular retirement earlier than nonlaw enforcement personnel. Under CSRS, the minimum age and years of service requirement for law enforcement personnel is age 50 with 20 years of service, compared with age 55 and 30 years of service for nonlaw enforcement employees. Earlier retirement eligibility requirements for these employees most likely contribute to career SES employees in the criminal investigation job series having the highest regular retirement eligibility rate as of the end of fiscal years 1998 and 2005.

Appendix III contains the retirement eligibility rates as of the end of each fiscal year for each of the eight job series over the fiscal year 1992 through 1998 period and the fiscal year 1999 through 2005 period.

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<sup>3</sup> For clarity of presentation, we selected the 8 job series that had at least 100 career SES members at the end of fiscal years 1991 and 1998 because the number of job series with at least 100 SES members varied for these two points in time. As of September 30, 1991, 14 job series had 100 or more career SES members, but by the end of fiscal year 1998, 6 of the 14 job series had less than 100 career SES members. These six job series included aerospace engineering, budget analyst, electronics engineering, medical officer, nuclear engineering, and personnel management. Reductions may have occurred in these six job series as a result of the downsizing and retirements that occurred during fiscal years 1994 through 1996. As of September 30, 1998, 9 job series—the 8 listed in the chart and the biological science series—had at least 100 career SES members.

# Implications of Career SES Regular Retirement Trends

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## GAO Career SES Retirement Trends Underscore Importance of Succession Planning

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- A relatively higher percentage of career SES will be eligible to retire by the end of fiscal year 2005 than were eligible to retire as of the end of fiscal year 1998, and the percentage eligible will vary by agency and occupational series.
  - SES actual retirements each year between 1999 and 2005, as a portion of all employed SES, are likely to be slightly higher than those between 1992 and 1998.
  - SES actual retirement rates tend to be much higher than the rates for non-SES career employees.
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## **Career SES Retirement Trends Underscore the Importance of Succession Planning**

The career SES retirement trends, while not painting a picture dramatically different in most cases from trends in the recent past, nevertheless underscore the importance of SES succession planning in federal agencies. Succession plans help agencies identify and develop potential candidates to replace those SES members who will retire. They also help agencies to position themselves to deal with the loss of continuity in SES intellectual capital and leadership that will result from the potential SES retirements.

Governmentwide, about 20 percent more of the SES employed as of September 30, 1998, will be eligible to retire in fiscal year 2005 than became eligible to retire in fiscal year 1998 from the SES employed as of September 30, 1991. Further, the SES retirement eligibility rate will differ among agencies and especially at an individual occupational level. From an individual agency perspective, the SES retirement picture also may be considerably different now than it was in the early 1990s. For instance, only 32 percent of EPA's career SES members employed as of September 30, 1991, became eligible to retire by fiscal year 1998, but 65 percent of its SES members employed as of September 30, 1998, will become eligible to retire by fiscal year 2005.

The likely retirement of between, on average, 6 and 7 SES members from every 100 SES members each year from fiscal year 1999 through 2005 is only about 1 more for every 100 SES members who actually retired each year between 1992 and 1998. However, the SES retirement rate consistently exceeded the 1 to 2 percent retirement rate of non-SES career civil servants between 1992 and 1998.

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## GAO 1999 OPM/SEA Survey Results Highlight the Importance of Succession Planning

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- Fifty-three percent of the SES survey respondents said their agencies do not have a formal succession planning program for SES.
  - Fifty-four percent said lack of succession planning for replacement candidates was an obstacle to executive mobility.
  - Twenty-nine percent said they are eligible to retire now, but most said they would be eligible to retire over the next 5 years or later.
  - Twenty-eight percent of the respondents indicated an interest in leaving the federal government during the next year.
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## **1999 OPM/SEA Survey Results Highlight the Importance of Succession Planning**

Over half (53 percent) of 2,400 respondents to a 1999 OPM/SEA survey of 6,800 SES members said their agencies do not have a formal succession planning program for SES, such as a SES candidate development program (CDP). Of the more than 24 agencies and departments whose SES members responded to the survey, the percentage of respondents who said their agencies did not have such a program ranged from a low of 17 percent at the Social Security Administration to a high of 87 percent at the Department of Housing and Urban Development (HUD). In 13 of the 14 agencies included in our review, the percentage of respondents who said their agencies do not have a formal SES succession planning program ranged from a low of 24 percent at Agriculture (which does have an OPM-approved SES CDP) to a high of 65 percent at the Department of Justice and the EPA (which do not have an OPM- approved SES CDP).<sup>1</sup>

Overall, 54 percent of the survey respondents agreed that lack of succession planning for replacement candidates was an obstacle to executive mobility. Among the individual agencies, the percentage of respondents who agreed ranged from 46 percent of Department of the Army's SES respondents to 83 percent of HUD's SES respondents.

When SES members were asked about when they will become eligible for retirement, 29 percent said they were now eligible. Of the remaining respondents, 40 percent said they would become eligible over the next 5 years, 18 percent said within the next 6 to 10 years, and 12 percent said within more than 10 years.

Survey respondents indicated an interest in leaving the federal government within the next year. Twenty-eight percent said they would probably look for another job outside the federal government during the next year. Also, when asked what would be their reasons for leaving the federal government if they were to leave within the next year, the top two reasons that SES survey respondents cited were desire for a higher paying job (53 percent) and retirement eligibility (41 percent). Among the 13 agencies in our study, the highest percentage of respondents who cited desire for higher pay as a reason was VA (69 percent); retirement eligibility was cited most by SES respondents in Agriculture (49 percent).

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<sup>1</sup>In providing technical comments on a draft of our report, an OPM official said that SES members from more than 24 agencies and departments responded to the survey. This official also said that the survey was sent to SES members at NRC, and most likely some of them responded. NRC was one of the 14 agencies included in our review. However, the official did not know and would not be able to provide us information on how many SES members responded from NRC and other agencies that were not listed among the 24 agencies and departments, because there is no way to identify the agencies of the respondents who checked "other" when asked to identify their current agencies.

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**GAO** NAPA and OPM Indicated That Formal Succession Planning Has Been Rare

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- NAPA studies issued in 1994 and 1997 indicated that formal, executive succession planning generally has not been done in the federal government.
  - OPM has not done a formal survey of agencies' succession planning efforts and does not plan to do so.
  - OPM said anecdotal evidence and the 1999 OPM/SEA survey results suggest that most agencies will not likely have formal, comprehensive succession plans.
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## **NAPA and OPM Indicate That Formal Succession Planning Has Been Rare**

NAPA studies published in 1994 and 1997 indicated that formal succession planning generally has not been done. NAPA reported in 1994<sup>2</sup> that the federal civil service was no closer to a governmentwide executive succession plan than it was at the time of its 1992<sup>3</sup> study. NAPA further reported in 1994 that except for a few agencies, formal executive succession planning generally has not been done in the federal government. OPM officials said that although NAPA reported in 1994 that formal succession planning generally had not been done in the federal government, agencies were able to deal with the peak in retirements and the effects of the downsizing that occurred in 1994. In 1997, NAPA reported that of the 27 agencies responding to its survey, two agencies had a succession planning program or process; two agencies were planning to have one in the next year; and four agencies were planning one in the next 2 years.<sup>4</sup>

According to OPM officials, agencies should be paying more attention to succession planning. OPM officials said that OPM has not done a formal survey of agencies' succession planning efforts and does not plan to do so. As part of the 1999 OPM/SEA survey, SES members were asked whether or not their agencies have a formal SES succession planning program. Over half of the respondents to that survey said their agencies did not have a formal program. These survey results confirmed anecdotally gathered evidence on the lack of formal succession planning in agencies, according to OPM officials. On the basis of anecdotal evidence, OPM officials said they have found that most agencies will not likely have a formal, comprehensive succession plan. Instead, agencies will likely have implemented various components of succession planning.

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<sup>2</sup> See The State of Executive Succession Planning in the Federal Government. National Academy of Public Administration, December 1994.

<sup>3</sup> See Paths to Leadership: Executive Succession Planning in the Federal Government. National Academy of Public Administration, December 1992.

<sup>4</sup> See Managing Succession and Developing Leadership: Growing the Next Generation of Public Service Leaders. National Academy of Public Administration, August 1997.

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**GAO** We and Others Have Recognized the  
Importance of Succession Planning

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- Our 1989 report said improved succession planning was needed.
  - In 1999, we published a guide advising agencies to take steps to ensure continuity in leadership through executive succession planning.
  - NAPA said in its 1997 study that managing succession and developing leaders needs to be the primary responsibility of career SES.
  - In 1998, the PMC, under OMB's leadership, identified three areas related to succession planning where agencies could take action to strengthen the SES corps. Establishment of an executive succession planning program was one of the areas.
  - In 1999, OPM's IG identified succession planning as a challenge facing OPM and the federal government as a whole.
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## We and Others Have Recognized the Importance of Succession Planning

We have been on record since 1989 in discussing the importance of succession planning as a good management practice for any workforce planning effort.<sup>5</sup> In that report, we said that addressing SES turnover was one area where agencies needed to improve their succession planning efforts. In 1999, we published a self-assessment checklist for agency leaders to use as a tool in quickly assessing their human capital policies and practices in various areas, including succession planning.<sup>6</sup> The checklist suggested that agencies examine whether or not they take steps to ensure continuity in leadership through executive succession planning. In assessing their succession planning efforts, we suggest, among other things, that agencies look for whether they have a formal succession plan.

Others also have recognized the importance of agencies placing appropriate emphasis and attention on SES succession planning. In its 1997 study, NAPA said that managing succession and developing leaders needed to be seen as a primary responsibility of the career SES given the relatively short tenure of political appointees. The PMC, under OMB's leadership in setting governmentwide management priorities, identified three areas related to succession planning where agencies could take action to better manage the SES corps. OPM said that the PMC identified the three areas in 1998 as part of its joint effort with OPM in exploring actions that should be taken to prepare the SES for the 21<sup>st</sup> century. The three areas that were identified consisted of (1) conducting periodic reviews or reassessments of SES resource allocations, (2) establishing an executive succession program, and (3) investing in continuing executive development.

In December 1999, OPM's IG, in response to a request from Senate congressional leaders to provide an assessment of the most serious management challenges facing OPM, identified succession planning as a challenge facing OPM and the federal government as a whole in light of (1) the relatively high percentage of SES members who will be eligible to retire over the next few years, (2) the dwindling pool of individuals who will be available for future SES positions due to governmentwide downsizing and the lower birth rates of the late 1960s and 1970, and (3) the government's ability to compete with private industry for top talent that increasingly is in demand. The OPM IG said that OPM has recognized the need to take a leadership role in this area.

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<sup>5</sup> See Managing Human Resources: Greater OPM Leadership Needed to Address Critical Challenges (GAO/GGD-89-19). Jan. 19, 1989).

<sup>6</sup> See Human Capital: A Self-Assessment Checklist for Agency Leaders (GAO/GGD-99-179, Sept. 1999).

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**GAO** OPM's View of Its Role Regarding  
Succession Planning

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- OPM sees its role as providing guidance and assistance, not certifying whether agencies have a succession plan or dictating how succession planning should be done.
  - OPM cited several examples of assistance provided to agencies such as Commerce's Bureau of the Census and Agriculture's Forest Service.
  - As part of its FY 2000 strategic planning and annual performance planning process, OPM committed to
    - develop a data-driven model for workforce planning and
    - take actions to focus agencies' attention on the importance of executive resources planning and analysis, including succession planning.
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## OPM's View of Its Role Regarding Succession Planning

OPM, the central management agency responsible for overseeing SES operations, sees its role as providing succession planning guidance and assistance to agencies, according to OPM officials. Since issuance of OPM's Executive Succession Planning Tool Kit, in 1995, they said OPM has been working with agencies on succession planning and workforce planning. They said that OPM's role is not to certify whether or not agencies have a succession plan or dictate how they should do succession planning.

OPM officials cited several examples of succession planning and workforce planning assistance that OPM has provided agencies either in response to their requests or by initiating actions itself. For instance, in response to agencies' requests, OPM said that it has given advice to agencies, such as the Bureau of the Census and the Department of Agriculture's Forest Service, on how they can improve their internal capacity for succession planning. OPM said it developed a succession planning program for the U.S. Mint that focused on its currency business line. OPM also said it has worked with the General Services Administration's Public Buildings Service on management succession and workforce planning.

OPM also has taken the lead in assisting agencies with their succession planning and workforce planning activities. For example, as part of its fiscal year 2000 strategic planning and annual performance planning process, OPM's Office of Employment Service has committed to having a data-driven model for workforce planning, analysis, and forecasting available to agencies in fiscal year 2001. The model is to be pilot tested before the end of fiscal year 2000, according to OPM officials. Also by the end of fiscal year 2000, OPM said that it will have state-of-the-art tools and strategies for recruitment, selection, and succession planning. OPM envisions that the tools and strategies will help agencies select from a diverse pool of applicants for mission critical occupations. OPM's Office of Executive Resources has committed to take action to focus agencies' attention on the importance of executive resources planning and analysis, including succession planning, to meet current and future mission requirements. OPM envisions that agencies will integrate these activities into their strategic plans.

# Early Retirement Trends - Fiscal Years 1992 Through 1998 and 1999 Through 2005

## Early Retirement Trends

Tables I.1 through I.4 describe the trends in early retirement eligibility in selected agencies and in selected occupational series for fiscal years 1992 through 1998 and projected trends for fiscal years 1999 through 2005. Figure I.1 describes how the actual early retirement rates for fiscal years 1992 through 1998 compare with the rates projected for fiscal years 1999 through 2005. Figure I.2 shows that career SES employees retired early at a higher rate than other career employees during fiscal years 1992 through 1998.

Employees can retire early under CSRS and FERS with an immediate, full or reduced annuity. Under CSRS, employees can retire early with a full annuity at age 55 with 20 years of service. They can also retire with a reduced annuity at (1) any age under 50 with 25 years of service or (2) age 50 with 20 years of service. Under FERS, employees can retire early with a full annuity at any age with 25 years of service or at age 50 with 20 years of service. Employees can also retire early with a reduced annuity under FERS at age 55 with 10 years of service. However, employees, including SES members, can retire early if their agencies seek and obtain authority from OPM or Congress to offer early retirements and their agencies include their positions among those offered the early retirement option.

**Table I.1: Early Retirement Eligibility Rates Each Year During Fiscal Years 1992 to 1998 by Selected Agencies**

Agency	Number of career SES	Percentage of career SES eligible for early retirement as of September 30:						
		1992	1993	1994	1995	1996	1997	1998
Agriculture	302	32	32	31	27	26	24	22
Commerce	367	35	34	32	35	32	30	27
Defense (Army, Navy, and Air Force included)	1,404	37	37	37	34	33	30	27
Energy	478	36	38	40	38	36	36	34
Environmental Protection Agency	254	27	33	35	41	45	44	46
Health and Human Services	481	30	31	29	29	28	28	26
Interior	234	33	30	31	30	26	23	19
Justice (FBI excluded)	296	26	26	29	30	32	28	26
Labor	150	35	35	39	42	39	40	36
National Aeronautics and Space Administration	568	39	34	30	26	23	20	18
Nuclear Regulatory Commission	212	32	36	37	38	39	39	35
Transportation	374	34	36	37	38	36	34	30
Treasury	509	37	38	38	37	38	34	29
Veterans Affairs	317	39	38	41	41	38	35	30

Note: Data in this table are for career SES employed as of September 30, 1991.

Source: GAO's calculation of early retirement eligibility rates based on retirement data contained in OPM's CPDF.



**Appendix I**

**Early Retirement Trends - Fiscal Years 1992 Through 1998 and 1999 Through 2005**

**Table I.2: Early Retirement Eligibility Rates Each Year During Fiscal Years 1999 to 2005 by Selected Agencies**

Agency	Number of career SES	Percentage of career SES eligible for early retirement as of September 30:						
		1999	2000	2001	2002	2003	2004	2005
Agriculture	279	43	39	36	30	25	21	17
Commerce	309	42	40	36	30	26	22	17
Defense (Army, Navy, and Air Force included)	1,105	44	40	35	28	23	19	17
Energy	374	47	46	43	35	31	25	21
Environmental Protection Agency	230	47	47	43	41	37	31	29
Health and Human Services	418	34	31	28	25	22	18	14
Interior	186	45	45	40	32	27	24	22
Justice (FBI excluded)	365	26	26	27	24	22	24	21
Labor	118	50	47	44	35	31	23	18
National Aeronautics and Space Administration	379	30	28	26	24	26	23	20
Nuclear Regulatory Commission	180	48	49	49	48	43	37	29
Transportation	184	42	41	39	36	29	26	18
Treasury	471	45	43	42	35	30	24	20
Veterans Affairs	261	59	53	45	34	25	20	14

Note: Data in this table are for career SES employed as of September 30, 1998.

Source: GAO's calculation of early retirement eligibility rates based on retirement data contained in OPM's CPDF.

**Table I.3: Early Retirement Eligibility Rates Each Year During Fiscal Years 1992 to 1998 by Selected Occupational Series**

Occupational series	Number of career SES	Percentage of career SES eligible for early retirement as of September 30:						
		1992	1993	1994	1995	1996	1997	1998
Administration (301)	785	35	36	38	39	39	37	33
Attorney (905)	737	22	25	29	31	35	39	39
Criminal investigation (1811)	125	15	12	10	11	14	10	4
Economist (110)	136	33	40	40	38	37	43	36
General engineering (801)	739	39	37	35	32	29	27	22
Health system admin. (670)	172	41	39	41	41	35	29	25
Physical science (1301)	527	39	38	35	34	31	27	24
Program management (340)	1,275	37	39	39	40	38	35	32

Note: Data in this table are for career SES employed as of September 30, 1991.

Source: GAO's calculation of early retirement eligibility rates based on retirement data contained in OPM's CPDF.

**Appendix I**

**Early Retirement Trends - Fiscal Years 1992 Through 1998 and 1999 Through 2005**

**Table I.4: Early Retirement Eligibility Rates Each Year During Fiscal Years 1999 to 2005 by Selected Occupational Series**

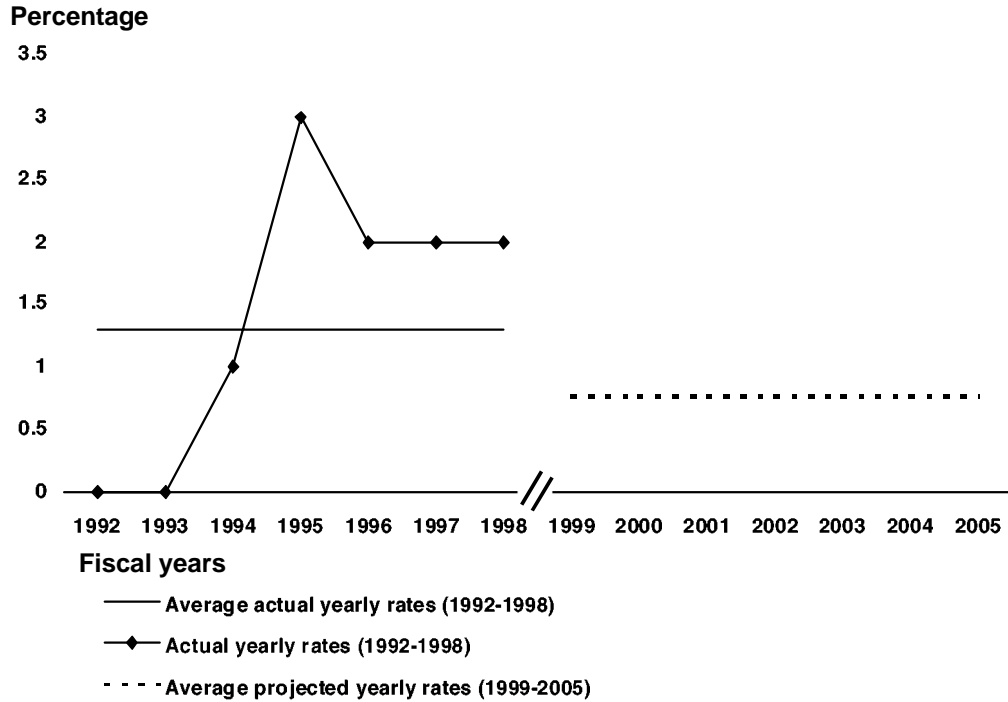
Occupational series	Number of career SES	Percentage of career SES eligible for early retirement as of September 30:						
		1999	2000	2001	2002	2003	2004	2005
Administration (301)	803	43	41	36	32	28	22	19
Attorney (905)	783	38	41	41	38	36	31	26
Criminal investigation (1811)	152	7	8	7	5	4	2	1
Economist (110)	109	38	32	32	31	29	28	25
General engineering (801)	490	38	33	28	23	20	17	14
Health system admin. (670)	140	61	54	46	34	26	21	14
Physical science (1301)	315	35	34	28	21	19	17	14
Program management (340)	1,167	49	47	43	38	32	25	20

Note: Data in this table are for career SES employed as of September 30, 1998.

Source: GAO's calculation of early retirement eligibility rates based on retirement data contained in OPM's CPDF.

Figure I.1: About 1 Percent, On Average, of Career SES Retired Early in 1992 to 1998 and Similar Trend Projected Over the Next 7 Years

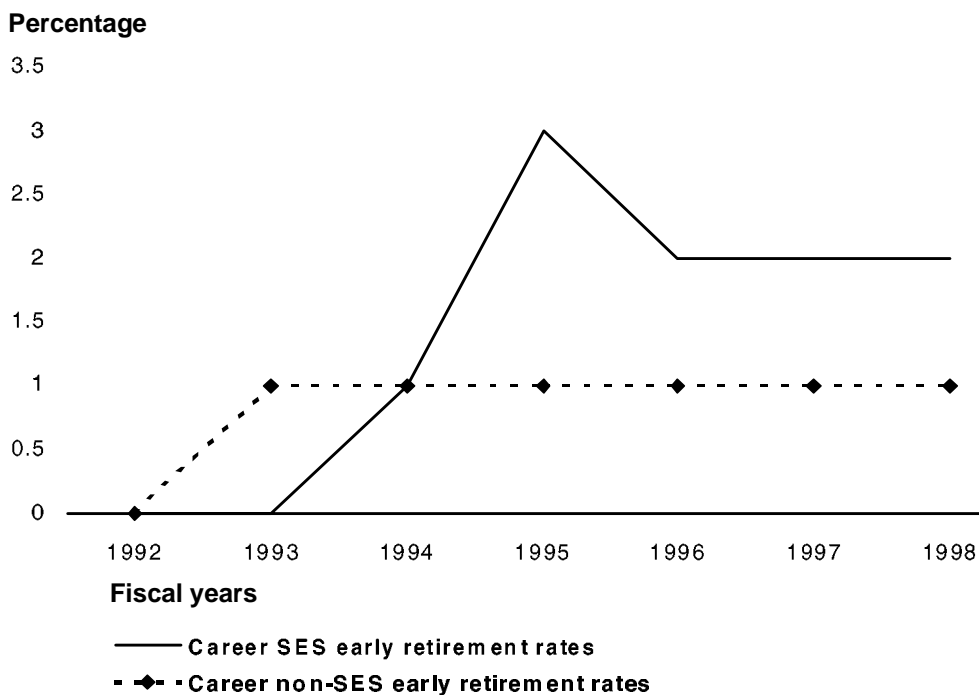
**GAO** About 1 Percent, On Average, of Career SES Retired Early in 1992 to 1998 and Similar Trend Projected Over the Next 7 Years



Source: GAO's calculations of actual and projected retirement rates based on retirement data contained in OPM's CPDF and OPM's retirement projections for the 1999 through 2005 period.

Figure I.2: Career SES Employees Generally Retired Early at a Higher Rate Than Other Career Employees

## GAO Career SES Employees Generally Retired Early at a Higher Rate Than Other Career Employees



Source: GAO's calculation of actual early retirement rates based on retirement data contained in OPM's CPDF.

# Career SES Appointments, Accessions, and Separations for Fiscal Years 1992 Through 1998

## Career SES Appointments, Accessions, and Separations

The following tables provide data for each year during fiscal years 1992 through 1998 on the number of

- SES appointments filled by career SES members and changes in the portion of these appointments filled by career SES (see table II.1),
- career SES accessions and separations (see table II.2),
- career SES accessions by type--appointments of individuals to SES from outside the federal government or from another federal agency and promotions of employees to SES from within their agencies (see table II.3), and
- career SES separations by type, such as retirements, resignations, and removals (see table II.4).

**Table II.1: Changes in Portion of SES Appointments Occupied by Career SES Members in 1992 to 1998**

Fiscal year	Total SES appointments as of September 30	Number of career SES members	Percentage of SES appointments filled by career SES
1992	8,200	7,366	90
1993	7,816	7,340	94
1994	7,509	6,640	88
1995	7,294	6,449	88
1996	6,985	6,191	89
1997	6,885	6,052	88
1998	6,804	5,981	88
<b>Total increase (or decrease)</b>	<b>(1,396)</b>	<b>(1,385)</b>	
<b>Percentage of increase (or decrease)</b>	<b>(21%)</b>	<b>(23%)</b>	

Source: OPM's CPDF.

**Table II.2: Career SES Accessions and Separations During the 1992 to 1998 Period**

Fiscal year	Total accessions <sup>a</sup>	Total separations <sup>b</sup>	Difference
1992	496	218	278
1993	322	332	-10
1994	486	1,084	-598
1995	668	771	-103
1996	547	547	0
1997	522	531	-9
1998	585	591	-6
<b>Total</b>	<b>3,626</b>	<b>4,074</b>	<b>-448</b>

<sup>a</sup>Includes individuals hired from outside the federal government, individuals promoted to SES from within and outside their federal agencies, and reinstatements.

<sup>b</sup>Includes retirements, resignations, and other separations, such as deaths and removals.

Source: GAO's analysis of accession and separation data contained in OPM's CPDF.

**Appendix II**  
**Career SES Appointments, Accessions, and Separations for Fiscal Years 1992 Through 1998**

**Table II.3: Number of Career SES Accessions Each Year During Fiscal Years 1992 Through 1998 By Type**

Fiscal Year	Appointments from outside an agency <sup>a</sup>	Promotions into SES <sup>b</sup>	Total accessions
1992	93	403	496
1993	53	269	322
1994	87	399	486
1995	119	549	668
1996	78	469	547
1997	84	438	522
1998	128	457	585
<b>Total</b>	<b>642</b>	<b>2,984</b>	<b>3,626</b>

<sup>a</sup>Includes individuals appointed to SES from outside the federal government and from another federal agency.

<sup>b</sup>Includes employees promoted to the SES from within their agencies.

Source: OPM's CPDF.

**Table II.4: Number of Career SES Separations Each Year During Fiscal Years 1992 to 1998, by Type**

Fiscal year	Retirements			Resignations			Other separations <sup>c</sup>	Total separations
	Regular	Early	Other <sup>a</sup>	Voluntary	Resignations in lieu of <sup>b</sup>			
1992	123	1	4	59	5	26	218	
1993	216	4	12	61	16	23	332	
1994	695	74	135	109	40	31	1,084	
1995	476	185	18	68	2	22	771	
1996	334	117	21	59	3	13	547	
1997	333	101	17	65	0	15	531	
1998	376	99	11	84	7	14	591	
<b>Total</b>	<b>2,553</b>	<b>581</b>	<b>218</b>	<b>505</b>	<b>73</b>	<b>144</b>	<b>4,074</b>	

<sup>a</sup>Other retirements include disability retirements, mandatory retirements, and retirements in lieu of involuntary actions, such as a reduction in force (RIF) and transfer to an unwanted location.

<sup>b</sup>This type of resignation includes resignations in lieu of involuntary actions such as transfer to an unwanted location or a RIF.

<sup>c</sup>Other separations include deaths, decertifications, removals, RIFs, and terminations.

Source: OPM's CPDF.

# Regular Retirement Eligibility Rates By Selected Agencies and Occupational Series for Fiscal Years 1992-1998 and 1999-2005

## Regular Retirement Eligibility Rates by Selected Agencies and Occupational Series

For each of the 14 selected agencies included in our study, we describe the career SES regular retirement eligibility rates for fiscal years 1992 through 1998 and for fiscal years 1999 through 2005 in tables III.1 and III.2, respectively. Tables III.3 and III.4 describe the career SES regular retirement rates for the eight selected occupational series for these same two time periods.

**Table III.1: Regular Retirement Eligibility Rates Each Year During Fiscal Years 1992 to 1998 by Selected Agencies**

Agency	Number of career SES	Percentage of career SES eligible for regular retirement as of September 30:						
		1992	1993	1994	1995	1996	1997	1998
Agriculture	302	40	46	52	58	63	68	73
Commerce	367	29	36	42	46	53	58	63
Defense (Army, Navy, and Air Force included)	1,404	33	39	44	50	56	61	66
Energy	478	18	23	29	36	41	46	51
Environmental Protection Agency	254	11	14	18	20	24	29	32
Health and Human Services	481	35	40	46	50	55	60	65
Interior	234	38	44	49	53	58	63	69
Justice (FBI excluded)	296	30	35	40	45	48	56	62
Labor	150	27	34	38	41	45	51	57
National Aeronautics and Space Administration	568	39	47	55	60	66	71	75
Nuclear Regulatory Commission	212	18	25	29	33	38	42	49
Transportation	374	32	37	43	45	51	56	63
Treasury	509	25	29	34	40	46	55	61
Veterans Affairs	317	30	37	41	46	53	59	66

Note: Data in this table are for career SES employed as of September 30, 1991.

Source: GAO's calculation of retirement eligibility rates based on retirement data contained in OPM's CPDF.

**Appendix III**

**Regular Retirement Eligibility Rates By Selected Agencies and Occupational Series for Fiscal Years 1992-1998 and 1999-2005**

**Table III.2: Regular Retirement Eligibility Rates Each Year During Fiscal Years 1999 to 2005 by Selected Agencies**

Agency	Number of career SES	Percentage of career SES eligible for regular retirement as of September 30:						
		1999	2000	2001	2002	2003	2004	2005
Agriculture	279	36	43	51	59	66	72	77
Commerce	309	34	40	48	56	64	70	77
Defense (Army, Navy, and Air Force included)	1,105	31	39	46	55	64	70	74
Energy	374	24	31	39	50	57	66	71
Environmental Protection Agency	230	20	26	36	43	51	60	65
Health and Human Services	418	36	41	47	53	60	66	72
Interior	186	26	31	38	50	58	64	68
Justice (FBI excluded)	365	42	46	51	57	61	63	69
Labor	118	30	39	47	57	63	71	77
National Aeronautics and Space Administration	379	40	46	51	56	59	65	70
Nuclear Regulatory Commission	180	23	29	36	41	49	56	65
Transportation	184	36	42	49	53	63	69	77
Treasury	471	28	35	40	51	58	66	71
Veterans Affairs	261	26	34	44	56	67	74	82

Note: Data in this table are for career SES employed as of September 30, 1998.

Source: GAO's calculation of retirement eligibility rates based on retirement data contained in OPM's CPDF.

**Table III.3: Regular Retirement Eligibility Rates Each Year During Fiscal Years 1992 to 1998 by Selected Occupational Series**

Occupational series	Number of career SES	Percentage of career SES eligible for regular retirement as of September 30:						
		1992	1993	1994	1995	1996	1997	1998
Administration (301)	785	25	30	34	37	43	48	55
Attorney (905)	737	17	20	22	26	28	33	38
Criminal investigation (1811)	125	42	53	64	71	76	83	91
Economist (110)	136	20	21	25	30	36	40	51
General engineering (801)	739	34	42	49	55	60	65	70
Health system admin. (670)	172	36	45	48	52	60	69	73
Physical science (1301)	527	28	36	43	49	55	61	66
Program management (340)	1,275	25	30	36	40	46	53	58

Note: Data in this table are for career SES employed as of September 30, 1991.

Source: GAO's calculation of retirement eligibility rates based on retirement data contained in OPM's CPDF.



**Appendix III**

**Regular Retirement Eligibility Rates By Selected Agencies and Occupational Series for Fiscal Years 1992-1998 and 1999-2005**

**Table III.4: Regular Retirement Eligibility Rates Each Year During Fiscal Years 1999 to 2005 by Selected Occupational Series**

Occupational series	Number of career SES	Percentage of career SES eligible for regular retirement as of September 30:						
		1999	2000	2001	2002	2003	2004	2005
Administration (301)	803	25	32	39	47	55	62	67
Attorney (905)	783	21	24	30	37	42	50	58
Criminal investigation (1811)	152	66	70	74	81	84	87	89
Economist (110)	109	32	39	44	48	53	57	61
General engineering (801)	490	41	49	56	64	70	75	79
Health system admin. (670)	140	25	34	43	56	65	73	81
Physical science (1301)	315	37	45	53	62	69	74	77
Program management (340)	1,167	27	34	42	51	59	68	74

Note: Data in this table are for career SES employed as of September 30, 1998.

Source: GAO's calculation of retirement eligibility rates based on retirement data contained in OPM's CPDF.

# Scope and Methodology

## Calculation of Retirement Eligibility Rates

To meet our first objective of identifying the likely trends in career SES retirements through fiscal year 2005 and comparing them with the trends as of fiscal year-end 1998, we first examined the trend in regular retirement eligibility among career SES members governmentwide and among selected agencies and occupational series. We calculated the career SES regular retirement eligibility rates for fiscal years 1992 to 1998 (computed on the basis of 7,160 career SES members employed as of September 30, 1991) with the rates for fiscal years 1999 to 2005 (computed on the basis of 5,981 career SES members employed as of September 30, 1998). We used data from OPM's CPDF, OPM's database of federal civilian employees, to calculate the retirement eligibility rates.

We used cohort analysis to calculate the retirement eligibility rates governmentwide and among selected agencies and occupational series over this 14-year period. Cohort analysis takes a group of individuals at a point in time and follows them across time to a target date. Individuals do not leave (such as retire or resign) or enter (such as hired or promoted into SES) the cohort during this time. We calculated the cumulative percent of career SES eligible to retire across each of the 7-year periods (1992 through 1998 and 1999 through 2005) after determining when each person in the cohort became or would become eligible to retire. Retirement eligibility rates calculated as a result of cohort analysis represent a true picture of the cumulative percent eligible to retire among each career SES cohort, not the percent of career SES eligible to retire in any given year because the calculations do not take into account those who enter or leave the SES. In calculating the retirement eligibility rates, we assumed that the career SES members had no breaks in federal service.

We then compared the retirement eligibility rates of career SES members governmentwide for fiscal years 1992 through 1998 with the retirement eligibility rates for fiscal years 1999 through 2005. We also compared the retirement eligibility rates over this 14-year period for 14 agencies and 8 occupational series. We selected these agencies and occupational series because each had at least 100 career SES members as of September 30, 1991, and September 30, 1998—the points in time we chose to calculate future retirement eligibility rates based on fixed cohorts of career SES members. The FBI, an agency within the Department of Justice was excluded from our review because actual retirement data on FBI employees are not available in OPM's CPDF. The purpose of our comparisons was to identify the extent of changes in the eligibility rates over time by selected agencies and by selected occupational series.

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## Calculation of Projected Retirement Rate for Fiscal Years 1999 Through 2005

Also for our first objective, we computed the average estimated annual SES retirement rate for fiscal years 1999 through 2005 on the basis of OPM's estimate of the SES retirement rate for that entire 7-year period. To estimate the number of career SES retirements that would likely occur during October 1, 1998, through September 30, 2005, OPM examined actual regular retirements that occurred during fiscal years 1996 through 1998. OPM's estimate was based on retirement patterns during this 3-fiscal year period to eliminate the effect on the estimate of downsizing and buyouts that occurred in 1994 and 1995 and the increase in retirements that occurred in 1994, 3 years after the substantial 1991 SES pay increase. Because OPM's retirement estimate was based on actual retirement patterns that took place during fiscal years 1996 through 1998, we are not able to definitively say that this same retirement pattern will continue in fiscal years 1999 through 2005.

Career SES members employed as of October 1, 1995, and separately as of October 1, 1997, were categorized into intervals defined by the number of years that their retirement eligibility dates were before or after those respective dates. For October 1, 1995, employment, the proportion of individuals in an interval who retired between October 1, 1995, and September 30, 1998, estimated the probability of retiring during a 3-year period. Similarly, for October 1, 1997, employment, the proportion of individuals in an interval who retired between October 1, 1997, and September 30, 1998, estimated the probability of retiring during a 1-year period. Separate retirement probabilities were made for employees in CSRS and FERS. These 3-year and 1-year retirement probabilities were applied to career SES members employed as of October 1, 1998, to estimate retirement probabilities for a 7-year period. The number of career SES members in a particular interval who were predicted not to retire during the first 3 and/or 6 years were "aged" to place them in the appropriate interval for predicting their retirement probability during the next 3 and/or 1 year time periods. Retirement projections were made separately for CSRS and FERS employees, and then the results were combined.

We compared the average estimated annual SES retirement rate for the fiscal year 1999 through 2005 period with the average actual SES retirement rate for the fiscal year 1992 through 1998 period. The purpose of this comparison was to provide some context of how the estimated future SES retirement rate related to the SES retirement rate of the recent past. We also computed the average retirement rates for SES and non-SES career employees for each fiscal year between 1992 and 1998. We then compared the retirement rates for these two groups to provide some

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perspective on whether career SES employees retired at a higher or lower rate than other career employees during fiscal years 1992 through 1998.

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## Bases for Retirement Implications

To meet our second objective of identifying the implications of the SES retirement trends through fiscal year 2005, we made observations on the basis of our analyses of the retirement data from objective 1, analyses of responses to selected questions contained in a survey that OPM and SEA administered in August 1999 to 6,800 SES members, review of studies issued by NAPA in 1994 and 1997 on executive succession planning, and discussions with OPM officials. The SES survey sought the views of career, noncareer, and limited term SES members on various aspects of the SES.<sup>1</sup> A total of 2,470 SES members responded to the survey—2,362 (96 percent) career SES, 86 (3 percent) noncareer SES, and 22 (1 percent) limited term SES.

For purposes of identifying implications of the SES retirement trends, our analyses of the SES survey results focused on whether or not a substantial portion of the respondents indicated, for example, that their agencies did not have a formal succession planning program for SES or that they might leave the federal government in the next year. In doing our analyses of the responses to selected questions contained in the SES survey, we used summary data provided by OPM. OPM provided us summary data to protect the confidentiality of the survey respondents.

In addition to providing data on regular retirement trends and the implications of these trends, we developed and reviewed data on career SES early retirement trends for fiscal years 1992 through 1998 and for fiscal years 1999 through 2005. We also obtained and reviewed data for each fiscal year between 1992 and 1998 on the number of (1) SES appointments filled by career SES members; (2) career SES accessions (promotions and outside hires); and (3) career SES separations, such as retirements, resignations, and reductions in force.

We provided a draft of this report to the Director of OPM for her review and comments. The Director of OPM provided us written comments on a draft of this report in a letter dated May 1, 2000. These comments are reprinted in appendix V.

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<sup>1</sup> The following four types of appointments exist within the SES: (1) career appointments, which are made through a competitive process by OPM's Qualifications Review Board; (2) noncareer appointments, which are made by agencies after receiving noncareer appointing authority from OPM; (3) limited-term appointments, which are nonrenewable and noncompetitive appointments for up to 3 years in position that will expire; and (4) limited-emergency appointments, which are nonrenewable and noncompetitive appointments for up to 18 months to meet an urgent need. OPM must approve each proposed use of limited appointment authority.

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**Appendix IV**  
**Scope and Methodology**

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We did our work in Washington, D.C., from May 1999 through March 2000 in accordance with generally accepted government auditing standards.

# Comments From OPM



OFFICE OF THE DIRECTOR

UNITED STATES  
OFFICE OF PERSONNEL MANAGEMENT  
WASHINGTON, DC 20415-0001

MAY - 1 2000

Mr. Michael Brostek  
Associate Director  
Federal Management and Workforce Issues  
U. S. General Accounting Office  
Washington, D.C. 20548

Dear Mr. Brostek:

The Office of Personnel Management is pleased to provide comments on your draft report entitled Senior Executive Service: Retirement Trends UnderSCORE the Importance of Succession Planning. We agree with the report's conclusion that the Government needs to focus attention on executive succession planning; however, at this point, we do not believe that an OPM survey of agency succession planning programs would contribute to that end.

As your report points out, we are taking action to make sure that Government programs will not be jeopardized if large numbers of career executives decide to retire. The President's Management Council and OPM have stressed the importance of executive succession planning, and OPM is currently working on a workforce planning model to support agency succession planning efforts. In addition, the Interagency Advisory Group of Human Resources Directors recently established a Committee to spearhead the Government's workforce planning efforts. The Committee will share information on best practices in both the public and private sectors and develop an action plan for addressing the Government's unique succession planning needs.

The fact that the Executive Branch is accelerating its succession planning efforts should not suggest that we ignored the issue in the past. OPM's 1995 *Executive Succession Planning Tool Kit* identified five components of a good succession planning process. The first step in the process is to project executive resource needs and skill requirements. OPM has provided Governmentwide leadership to support this part of the process in 2 ways:

- Since the mid-nineties, with the enactment of the Government Performance and Results Act, OPM has used the biennial SES allocations process to strategically manage executive position allocations. We require agencies to evaluate their resource requirements on an agencywide basis in conjunction with their strategic planning initiatives, budget requirements, program performance, and expected executive turnover. In making allocation decisions, OPM considers the degree to which agencies effectively manage their executive resources and have conducted a results-oriented assessment of their future needs.

CON 131-64-4  
September 1993

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**Appendix V**  
**Comments From OPM**

- In 1998, we updated the Executive Core Qualifications (ECQs) which the Government uses to select career Senior Executives. The revised ECQs were based on extensive research on successful leaders in both the private and public sectors. That research showed that because of changes in technology, in the workplace, and in customer expectations, the competencies used to select executives in the past are not necessarily the same qualities needed for future success. We were pleased that our recent SES Survey confirmed that the ECQs measure the skills that are essential to successful executive performance.

The next 4 components of the succession planning process deal with identifying recruitment sources, assessing candidates' developmental needs, meeting those developmental needs, and using the pool of candidates to fill executive vacancies. Sixteen departments and agencies currently have OPM-approved SES Candidate Development Programs which address these aspects of the executive succession planning process, and we are working with the Environmental Protection Agency to develop a program which addresses its unique mission and SES profile. Many other agencies have implemented programs to cultivate the leadership skills of their mid-level managers, the future pool of SES candidates.

To deliver the results that Americans expect, the Government must select, develop, and nurture a world-class corps of career executives. Effective succession planning is central to development of that corps, and OPM will continue to provide the leadership and technical tools that agencies need to address this crucial issue.

Sincerely,

  
Janice R. Lachance  
Director

# GAO Contacts and Staff Acknowledgments

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## GAO Contacts

Michael Brostek (202) 512-8676

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## Acknowledgments

In addition to the individuals named above, Richard W. Caradine, Mary Y. Martin, Gregory H. Wilmoth, Steven J. Berke, Alan N. Belkin, Katherine M. Raheb, and Jena Y. Sinkfield made key contributions to this report.



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