

**Office of the Inspector General
Commodity Futures Trading Commission**

**Audit of CFTC “Pension Prizers”
September 24, 2015**



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U.S. COMMODITY FUTURES TRADING COMMISSION

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TO: Anthony Thompson, Executive Director
Karen Leydon, Chief Human Capital Officer

FROM: Miguel A. Castillo, Assistant Inspector General for Auditing

DATE: September 24, 2015

SUBJECT: Audit of CFTC "Pension Prizers" (Project No. 15-AU-03)

Background

The Farm Security and Rural Investment Act of 2002¹ authorized the Commodity Futures Trading Commission (CFTC) to create its own pay system. Under this pay system, CFTC employees can earn more than their counterparts working at the same grade at federal agencies operating under the general schedule (GS) scale, and more in line with other financial regulators. As such it may be attractive for GS employees to enhance retirement benefits with a short-term career at the CFTC. The Office of Personnel Management (OPM) has established guidance for retirement eligibility² but has not established guidance for hiring short term federal employees nearing retirement. Since the CFTC internal controls do not address this topic either, the Office of the Inspector General (OIG) researched the extent to which CFTC employed individuals who may take advantage of the CT pay-scale to enhance their "high three" for retirement; i.e. "pension prizers".

What We Learned

As illustrated in Chart 1, the number of potential pension prizers significantly declined after its peak in calendar years 2012 and 2013.

More specifically, the number of former and current high-grade employees³ with fewer than 3.5 years

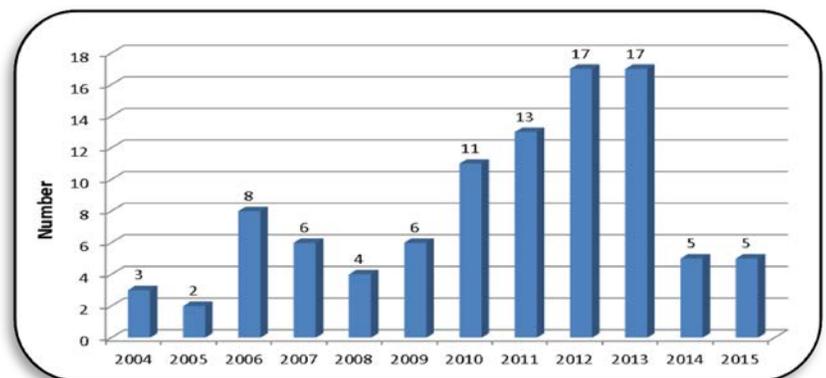


Chart 1 - Potential "Pension Prizers"

¹ Public Law 107-171 § 10702, Commodity Futures Trading Commission Pay Comparability.

² <https://www.opm.gov/retirement-services/fers-information/eligibility/>.

³ Grades CT-14 to CT-18, not including Schedule C employees.

of CFTC service decreased from 17 to 5 or from 2% to .9% of total staff between calendar years 2013 and 2015. To assess the universe of short-term CFTC employees nearing retirement or retirement eligible, or simply leaving within 3.5 years of their start date, we narrowed our scope from 97 to 38 that either are actively employed with CFTC (2), voluntarily retired (5), or transferred to another agency (31). As noted in Chart 2, attorneys represented the largest job classification followed by administration, human resource (HR), and other job classifications aligned with the Chief Information and Chief Financial Officers functions.

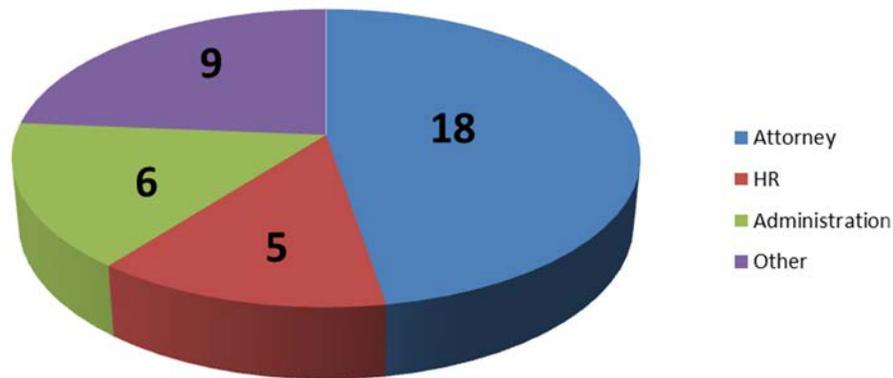


Chart 2 - 38 Potential “Pension Prizers” by Job Title.

Due to a personnel record scope limitation,⁴ we only reviewed three employee personnel files and noted the following:

- Employee 1 was a former Attorney Advisor General that served the CFTC for 1.6 years. Personnel records showed that CFTC was his first federal employment and thus his retirement is not impacted by his tenure at the CFTC.
- Employee 2 is an active Human Resource Specialist (HRS) that is eligible for retirement in 1.4 years. Since transferring from another federal agency, his salary increased from \$127,512 to \$135,163⁵. Personnel records included various cash awards for superior performance.
- Employee 3 is a Supervisory Human Resources Specialist (SHRS) who is eligible for retirement in 1.5 years. She also transferred from another federal agency. Since her start date at the CFTC, her salary increased from \$136,134 to \$148,511.

⁴ According to the Office of Human Resources, access to 35 of the requested files resides with other agencies.

⁵ As of June 26, 2015.

In addition, research of LinkedIn profiles for 5 of 31 former employees transferring to other federal entities indicated they accepted greater responsibilities.

Conclusion

There is no indication that individuals' serving the CFTC for fewer than three and a half years to enhance their retirement is a systemic practice. However, we may elect to review this subset of employees in the future to identify any instances of abuse of the pay system.

Management reviewed a draft report and conveyed their reassurance that we did not find a systemic practice that indicates CFTC's recruiting and hiring efforts are used to enhance an individual's retirement annuity. Their comments in its entirety are presented in Appendix 1.

Our Objective, Scope, and Methodology

Our objective was to assess whether CFTC employees take advantage of the CFTC pay scale to increase their retirement through employment lasting up to 3.5 years. To facilitate the audit, CFTC human resources personnel provided us with a list of all former and current employees since 2004, the inception of the CFTC pay system. Of 827 employees since that time, we selected non-Schedule C employees graded CT-14 or above who served the CFTC for no more than 3.5 years or have 3.5 years until their earliest retirement date. From the resulting 97 employees, we selected those where Nature of Action Code⁶ descriptions were Accession (active) (2 employees), Retirement (5 employees), and Termination Appt In (transfers) (31 employees). Of the resulting 38, we compared the number of "pension prizers" against the number of all CFTC staff yearly in order to gauge the "pension prizers" as a percentage of CFTC staff. In addition, we reviewed detailed information for three employees⁷ and researched others public profiles as available. Finally, we reviewed applicable internal controls, laws, and regulations. The audit was performed in accordance with the General Accepted Government Auditing Standards. Due to a scope limitation of personnel records, we were unable to test data reliability.

We appreciate the courtesies extended to the OIG. Please direct questions to me or Timothy Peoples at (202) 418-5439.

CC:

Chairman Timothy G. Massad
Commissioner Sharon Y. Bowen
Commissioner J. Christopher Giancarlo

A. Roy Lavik, Inspector General
Judith Ringle, Deputy Inspector General

⁶ The standardized OPM code assigned to a particular type of personnel action.

⁷ According to the HR office, when employees retire or transfer to another agency, HR does not maintain access to the records.

APPENDIX 1:



Office of the
Executive Director

U.S. COMMODITY FUTURES TRADING COMMISSION

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MEMORANDUM

TO: A. Roy Lavik, Inspector General

FROM: Anthony C. Thompson, Executive Director 

DATE: September 18, 2015

SUBJECT: CFTC Comments on the OIG Audit of CFTC "Pension Prizers"

The Commodity Futures Trading Commission (CFTC) appreciates the opportunity to review and comment on the *Audit of CFTC "Pension Prizers"* prepared by the CFTC Office of Inspector General (OIG). The topic is important and we value the research conducted by the OIG in this matter. It is reassuring that the OIG did not find a systemic practice that indicates CFTC's recruiting and hiring efforts are used to enhance an individual's retirement annuity.

We appreciate that the audit team was mindful of the day-to-day work demands of the Human Resources Branch (HRB) and the considerations they extended to HRB in meeting the data requirements for this audit.