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**Interdepartmental Standards For
Computing Retirement Service Credit**

Lee S. Trimble III

**515 Amherst Avenue
Columbia, SC 29205-2601**

**South Carolina Budget and Control Board
South Carolina Retirement Systems**

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STATE DOCUMENTS

Deborah Hornaday
Supervisor

I. Problem

South Carolina Retirement Systems administers four discrete retirement systems for a wide variety of public sector employees. The systems currently offer qualified contributing members thirty-seven categories of service credit that can be applied to individual retirement accounts. Of these, seven types of service credit consistently account for more than seventy percent of transaction volume. Each type of service credit is governed by separate provisions of state law and requires the application of disparate computational rules and eligibility parameters.

Within the South Carolina Retirement Systems six different organizational units are involved in either the calculation of service credit eligibility or the subsequent audit of such calculations. The Customer Service, Service, and Counseling units regularly perform service credit computations requested by contributing members, while three Financial Services units are tasked with the final audit of files for accuracy. Due to the complexities of the existing system and periodic changes in policy, occasional discrepancies have arisen in computational methodology or policy interpretation among the units involved. Although the computation and audit process operates with acceptable efficiency, process improvement can nevertheless be effected with modest effort by achieving a higher degree of standardization in the methods used within the organization to determine eligibility and award of service credit. Positive results of this process improvement would include reductions in redundant effort and expedited handling of member requests.

II. Goal

The goal of this project is the publication in July 1998 of a set of interdepartmental standards for the computation of retirement service credit and eligibility criteria applicable to seven high-volume categories of retirement service purchase. This publication will result from consensual development of standardized computational procedures by an interdepartmental team of subject matter experts. The author will facilitate the process using team skills developed as a CPM candidate.

III. Cause Analysis

Ironically, in an organization literally seething with hard data, the current availability of productivity statistics borders on the anecdotal. This anomaly derives chiefly from an historical organizational focus on intuitive rather than statistical approaches to problem solving. Generic data collection deficiencies have been exacerbated by other institutionalized behavioral characteristics, not the least of which has been a somewhat parochial intradepartmental attitude toward information sharing and the interpretation and application of existing policies.

With specific reference to service purchase calculation methodology, a number of organizational phenomena have come into play, including:

serious inconsistencies in service purchase eligibility criteria established by law, originally written in the 1940's and amended over a 50-year period.

a profusion of agency-level policies which have been formulated, modified, abandoned, reestablished, and remodified over the years.

organizational process myopia caused by the pressure of long-standing workload backlogs.

lack of formalized staff training caused by work priorities driven by calculation backlogs.

a general lack of interdepartmental liaison and communication.

IV. Implementation Plan

Although much of the CPM curriculum was helpful in the development of this project, the information provided in Team Skills, Tools and Techniques for Teams, and Change Management was of particular interest.

1. Proposed Schedule

The original concept of this project entailed a team effort directed specifically at the establishment of organizational standards for computational methodology for a targeted group of service purchase calculation types. The timeline presented below is achievable and will yield a finished product in place for implementation in Fiscal Year 1999.

January 1998	Identify participating team members. Identify significant elements of computational process by survey and/or personal interview of team members. Establish and disseminate tentative agenda. <u>Meeting 1</u> - Establish team ground rules. Finalize defined goals and agenda.
February 1998	<u>Meeting 2</u> - Begin to address specific issues of standardization and achieve process consensus.
March 1998 May 1998	<u>Meeting 3</u> - Continue development of standards. Complete development of standards. Prepare draft document and circulate to team members for review and comment.
June 1998	Revise draft document and circulate to department managers for comment. Initiate collation of baseline performance data.

July 1998	Publish final document for organization-wide use. Implement staff training as needed to maintain consistency in application of computational standards.
	Initiate data collection for comparison to April-June 1998 baseline data.
Fiscal Year 1998-1999	Periodic review of data comparisons and calculation procedures to identify necessary adjustments.

2. Operational Definitions and Procedures

This project is intended to yield a higher degree of consistency in the calculation of the seven high-volume types of retirement service purchase described at Appendix A. Evaluation of performance improvement will be keyed to error rates reported after final audit of the service purchase calculations by the Financial Services Department. Pending the development of automated tracking tools, error data will be collected and processed as described below.

Error data for the baseline period will be collected by the author via liaison with the Financial Services Department.

Beginning in July 1998 error data will be collected weekly by the author using the checksheet format depicted at Appendix B.

Clerical errors such as numerical transpositions, typographical mistakes, etc. (rare anomalies), will be excluded from consideration as irrelevant to the project context.

Error data will be collated quarterly, indexed by purchase code, and analyzed for type, frequency, and volume.

Quarterly error data analysis will be reviewed and reported to management with recommended follow-up action.

3. Resources

This project requires no external resources or additional funding. The principle cost will be in terms of

human assets. The proposed implementation plan will involve approximately 144 staff hours in the teaming phase and 7 staff hours weekly for subsequent data collection and analysis.

4. Obstacles

Historically, SCRS operations have been conducted in a manner that encouraged intuitive rather than analytical approaches to problem solving. Management has demanded quick-fix solutions with insufficient consideration of long-term effects or true process improvement. This institutionalized behavior has created an environment resistant to analytical methods.

Recent management and staff turnover and the significant decrease in work backlog now afford greater opportunity to pursue long-term process improvement. The chief current obstacles to analytical problem solving, in the context of this project, are:

the lack of readily available performance data from the MIS system in place and a one- to two-month delay between the original calculation for a purchase and its final audit for accuracy by the Accounting Department.

5. Evaluation

It is the author's intent to evaluate computational standardization efforts using three concurrent techniques:

Personal liaison with the four organizational departments involved in service purchase calculations with a view toward development of future staff training in pertinent skill areas

Passive observation of calculation activities within the four departments to evaluate adherence to established computational standards

Development, collection and evaluation of hard data relating to efficiency and accuracy of service purchase calculations using 4th Quarter FY 1998 data (peak annual volume period) as a baseline. To this end, four requests for system changes to the existing database program have been submitted. Pending the development of automated tracking tools the checksheet format at Appendix B will be used.

The expected outcome of this process improvement effort is a reduction in service purchase calculation errors of 30 percent or more. In order to track performance improvement trends, quarterly error data will be compared to baseline data in October 1998 and January 1999. The author anticipates ongoing analysis of this data to identify specific high-frequency error types and frequency of errors associated with one or more specific types of service purchase transactions.

No significant service purchase procedural changes are foreseen in the near future. Should such changes occur, computational methodology and data analysis techniques will be adjusted accordingly.

V. Interim Changes

A set of seven calculation checklists derived from this project can be found at Appendix A.

Since the inception of this project a number of new areas of emphasis have evolved as a result of the

continuing evolution of the organization. The processes listed below, all of which exercise some degree of influence on this project, have developed since May 1997.

SCRS is embarked upon a long-term campaign to effect the recodification of state law pertaining to retirement service. When completed, this effort will significantly reduce the inconsistencies which currently exist in that body of law.

The Service Department has in draft a procedures manual which addresses service purchase calculation and policy. The document will incorporate material derived from this project. It will provide a standard reference source on service purchase processes for members of the organization.

Publication of this document should occur in June 1998.

Selected personnel actions have resulted in increased stability and training levels among the people directly involved in service purchase calculations.

The Service Department has provided training to several groups of employees from other departments in an ongoing effort to improve technical proficiency in service purchase computation.

In the period May 16, 1997 through April 24, 1998 the backlog of service purchase calculations has been reduced by more than 95 percent. The most fortuitous internal result of this improved situation will be that the departmental focus for FY 1999 will be on long-term process improvement and staff development.

Appendix A

Service Purchase Quality Checklists

Checklists are provided for the seven most common types of service purchase calculations. These checklists can be used as training vehicles for new employees performing service purchase calculations or as quality checks for subsequent audit of the calculations. The types of service purchases addressed are:

Withdrawal - Member is restoring a period of prior service withdrawn from the system

Non-member - Member is purchasing eligible service in a non-contributory status

Military - Member is purchasing an eligible period of active duty military service

Retroactive Maternity Leave - Member is purchasing eligible period(s) of time in LWOP status for maternity reasons

Retroactive Educational Leave - Member is purchasing eligible periods of formal education

Out of State - Member is purchasing eligible service performed outside South Carolina

Federal - Member is purchasing eligible service with the Federal Government, excluding active military service.

Withdrawal
Service Checklist

Employee Name				SS#
System:	SCRS	PORS	GARS	JSRS

Check service request date and receipt date

Verify service by ledger card - total: years months days

Check verified service against calculated service

Check WD date

Check WD amount \$

Check WD service for overlap with current service

Check service request date

Notes and Service Calculations

Non-member
Service Checklist

Employee Name				SS#
System:	SCRS	PORS	GARS	JSRS

Check service request date and receipt date

Check employer service verification

Check for service overlap with credited member service

Check current salary verification \$

Compute AFC \$

Figure to be used: Current Salary AFC

Notes and Service Calculations

Military
Service Checklist

Employee Name	SS#			
System:	SCRS	PORS	GARS	JSRS

Check service request date and receipt date

Check military service verification (DD214 or other)

Check for service overlap with credited member service

Amount of service prior to 1/1/1976: years months days

Check for lost time on service verification

Check member record for beginning salary: \$

Notes and Service Calculations

Retroactive Maternity Leave

Service Checklist

Employee Name	SS#			
System:	SCRS	PORS	GARS	JSRS

Check service request date and receipt date

Check for proof of birth verification(s) for maternity period(s)

Check employer service verification(s) if required

Check for service overlap with credited member service

Check for eligibility of LWOP period(s)

Check current salary verification \$

Compute AFC \$

Figure to be used: Current Salary AFC

Notes and Service Calculations

Retroactive Educational Leave

Service Checklist

Employee Name				SS#
System:	SCRS	PORS	GARS	JSRS

Check service request date and receipt date

Check school transcripts for eligible period(s) of educational leave

Check for service overlap with credited member service

Check for eligibility of LWOP period(s)

Check current salary verification \$

Compute AFC \$

Figure to be used: Current Salary AFC

Notes and Service Calculations

Out of State
Service Checklist

Employee Name				SS#
System:	SCRS	PORS	GARS	JSRS

Check service request date and receipt date

Check OS verification form(s) for eligibility and service dates in Part II

Check for service overlap with credited member service

Check OS verification form(s) for retirement account closure in Part III

Verify amount of eligible service years months days

Check employer verification of current salary \$

Select highest salary in previous three fiscal years \$

Figure to be used: Current Salary High 3

Notes and Service Calculations

Federal
Service Checklist

Employee Name				SS#
System:	SCRS	PORS	GARS	JSRS

Check service request date and receipt date

Check Federal service verification

Check for service overlap with credited member service

Check Federal retirement account closure verification

Check current salary verification \$

Compute AFC \$

Figure to be used: Current Salary AFC

Notes and Service Calculations