A Report of the Panel

NATIONAL ACADEMY OF PUBLIC ADMINISTRATION

For the U.S. Congress and the U.S. Government Accountability Office

GAO

Accountability * Integrity * Reliability

THE COMPTROLLER GENERAL POSITION:

Compensation and Structure

2009

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COMPENSATION AND STRUCTURE

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FOREWORD

> *I desire so to conduct the affairs of this administration that if at the end, when I come to lay down the reins of power I have lost every other friend on earth, I shall at least have one friend left, and that friend shall be down inside me.—**Abraham Lincoln***

Since it was created in 1921, the Government Accountability Office (GAO) has been referred to as "The Congressional Watchdog" and "The Taxpayers' Best Friend" for its success in uncovering waste and inefficiency in government. Critical to GAO's effectiveness in conducting its work and communicating its findings is the strong and independent leadership of the Comptroller General.

The Comptroller General position is unique. Its defining and paramount characteristic is its independence. While the position shares a need for independence with a number of similar positions, it has no exact counterpart in the United States Government, or anywhere else in the world. A 15-year term, protections from removal, and a lifetime salary annuity are the main structural provisions in place to support the Comptroller General's independence.

Recently, the lifetime salary annuity has become the subject of ongoing discussions in Congress. To obtain an objective assessment of the need for the lifetime salary annuity, Congress asked the National Academy to review the annuity to determine whether it is "necessary to preserve" the Comptroller General's independence. Based on its extensive research and analysis, the Academy Panel determined that the annuity is not necessary to preserve the Comptroller General's independence, but it contributes to it by providing financial security to an individual who remains in the position for the full 15-year term. Further, and most importantly, the Panel found that the annuity is significant in attracting and retaining highly qualified candidates for the Comptroller General position in light of the lengthy term of office.

In view of those findings and the relatively low cost of the benefit, the Panel recommends that the annuity be retained. Should Congress decide to amend the annuity, the Panel offers several alternative approaches for interrelated changes to the annuity and the Comptroller General's term of office. The Panel also emphasizes that any amendment would have to be carefully managed to avoid unexpected consequences.

The Academy believes that this report will be of great value to Congress as it considers this issue, and extends its appreciation to the members of the Panel for their excellent and diligent work. We also thank the officials at GAO who provided their support for this review, the many individuals who contributed their insights on this topic, and Congress for the opportunity to study this important issue.

Jennifer L. Dorn
President and Chief Executive Officer

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ACRONYMS

Academy	National Academy of Public Administration
AG	Auditor General
ANAO	Australian National Audit Office
AUD	Australian dollar
CBO	Congressional Budget Office
CG	Comptroller General
CPA	Certified Public Accountant
CRS	Congressional Research Service
CSRS	Civil Service Retirement System
CSS	Commonwealth Superannuation Scheme
C&AG	Comptroller and Auditor General
EVP	Executive Vice President
FAS	Final Average Salary
FBI	Federal Bureau of Investigation
FERS	Federal Employees Retirement System
GAO	Government Accountability Office
IG	Inspector General
INTOSAI	International Organization of Supreme Audit Institutions
IRS	Internal Revenue Service
LTIP	Long-Term Incentive Plan
MRA	Minimum Retirement Age
NAO	National Audit Office
NQDC	Non-qualified Deferred Compensation
OAG	Office of Auditor General
OCC	Office of the Comptroller of the Currency
PAA	Public Audit Act
PSS	Public Sector Superannuation Scheme
PSSap	Public Sector Superannuation Accumulation Plan
SAI	Supreme Audit Institution
SERP	Supplemental Executive Retirement Plan

EXECUTIVE SUMMARY

As a result of Congressional direction and agreement with the Government Accountability Office (GAO), a Panel of experts convened by the Academy has been engaged since April 2009 in an independent study to respond to the question of whether the statutory lifetime salary annuity is necessary to preserve the Comptroller General's (CG's) independence. This has included extensive research—almost 40 interviews and discussions, hundreds of document reviews, as well as in-depth discussions and debates exploring the issues at three Panel meetings. The Panel's efforts to determine whether the annuity is necessary to maintain the CG's independence have been focused on:

- understanding the statutory, historical, and practical context and rationale for the CG's annuity;
- assessing the characteristics and basis for the total CG compensation package, including analysis of compensation and retirement benefits of comparable public, private, and international sector positions;
- evaluating whether a full-salary annuity benefit is necessary to attract and retain highly qualified individuals; and
- providing appropriate recommendations regarding the compensation and benefits of the CG position.

A CG is entitled to retire and receive an annuity for life equal to the CG's final salary, if the CG: a) completes the full 15-year term and reaches age 65; b) serves 10 years and is permanently disabled; or c) serves at least 10 years and reaches age 70. Congress established this retirement system in 1953 because the 15-year, nonrenewable term was too short to accumulate sufficient credit under the general federal retirement system, and too long to resume an active professional life. The legislative history indicates that Congress intended that the annuity provide the CG a greater measure of financial security, serve as an incentive to attract qualified candidates, and bolster the CG's independence. Congress analogized the CG's independence at the time to federal judges and patterned the CG's annuity on the judicial retirement system.

FINDINGS

The CG position is unique. In order for the CG and GAO to function effectively, it is essential that the CG and GAO staff remain nonpartisan, act independently of other agencies, resist political pressures from both the Executive Branch and Congress, and "fearlessly" report to Congress. While there are other factors that support the CG's independence, the term, removal, and annuity provisions are the main contributors to the CG's perceived and real independence and objectivity. These elements are interrelated and have been described by GAO officials as "a three-legged stool" that would become unstable if any one of them were altered or removed.

No exact counterpart to the CG position has been identified within the U.S. Government, the international community, or the private sector. The CG position was created by Congress in

1921 to be similar to federal judges in terms of the need for independence, the desired length of service in the office, and the protections from removal that are provided by law. While the nature of the CG and judicial functions differ, Congress believed that the CG required a level of independence similar to that of federal judges. Other U.S. Government positions that were examined by the Panel have responsibilities and requirements for independence in the day-to-day performance of their duties that are no less significant than the CG, but have shorter terms, can be removed more easily, and are generally subject to the same retirement system that is available to other federal employees.

The four international Auditor General positions selected for comparison by the Panel are analogous to the CG, but have shorter terms (7-10 years) and higher salary compensation. All recognize the international professional standards of organizational, functional, and financial independence in ways that are both similar and different from the CG. These include: complete authority to determine the audit program, special appointment and removal procedures, control over resources and budget, immunity in the performance of duties, separation from public service, and special hiring systems. None has a unique retirement system to support or preserve independence.

The Panel found that private sector comparisons were of limited use regarding the CG's independence. Therefore, because of the importance of the annuity in attracting and retaining high quality candidates as CG, the Panel focused on evaluating the competitiveness of the CG compensation and lifetime annuity benefits in the context of current private sector practices. The Panel's research for this component of the study included interviews of private sector compensation experts and a study conducted by Watson Wyatt, a leading private sector compensation services firm. Watson Wyatt's report concluded that the present value of the CG's total compensation structure, including the annuity, is consistent with a private sector executive earning $300,000 in base salary and annual short-term incentives, regardless of the type of retirement plan, and that a U.S. Government official would have to be earning at least $275,000 per year to equal that benefit under the regular federal retirement system. Thus, although financial considerations are only one factor for an individual considering a prestigious position such as CG, the continued ability to attract high quality candidates from the private sector may in part be driven by the retirement annuity.

There is no disagreement with the proposition that maintaining the independence, objectivity, and nonpartisanship of the CG is of paramount concern, or that the term, removal, annuity, and other factors contribute to that independence, directly or indirectly, and in varying ways and degrees. While there is general agreement that the annuity *contributes* to the independence of the CG by reducing the possibility that a CG would sacrifice independence based on future income concerns, little support has been found for the argument that the CG's lifetime salary annuity is *necessary* to preserve the independence of the CG. The primary value of the annuity is its contribution to attracting and retaining highly qualified individuals, and, if the annuity is eliminated or substantially reduced, careful attention will have to be paid to ensuring that some form of replacement benefit is adopted as a substitute for that purpose.

CONCLUSIONS

Based on its deliberations, the Panel has concluded that the term and removal provisions are necessary for the independence of the CG, and that the annuity contributes to it but is not strictly necessary for that purpose. There appears to be no reason to alter the removal provisions, but the 15-year term may be unrealistically long and the annuity too harsh in its largely all-or-nothing configuration. Eliminating the annuity may require shortening the term dramatically if Congress determines that it is no longer desirable or necessary to have a CG in office for 15 years. Alternatively, the annuity could be partially vested at different stages of the term.

Despite finding that the annuity contributes to, but is not necessary to preserve, the CG's independence, the Panel has not found sufficient reason for altering the benefit. This is especially so in light of the relatively low cost of the annuity—just over $300,000 per year for the two current former CGs, a cost that will diminish rather than increase for at least the next 10-15 years—and the potential for shrinking the applicant pool dramatically by its elimination or reduction. In addition to its potential impact on the applicant pool, eliminating or reducing the benefit also carries the risk of reducing the retention incentive and increasing turnover in the CG position. Changes to the annuity will also likely require reevaluating other provisions, e.g., the survivor benefits, the bar on accepting other government retirement benefits, the term, and the salary level. Depending on the alternative that is chosen, the legislative action that will be required to implement a change will have to be very carefully crafted and managed to avoid unexpected consequences. The Panel was also concerned about altering the elements of the position while Congress is actively recruiting the next CG.

RECOMMENDATIONS

1. **The Panel has concluded that the CG annuity is not "necessary to preserve" the CG's independence, but recommends that the current lifetime salary annuity be retained in order to: (a) avoid reducing the CG's financial security and diminishing the incentives that attract high quality candidates to the job and (b) encourage them to continue in the job for a lengthy period of time.**

2. **If, however, Congress decides, at an appropriate time in the future, that changes to the annuity provision are justified due to equity or other considerations, the Panel believes that additional changes will be required to ensure that the CG position remains attractive to highly qualified candidates. Given the number of variable factors, there is an array of possible alternatives for consideration, including, but not limited to, the following illustrative examples:**

    a. **Eliminate the lifetime salary annuity, but retain the 15-year term and create a special retirement program for the CG such as a defined benefit, defined contribution, or hybrid retirement plan (as described in the Watson Wyatt report attached as Appendix F).**

b. **Eliminate the lifetime salary annuity, but retain the 15-year term and make the CG subject to the Federal Employees Retirement System (FERS) and Social Security. Provide the CG with one of the following benefits: (1) the normal benefit provided to most FERS employees—1 percent or 1.1 percent of high-3 average salary for each year of service or (2) the enhanced benefit provided to Members of Congress and Congressional employees with at least five years of service—1.7 percent of high-3 average salary for each year of service up to 20 years, and 1 percent of high-3 average salary for each additional year of service. The result of this approach would be to reduce the annuity payment substantially, with the precise amount depending on the performance of the Thrift Savings Plan portion of the FERS system.**

c. **Eliminate the lifetime salary annuity, but retain the 15-year term. Create a special supplement to FERS for the CG that would provide higher annuity payments for a CG who serves the full 15-year term.**

d. **Retain the lifetime salary annuity benefit, but vest it in segments based on the length of service as CG, e.g., one-third at 5 years, two-thirds at 10 years, and the full annuity at 15 years. This approach would not address the overall issue that has been raised regarding the need for the lifetime salary annuity, and would likely reduce the potential for continuity in the CG position. However, it could have the effect of increasing the applicant pool.**

e. **Retain the lifetime salary annuity, but reduce the amount to 80 percent of final salary and increase the survivor benefit potential. This would provide a reduced, but still generous and guaranteed, annuity with improved survivor benefits.**

3. **At an appropriate time in the future, should Congress choose to act, a completely new structure for the CG position might be created, including a reduced term and a wholly new compensation package, including redesigned pay and retirement benefits, so as to maintain the independence of the position and its attractiveness to high quality candidates. For this purpose, the international counterparts to the CG —who have shorter terms, higher base salaries, and enrollment in regular government retirement system—may serve as potential models.**

CHAPTER 1
BACKGROUND AND PURPOSE OF STUDY

BACKGROUND

The U.S. Government Accountability Office (GAO) functions within the Legislative Branch to ensure the fiscal and managerial accountability of the federal government. The Comptroller General (CG) is the head of GAO and is responsible for leading the organization in the performance of a number of significant functions: 1) reviewing the use of federal funds in the operations of government agencies; 2) evaluating the effectiveness of federal programs and activities; 3) investigating allegations of illegal and improper activities; 4) conducting policy analyses and providing information and options for Congressional consideration; and 5) issuing legal decisions and opinions concerning the obligation and expenditure of appropriated funds, including adjudicating bid protests to resolve allegations that contracting agencies have violated federal procurement law.[1] In addition, the CG is responsible for managing GAO and dealing with all the complex administrative, organizational, and supervisory matters that go along with that responsibility.

The CG is appointed to a single 15-year term through a unique joint Presidential-Congressional process. A special Congressional commission recommends candidates to the President, the President nominates one of the candidates or asks for additional candidates from which to choose, and the Senate confirms the nomination.

A CG who: (1) completes the full 15-year term and reaches age 65, (2) serves 10 years and is permanently disabled, or (3) serves at least 10 years and reaches age 70, is entitled to retire and receive an annuity for life equal to the full salary the CG is receiving at the time of retirement. Congress established this unique retirement system in 1953 because it believed the 15-year, nonrenewable term to be too short for an individual without extensive prior U.S. Government service to accumulate sufficient credit under the general federal retirement system, and too long for an individual who completes the full term to resume an active professional life. Thus, Congress viewed the full salary annuity as a means to provide the CG a greater measure of financial security, to serve as an important incentive to attract qualified candidates to the office and to bolster the CG's independence. In designing this unique annuity, Congress analogized the character, tenure, and independence of the CG to that of a federal judge and patterned the CG's annuity on the judicial retirement system.[2]

The CG's lifetime annuity has become the subject of ongoing discussions between the House and Senate in recent years. The FY 2008 House Appropriations Bill included a provision[3] that would have repealed the full salary annuity provision for any individual appointed to the CG position after the date of enactment. Under this provision, future appointments to the CG position would be covered under the Federal Employees Retirement System (FERS) that is available to most other federal employees. The bill did not pass in the Senate.

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[1] gao.gov/about/index.
[2] The legislative history of the annuity provision is discussed in greater detail in Chapter 2 of this report.
[3] H.R. 2771, Sec. 1401 (2008)

Subsequently, in the Joint Explanatory Statement accompanying the Omnibus Appropriations Act of 2009, Congress directed GAO to contract with the National Academy of Public Administration (Academy) to conduct an independent review of the "structure and compensation" of the CG position. Congress described the purpose of this study as determining whether:

> . . . the existing lifetime salary annuity is <u>necessary to preserve the Comptroller General's independence</u>. The review should include a comparison of the Comptroller General annuity to the retirement benefits offered for other federal positions of a similar character where independence is a key concern, and explain whether the Comptroller General's position truly requires a full salary annuity benefit to preserve independence if other positions of a similar character do not. (Emphasis added.)[4]

In response to the Congressional direction, GAO contracted with the Academy on April 3, 2009 to develop an independent study report by July 31, 2009 that includes:

- an explanation of the statutory, historical, and practical context and rationale for the CG's annuity;
- an assessment of the characteristics and basis for compensation and retirement benefits of comparable federal positions, as well as those of selected public, private, and international sector organizations, that are the same as or different from the compensation and retirement benefits of the CG;
- an evaluation of whether, in light of this assessment, a full-salary annuity benefit is required to preserve and maintain the CG's independence and attract and retain highly qualified individuals, as well as an assessment of whether and to what extent the CG's retirement system contributes to the independence of the office; and
- such recommendations as the Panel deems appropriate regarding the compensation and benefits of the CG position.

This report is the result of that effort.

METHODOLOGY

In order to conduct this study, an Academy Panel of experts was formed, consisting of four Academy Fellows and an individual nominated by GAO, to direct and oversee the work of an Academy study team.[5] The Panel conducted three meetings; obtained the views of knowledgeable individuals, including two of the three living former CGs; provided guidance concerning the study team's research and analysis; and approved the findings, conclusions, and recommendations in this report.

[4] Cong. Rec H2397 (Feb.23, 2009).
[5] Appendix A provides the names and biographies of the Panel and study team members.

The study team engaged in both primary and secondary research to develop findings, conclusions, and recommendations for consideration by the Panel. Primary research included interviews; benchmarking with compensation experts; and analysis of information collected regarding similar positions in the public, private, and international sectors. The secondary research consisted of an extensive review of relevant documents, including legislative history; relevant statutory provisions; Congressional documents; Congressional Research Service (CRS) reports; GAO documents; literature on best practices in executive compensation; and documents related to other similar U.S. Government and international positions.

Interviews

The study team conducted both in-person and telephone interviews and discussions with almost 40 knowledgeable individuals during the two months of data collection. The interviews included former CGs, senior GAO officials, Federal Claims Court judges, present and former Members of Congress, Inspectors General, a State Auditor, selected Academy Fellows, and Congressional staff.[6]

These interviews focused on perspectives regarding the CG's roles and responsibilities; the extent to which the existing lifetime annuity is related to the position's independence; the value of the annuity in attracting and retaining high quality individuals; the qualities and experience required of an individual who becomes the CG; and comparisons with other positions in the federal government. In addition, the study team identified and conducted interviews with subject matter experts in the area of executive compensation and benefits in order to obtain their views on best practices and cutting edge retirement and benefit systems covering senior officials in the public and private sectors. Further, these interviews sought to identify private sector positions that may have responsibilities, compensation, and retirement benefits similar to those of the CG.

Finally, in order to acquire a broader perspective on this issue, the study team interviewed officials representing international counterparts to the CG position. These included the Australian Auditor General (AG), the Canadian AG, the Human Resources Director of the United Kingdom's National Audit Office, and the Senior Manager for Strategy Execution in the Office of the South African AG. They generously provided information relating to AG roles and responsibilities, compensation and annuity provisions for the AG, and means of ensuring the position's independence in their countries.

All interviewees were assured their comments would not be attributable to any particular individual. Appendix B provides a comprehensive list of the individuals who were contacted and interviewed.

Benchmarking

In addition to this substantial effort to gather information through interviews with subject matter experts, the study team subcontracted with Watson Wyatt, a firm specializing in executive

[6] See Appendix E for a summary of the general themes that were developed as a result of these interviews and discussions.

compensation and benefits practices, to analyze leading private-sector executive compensation packages and provide benchmarking information for comparison with the role, compensation, and benefits of the CG position. Watson Wyatt identified a set of comparator positions, collected data from published surveys and other publicly available information, and provided its analysis of the relative value of the CG position as compared with the private sector levels from which CG candidates would likely be drawn. Watson Wyatt's report is discussed in Chapter 5 and included as Appendix F.

CONTENTS OF THIS REPORT

This report presents the Panel's key findings, conclusions, and recommendations as derived from research, interviews, benchmarking, and document review. Chapter 2 includes a review of the statutory, historical, and practical context of the CG's position and the Congressional rationale for the CG's annuity. Chapters 3, 4, and 5 review the similarities and differences between the CG's position and the public, international, and private positions selected for comparison in terms of duties, structure, compensation, and retirement benefits. Chapter 6 provides an evaluation of the sources of the CG's independence, including the term, removal limitations, and retirement benefits, in light of the research findings that are explained in the previous chapters. Finally, Chapter 7 reports the Panel's conclusions and recommendations regarding: 1) whether the annuity is "necessary" to preserve the CG's independence; 2) its importance in attracting and retaining highly-qualified individuals for the CG position; and 3) possible alternatives to the annuity and other provisions relating to the CG position that could be implemented if the annuity is revised or eliminated.

CHAPTER 2
GAO AND THE COMPTROLLER GENERAL'S ROLES AND RESPONSIBILITIES

GAO

The General Accounting Office was established as the independent auditor of U.S. Government agencies by the Budget and Accounting Act of 1921,[7] which also created the Bureau of the Budget in the Treasury Department.[8] As part of Congressional efforts to cope with growing Executive Branch operations and activities, GAO was created within the Legislative Branch, with the CG as its head, via a transfer of comptroller and auditor duties from the Treasury Department, along with 1,700 Treasury employees.

At their inception, the organization and the CG had two primary roles: first, assuming the duties of the Comptroller of the Treasury as chief accounting officer of the U.S. Government; and second, exercising the authority to settle the accounts of the U.S. Government, including the authority to issue legal decisions.[9] These roles primarily translated to desk-audits of requisitions for funds, warrants, expense vouchers, checks and money orders, and processing claims against the Government.[10]

Mission and Functions

The General Accounting Office was renamed in 2004 as the Government Accountability Office (GAO). The name change illustrated the fact that the mission of GAO had evolved and expanded over the intervening years from voucher review and approval to oversight, investigation, evaluation, and risk assessment of numerous programs, departments, and agencies. Its current functions include:

- Investigating all matters relating to receipt, disbursement, and use of public monies;
- Estimating costs to the U.S. Government of complying with restrictions on expenditures of specific appropriations and reporting such estimates to Congress along with recommendations;
- Analyzing expenditures of each Executive Branch agency;
- Investigating and reporting as directed by Congress;
- Evaluating results of Government programs and activities on the CG's own initiative, when ordered by either House of Congress, or when a committee of Congress requests an evaluation;

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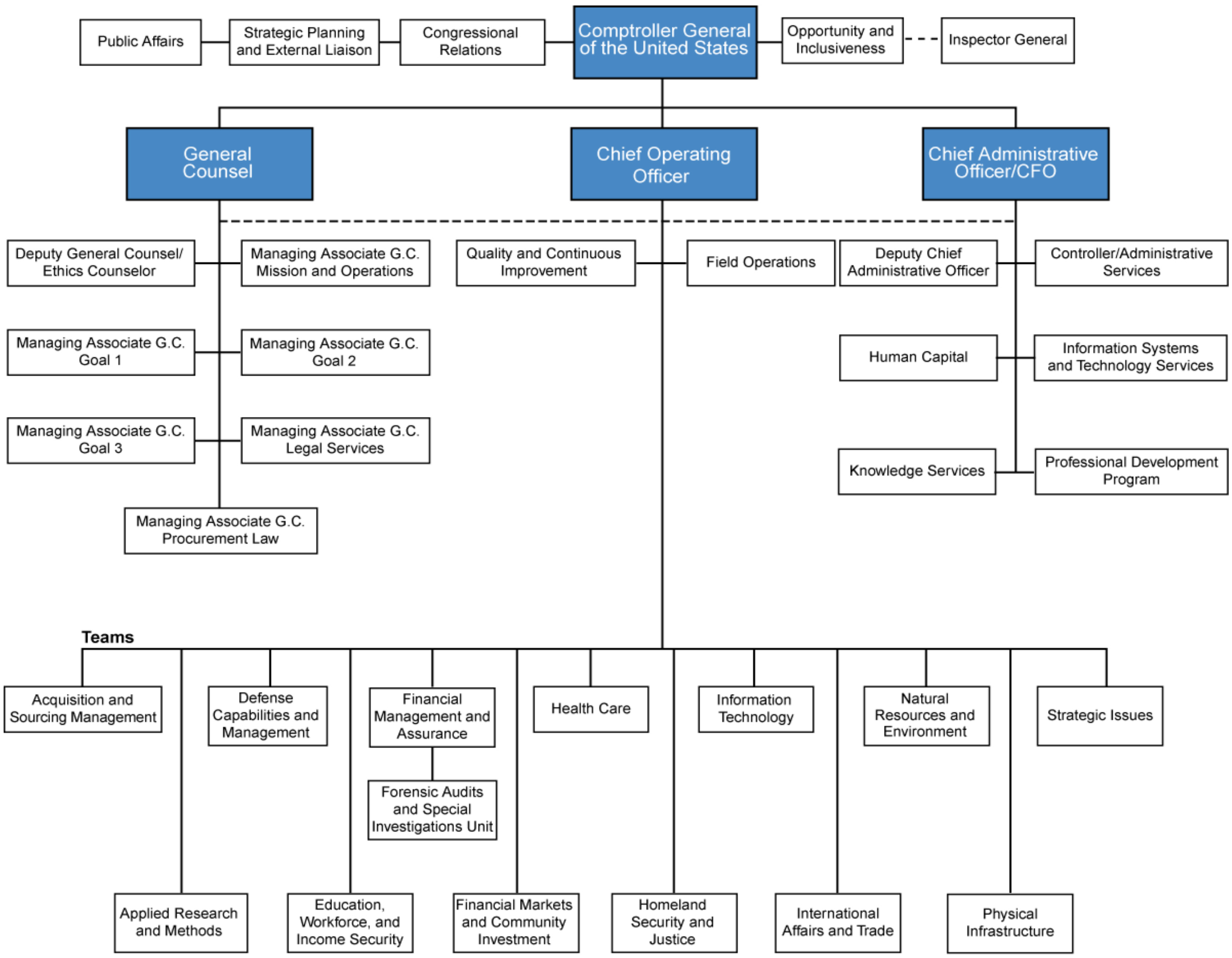
[7] Budget and Accounting Act of 1921, 42 Stat. 23.
[8] The Bureau of the Budget evolved into the Office of Management and Budget which resides in the Executive Office of the President.
[9] Principles of Federal Appropriations Law, Third Edition, Volume 1, page 1-21 (GAO-04-261SP).
[10] *GAO 1966-1981 An Administrative History*, by Sperry, Desmond, McGraw and Schmitt, U.S. General Accounting Office, p. 56 (1981).

- Developing ways to evaluate programs or activities;
- Helping Congress develop statements of legislative goals and ways to assess and report program performance;
- Auditing the IRS; Department of Treasury; Bureau of Alcohol, Tobacco, Firearms, and Explosives; Department of Justice; Financial Institutions Examination Council; Federal Reserve Board; Federal Reserve Banks; Federal Deposit Insurance Corporation; Office of Comptroller of Currency; Office of Thrift Supervision; and D.C. Government; and
- Issuing legal decisions and opinions concerning the obligation and expenditure of appropriated funds, as well as adjudicating protests to resolve allegations that contracting agencies have violated federal procurement law. [11]

GAO now employs more than 3,150 employees in 11 offices nationwide. Its current organizational structure is shown in Figure 1:

[11] See 31 U.S.C. §§ 712-715, 3554 for full statutory authority.

Figure 1: GAO Organization Chart
(as of July 2009)



Legend:

CFO - Chief Financial Officer

- The Executive Committee

---- Indicates a support or advisory relationship with the teams/units rather than a direct reporting relationship

Note: All positions identified

GAO's Human Resources System

Until 1980, GAO was subject to the same human resources laws, regulations, and policies in title 5 of the U.S. Code that applied to the Executive Branch agencies. However, as GAO's role in Congressional oversight grew, so did concerns about potential conflicts of interest. At the heart of this concern was one key question:

> *Could GAO conduct independent and objective reviews of Executive Branch agencies, such as the Office of Personnel Management, when these agencies had the authority to review GAO's internal personnel activities?*[12]

As a result of this concern, GAO worked with Congress to pass the GAO Personnel Act of 1980. According to the Senate Committee on Governmental Affairs, "this independence from regulation by Executive Branch entities is the principal objective of the legislation."[13]

While maintaining fundamental merit systems principles and prohibited personnel practices, the law gave the CG authority to "appoint, pay, assign, and direct such personnel as the Comptroller General determines necessary to discharge the duties and functions of the General Accounting Office, without regard to the government wide regulations that apply to other Executive Branch agencies."[14] The Act also allowed for greater flexibility in setting employee pay and established a merit pay system. It further provided authority for the CG to institute a new pay banding approach for GAO's analyst and attorney positions, along with the adoption in 1989 of a pay-for-performance system for these same employees.[15]

In 2000, the CG received authority to implement additional human capital flexibilities for GAO. This included specific tools, such as authorization, for a three-year period, to use voluntary separation incentives along with early retirements, to help the agency restructure its workforce and bring in new knowledge and skills. The CG was also provided with new authority regarding the manner in which employees would be released during a reduction-in-force.[16]

With the passage of the GAO Human Capital Reform Act in 2004, the temporary authorities authorized in 2000 were made permanent. The new law also permitted the CG to set annual pay raises tied more closely to performance appraisal ratings and eliminated the longstanding requirement that GAO provide all employees, regardless of their performance, with automatic annual pay increases applicable to the Executive Branch.[17] Under the new law, the CG was authorized to move to a more market-based pay system for the agency's employees.[18]

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[12] David M. Walker, "GAO and Human Capital Reform: Leading By Example," Public Personnel Management (December 2007), author abstract.

[13] U.S. Senate Committee on Governmental Affairs, *General Accounting Office Personnel Act of 1979*, S.Rept.96-540, 96th Cong., 1st sess. (Washington: GPO, 1979), p.2.

[14] P.L. 96-191, 94 Stat. 2794 Stat. 27.

[15] Walker, "GAO and Human Capital Reform: Leading By Example," Public Personnel Management (December 2007), author abstract.

[16] CRS Report to Congress. *GAO: Government Accountability Office and General Accounting Office*, by Frederick M. Kaiser (updated September 10, 2008), p. CRS 15-16.

[17] Ibid.

[18] Ibid.

THE COMPTROLLER GENERAL POSITION

The CG heads the GAO, and is selected by the President from a list of at least three candidates recommended by a special Congressional commission.[19] The commission is composed of the Speaker of the House; the President pro tempore of the Senate; the majority and minority leaders of the House and Senate; and the Chairmen and Ranking Minority Members of the Committee on Homeland Security and Governmental Affairs of the Senate and the Committee on Oversight and Government Reform of the House.[20] The President may ask the commission to recommend additional individuals for consideration.[21] The President's nomination for the position is then subject to Senate confirmation.

The CG serves a 15-year nonrenewable term, and can only be removed from office for specific cause by impeachment or by joint resolution of Congress, after notice and an opportunity for a hearing.[22] Impeachment is limited to the Constitutional grounds of treason, bribery, or other high crimes and misdemeanors.[23] The acts that are specified in law as the basis for removal by joint resolution are: permanent disability, inefficiency, neglect of duty, malfeasance, or a felony or conduct involving moral turpitude.[24] Since the creation of the GAO in 1921, there have been seven CGs. Three have served the full 15-year term. None has been removed from office for cause.

Previous CGs have had various skill sets and job experience prior to taking on the role. All had public sector experience, ranging from a former Governor/Senator and a House member to a member of the U.S. Atomic Energy Commission. Most had private sector experience as well, with most of that in either accounting or law firms. Their educational backgrounds have varied, but most have had either an advanced degree or a professional certification. All have been male and have averaged 51 years of age at the time they were appointed to the position.[25]

GAO could provide no official CG job description, but several common characteristics and skill sets that are necessary for a "successful" CG have been identified by knowledgeable individuals. These include an understanding of all branches of the federal government; experience in managing large organizations, either in the private or public sectors; advanced analytical and management skills; the capacity to understand the politically charged environment in which the CG operates; and the ability to remain politically neutral. Although the CG need not be a Certified Public Accountant (CPA), it is thought important that the individual have some kind of professional certification, i.e., a CPA, JD, or similar background.

The CG has the crucial responsibility of serving as the lead auditor of the U.S. Government, as well as heading an agency responsible for evaluating programs, analyzing policy, and rendering

[19] 31 U.S.C. § 703(a)(3).
[20] 31 U.S.C. § 703(a)(2).
[21] 31 U.S.C. § 703(a)(3).
[22] 31 U.S.C. § 703(e)(1).
[23] U.S. Constitution, Art. II, Sec.4.
[24] 31 U.S.C. § 703(e)(1)(B).
[25] See Appendix D for more detailed information regarding the seven former Comptroller Generals and their backgrounds.

legal opinions and decisions on government programs and activities.[26] GAO is Congress' largest support agency and has a nationwide field structure.[27] For Fiscal Year 2008, GAO had an annual budget of $507.2 million and claimed $58.1 billion in measurable financial benefits as a result of its work ($114 for every dollar spent).[28] The CG and other GAO officials testified to Congress 304 times in Fiscal Year 2008 on various issues ranging from Homeland Security to Air Force Procurement to District of Columbia Public Schools.[29]

The CG's authority "spans the entire Federal Government and touches state and local governments and many nongovernmental activities as well."[30] The CG served on the Hurricane Katrina Contract Audit Task Force, chaired the Commercial Activities Panel, and continues to serve on the Federal Accounting Standards Advisory Board.[31] Historically, the CG has been given other specific responsibilities in public law, such as the power to bring suit to require the release of impounded funds (2 U.S.C. 687); the duty to impose civil penalties under the Energy Policy and Conservation Act of 1975 (42 U.S.C. § 6385(a); and assignments to serve as a member of the Chrysler Corporation Loan Guarantee Board (15 U.S.C. § 1862) and the Board of Directors of the United States Railway Association (45 U.S.C. § 711(d).[32] In addition, the CG represents the United States in international forums involving professional audit standards and responsibilities.

The CG, as the Chief Executive Officer of GAO, is the chief accountability officer of the U.S. Government.[33] As such, the CG's role is unique and of utmost importance in providing strong and independent leadership to GAO, which has been described as "a behemoth that is far more than an arm of Congress. It is the watchdog of Congress, and it has been as reliable, thorough, and alert as any watchdog could be."[34]

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[26] "GAO Answers the Question: What's in a Name?," by David M. Walker, *Roll Call*, July 19, 2004.

[27] The other support agencies are the Congressional Budget Office, Congressional Research Service, and entities in the Library of Congress. CRS Report for Congress*: GAO: Government Accountability Office and General Accounting Office*, by Frederick M. Kaiser (updated September 10, 2008), p. CRS-1. GAO has offices in Atlanta, Georgia; Boston, Massachusetts; Chicago, Illinois; Dallas, Texas; Dayton, Ohio; Denver, Colorado; Huntsville, Alabama; Los Angeles, California; Norfolk, Virginia; San Francisco, California; and Seattle, Washington.

[28] Gao.gov/about/gglance.

[29] See, e.g., GAO 08-897T, Testimony Before the House Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, Committee on Homeland Security, and Governmental Affairs, U.S. Senate on Homeland Security: *The Federal Protective Service Faces Several Challenges That Raise Concerns About Protection of Federal Facilities* (June 19, 2008); GAO 08-991T, Testimony Before the Air and Land Forces Subcommittee, Committee on Armed Services, House of Representatives on Air Force Procurement: *Aerial Refueling Tanker Protest* (July 10, 2008); GAO 08-549T, Testimony Before the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, Committee on Homeland Security, and Governmental Affairs, U.S. Senate on District of Columbia Public Schools: *While Early Reform Efforts Tackle Critical Management Issues, a District-Wide Strategic Education Plan Would Help Guide Long Term Efforts* (March 14, 2008).

[30] *GAO 1966-1981 An Administrative History*, by Sperry, Desmond, McGraw and Schmitt, U.S. General Accounting Office, p. 84 (1981).

[31] CRS Report for Congress: *GAO: Government Accountability Office and General Accounting Office*, by Frederick M. Kaiser (updated September 10, 2008), p. CRS-7-8.

[32] CRS Report for Congress: *GAO: Government Accountability Office and General Accounting Office*, by Frederick M. Kaiser (updated September 10, 2008), p. CRS-7.

[33] *The Comptrollers General of the United States and a Conversation with the Surviving CGs*, Donald E. Tidrick, Deloitte Professor of Accountancy, Northern Illinois University (June 2006), p. 29.

[34] Ibid.

NEED FOR INDEPENDENCE

In order for the GAO to function effectively in its oft-described role as the "Congressional watchdog," it is essential that the CG and GAO staff remain nonpartisan, act independently of other agencies, and resist political pressures from both the Executive Branch and Congress. As expressed by former CG David Walker in a July 2007 letter to Congress, "Congress' overriding purpose in creating GAO and the Office of the CG was to provide for oversight of federal expenditures by an agency that would be as independent as possible from political pressures or control by other sources, and therefore, free to criticize unwarranted expenditures without retribution."[35]

The legislative history relating to the creation of GAO in 1921 stressed this need for independence repeatedly. For example, Representative Good stated:

> The Comptroller General should be something more than a bookkeeper or accountant; that he should be a real critic and at all times should come to Congress, no matter what the political complexion of Congress or the Executive might be, and point out inefficiency, if he found that money was being misapplied—which is another term for inefficiency—that he would bring such facts to the notice of the committees having jurisdiction of appropriations.[36]

This desire for independence also drove the initial formation of the CG position when the office was created in 1921. It was believed that the 15-year length of the term, the fact that it is non-renewable, and the removal only for cause, provided the CG protection from outside forces and allowed the CG to remain as neutral as possible.

In 1986, in *Bowsher v. Synar*,[37] the Supreme Court addressed the issue of the CG's independence and clarified that the CG and the GAO are elements of the Legislative Branch. The case involved Section 251 of the Balanced Budget and Emergency Deficit Control Act of 1985[38] which required the CG to prepare a report for the President specifying spending reductions that the President must make in order to reduce the federal deficit. The Court ruled that this constituted an Executive function and thus violated the Constitutionally-mandated separation of powers since the CG was removable by Congress, and Congress cannot retain the power of removal over an individual performing Executive functions.[39]

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[35] Letter from Comptroller General David M. Walker to Honorable Mary L. Landrieu and Honorable Debbie Wasserman Schultz regarding "Comptroller General's Retirement Annuity" (July 13, 2007).
[36] 61 Cong. Rec. 1090 (1921).
[37] 478 U.S. 714 (1986).
[38] 2 U.S.C.S. 901.
[39] The Majority Opinion of the Court stated: "In constitutional terms, the removal powers over the Comptroller General's office dictate that he will be subservient to Congress. . . [T]he dissent is simply in error to suggest that the political realities reveal that the Comptroller General is free from influence by Congress. The Comptroller General heads the [GAO], 'an instrumentality of the United States Government independent of the executive departments.' . . . It is clear that Congress has consistently viewed the Comptroller General as an officer of the Legislative Branch." 478 U.S. 714, 730-31.

CG ANNUITY

In 1953, Congress established a lifetime, full-salary annuity for a CG who serves the complete 15-year term and reaches age 65, or reaches the age of 70 and has completed 10 years of service as CG. [40] Further, a CG who becomes permanently disabled and has served 10 years as CG is entitled to the full annuity, or 50 percent of the annuity if serving less than 10 years. The annuity is also reduced by a formula for a CG who completes the 15-year term before becoming 65 years of age. In addition, a CG may choose to have the annuity reduced in order to provide survivor benefits.[41] A CG who does not fulfill the age and service requirements receives no portion of the lifetime annuity whatsoever for service as CG. Essentially, it is an "all or nothing" benefit.[42]

In establishing the annuity, Congress compared the CG position to a federal judge.[43] The position was said to be "similar in character, tenure and independence," and was described as "quasi-judicial."[44] Congressman Halleck stated during the floor debate that "the [O]ffice of the CG in its tenure and in its responsibilities very closely approximates the position of the Federal judges who are treated in much this same way."[45] This comparison was also made during the Senate debate when Senator Case added that "the independence that is desirable in connection with the Office of Comptroller General is very much comparable to that of the position of Federal judge."[46]

Members of Congress also stated during the discussion of the proposed annuity that the annuity would "strengthen the [O]ffice of Comptroller General and its continuing value to the Congress and the Government."[47] The Members further argued that the annuity would help ensure the independence of the CG by going "one step further to insure this independence of action by the CG which is absolutely essential in our three-branch system of Government."[48] Congressman Bonner went on to state:

> [T]he enactment of the bill will establish an office which, by reason of a 15-year term and an adequate retirement, will make it possible for the American people to have always a Comptroller General of mature judgment and unquestionable ability, and a man of proven earning capacity who would feel he could accept the position by reason of the measure of security offered.[49]

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[40] 31 U.S.C. § 772.
[41] See Appendix H.
[42] A CG who has had prior federal service and has accrued benefits under the regular federal retirement programs may opt to remain subject to those programs and postpone electing the lifetime CG annuity until the 10th year of service as CG. (31 U.S.C. 772(c).) Further, a CG who does not elect to receive the lifetime annuity would continue to be eligible for any Social Security credit that had been earned in previous employment.
[43] Sen. Rpt. 594, p. 2017 (July 16, 1953).
[44] House Rpt. 684, p. 2, additional views to accompany H.R. 5228 (July 1, 1953). See also 99 Cong. Rec. 8137, 8139 (July 7, 1953).
[45] 99 Cong. Rec. 8137, 8140 (July 7, 1953).
[46] 99 Cong. Rec. 9344, 9345 (July 21, 1953).
[47] House Rpt. 684, p. 2, additional views to accompany H.R. 5228 (July 1, 1953).
[48] 99 Cong. Rec. 8137, 8138 (July 7, 1953).
[49] 99 Cong. Rec. 8137, 8140 (July 7, 1953).

Further, Congressman Barden argued that "[u]pon his shoulders, whoever he may be, whether he is a Republican or a Democrat, rests such tremendous responsibilities which demand so much of that individual that I believe the least we could do would be to remove some of the hazards that might require part of his time in thinking of the future."[50]

An additional argument for the annuity was that, after serving a 15-year term, most CGs would be "of such advanced age as to deter, if not prohibit, . . . acceptance of employment in other pursuits."[51] Since not all candidates will have been U.S. Government employees subject to the FERS or the Civil Service Retirement System (CSRS),[52] the 15-year term would not allow a CG new to government service sufficient time to accumulate meaningful retirement benefits. It was argued that "[t]hese circumstances could deter an able man from accepting appointment to the Office or continuing to serve for the full period of his term if offered another position affording greater security."[53] The annuity thus was intended by Congress not only to provide an incentive to accept the position, but to remain in it as well.

Today, proponents of the annuity continue to stress its contribution to the CG's independence. Former CG David Walker stated in his 2007 letter to Congress that "Congress established the Comptroller General's retirement system to enhance the independence of the office and attract qualified candidates to make the long-term commitment to serve as Comptroller General."[54] He further stated the annuity is "part of the comprehensive statutory framework designed to assure the independence of the [GAO] . . . . [T]he annuity provision was viewed as a means of enhancing the Comptroller General's independence by eliminating the need for him or her to retain business connections and other outside ties."[55] According to former CG Walker, the annuity, along with the fixed term of office and the limitations on removal, is "fundamental to the independence and integrity of the office."[56]

In order to evaluate the validity of that assertion, the Panel reviewed the characteristics of the CG position as compared to positions in the public and international sectors that appear to have similar responsibilities and requirements for independence in order to determine whether and to what extent they include special annuity and other features designed to preserve their independence. In addition, the Panel considered private sector positions to determine whether and to what extent valid comparisons could be drawn with the CG, and to shed light on the value and cost of the CG annuity as compared to compensation and benefits packages that are available at levels from which the U.S. Government is likely to draw candidates for the CG position. The following three chapters discuss the results of that research.

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[50] Ibid.
[51] Sen. Rpt. No. 594, p. 2017, 2019 (July 16, 1953).
[52] See Title 5, Chapters 83 and 84.
[53] House Rept. 684, part 2 (83d Congress, 1st session), p. 2 (July 1, 1953).
[54] Letter from Comptroller General David M. Walker to Honorable Mary L. Landrieu and Honorable Debbie Wasserman Schultz regarding "Comptroller General's Retirement Annuity" (July 13, 2007).
[55] Ibid.
[56] Ibid.

CHAPTER 3
COMPARISON WITH U.S. GOVERNMENT POSITIONS

As explained in Chapter 2, the CG position is unique in its scope and impact and has no exact counterparts within the U.S. Government. However, the Panel identified a group of positions that provide a reasonable basis for comparison for the purpose of evaluating the need for the CG's unique retirement system. This chapter provides a summary of the characteristics of those positions and an analysis of how they compare to the CG's position.[57] The key determinant in selecting these comparator positions was the requirement for independence in performing their duties. Additionally, similarities in terms of the appointment process, tenure, and protections from removal also guided the Panel's selection of comparable positions. The Panel examined positions in all branches of the federal government, as well as an independent regulatory agency. In reviewing the characteristics of these similar positions, the Panel's primary goals were to: examine the extent of these similarities; determine whether the comparator positions have retirement systems similar to the CG's; and, if they do not, identify other provisions that may be in effect to preserve the independence of those positions. The ultimate purpose was to determine whether the CG's position is sufficiently different from or similar to other positions to warrant a full-salary lifetime annuity benefit.

FEDERAL JUDGES

As explained earlier, the legislative history of the 1953 law that created the current CG retirement system likened the CG position to federal judges in character, tenure, and independence. Thus, the CG's retirement system was designed to resemble retirement systems and benefits provided for federal judges. The Panel reviewed the characteristics, compensation, and retirement systems for both Article III and Article I judges to determine how the CG position resembles federal judges and to what extent the CG position warrants similar treatment for retirement purposes.

Article III Judges

Article III judges are appointed under Article III of the U.S. Constitution which establishes the Judicial Branch of the U.S. Government. Included in this group are Supreme Court Justices, judges appointed to the 13 U.S. Courts of Appeals and the 94 U.S. District Courts, and judges appointed to the Court of International Trade. In this group, the Panel examined the characteristics, compensation, and retirement benefits of Supreme Court Justices.

The Supreme Court, the highest judicial body in the U.S. Government, consists of one Chief Justice and eight Associate Justices. Power to nominate Supreme Court Justices is vested in the President of the United States, and appointments are made with the advice and consent of the Senate. Currently, the Chief Justice's salary is $223,500, and Associate Justices receive $213,900.

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[57] While federal government positions (along with the international counterparts discussed in Chapter 4) were the primary focus of the Panel's analysis of comparator positions, the Panel also examined the structure and compensation of the California State Auditor position. The results of that review are included in Appendix I.

To ensure an independent judiciary and to protect judges from partisan pressures, the Constitution provides that Supreme Court Justices, and all other federal judges appointed under Article III, serve "during good behavior."[58] This essentially amounts to a life term since these judicial appointments terminate only upon death, resignation, retirement, or conviction on impeachment. To further assure their independence, the Constitution provides that these judicial salaries may not be reduced while they are in office.[59]

For retirement purposes, Supreme Court Justices (and other Article III judges) are subject to the "Rule of 80."[60] This means that beginning at age 65, a Justice or judge may retire from office after performing 15 years of service (65+15=80). Under this rule, there is a sliding scale of increasing age and decreasing service so that when a Justice reaches age 70, he or she can retire with just 10 years of service (70+10=80). Retirement is also available for any Justice or judge who becomes permanently disabled, regardless of age or years of service.

Upon retirement, a Justice receives, for the remainder of the Justice's lifetime, an annuity equal to the salary the individual was receiving immediately prior to leaving office. The annuity is permanently fixed at that level and is not subject to any future cost-of-living or other salary increases. Retirement due to permanent disability with less than 10 years of service entitles the retiree to an annuity at half the level of the final salary.

Article I Judges

Article I judges preside over tribunals created by Congress under Article I of the Constitution.[61] Included in this group are judges of the U.S. Court of Federal Claims and the U.S. Tax Court. These judges hold their office during good behavior and can only be removed for cause.

<u>Federal Claims Court Judges.</u> The U.S. Court of Federal Claims has nationwide jurisdiction over claims against the federal government for compensation resulting from the U.S. Government's taking of private property, refund of federal taxes, military and civilian pay and allowances, and damages for breaches of contract with the government.[62] In January 2001, the Court of Federal Claims became the exclusive judicial forum for bid protest litigation, and it hears both pre-award and post-award bid protest suits brought by unsuccessful bidders on government contracts.[63]

The 16 judges of the Claims Courts are appointed by the President and confirmed by the Senate. However, unlike Supreme Court Justices, Federal Claims Court judges do not have life tenure.

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[58] U.S. Constitution, Art. III, Sec. 1.
[59] Ibid.
[60] Administrative Office of the U.S. Courts: The Guide to Judiciary Policies and Procedures, Volume 3, Judges Manual, Section C, Chapter 1, Part B, Retirement Benefits.
[61] U.S. Constitution, Art. I, Sec. 8, Cl. 9.
[62] 28 U.S.C 1491. The United States Court of Federal Claims was recreated pursuant to Article I of the U.S. Constitution in October 1982, by the Federal Courts Improvement Act. 28.U.S.C. 171. This Act abolished the Court of Claims and the Court of Customs and Patent Appeals and created the Court of Appeals for the Federal Circuit and the Federal Claims Court. www.uscourts.gov/about.
[63] www.usfc.uscourts.gov/sites. An alternative route for bid protests is provided through GAO and the CG.

Instead, they serve for 15-year terms and are eligible for reappointment. Currently, Federal Claims Court judges are paid an annual salary of $174,000.

Federal Claims Court judges have a special retirement system with age and service requirements that mirror those established for Article III judges under the "Rule of 80."[64] A Federal Claims Court judge who qualifies and retires upon completion of the 15-year term is entitled to receive a lifetime annuity equal to the salary the judge is receiving at that time, provided the judge advises the President nine months before expiration of the judge's term that he or she is willing to accept reappointment as a judge of the Court of Federal Claims. During their retirement, these judges are responsible for hearing a reduced number of cases. The ongoing tenure of these judges has been identified as a "mechanism to ensure judicial impartiality and independence."[65]

U.S. Tax Court Judges. The U.S. Tax Court was established by Congress to provide a judicial forum in which affected persons can dispute tax deficiencies determined by the Internal Revenue Service (IRS) prior to payment of the disputed amounts.[66] The Tax Court is unique in that it is formally a part of the Legislative Branch of the United States Government.[67] The Court's jurisdiction also includes the authority to re-determine transferee liability, make certain types of declaratory judgments, adjust partnership items, order abatement of interest, award administrative and litigation costs, re-determine worker classification, determine relief from liability on a joint return, review certain collection actions, and review awards to whistleblowers who provide information to the Commissioner of the IRS.

The U.S. Tax Court is comprised of 19 judges who are appointed by the President and confirmed by the Senate for 15-year terms, subject to removal for cause. U.S. Tax Court judges are required to retire at the age of 70. For voluntary retirement, they are subject to the Rule of 80. Thus, they may retire when they reach the minimum age of 65 and have at least 15 years of service. Like Federal Claims Court judges, U.S. Tax Court judges who are not reappointed following the expiration of their term may retire if they have served for 15 years or more and notify the President no later than six months before retirement in writing that they are willing to accept reappointment to the Tax Court. Former judges whose terms have ended may become "Senior Judges," who are able to return and assist the court by hearing cases while serving on recall. In addition, the court is assisted by a number of "special trial judges," who are employees of the court and are appointed by the Chief Judge of the Tax Court, rather than by the President.[68]

A judge of the U.S. Tax Court receives a retirement annuity that is a percentage of the salary that the judge was receiving at the time of retirement, based upon a percentage of the number of years served by the judge. For example, a judge who serves the full 15 years receives an annuity equal to 100 percent of the judge's salary.

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[64] *The Guide to Judiciary Policies and Procedures*, Volume 3, Judges Manual, Section C, Chapter 1, Part B, Retirement Benefits.
[65] Ibid.
[66] Revenue Act of 1942, sec. 504(a), Pub. L. 753, Ch. 619, 56 Stat. 798, 957 (Oct. 21, 1942).
[67] *United States Policy and Supporting Positions*, Committee on Homeland Security and Government Affairs, United States Senate, 110th Congress, 2d Session, p. 2 (Nov. 12, 2008). Available at: http://www.gpoaccess.gov/plumbook/2008/index.html.
[68] 26 U.S.C.S. § 7443A (a).

Comparing the CG and Federal Judges

The CG is similar to federal judges in terms of the need for independence and tenure; however, their roles and responsibilities are otherwise much different. Federal judges hear and rule on specific cases and move on to the next without any necessity for public explanation beyond the text of their written opinions. While the decisions of lower level judges are subject to reexamination and reversal by superior courts, they do not have the burden of defending them in any forum, as the CG is often required to do before Congress and with the heads of agencies and departments. Thus, any comparison of the CG to judicial officers is inexact with respect to the nature of their functions.

With respect to tenure, Article III judges have lifetime tenure, which is not required of the CG. While the CG's term of office is similar to that of Article I judges, the CG is not subject to an ongoing service requirement, as are Federal Claims Court judges, in order to receive the lifetime annuity. U.S. Tax Court judges and the CG are both part of the Legislative Branch, but these judges receive a retirement annuity that is a percentage of the final salary based on the number of years served.

When the CG position was created, Congress analogized the position to federal judges and vested the position with much the same level of independence, which was viewed as critical to the effective performance of all of the CG's responsibilities. Today, GAO and the CG function quite differently than they did when the agency was established in 1921, or even when the annuity was created in 1953. Although the CG's roles and responsibilities are different today, the need for independence remains the most important characteristic of the position, and the judicial model of independence (tenure and protections from removal) adopted by Congress for the CG in 1921 still has relevance. However, in light of the major differences between the roles and responsibilities of the CG and federal judges, the similarities with respect to independence are not sufficient to demand the exact same treatment of the CG for annuity purposes. Therefore, the Panel deemed it appropriate to examine the characteristics of other positions to determine how they compare to the CG and whether they offer any basis for considering a different type of annuity.

Table 1 summarizes the characteristics of the CG position and those of the federal judicial positions that have been discussed above.

Table 1. Comparison of Comptroller General to Federal Judges

Position	Branch of Government	Appointment Process	Tenure	Removal Provisions	Salary/Annuity Provisions
Comptroller General	Legislative	Appointed by the President with the advice and consent of the Senate. A 10-member Congressional commission recommends at least three individuals to the President.	15-year term	May be removed by impeachment or by a joint resolution of Congress.	**Salary:** Level II of Executive Schedule—$177, 000**.** **Annuity:** Lifetime annuity equivalent to CG's salary at time of retirement if the CG completes 15-year term and reaches age 65, **or** completes 10 years and reaches age 70, **or** is permanently disabled and served 10 years or more.
Supreme Court Justice	Judicial	Appointed by the President with the advice and consent of the Senate.	Life	Holds office during "good behavior." Can be removed by impeachment and subsequent conviction.	**Salary:** Chief Justice—$223,500. Associate Justice—$213,900**.** **Annuity:** Lifetime annuity equivalent to Justice's salary prior to retirement—frozen and not subject to future increases. At age 65, can retire under "Rule of 80": total age and years of service equal 80, or with any combination of age and service equal to 80, when at least 10 years of service are completed.

Position	Branch of Government	Appointment Process	Tenure	Removal Provisions	Salary/Annuity Provisions
Federal Claims Court Judge	Judicial	Appointed by the President and confirmed by the Senate.	15-year term, with possibility of reappointment.	Holds office during good behavior and can only be removed for cause.	**Salary:** $174,000**.** **Annuity:** Lifetime annuity equivalent to judge's salary at retirement if he/she completes 15-year term and advises the President at least 9 months in advance that he/she is willing to accept reappointment **or** if disabled with at least 10 years of service.
Tax Court Judge	Legislative	Appointed by the President and confirmed by the Senate.	15-year term, with possibility of reappointment.	Holds office during good behavior and can only be removed for cause.	**Salary:** **$**169,300**.** **Annuity:** Percentage of salary based on portion of the 15-year term served.

OTHER U.S. GOVERNMENT POSITIONS

The Panel identified several executive positions in the federal government that appear to have some of the features of the CG position and examined the roles, responsibilities, tenure, compensation, and retirement programs that are available to these positions in order to determine how they compare to the CG. The objective of this review was to determine whether the independence required in similar federal positions is supported by the same or different type of treatment for compensation and retirement benefits.

Positions included in this review are: (1) the Director of the Federal Bureau of Investigation (FBI); (2) the Commissioner of the IRS; (3) the Comptroller of the Currency; (4) Chairman of the Board of Governors of the Federal Reserve System; (5) Inspectors General (IGs); and (6) the Director of the Congressional Budget Office (CBO). Independence is a key attribute for all of the positions included in the Panel's review.[69]

These positions differ from the CG in that they—except for the Director of the CBO, who is a Congressional appointee—are filled by Presidential appointments with Senate confirmation. Presidential appointees serve "at the pleasure of the President" and are subject to removal for cause or at the discretion of the President, depending on the position. There is no unique retirement system in place to attract and retain or maintain the independence of individuals appointed to these positions.

Sources of Independence

The Panel considered the organizational placement and funding sources for these positions and the impact these factors have on their independence.

<u>Organizational Placement.</u> Four of the positions reviewed are located in the Executive Branch, one in the Legislative Branch, and one—the Chairman of the Federal Reserve's Board of Governors—heads an independent federal agency. The organizational placement of most of the positions in the Executive Branch exposes them to threats to their independence from Executive Branch officials (including their agency and department heads) and Congress. Threats to the Director of the CBO stem primarily from Congress, though there is also pressure from Executive Branch and regulatory agencies. The threat to an independent regulatory agency head would emanate from the Executive Branch and Congress in the context of terms and reappointment decisions.

The independence of federal IGs is most clearly supported by legislation. While IGs operate under the general supervision of the agency head or deputy, neither can generally prevent nor prohibit an IG from conducting an audit or investigation.[70] Further, the IGs have a dual reporting

[69] Since members of Congress are expected to act independently and one prior CG came from Congress, this group was considered as a potential comparator organization as well. However, the nature of the functions performed by members of Congress and their terms of office are so different as to make any comparison tenuous.

[70] While there are a few exceptions to this general rule, e.g., the CIA and DOJ IGs, Congress must be notified if the exception authority is utilized. See 50 U.S.C 403 (q) (b) (3), (4); and 5 U.S.C. app. §8E (a) (2), (3).

relationship to the agency head and to Congress that encourages independence of action and results.

The Inspector General Reform Act of 2008 amended the 1978 Act to strengthen the independence of IGs and the importance of their integrity. Unlike the CG position, the law stipulates the qualifications required of IGs, i.e., they must have demonstrated ability in accounting, auditing, financial analysis, law, management analysis, public administration, or investigations. Further strengthening the IG's independence, the 2008 law provides that each IG is authorized to appoint a legal counsel who reports directly to the IG and is independent of the agency's general counsel. The 2008 law also established an independent IG Council on Integrity and Efficiency, strengthening the community of IGs.

Source of Funding. While organizational placement may threaten independence, the source of funding provides greater independence for the Chairman of the Federal Reserve's Board of Governors and the Comptroller of the Currency. The Federal Reserve is self-financed by fees from the banking institutions it supervises, and it is not subject to the Congressional budgetary process. Similarly, the Office of the Comptroller of the Currency (OCC) receives no appropriations from Congress. Instead, its operations are funded primarily by assessments on national banks. These banks pay for their examinations, and they pay for the OCC's processing of their corporate applications. The OCC also receives revenue from its investment income, primarily from U.S. Treasury securities.

Congress is the source of the GAO and CG's funding annually. Thus, unlike some of its comparative public sector organizations, this is a source of vulnerability regarding the independence of the CG.

Appointment Process and Term

Appointment Process. The appointment process used for the CG (described in Chapter 2) is markedly different from other similar positions. With the exception of the Director of the CBO, who is appointed jointly by the Speaker of the House of Representatives and the President pro tempore of the Senate after considering recommendations from the House and Senate Budget Committees, appointments to all of the other positions are made by the President with the advice and consent of the Senate. The appointment process for the almost 70 current IGs depends on what kind of federal entity they serve. The President nominates IGs at 30 or so Cabinet-level departments and major agencies, subject to Senate confirmation, while agency heads appoint the remainder in other organizations.

Term. With the exception of IGs, all of the positions selected for comparison have fixed terms ranging from four to 14 years. However, none has a term as long as the CG's 15-year term. The Chairman of the Federal's Reserve's Board of Governors is unique in that he or she is appointed for a four-year term, but must be appointed from the Board or simultaneously appointed to the Board. Each Board member is appointed for a full 14-year term, and the appointments are staggered so that one term expires on January 31 of each even-numbered year.

Compensation and Retirement Benefits

Compensation. The CG's salary is equivalent to Level II of the Executive Schedule ($177,000). This salary exceeds that of all other U.S. Government comparator positions except the Chairman of the Board of Governors for the Federal Reserve, whose salary is $196,700.

Retirement. Perhaps the most significant difference is that none of the positions selected for comparison has a unique retirement system like the CG. Instead, they are all covered by the Federal Employees Retirement System (FERS), which is applicable to most federal employees who entered government service after 1984. FERS provides benefits from three different sources: a Basic Benefit Plan, Social Security, and the Thrift Savings Plan.[71] Under FERS, an employee's annuity is computed based on the employee's length of service and "high-3" average salary, i.e., the highest average basic pay earned during any three consecutive years of service.

To be eligible for immediate retirement, FERS requires that the participant have at least 5 years of service and be at least age 62, or have at least 20 years of service at age 60. An employee below age 60 must meet a Minimum Retirement Age (MRA)[72] and have at least 30 years of service. Under certain conditions, an employee who has at least 10 years of service can retire at the MRA and receive a reduced benefit.[73]

Table 2 illustrates how retirement benefits are calculated under FERS.

Table 2. FERS Basic Annuity Formula[74]

Age	Benefit
Under age 62 at retirement or Age 62 or older with less than 20 years of service	1 % of high-3 average salary for each year of service
Age 62 or older at separation with 20 or more years of service	1.1 % of high-3 average salary for each year of service

Although Congress was not identified as a comparator group for the purpose of the Panel's analysis of U.S. Government positions, the Panel examined the retirement system available to Members of Congress to determine whether it could potentially provide an alternative to the existing CG annuity.[75] Members of Congress who were first elected in 1984 or later are covered by FERS unless they decline this coverage (in which case they are covered only by Social Security). Under FERS, Members of Congress and Congressional employees with at least five

[71] The Thrift Savings Plan is a tax-deferred retirement savings and investment plan that offers federal employees the same kind of savings and tax benefits that many private corporations offer their employees under 401(k) plans.
[72] Minimum Retirement Age is generally at least 55.
[73] Reduced benefits means that if an employee retires at the MRA with at least 10 but less than 30 years of service, the benefit is reduced at the rate of 5/12 of 1% for each month (5% for each year) the employee is under age 62, unless the employee has at least 20 years of service and the annuity begins at age 60 or later.
[74] www.opm.gov.
[75] The current salary range for Members of Congress is $174,000 to $223,500.

years of service receive an enhanced benefit—a full annuity at age 50 with 20 years of service, or at any age with 25 years of service.[76]

Table 3 below shows the basic benefit formula for Members of Congress and Congressional employees with at least five years of service.

Table 3. FERS Benefits for Members of Congress

Age	Benefit
50, with 20 years of service	1.7% of high-3 average salary multiplied by number of years of service up to 20 years, plus 1% of high-3 salary times any other service
Any age, with 25 years of service	

A CG annuity modeled after the Congressional FERS system would recognize the importance and stature of the CG position by providing a better annuity than other federal employees under FERS, but would be far less costly than the lifetime salary annuity currently in place. Of course, the age and service requirements would need to be modified in recognition of the typical age at which a CG is appointed and the length of the CG term.

Removal Provisions

None of the comparator positions have the same level of protection from removal afforded the CG. The FBI Director, IRS Commissioner, Comptroller of the Currency, and IGs all serve "at the pleasure of" the President or other appointing official and may be asked to resign or may be dismissed at any time. Further, they are not covered by standard civil service removal procedures and have no right of appeal.

IGs appointed by the President can be removed by the President, but both Houses of Congress must receive written notification of the decision to remove an IG 30 days in advance. Agency heads can remove the IGs they appoint, but they must also notify both Houses of Congress of the proposed removal. The Director of the CBO can be removed by a resolution of either House of Congress.

Table 4 summarizes the characteristics of the CG position and those of the U.S. Government positions that have been discussed above, while Appendix G provides a detailed description of the missions of the agencies that are headed by these similar federal positions.

[76] 5 U.S.C 8415 (b) and (c).

Table 4. Comparison of Comptroller General to Other Executive Level Federal Positions

Position	Branch of Government	Appointment Process	Tenure	Removal Provisions	Salary/Annuity Provisions
Comptroller General	Legislative	Appointed by the President with the advice and consent of the Senate. A 10-member Congressional commission recommends at least three individuals to the President.	15-year term	May be removed by impeachment or by a joint resolution of Congress.	**Salary**: Level II of Executive Schedule—$177, 000**.** **Annuity:** Lifetime annuity equivalent to CG's salary at time of retirement if the CG completes 15-year term and reaches age 65, **or** completes 10 years and reaches age 70, **or** is permanently disabled and served 10 years or more
Comptroller of the Currency	Executive/Treasury	Appointed by the President and confirmed by the Senate.	5-year term	Serves at the pleasure of the President.	**Salary:** Level III of Executive Schedule—$162,900. **Annuity**: FERS.
FBI Director	Executive/Justice	Appointed by the President and confirmed by the Senate.	10-year term	Serves at the pleasure of the President.	**Salary:** Level III of Executive Schedule—$162,900**.** **Annuity:** FERS.
IRS Commissioner	Executive/ Treasury	Appointed by the President and confirmed by the Senate.	5-year term[77]	Serve at the pleasure of the President.	**Salary:** Level III of Executive Schedule—$162,900. **Annuity:** FERS**.**

[77] The IRS Restructuring and Reform Act of 1998 set a five-year term of office.

Position	Branch of Government	Appointment Process	Tenure	Removal Provisions	Salary/Annuity Provisions
Chairman of the Board of Governors of the Federal Reserve System	Independent agency	Appointed by the President and confirmed by the Senate**.**	4-year term; may be reappointed to serve a full 14-year term as allowed for Governors.	Cannot be removed for policy positions.	**Salary:** Level I of Executive Schedule—$196,700**.** **Annuity:** FERS**.**
Director, Congressional Budget Office	Legislative	Jointly appointed by the Speaker of the House and the President Pro Tempore of the Senate, after receiving the nominations of the Budget Committee in each House.	4-year term with no limit on the number of terms the Director can serve.	Either House of Congress may remove the Director by resolution.	**Salary:** Set by law—$172,500.[78] **Annuity**: FERS.
Inspectors General	Executive (various agencies and Departments)	Appointed by the President, and confirmed by the Senate for Cabinet and major agencies; others appointed by agency heads.	No fixed term.	Serve at the pleasure of the President, or agency head, with 30 days notice to Congress if removed.	**Salary:** Set by law—Level III of Executive Schedule ($162,900) **plus** 3 percent—$167,787**.** **Annuity:** FERS**.**

[78] Provided by CBO.

Summary of Comparison with Other U.S. Government Positions

The U.S. Government positions examined by the Panel generally have a more narrow scope of responsibility than the CG, but their responsibilities and need for independence are no less significant. They do not enjoy the same protections from removal as the CG, and there are no additional structural features in place to preserve their independence.

Only one position, the Chairman of the Board of Governors of the Federal Reserve System, receives a higher annual salary. However, it is worth noting that two of the comparable positions—Chairman of the Board of Governors of the Federal Reserve System and the Comptroller of the Currency—lead agencies that do not receive Congressional appropriations and that this serves to enhance their independence.

While the other U.S. Government positions are required to exercise a similar level of independence in the general sense (objectivity, nonpartisanship, freedom of judgment) there is a fundamental difference in the nature of independence required of these positions and the CG. Because GAO is a Legislative Branch agency, the CG is entirely independent of control by the President or any other Executive Branch official. By contrast, the Executive Branch positions, as well as the Chairman of the Federal Reserve's Board of Governors, serve at the pleasure of the President or another Executive Branch official. Thus, they are not structurally independent of Presidential control.

Of the non-judicial positions, the CBO Director is most similar to the CG in terms of its structural independence. Like the CG, the CBO Director is a Legislative Branch position, and is thus not subject to the control of the Executive Branch. Removal can only be accomplished by one of the Houses of Congress. However, there are major differences in degree that separate the CBO Director from the CG for purposes of the annuity: a much shorter term and less stringent limits on removal from office.

Overall, the other U.S. Government positions reviewed by the Panel offered no exact comparisons to the CG with respect to their need for independence or other characteristics. Thus, the Panel did not find that these positions were similar enough to warrant the same type of retirement benefit available to the CG. Additional useful comparisons are available from an examination of the roles, responsibilities, and characteristics of positions in other governments that bear some similarities to the CG.

CHAPTER 4
COMPARISON WITH INTERNATIONAL POSITIONS

Since there is no other position in the U.S. Government that has the same roles and responsibilities as does the CG, the Panel considered it appropriate to examine the characteristics of similar positions in the governments of other countries. The purpose is to determine how they are compensated and how those countries support the independence of the positions, including, whether they have made any special arrangements for retirement as part of that compensation and in furtherance of their independence.

THE INDEPENDENCE OF INTERNATIONAL SUPREME AUDITORS

In addition to the many complex responsibilities described in Chapter 2, the CG has the added responsibility of representing the United States as a member of the International Organization of Supreme Audit Institutions (INTOSAI).[79] INTOSAI is the professional organization of Supreme Audit Institutions (SAIs) in countries that belong to the United Nations or its specialized agencies. INTOSAI provides a forum in which the chief government auditors from around the world can discuss issues of mutual concern and keep abreast of the latest developments in auditing, professional standards, and best practices. Founded in 1953, INTOSAI has grown from 34 countries to a membership of over 180 SAIs.[80]

In 1977, INTOSAI adopted the Lima Declaration of Guidelines on Auditing Precepts. This Declaration articulated INTOSAI's basic philosophical approach, emphasizing independence and democratic values.[81] As a consequence, INTOSAI identified the core principles of SAI independence as follows:

- the existence of an appropriate and effective constitutional/statutory/legal framework and of de facto application of the provisions of this framework;
- the independence of the SAI and "members"[82] in collegial organizations, including security of tenure and legal immunity in the normal discharge of their duties;
- a sufficiently broad mandate and full discretion in the discharge of SAI functions;
- unrestricted access to information;
- the right and obligation to report on their work;
- the freedom to decide on the content and timing of audit reports and to publish and disseminate them;

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[79] In this international context, a "Supreme Auditor" is the head of a Supreme Audit Institution (SAI), which provides the highest level of external audit of government bodies in a country. Functionally, Supreme Auditors in other countries perform duties identical, or similar, to those of the Comptroller General of the United States.
[80] INTOSAI Strategic Plan, 2005-2010.
[81] www.INTOSAI.org.
[82] "Members" is defined to include persons who must make decisions on behalf of the SAI and must defend those decisions to third parties.

- the existence of effective follow-up mechanisms on SAI recommendations; and
- financial and managerial/administrative autonomy and the availability of appropriate human, material, and monetary resources.[83]

The determinants of independence were further clarified and distilled to three components in the INTOSAI 50th Anniversary Publication.[84] These are:

- organizational independence;
- functional independence; and
- financial independence.

Organizational Independence. SAIs are expected to be free of potential influence from the Executive Branch of their government and must have the organizational independence required to accomplish their work. The Lima Declaration requires that SAIs and their "members" be independent since their independence is directly linked. Organizational independence has also been described as including the SAI's exclusive authority in human resources matters, including authority to recruit qualified personnel.[85]

Functional Independence. Functional independence means empowerment to carry out the functions of the SAI without any possibility of third parties, especially the Executive Branch of government, influencing that work. Further, functional independence includes the authority of the SAI to design its audit program as independently as possible with freedom from any constraints or third-party conditions in the choice of organizations to be audited. Within the legal framework governing its activities, the SAI must be free to set its own auditing priorities and apply the auditing methods and techniques it considers appropriate without being influenced by the Executive Branch. Additionally, functional independence means that the SAI must enjoy complete freedom in deciding the substance of its reports.

Financial Independence. Noting that financial constraints could have the effect of impairing the independence of SAI activities, the Lima Declaration requires that SAIs be given the financial resources needed to perform their missions. It was further noted that this could be a challenging aspect of independence since, in most governments, the Executive Branch determines the budget and allocates appropriations for the SAI. The Lima Declaration stipulates that financial independence is to be clearly reflected by specifying the funds earmarked for an SAI in the public budget under a special budget heading that is separate from those of other agencies.

At its 44th meeting, the INTOSAI Governing Board established a task force to examine the state of independence of member SAIs and to make recommendations on ways to bring about realistic improvements. The March 2001 report concluded that a considerable number of the SAIs surveyed for the study were not functioning in a manner consistent with the requirements of the Lima Declaration. The task force found that a lack of financial resources prevented SAIs from

[83] See www. intosai.org.
[84] *INTOSAI: 50 Years (1953-2003*).
[85] Dr. Franz Fiedler (then Secretary General of INTOSAI and President of the Austrian Court of Audit), "The Independence of Supreme Audit Institutions," published in *INTOSA: 50 Years (1953-2003).*

fulfilling their mandates and was a serious obstacle to achieving a reasonable degree of independence and effectiveness.[86]

Neither INTOSAI nor its 2001 independence task force report identified SAI compensation or benefits as an important factor in achieving the requisite degree of independence. In order to pursue these issues further, representatives of selected SAIs were contacted for additional, more specific information.

COMPARING THE CG TO INTERNATIONAL COUNTERPARTS

Interviews were conducted with: (1) the Australian Auditor General (AG); (2) the Canadian AG; (3) a senior official in the Office of the South African AG; and (4) the Human Resources Director for the United Kingdom's Comptroller and Auditor General (C&AG). The purpose was to compare these SAI positions to the CG in terms of duties and responsibilities, tenure, removal provisions, compensation, and retirement benefits.

Auditor General of Australia

As an independent Officer of the Parliament and head of the Australian National Audit Office (ANAO), the Australian AG is responsible for providing an independent assessment of selected areas of public administration and assurance about public sector financial reporting, administration, and accountability. In addition to audits, approximately 45-50 program evaluations and performance audits are conducted each year. The ANAO's work covers approximately 300 government organizations and involves approximately 340 employees.

The AG's independence is established in the Auditor General Act of 1997, but the AG uses a consultative approach in developing the audit program and takes account of the priorities of the Parliament as determined by the Joint Committee of Public Accounts and Audit,[87] and the views of other entities and stakeholders. However, the AG has the final authority to determine the audit program and "is not subject to direction from anyone in relation to whether or not a particular audit is to be conducted, the way in which a particular audit is to be conducted, or the priority to be given to any particular matter."[88]

The AG is appointed by the Governor General[89] for a 10-year term, on the recommendation of the Minister[90] and the approval of the Joint Committee of Public Accounts and Audit. The Governor General may remove the AG from office provided that both Houses of the Parliament propose the removal on the grounds of misbehavior or physical or mental incapacity. The Governor General is required to remove the AG if he/she becomes bankrupt or has major credit problems.

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[86] *Independence of SAIs Project: Final Task Force Report*, March 31, 2001.
[87] The Joint Committee of Public Accounts and Audits is a standing committee of Parliament that exists to hold Commonwealth agencies to account for the lawfulness, efficiency and effectiveness with which they use public monies.
[88] Auditor General Act of 1997, Act No. 151 of 1997, as amended.
[89] The Governor General exercises supreme executive power in the Australian government.
[90] "Minister," in this case, includes the President of the Australian Senate and the Speaker of the House of Representatives.

The Australian AG is normally appointed from within the government and has typically held senior positions in government; however, prior government service is not an absolute requirement. The current AG was appointed in March 2005 from the position of Deputy Secretary/General Manager, Financial Management Group, Department of Finance and Administration. In that capacity, his responsibilities included managing and providing policy advice to the Finance Minister on the budget and financial management framework, budget and financial reporting and analysis, and public sector superannuation.[91]

Compensation for the Australian AG includes several components: (1) a base salary of 334,000 Australian dollars (AUD), which converts to approximately $269,300; (2) an automobile; and (3) a government retirement benefit of approximately 45,000 AUD, which converts to $37,150. This compensation package is aligned with that of heads of other Australian Government agencies.

For retirement purposes, the AG can elect to participate in one of three Commonwealth "Superannuation Schemes" or a system of the AG's own choice.[92] The three Schemes are described in more detail in Table 5. The minimum retirement age under all of these is 55.

Table 5. Australian AG Retirement Alternatives

Commonwealth Superannuation Scheme (CSS). CSS benefits are made up of three parts:

- member bi-weekly contributions, plus earnings;
- a bi-weekly productivity component, plus earnings; and
- an employer-financed component, usually paid as a CPI indexed pension financed by the employer. The size of this component depends on a number of factors, including age at retirement, final salary, and length of time in the plan.

Under the CSS, the AG's pension is calculated as a percentage of final salary based on age and years of contributory service.

Public Sector Superannuation Scheme (PSS). PSS benefits are generally made up of three parts:

- a member component, which consists of biweekly contributions plus earnings;
- a productivity component, which is a biweekly contribution made by the employer plus earnings; and
- an employer financed component, which is a defined benefit amount paid at retirement. The amount depends on the AG's length of participation in the scheme, salary, and rate of contribution.

Under the PSS, the final benefit for a retiring AG is calculated by applying a "benefit multiple" to the final average salary (FAS).[93] The benefit multiple grows with each year of service based on the percentage of salary the AG contributes.

Public Sector Superannuation Accumulation Plan (PSSap). Benefits under this plan are paid as a lump sum based on:

- a fixed employer contribution of 15.4 percent of the AG's superannuation salary;[94]
- the AG's investment portfolio created from individual asset class options (cash, government bonds, and international shares); and
- transfers from other funds augmented by investment earning.

The final benefit under the PSSap is reduced by fees and management costs, insurance premiums, and taxes.

[91] Superannuation is a pension scheme in Australia. It requires employers to pay a proportion of an employee's salaries into a fund, which can be accessed upon retirement.
[92] Interview of Australian Auditor General.
[93] FAS is the average of final superannuation salary and the superannuation salary on the AG's last three birthdays.
[94] Superannuation salary, distinct from base salary, is calculated using a formula that determines a percentage of base salary and other compensation.

Auditor General of Canada

The Office of the Auditor General (OAG) of Canada audits federal government departments and agencies, most Crown corporations,[95] and many other federal organizations, and reports publicly to the House of Commons on matters that the AG believes should be brought to its attention. The AG is also the auditor for the Governments of Nunavut, the Yukon, and the Northwest Territories, and reports directly to their legislative assemblies. Like the Australian AG, the Canadian AG is an independent Officer of Parliament.[96]

Canada's AG leads a staff of approximately 650 employees, 450 of whom are auditors. Other employees are accountants, engineers, lawyers, management experts, information technology professionals, environmental specialists, economists, historians, and sociologists.[97] The OAG is not subject to government hiring procedures.[98]

Like the Australian AG, the Canadian counterpart has the authority to determine the content and schedule of the OAG's audit agenda. Approximately 90-95 percent of the OAG's work is self-directed. Unlike the U.S. CG, however, approximately 50 percent of the work consists of financial audits, and the remaining 50 percent consists of performance audits. As provided under the Auditor General Act of 1976, the Canadian OAG does not perform program evaluations.

The appointment of the Canadian AG is governed by the Auditor General Act, which provides that the Governor in Council[99] appoints the AG after consultation with the leader of every recognized party in the Senate and House of Commons and approval of the appointment by resolution of the Senate and House of Commons. The AG is appointed for 10 years, is not eligible for reappointment, and holds office during good behavior. Removal requires a two-thirds vote of both the Senate and the House of Commons on the basis of inappropriate behavior, inappropriate spending, advocating policy or political views, or any other behavior that is seen as detrimental to the reputation of the office.[100] Upon reaching age 65, the AG must resign or retire.

The last three AGs entered the position from outside government. The current AG served as a partner with the worldwide professional services firm of Ernst & Young. According to the current AG, the position is viewed as highly prestigious and most individuals interested in the position are not motivated by compensation.

Under the law, the AG is paid at a rate equal to the salary of a puisne[101] judge of the Supreme Court of Canada. Currently, the AG's salary is set at 313,900 Canadian dollars, which equates to approximately $260,000.[102]

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[95] A Crown corporation is a wholly owned federal or provincial organization that is structured like private or independent enterprises.
[96] www.oag.bvg.gc.ca.
[97] Ibid.
[98] Interview of Canadian AG.
[99] "Governor in Council" means the Governor General acting on the advice of the Federal Cabinet.
[100] Interview of Canadian AG.
[101] *Puisne judge* is the title for a regular member of a Court. This is distinguished from the head of the Court who is known as the Chief Justice or Chief Judge.
[102] Recent legislation limited increases applicable to all Canadian government employees, but did not apply to judges. Therefore, the AG's salary is currently slightly less than a puisne judge's.

The Canadian AG is subject to the same Public Service Pension Plan that applies to other federal employees. Under this plan, an employee may retire without penalty at age 55, with at least 30 years of service, or at age 60, with at least two years of service. Under this plan, an employee accumulates two percent of salary per year of service, which is based on an average of the best five years of earnings. This option would be applicable to an AG with prior service recognizable by the pension plan.

Alternatively, the Diplomatic Service Pension Plan is likely to be chosen by an AG with little or no recognizable pensionable service under the Public Service Pension Plan. Under the Diplomatic Service Pension Plan, an employee can opt to retire at age 65 with an immediate or deferred pension, or cash out the contribution if he or she has not reached age 65. The benefit is linked to the number of years of government service. For example, a Canadian AG who serves a 10-year term, but has no prior recognizable service, would be entitled to a pension equal to 50 percent of the AG's average salary.

Comptroller and Auditor General of the United Kingdom

The National Audit Office (NAO) is the United Kingdom's counterpart organization to GAO, and is headed by the Comptroller and Auditor General (C&AG). The NAO audits the accounts of all central government departments and agencies as well as a wide range of other public bodies and reports to Parliament on the economy, efficiency, and effectiveness with which they have used public money.[103] Currently, the NAO has a staff of approximately 900 employees, the vast majority of whom are accountants. Other employees are auditors, economists, statisticians, and other types of professionals. The NAO completes approximately 60 projects each year. The C&AG sets the audit agenda, but it must be acceptable to the Public Accounts Committee, a standing Committee of the House of Commons.

The independence of the NAO is grounded in the National Audit Act of 1983, which established the NAO as an independent body reporting to Parliament. All statutory powers and rights governing the audit of central government finances are vested in the C&AG personally. The NAO has no independent corporate status. Employees of the NAO are not civil servants, and the C&AG is an Officer of the House of Commons. Although the current CA&G was appointed by open competition, the law provides that the C&AG be appointed by the Queen, on a motion by the Prime Minister, with the agreement of the Chairman of the Committee of Public Accounts.[104] The appointment requires approval by the House of Commons. The budget is set by Parliament and 20 percent comes from generated income, including audit fees. Oversight of the NAO is provided by the Parliamentary Public Accounts Commission, which appoints external auditors to scrutinize the NAO's performance.

Legislation is pending that would: (1) preserve the independence of the C&AG; and (2) strengthen the corporate governance of the NAO by bringing it into line with best practice.[105]

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[103] www.naoorg.uk.

[104] The Committee of Public Accounts is appointed by the House of Commons to examine the accounts of appropriated funds granted by Parliament.

[105] House of Commons, the Public Accounts Commission. Draft Clauses on the Corporate Governance of the National Audit Office, Sixteenth Report, July 24, 2008.

Under the new bill, the C&AG will serve a single, nonrenewable 10-year term. The new legislation provides that the Queen may remove the C&AG from office with approval from both Houses of Parliament. Based on a presumption that a C&AG will seek other employment after completing the fixed term, the new legislation would place restrictions on the type of positions the C&AG can hold upon completion of the term. These restrictions are intended to preclude conflicts of interest, perceived or otherwise.

The new legislation also provides that NAO will be incorporated as a statutory Board, with a non-executive majority and Chairman, who would be appointed in the same manner as the C&AG. The Board would employ the staff of the NAO and contract for the provision of other resources as needed to accomplish the NAO's program of work. The new legislation recognizes the challenge in setting up a NAO Board and simultaneously maintaining the independence of the C&AG, and it was determined that the risk of undermining the C&AG's independence should be addressed in a separate Code setting out the relationship between the Board of the NAO and the C&AG.

Prior to the appointment of the current C&AG, the compensation of the position was tied to judicial salaries. Currently, the annual salary of the C&AG is determined by the Prime Minister and the Chair of the Joint Committee of Public Accounts and Audits. The current salary is approximately 250,000 pounds, which converts to approximately $412,000. The new law provides that the C&AG's remuneration package on appointment should not exceed the maximum value of a Permanent Secretary in the civil service for the same period.

For retirement purposes, the C&AG is subject to the same system as other civil service employees, and this would not change under the new legislation. The system provides a defined benefit that is calculated on the basis of average earnings. Under a new formula, the pension would amount to 2.3 percent of the average annual earnings, which is much less generous than the previous system, and is frozen when the 10-year term is completed. The general threshold retirement age is 65.

Auditor General of South Africa

The AG position is mandated by the South African Constitution of 1996, and the functions of the AG are established in the Public Audit Act (PAA) of 2004.[106] The South African Constitution recognizes and guarantees the independence of the AG, stating that the AG is independent and subject only to the Constitution and the law.[107] Prior to the enactment of the PAA, the independence of the AG was compromised by the ability of the Executive Authority[108] to make final decisions on administrative matters affecting the AG.[109] This was perceived as contrary to the internationally accepted principle of SAI independence. The PAA corrected this situation and repealed other legal provisions affecting the audit function, including simplification of an overly complex administrative structure.

[106] www.agsa.co.za.
[107] Ibid.
[108] Executive Authority consists of the South African President, Cabinet, and Deputy Ministers.
[109] www.agsa.co.za.

Annually, the AG produces audits and reports on all government departments, public entities, municipalities, and public institutions. Additionally, reports on discretionary audits, performance audits, and other special audits are produced. The AG provides reports to Parliament, provincial legislatures, or municipal councils that use them in accordance with their own rules and procedures for oversight.[110] The AG's office is funded by a combination of appropriations received from the Treasury Department and fees from the agencies that are audited. The AG is accountable to the National Assembly and currently has a staff of approximately 2,000 employees, 80 percent of whom are auditors.

The South African AG serves a seven-year term, which is renewable for an additional seven years, and the Deputy AG serves a five-year renewable term. The AG is appointed by Parliament, but the AG appoints the Deputy AG. Should a change in government occur, the AG is allowed to stay in the position, but can be removed by the President (who is chosen by the leading party in Parliament) if the President loses confidence in the AG.

The PAA requires that the salary and other benefits of the AG must "take into account the knowledge and experience of a person appointed as AG, be substantially the same as the top echelon of the judiciary, and be paid from the funds of the AG's budget."[111] There is no special retirement system for the South African AG, who is expected to resume his or her life and career after serving as AG.

Summary of Comparison with International Positions

All four of the international AG positions selected for comparison have smaller staffs than the CG and serve shorter terms (7-10 years), but are compensated at a higher annual salary than the CG. Only one receives compensation that is based in any way on that country's judiciary.

All recognize the importance of organizational, functional, and financial independence in a variety of ways, some similar and some different from those that attend the CG position. These include:

- complete authority to determine the audit program;
- special procedures for appointment;
- special procedures for removal;
- control over resources and budget;
- immunity from the actions of others in the performance of duties; and
- a special hiring system for audit staff.

In comparison to its international counterparts, the CG's retirement system is obviously quite generous. Like the CG, independence is a key attribute of the international counterparts, but there is no special compensation or benefit system in place to preserve or support their independence. However, as noted, all of these positions have higher annual salaries and shorter

[110] Budget and Strategic Plan of the Auditor General of South Africa, 2009-2012.
[111] Public Audit Act of 2004, Part 2:Appointment and Conditions of Employment.

terms, which may provide a model for future consideration if the CG's compensation package is reexamined.

Table 6 provides a summary of the characteristics of the CG position in comparison to its international counterparts.

Table 6. Comparison of CG Position with International Counterparts

Position	Appointment Process	Tenure	Removal Provisions	Salary and Annuity Provisions
Comptroller General	Appointed by the President with the advice and consent of the Senate. A 10-member Congressional commission recommends at least three individuals to the President for nomination.	15-year term	May be removed by impeachment or by a joint resolution of Congress.	**Salary:** Level II of Executive Schedule-$177, 000. **Annuity:** Lifetime annuity equivalent to CG's salary at time of retirement if the CG completes 15-year term and reaches age 65, **or** completes 10 years and reaches age 70, or is permanently disabled.
Auditor General of Australia	Appointed by the Governor General, on the recommendation of the Minister.	10-year term	Governor General may remove the AG, with a proposal of both Houses of Parliament, for misbehavior or physical or mental incapacity.	**Salary:** 334,000 Australian dollars—$269,300. **Annuity:** One of three public sector "schemes," each of which requires a contribution by the government and the AG.
Auditor General of Canada	Appointed by the Governor in Council with approval of the Senate and House of Commons.	10-year term	Holds office during good behavior. Removal requires a two-thirds vote of both the Senate and House of Commons.	**Salary:** 313,900 Canadian dollars—$260,000. **Annuity:** Option of Public Service Pension Plan or Diplomatic Service Pension Plan.
Comptroller and Auditor General of the United Kingdom	Appointed by the Queen with the agreement of the Chairman of the Committee of Public Accounts.	10-year term (under new legislation)	Can only be removed from office by the Queen on an address from both Houses of Parliament.	**Salary:** 250,000 pounds—approximately $412,000. **Annuity**: Covered by same system as other civil service employees—defined benefit in the amount of 2.3 percent of average annual earnings.
Auditor General of South Africa	Appointed by Parliament.	7-year renewable term	Can be removed by the President (who is chosen by the leading party in Parliament) if the President loses confidence in the AG.	**Salary:** Same as top echelon of South African judiciary. Annuity: No special retirement plan.

CHAPTER 5
COMPARISON WITH PRIVATE SECTOR EXECUTIVE COMPENSATION PRACTICES

Based on its review of private sector executive compensation practices, the Panel determined that they are of only limited value in terms of comparisons with the CG's compensation and benefits. The context, cultures, incentives, and objectives differ too significantly to be useful for that purpose.

However, the Panel did draw from its research current "best practices" in designing private sector executive compensation packages and information that is useful in: (1) identifying potential alternatives to the existing CG compensation and retirement system; and (2) ensuring that any proposed alternatives to the CG compensation and retirement system will continue to be sufficient to attract and retain highly qualified individuals to the position.

In this portion of the study, the Panel and study team: (1) conducted research into leading practices in the area of executive compensation; (2) conducted interviews with several executive compensation experts; and (3) engaged a leading compensation and benefits firm, Watson Wyatt, to provide an analysis and comparison of the CG compensation package with those in use in the private sector. The literature review[112] and interviews revealed core components of executive compensation, potential targets for improvements, new industry standards, and leading practices. This information is especially significant since the last two CGs have been hired directly from senior positions in private sector accounting firms.

THE COMPONENTS OF PRIVATE SECTOR EXECUTIVE COMPENSATION PACKAGES

The literature and interviews revealed a great deal of diversity with respect to compensation practices, depending on the industry and the type of firm, but the primary components of senior executive pay were identified as:

- base salary;
- annual bonuses and incentives tied to organizational performance;
- long-term incentives, including stock options;

[112] The literature sources include: Perrin, Towers, *2009 Global Compensation Planning Report, Salary Movement and key Economic Indicators Around the World*, Update, March 2009, and *SHRM Poll, Executive Compensation in Light of Current Financial Challenges to the U.S. Economy*, January 6, 2009; Murphy, Kevin J., *Executive Compensation*, April 1998, revised October 2001; Jayne, Randy, *Leading Practices in Executive Compensation, A Study Prepared for the Center for Corporate Change*, Heidrick & Struggles 2005; Johnson, Marilyn F, Porter, Susan, Schakell Margaret, *Stakeholder Pressure and the Structure of Executive Compensation*; Ernst & Young Tax Research Grant Program, May 1997 Council on Foundations, *Recommended Best Practices in Determining Reasonable Executive Compensation*, December 2002; Watson, Elizabeth, *Public Sector Corporate Governance: British Columbia's Best-Practice Reforms*; Ivey Business Journal March/April 2004.

- supplemental benefits, such as Supplemental Executive Retirement Plans (SERPs) and perquisites; and
- formal employment agreements and severance (including provisions for employment when the organization changes control).[113]

Table 7 compares the elements of the CG's compensation package with the core components of private sector compensation for senior executives. In comparison to private sector executives, the CG receives two of the five generally prevalent components of executive compensation in the private sector.

Table 7. Elements of CG and Private Sector Executive Compensation

Private Sector Executives	Comptroller General
Base Salary	Base Salary
Annual Bonuses and Incentives	
Long-term Incentives, including Stock Options	Lifetime Annuity
Supplemental Executive Retirement Plans (SERPs)	
Formal Employment Agreements	

Base salary represents the core component of executive compensation and includes a minimum guarantee of annual increases over a specific period of time. Generally, salary surveys are the primary means by which base pay for executives is determined in the private sector. For the financial industry in particular, salary reviews are usually augmented by comparator and market surveys. Although base pay is just one component of the overall compensation package in the private sector, it is important because other components of the compensation package such as annual bonuses, pension, and survivor benefits are developed as a percentage of base pay.

Annual bonuses are the second core component of the executive compensation package. Criteria for executive bonuses include achievement of threshold performance measures, accomplishment of targeted performance standards, and the structure of the pay-for-performance incentive relationship.

Long-Term Incentive Plans (LTIPs), a third component of executive compensation, can consist of stock options and retirement plans. Generally, LTIPs are designed to promote achievement of long term goals, have deferred tax implications, and are based on performance over a period of three to five years.

Supplemental Executive Retirement Plans (SERPs) are also being used as a component of the total executive compensation package. The SERP augments benefits provided by traditional plans such as an Individual Retirement Account, a 401(k) plan, or a non-qualified deferred compensation (NQDC) plan. SERPs are fully funded by the organization and ensure that executives are able to maintain their standard of living during retirement. One criticism of the SERP is that executives may be overpaid relative to performance. Conversely, the NQDC is

[113] Ibid.

more cost effective for the company, has limited IRS reporting obligations, and requires minimal administrative support.

Employment Agreements are the final component of a private sector executive compensation package. They provide for executive compensation in the event the organization sustains a change in ownership or control due to merger, sale, or liquidation, causing the executive to lose the position.

PRACTICES AND TRENDS IN PRIVATE SECTOR EXECUTIVE COMPENSATION

Compensation experts provided a variety of value-based frameworks for designing executive compensation, which included a focus on designing the plan to achieve desired organizational results, attracting and retaining the right individual, and motivating the executive to perform at the highest levels. Three benchmarks provided by executive recruitment firm Heidrick and Struggles were identified as:

- appropriateness—blend of strategic insight and operational execution;
- fairness—balance between shareholder concerns for return on investment and executive payouts; and
- effectiveness—paying for expected results.

Within the context of these benchmarks, executive compensation systems are designed based on the size (i.e., revenue, number of businesses and employees), complexity, nature of the specific market, overall economic context (boom, bust, cost of capital) and specific executive duties.[114]

Executive pay-for-performance systems are increasingly being used and are characterized by individual performance metrics, comparative metrics with peer organizations, and consideration of the impact of the business cycle. Another leading practice is the increased use of deferred compensation to support long-term sustained performance. Leading companies have customized their executive compensation packages to account for different executive roles and performance within industry. Transparency has also increased regarding LTIP calculations, annual bonus payouts, and documenting guidance for stock ownership.

According to one expert, recent trends in private sector compensation have seen a shift in the value of the long-term incentive component. Prior to the 1990s, this component generally comprised two-thirds of the compensation package for private sector senior managers (Chief Executive Officers and Presidents). In the 1990s, this component was reduced to half of the total compensation package, with base salary and annual bonuses totaling the other half. Today, there is evidence of a further shift in the compensation packages of senior executives. Base salary, annual bonuses, and long-term incentives now each accounts for approximately one-third of the total package.

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[114] Jayne, Randy, *Leading Practices in Executive Compensation*, A Study prepared for the Center for Corporate Change, 2005.

SUMMARY OF COMPENSATION EXPERT VIEWS ON THE CG ANNUITY

Independence of the CG. Private sector compensation experts agreed that it is not realistic to compare the CG's compensation and benefits to private sector positions, since there are no truly analogous positions in the private sector. They also questioned the validity of the argument that the CG's independence is supported by a "three-legged stool"—the annuity, the 15-year term, and removal protections—that must remain in place to preserve independence. Other factors, such as access to decision-makers and freedom from retribution, were cited as more important to maintaining the independence of a senior official. Further, they observed that the justification advanced for the creation of the "third leg," i.e., the lifetime annuity, may not be relevant in the workplace of the 21st century. Additionally, the experts were largely in agreement that retention and continuity through the lengthy tenure of the CG position is a major factor in the value of the lifetime annuity.

CG's Lifetime Annuity. Private sector compensation experts interviewed were divided with respect to whether the CG annuity is excessive. The benefit is 100 percent of the pay at the time of retirement, pending completion of the term or other specific circumstances, but it is 100 percent of a comparatively lower base salary than that of a private sector executive. This benefit is granted to only one other segment of the public sector—federal judges, and in their case, unlike the CG, is subject to no cost of living increases over time. In the private sector, on the other hand, the retirement benefit would "carve out" or subtract any funds that the organization has saved on behalf of the individual—usually amounting to 70 or 80 percent of base salary as the defined retirement benefit.

Each of the experts emphasized that the U.S. Government's compensation design for the CG should focus on ensuring the package attracts and retains for the 15-year term an accomplished, highly skilled individual with high integrity. The compensation package should promote a specific set of behavioral outcomes, recognize superior performance, and allow the candidate to accept the position without worrying about future provisions for family and changes in lifestyle.

ASSESSING THE VALUE OF THE CG'S ANNUITY IN COMPARISON TO PRIVATE SECTOR POSITIONS

Recognizing the differences between the components of private sector compensation and the CG's compensation, the Panel secured the services of Watson Wyatt, a leading private sector compensation and benefits firm, to assess the CG's compensation against relevant private sector and public sector markets. The focus was on evaluating the competitiveness of the CG compensation and lifetime annuity benefits in the context of current private sector practices. (See Appendix F for the full report.)

A methodology employing "present value"[115] provided Watson Wyatt a robust basis for comparison of the value of the CG's retirement benefits to the other private sector positions.

[115] Present value, as most simply put by the Watson Wyatt report, is the value of future salary and retirement benefits if provided today. See, Appendix F, *Assessment of Comptroller General's Compensation: Report of Findings*, p. 7, July 6, 2009.

From its analysis, Watson Wyatt found that the CG's future compensation, including the annuity, varies in competitiveness depending on the marketplace with which it is being compared. However, Watson Wyatt determined that the private sector was the most appropriate marketplace for comparison in light of the fact that the last two CGs were recruited at "mid-career" directly from executive level positions in the private sector. Based on skill sets extracted from the backgrounds of former CGs, as well as prior experience, Watson Wyatt identified the following private sector comparator positions: Executive Vice President (EVP), Division Director, Chief Financial Officer, and General Counsel/Partner.

From an analysis of available data, Watson Wyatt concluded that the present value of the CG's future earnings is generally consistent with a private sector executive earning $300,000 in total cash compensation (base salary and annual short-term incentives), regardless of retirement plan,[116] but annual cash compensation for the comparator positions could reasonably be expected to fall in the $400,000 to $500,000 range. Further, Watson Wyatt determined that the total present value of the CG's future compensation is approximately $4,625,056, compared to $5,683,300 to $6,051,100 for an EVP/Division Executive earning a salary (base salary plus bonus) of approximately $400,000.[117] Thus, Watson Wyatt concluded that an EVP or Division Director would be disadvantaged financially in accepting the position of CG, given the present value of the CG's compensation and retirement benefit.

Based on these calculations, Watson Wyatt concluded that:

> . . . a decision to accept the prestigious position of [CG] is a profound move in an executive's career and life. As such, financial factors are only one consideration of potential candidates. However, given the precedent of both considering and hiring experienced executives of impressive accomplishment and stature at the peak of their professional careers, . . . earning potential (vis-à-vis compensation and retirement) [is] a single but likely, important factor in ensuring future financial stability for the [CG] and his/her family. Based on this, as well as the findings regarding competitiveness from our analysis, it would appear that the continued ability to attract the desired talent from the private sector may in part be driven from the retirement annuity provided to the [CG].[118]

In addition, an addendum to the Watson Wyatt report indicates that the total present value of the CG's future compensation would decrease from the current level of $4.625 million to just over $2.9 million if the lifetime annuity were replaced with a standard FERS program.[119] This would be a decrease of approximately 36 percent.

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[116] Ibid, p. 15.
[117] Ibid. p. 13.
[118] Ibid. p. 15-16.
[119] See Appendix F, July 16, 2009 Addendum.

CHAPTER 6
EVALUATING THE ELEMENTS OF THE COMPTROLLER GENERAL'S INDEPENDENCE

In the preceding chapters of this report, the Panel has examined: the nature of the CG's position; the CG's roles and responsibilities; the desirable qualifications of candidates for the position; the features of comparable positions in the public, international, and private sectors; and the comparative value of the CG's compensation and benefits in relation to those available in the private sector. This chapter discusses and evaluates, in light of that background, the several elements of the CG position that contribute to its independence as a prelude to offering the Panel's conclusions and recommendations in the final chapter of this report.

INDEPENDENCE GENERALLY

There is no disagreement with the proposition that maintaining the independence, objectivity, and nonpartisanship of the CG is of paramount concern. Within that context, former CGs, current IGs, and other officials agree that independence for a government official must begin with a personal inclination to act independently. Individuals who are inclined by nature to act independently will be attracted to positions such as the CG that allow them to exercise freedom of judgment. In such positions, they will tend to act independently, almost regardless of the circumstances.

Of course, there are real consequences and practical limits to such actions that have to be considered by such individuals, whether inside or outside of government. The characteristics of the position are critical in determining whether and to what extent an independently-minded official can be successful and effective in seeking to act independently. Thus, it is important to examine the elements of the CG position and consider how and to what extent they operate, together and individually, to encourage the exercise of independence by an individual who becomes CG.

SOURCES OF THE CG'S INDEPENDENCE

The nonrenewable and lengthy term, removal, and annuity elements of the CG's position, discussed in more detail in Chapter 2 of this report, are identified by many as the main contributors to the CG's perceived and real independence and objectivity. These elements are interrelated and interact, rising and falling in relative importance in different circumstances. As mentioned earlier in Chapter 5, they have been described by GAO and other officials as "a three-legged stool" that provides the foundation for CG independence. Remove or alter any one of them, this argument runs, and the stability of the entire independence structure will be threatened. In order to consider whether and to what extent this may be true, these and several other factors that contribute to the CG's independence must be examined.

Application of GAO Resources

There are other factors beyond the term, removal, and annuity provisions that add to the independence of the CG. A major factor is the CG's authority to recruit, select, and manage a strong and stable work force under a separate and unique human resources (HR) system. GAO's HR system provides the CG the flexibilities needed to manage and direct the workforce in a manner that results in the development of independent, objective and fact-based products. The CG's real and perceived independence in managing the work force enhances its ability to produce and present the CG, Congress, and their Executive Branch client agencies with high quality, accurate, and objective GAO findings, conclusions, and recommendations. The CG's leadership and willingness to take independent action fosters and supports the ingrained principle that independence is important, and that spirit of independence permeates GAO.

Further contributing to GAO's independence is the absence of Executive Branch control over the organization's budget. The Office of Management and Budget does not review the budgets of GAO or other Legislative Branch agencies in the same manner as it does those of Executive Branch agencies. The GAO budget is still subject to approval, of course, by Congress.

The CG's ability to determine at least a portion of GAO's agenda and to deploy both GAO and the CG's time and energy to areas for examination as the CG deems most appropriate also is an important contributor to independence. Although some of the CG's international counterparts have much more freedom of action in this regard, as explained in Chapter 4, it is a significant and continuing manifestation of the CG's independence. While Congress directs over 90 percent of GAO's work annually, the CG still has the ability to focus on and draw attention to issues that the CG considers to be the most important of the day. This is perhaps most recently and dramatically illustrated by former CG Walker's efforts to draw attention to the fiscal future of the United States during his tenure. This freedom to identify matters for emphasis and discussion supports the CG's ability to promote independently sponsored audits, evaluations, and assessments.

Further, the stereotypical animosity between the examiner and the examined does not always characterize relationships between GAO personnel and Executive Branch officials, and they often collaborate closely in the course of GAO audits and evaluations. It is not uncommon for GAO findings, conclusions, and recommendations to be supported by program and oversight officials who have a common interest with GAO in the effective and efficient achievement of their missions and goals. Thus, there is a shared desire for independent and objective results that tends to reinforce the spirit of independence which GAO works very hard to preserve. This platform of independent, objective, and nonpartisan audits and evaluations supports the CG's independent status as well.

On the other hand, the CG position differs from that of the international comparators in regards to budget control. While GAO's budget is not reviewed by Executive Branch entities and is merely included in the President's budget as submitted, Congress controls GAO's budget and resources and is in a position to impact the CG and GAO's operations through the appropriations process, should it choose to do so. For example, House Speaker Gingrich set out in early 1992 to cut GAO's work force in half, but then-CG Bowsher negotiated a phased reduction that alleviated the impact of this on GAO's work.

Organizational Placement

The location of the CG and GAO in the Legislative Branch is another key factor that provides a high degree of insulation from any pressures that may originate in the Executive Branch agencies that are the objects of GAO and CG examination and commentary. Like many other U.S. Government officials, the CG is appointed by the President and confirmed by the Senate. However, the unique role of both Houses of Congress and the Congressional leadership in the 10-member commission, described in Chapter 2, that interviews applicants and selects individuals to recommend to the President for nomination as CG, results in a multiplicity of stakeholders in the CG's success and the maintenance of the independence that it requires. In threatening the independence and objectivity of the CG, an Executive Branch or Congressional official would also be challenging the full range of the Congressional sponsors who played a role in bringing the CG into the office.

At the same time, it appears that the largest potential source of threats to the CG's independence may lie with Congress. While there reportedly has been at least one instance where a CG believed that an Executive Branch official may have attempted to engineer the CG's voluntary exit by arranging for a lucrative private sector position to be offered by a third party, there are more reported examples of CGs who have come under public or private pressure from powerful Members of Congress to alter findings and conclusions. Some of these episodes reportedly have spanned weeks or months and have included real or implied threats to reduce GAO's budget. One episode, known as the Holifield Hearings, involved a Congressional inquiry spurred by Department of Defense objections to GAO findings and reportedly may have resulted in the early disability retirement of then-CG Campbell. In such circumstances, the elements of the position that have been specifically created to preserve the CG's independence become increasingly important for the CG's survival and ability to remain faithful to the facts.

Term of Office

There is general agreement that the statutory 15-year nonrenewable term is a very significant factor in the independence of the CG. Apart from federal judges, whose functions are much different and who are shielded much more effectively from the public arena, the CG has the longest statutory term in the U.S. Government. This provides the CG with an assurance of continuity without regard to the comings and goings and political influences that characterize many other U.S. Government positions.

A CG's term has the potential to span just short of four Presidential terms, almost three Senate terms, and approximately eight terms in the House of Representatives. Thus, the CG can count on outlasting many of those who might disagree with the decisions, positions, and direction taken by the CG and GAO. Further, the fact that the term is nonrenewable means that the CG need not look ahead and worry about avoiding actions that might reduce the chances for a second term.

Difficulty of Removal

It is also generally agreed that the high threshold for removal of a CG is a significant factor in the CG's independence. Indeed, it may be even more important than the term of office since ease of removal would negate the protections of even the lengthiest term.

Unlike most other Presidential appointees, the CG cannot be removed by the President. As noted earlier, the only vehicles for removal are a joint resolution of Congress, with notice to the CG and an opportunity to be heard, and impeachment under the Constitution.

It is true that certain of the statutory grounds that are specified for removal of a CG under a joint resolution of Congress—inefficiency, neglect of duty, malfeasance, conduct involving moral turpitude—are sufficiently ambiguous to allow creative engagement by a determined opponent to the CG. However, such a resolution requires a majority vote in both Houses of Congress and presentation to the President for approval in order to become effective. Thus, a majority of the entire membership of Congress, as well as the President, would have to agree that the grounds presented by advocates for any resolution to remove the CG are sufficient to meet the statutory standard.

It is even more difficult to contemplate a successful effort by a single or small number of opponents to satisfy the requirements for impeachment of a CG, the other available means for removal. Though not requiring involvement by the President, impeachment requires a majority vote in the House, a trial in the Senate, and a two-thirds vote of all Senators present.[120] Further, the grounds for removal by impeachment are limited by the U.S. Constitution to treason, bribery, or other high crimes and misdemeanors.[121]

The stringency of these requirements is attested to by the fact that the House of Representatives has impeached less than 20 government officials in the more than 200 years since the Constitution was ratified—two presidents, one Cabinet member, one Senator, and 13 judges. [122] And, of those officials who have been impeached by the House, only seven have been convicted by the Senate.[123]

An example of the interrelationship of the various elements of the CG's independence is presented by the question of whether a CG might be tempted to compromise toward the end of the 15-year term in order to avoid losing the position and the "all or nothing" lifetime annuity. In such circumstances, the importance of the removal threshold rises since it is unlikely that even the harshest and most powerful critics of a CG could muster the support needed in the Congress and the Executive Branch to pursue a joint resolution or impeachment for a CG in the last few years of the term.

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[120] U.S. Constitution, Art. I, Sec. 2, Cl. 5; Sec. 3, Cl. 6.
[121] Ibid., Art. II, Sec. 4.
[122] American Bar Association Practice Essentials, http://www.abanet.org/publiced/impeach2.html.
[123] Ibid.

Lifetime Salary Annuity

Almost no support has been found outside GAO for the proposition that the CG's lifetime salary annuity, as presently constituted, is *necessary* to preserve the independence of the CG. Further, apart from federal judges (who receive no cost of living increases in retirement), no other comparable position in the public or international sectors that requires similar levels of independence, as discussed in Chapters 3 and 4, provides such a benefit. At the same time, there is general agreement that the annuity does *contribute* to the independence of the CG by providing future financial security and thereby reducing the possibility that a CG would sacrifice independence or curry favor with a possible future employer.

The primary value of the annuity, discussed in Chapters 2 and 5, is seen as its contribution to attracting and retaining highly qualified individuals for the CG position. In fact, when the lifetime annuity provision was considered and adopted by Congress in 1953, its affect on the independence of the CG was not the sole or even primary reason offered by its sponsors and GAO for supporting the statutory amendment. While explaining and emphasizing that maintaining the independence of the CG was certainly important, as elaborated on in Chapter 2, the primary stated reasons for the proposal as it moved through the final stages of the legislative process were that, in summary:

1. the single 15-year term is too long to maintain other employment connections and too short to qualify for a significant annuity under other government retirement provisions;
2. the nature of the CG position requires that the person selected be professionally accomplished and therefore likely beyond the age of further employment at the end of the term; and, finally,
3. the CG position is part of the Legislative Branch and performs functions of a semi-judicial character, so the CG should have a retirement benefit that is modeled on that available to the judiciary.[124]

At one point during the debate on the House floor, it also was noted that the CG would be entitled to "a fine" government retirement pay had an earlier attempt to move the CG position to the Executive Branch succeeded.[125] Thus, the lifetime annuity should be passed, it was argued, out of a sense of "fairness."

Officials and observers assert that the annuity may influence an individual's decision to pursue and accept the CG position. The past two CGs—Charles Bowsher and David Walker—both have said that they would not have accepted the position without the measure of financial security that they believed the lifetime annuity provided for their families and survivors.[126] Both came from the public accounting profession and were earning substantially more than the CG salary level at the time they applied for and agreed to accept the position. Further, their future

[124] See, Sen. Rpt. No. 594 [repeating in substance the House Report], accompanying H.R. 5228, July 16, 1953, U.S. Cong. & Adm. News '53-127 @2017-8.
[125] See, statement of Rep. Brown, 99 Cong. Rec. 8139, July 7, 1953.
[126] At the same time, there was strong sentiment expressed that the survivor benefits, which can be as low as 25 percent and no higher than 50 percent is inadequate and noncompetitive. (See Appendix H.)

earning potential in the private sector was substantially higher than they could expect in Government service.[127] One of them completed the 15-year term and qualified for the lifetime annuity, while the other left short of ten years and was reimbursed for his contributions and a small amount of interest upon leaving the CG position.

Another point of view is that, although financial considerations are obviously a factor in a decision to accept the position,[128] the annuity is less important in the final analysis than the nature of the position itself and the challenges and opportunities it presents a qualified individual to make a real impact on the national interest. While this may be idealistic and more or less true, depending on the individual and their specific circumstances, it is apparent from the research that has been conducted as part of this study that qualified individuals coming to the CG position from the private sector will be making a substantial financial sacrifice in accepting that position.[129]

One thing that all agree to is that, if the annuity is eliminated or substantially reduced, careful attention will have to be paid to ensuring that some form of replacement benefit is adopted as a substitute in order to continue to attract and retain high quality candidates. The nature of possible replacement benefits that may suffice for this purpose is discussed in the next, and final, chapter.

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[127] The third living former CG, Elmer Staats, was a long-time public servant who came to the CG position from a distinguished career in the Bureau of the Budget, predecessor to today's Office of Management and Budget. He served the full 15-year term and qualified for the lifetime annuity.
[128] See, for example, Watson Wyatt report at Appendix F, p. 2.
[129] Ibid. p. 15.

CHAPTER 7
PANEL FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

The Panel's research into the issues included review of substantial information regarding the CG position, roles and responsibilities, and its elements of independence; examination of a wide range of federal, international, and private sector positions and compensation alternatives; and solicitation of opinions and perspectives from a variety of substantive experts through personal interviews and Panel meeting discussions. Based on its deliberations, the Panel has arrived at the following findings, conclusions, and recommendations.

FINDINGS AND CONCLUSIONS

The CG Position. The CG position is unique and does not lend itself to easy comparison with any other position that has been identified in the public, private, and international sectors. There are similarities between it and a range of other positions in those sectors, but no position has been identified that matches it closely in terms of functions, structure, placement, compensation, and benefits. Other positions in the Executive Branch, for example, perform functions that resemble portions of the CG's work, but none has the same range and scope of operations or protections from removal as the CG. While aspects of the judicial model of independence remain relevant, the comparison with federal judges has lost some of its applicability as the nature of the CG's work has changed in the last 50 years and judges have much less exposure to external pressures. International counterparts have shorter terms and no special retirement arrangements. The absence of an exact comparison does not mean, however, that valid insights cannot be drawn by comparing the CG position with others in those sectors. In this regard, the CG's international counterparts may be the most analogous to the CG and provide a basis for potential alternatives.

The Need for Independence. There is no doubt that the CG requires a substantial degree of independence from the Executive Branch and Congress in order to provide the objective and nonpartisan results that are expected of the CG and GAO. IGs also require independence but do not have the same range of demands to support their positions in Executive and Congressional settings. Federal judges also require independent thinking and decision making, but are not expected to defend their opinions in public. AGs in other countries also require independence to perform their functions and to comply with internationally accepted professional standards. Yet, none of the comparable positions has been provided with the same array of elements of independence as surround the CG.

Elements of Independence. The CG's independence is supported by a separate and unique HR system that enables the CG to recruit, select, and manage a strong work force at GAO and by the CG's ability to set the agenda for at least a portion of the work that GAO performs and to devote personal attention to issues the CG believes to be important. Further, the unique selection process provides the CG with many advocates within Congress and with the support of the President as well. The main pillars of independence for the CG, however, are the 15-year nonrenewable term and the rigorous removal requirements, and some combination of a lengthy term and removal protections appears to be necessary to ensure the CG's independence from political and substantive pressure.

Role of the Lifetime Annuity. The lifetime annuity that the CG may earn by completing the 15-year term and reaching age 65 is not *necessary* to preserve the CG's independence, though it does *contribute* to it by providing insulation against financial incentives that might erode that independence. Given the lengthy and nonrenewable term of office and the desirability of having a mature and professionally accomplished individual in the job, the annuity compensates for any inability to accrue sufficient U.S. Government service to qualify for a regular annuity and survivor benefits at the end of the term. Its main benefit is in attracting and retaining highly qualified individuals regardless of whether they have previous U.S. Government service or are in sufficiently secure financial condition to be able to live without the annuity.

Interaction with the Term. The term, removal provisions, and annuity are interrelated and interact in different circumstances as the CG moves through the term. There appears to be no substantive or performance-based reason to alter the removal provisions at this time, but the 15-year term may be unrealistically long and the annuity too harsh in its limited survivor benefits and its current all-or-nothing configuration, given today's economic climate and employment culture. Should Congress choose to do so, eliminating the annuity may require shortening the term dramatically in order to recognize that it is no longer desirable or necessary to have a CG in office for 15 years. Alternatively, the annuity could be partially vested at different stages of the term.

Basis for Modification. It is true that there is no other position in the U.S. Government, apart from federal judges who have Constitutional protections against salary reductions, that has been provided a lifetime annuity like that of the CG. The annual cost to the Government of this benefit is relatively minimal.[130] Given current circumstances and actuarial data, that cost is likely to drop in the next few years and, by definition, will not be added to again for another 10 to 15 years, depending on the term of the future CG.[131] This low cost, and the potential for shrinking the applicant pool dramatically, makes it even more important that there be a very good reason for altering the benefit. In addition to potentially shrinking the applicant pool for the CG position, eliminating or dramatically reducing the benefit carries the risk of reducing the retention incentive and increasing turnover in the CG position.

Extent of Modification. Changes to the annuity will also likely require changes to other provisions, e.g., the survivor benefits, the bar on accepting other government retirement benefits, the salary, and term. Depending on the alternative that is chosen, the legislative action that will be required to implement a change will have to be very carefully crafted and carefully managed to avoid unexpected consequences and damage to the independence and attractiveness of the CG position.

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[130] As noted earlier, this cost is about $300,000 annually, plus a very small administrative cost, for the two living former CGs who have qualified (See Appendix J). This total must be reduced by the amount of Government retirement benefits they would be receiving if they were subject to another system.

[131] Presumably, the selection process that is now underway will have been completed by the time of any amendments and the new CG would not be affected by changes to the annuity or other provisions.

RECOMMENDATIONS

1. **The Panel has concluded that the CG annuity is not "necessary to preserve" the CG's independence, but recommends that the current lifetime salary annuity be retained in order to: (a) avoid reducing the CG's financial security and diminishing the incentives that attract high quality candidates to the job and (b) encourage them to continue in it for a lengthy period of time.**

2. **If, however, Congress decides at an appropriate time in the future that changes to the annuity provision are justified due to equity or other considerations, the Panel believes that additional changes will be required to continue to make the CG position attractive to highly qualified candidates. Given the number of variable factors, there is an array of possible changes for consideration, including, but not limited to, the following illustrative examples:**

    a. **Eliminate the lifetime salary annuity, but retain the 15-year term and create a special retirement program for the CG such as a defined benefit, or defined contribution, or hybrid retirement plan (as described in the Watson Wyatt report attached as Appendix F).**

    b. **Eliminate the lifetime salary annuity, but retain the 15-year term and make the CG subject to the FERS and Social Security. Provide the CG with one of the following benefits: (1) the normal benefit provided to most FERS employees—1 percent or 1.1 percent of high-3 average salary for each year of service or (2) the enhanced benefit provided to Members of Congress and Congressional employees with at least five years of service—1.7 percent of high-3 average salary for each year of service up to 20 years, and 1 percent of high-3 average salary for each additional year of service. The result of this approach would be to reduce the annuity payment substantially, with the precise amount depending on the performance of the Thrift Savings Plan portion of the FERS system.**

    c. **Eliminate the lifetime salary annuity, but retain the 15-year term. Create a special supplement to FERS for the CG that would provide higher annuity payments for a CG who serves the full 15-year term.**

    d. **Retain the lifetime salary annuity benefit, but vest it in segments based on the length of service as CG, e.g., one-third at five years, two-thirds at 10 years, and the full annuity at 15 years. This approach would not address the overall issue that has been raised regarding the lifetime salary annuity, and would likely reduce the potential for continuity in the CG position. However it could have the effect of increasing the applicant pool.**

    e. **Retain the lifetime salary annuity, but reduce the amount to 80 percent of final salary and increase the survivor benefit potential. This would provide**

a reduced, but still generous and guaranteed, annuity with improved survivor benefits.

3. **At an appropriate time in the future, should Congress choose to act, a completely new structure for the CG position might be created, including a reduced term and a wholly new compensation package, including redesigned pay and retirement benefits, so as to maintain the independence of the position and its attractiveness to high quality candidates. For this purpose, the international counterparts to the CG—who have shorter terms, higher base salaries, and enrollment in regular government retirement system—may serve as potential models.**

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PANEL

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[*] *Academy Fellow*

Former positions with the U.S. Government Accountability Office: Ethics Counselor; Senior Associate General Counsel, Office of the General Counsel; Director, Administration of Justice Issues, General Government Division (responsible for audits of the Justice and Treasury Departments and the Federal Judiciary); Deputy Attorney General, Department of Justice, Commonwealth of Pennsylvania.

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Randolph R. Scott, Executive Director, Human Resources Strategic Planning and Workforce Development, University of California

Milton Socolar, Former General Counsel, U.S. Government Accountability Office

Mark Stephenson, Chief Legislative Counsel, House Oversight and Government Reform Committee

Hon. David M. Walker, President and CEO, Peter G. Peterson Foundation

Hon. Debbie Wasserman Schultz, Member of U.S. House of Representatives

Hon. Todd Zinser, Inspector General, U.S. Department of Commerce

SELECTION PROCESS FOR THE COMPTROLLER GENERAL POSITION

The current process for nominating and selecting a Comptroller General (CG) was implemented with the passage of the General Accounting Office Act of 1980 (94 Stat. 314-315). Under the law, the Comptroller General is appointed by the President with the advice and consent of the Senate, but a unique process for identifying potential nominees gives both Houses of Congress a formal and direct role in selecting the CG.

The Role of the Congressional Commission

When the CG position becomes vacant, a 10-member commission is established to recommend individuals to the President as potential nominees. The commission was first used after Elmer B. Staats finished his term as the fifth CG in March 1981. Since then, the commission process has been followed twice, leading to the President's nomination and the Senate's confirmation, of the sixth Comptroller General, Charles A. Bowsher, in 1981, and the seventh Comptroller General, David M. Walker, in 1988.

The commission must submit the names of at least three individuals to the President, but the President may request additional names for consideration or nominate someone else. The original law establishing the current process required that five names be submitted; however, the number of potential nominees was reduced to three because this number was considered more realistic in light of the high qualifications for the position of the Comptroller General.[132]

Current members of the commission are listed below.

- Speaker of the House of Representatives—Nancy Pelosi
- President Pro Tempore of the Senate—Robert C. Byrd
- The majority and minority leaders of the House of Representatives and the Senate
  - Majority Leader of the House—Steny H. Hoyer
  - Minority Leader of the House—John Boehner
  - Majority Leader of the Senate—Harry Reid
  - Minority Leader of the Senate—Mitch McConnell
- The Chairman and Ranking Member of the Senate Committee on Homeland Security and Governmental Affairs
  - Chairman—Joseph I. Lieberman
  - Ranking Member—Susan M. Collins

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[132] U.S. Congress, Senate Committee on Governmental Affairs, General Accounting Office Act of 1980, S. Rept. 96-570, 96th Cong. 2nd sess. (Washington: GPO, 1980), p.10.

- The Chairman and Ranking Member of the House Committee on Oversight and Government Reform
    - Chairman—Edolphus Towns
    - Ranking Member—Darrell Issa

The Application Process

The current process includes an examination of the backgrounds and future plans of potential nominees, including their credentials, accomplishments, and relevant work experience. Persons interested in being appointed CG are required to submit a resume and a cover letter explaining their qualifications to the commission and to complete a questionnaire (See the attachment.) The questionnaire does not present a set of required qualifications, but the potential candidate must provide information in several categories:

- Biographical information
- Financial information
- Potential conflicts of interest
- Legal matters
- Policy questions

Once applications are received, the commission members and their staffs conduct additional examination into applicants' qualifications through interviews and meetings with the candidates, as well as with interested and knowledgeable parties, and through a review of relevant materials and documents. Later examinations are held by the Senate Committee on Homeland Security and Governmental Affairs.

CANDIDATE QUESTIONNAIRE

COMPTROLLER GENERAL, GOVERNMENT ACCOUNTABILITY OFFICE

A. BIOGRAPHICAL INFORMATION

1. **Name:** (Include any former names used.)

2. **Address:** (List current place of residence and office addresses.)

3. **Date and place of birth:**

4. **Marital status:** (Include maiden name of wife or husband's name.)

5. **Education:** List secondary and higher education institutions, dates attended, degree received and date degree granted.

6. **Employment record:** List all jobs held since college, including the title or description of job, name of employer, location of work, and dates of employment.

7. **Military Service:** List any military service, including dates, rank, and type of discharge.

8. **Government experience:** List any advisory, consultative, honorary or other part-time service or positions with federal, state, or local governments, other than those listed above, and the dates of such positions.

9. **Security Clearance:** Have you ever held a U.S. government security clearance? If so, please provide details on the dates and type of clearance.

10. **Previous Appointments:** Have you ever been nominated for a position requiring confirmation by the Senate? If so, please list each such position, including the date of nomination, Senate confirmation, and Committee hearing, if any.

11. **Business relationships:** List all positions held as an officer, director, trustee, partner, proprietor, agent, representative, or consultant of any corporation, company, firm, partnership, or other business enterprise, educational or other institution, and the dates of such positions.

12. **Memberships:** List all memberships and offices held in professional, business, fraternal, scholarly, civic, public, charitable, and other organizations.

13. **Political affiliations and activities:**
    (a) List all offices with a political party which you have held or any public office for which you have been a candidate.

(b) List all memberships and offices held in and services rendered to all political parties or election committees during the last five years.
(c) Itemize all political contributions to any individual, campaign organization, political party, political action committee, or similar entity of $50 or more for the past five years.

14. **Honors and awards:** List all scholarships, fellowships, honorary degrees, honorary society memberships, military medals and any other special recognitions for outstanding service or achievements.

15. **Published writings:** List the titles, publishers, and dates of books, articles, reports, or other published materials which you have written.

16. **Congressional testimony:** Have you ever testified before a Committee of the Congress? If so, please provide details, including date(s).

B. FINANCIAL INFORMATION

The position of Comptroller General is subject to the disclosure requirements of the Ethics in Government Act, P.L. 95-521. Accordingly, the nominee for this office will be required to make extensive financial disclosures pursuant to that Act. As the Commission proceeds with its work, you may be asked to provide a financial disclosure statement.

C. POTENTIAL CONFLICTS OF INTEREST

1. Indicate any investments, obligations, liabilities, or other relationships which could involve potential conflicts of interest in the position to which you have been nominated.

2. Describe any business relationship, dealing or financial transaction which you have had during the last ten years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated.

3. Describe any activity during the past ten years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation or affecting the administration and execution of law or public policy.

4. Explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items.

D. LEGAL MATTERS

1. Have you ever been disciplined or cited for a breach of ethics for unprofessional conduct by, or been the subject of a complaint to any court, administrative agency, professional association, disciplinary committee, or other professional group? If so, provide details.

2. Have you ever been investigated, arrested, charged, or held by any federal, state, or other law enforcement authority for violation of any federal, state, county or municipal law, regulation or ordinance, other than a minor traffic offense? If so, provide details.

3. Have you or any business of which you are or were an officer ever been involved as a party in interest in any administrative agency proceeding or civil litigation? If so, provide details.

4. Have you ever been convicted (including pleas of guilty or nolo contendere) of any criminal violation other than a minor traffic offense?

5. Please advise the Committee of any additional information, favorable or unfavorable, which you feel should be considered in conjunction with your candidacy.

AFFIDAVIT

__________________________ being duly sworn, hereby states that he/she has read and signed the foregoing Candidate Questionnaire and that the information provided therein is, to the best of his/her knowledge, current, accurate, and complete.

____

Subscribed and sworn before me this ________________ day of ____________, 20 .

____
Notary Public

POLICY QUESTIONS

1. How would you describe the mission of the Government Accountability Office?

2. What do you believe are the most important functions and role of the Comptroller General?

3. Why are you interested in serving as the Comptroller General, and what would you hope to accomplish?

4. What do you believe in your background or employment experience affirmatively qualifies you for this particular appointment?

5. Some analysts have suggested the next Comptroller General be well-versed in business management practices and information technology. Others maintain that the position demands a thorough background in auditing and accounting. What are your views?

6. How do you envision the relationship and responsibilities of GAO to (a) the President, (b) the Congress, and (c) other executive branch agencies?

7. GAO's reputation for integrity through the years has depended upon its objectivity, independence, and non-partisanship. How will you carry on this tradition, and what specifically in your background demonstrates your ability to do so?

8. What do you believe are the most important accomplishments of GAO in the recent past, from an organizational and operational perspective?

9. Where do you see the greatest need for improvement with respect to GAO's organization and operations? How would you propose they be addressed?

10. What would your top priorities be as Comptroller General? How would you maintain GAO's vitality while attracting and retaining a competent work force?

11. In recent years, there have been several bills introduced which would make changes to GAO's statutory authority. What, if any, statutory modifications do you think Congress should give serious consideration to at this time?

12. If nominated and confirmed, do you expect to serve out the full 15-year term?

FORMER COMPTROLLER GENERAL BACKGROUND TABLE

FORMER COMPTROLLER GENERAL BACKGROUND INFORMATION							
CG	**Dates of Service**	**Age at Appointment**	**Educational Background**	**Private Sector Experience (before CG)**	**Public Sector Experience (before CG)**	**Position prior to CG**	**Final Salary**
David Walker	1998-2008	47	• BS in accounting, Jacksonville University • CPA	Total number of years in the private sector: **10+ +** • Arthur Andersen LLP (1989-1998) • Earlier technical, professional, and business experience was with Price Waterhouse, Coopers & Lybrand and Source Services Corporation, an international human resources consulting and search firm.	Total number of years in the public sector: **10** • Public Trustee for Social Security and Medicare (1990—1995) • Assistant Secretary of Labor for Pension and Welfare Benefit Programs (1987-1989) • Pension Benefit Guaranty Corporation (1985)	Partner, Global Managing Director, Arthur Andersen LLP	$ 172,200
Charles Bowsher	1981-1996	50	• BS in Accounting, University of Illinois; MBA, University of Chicago • CPA	Total number of years in the private sector : **21** • Arthur Andersen and Co. (1956-1967 & 1971-1981)	Total number of years in the public sector: **4** • Assistant Secretary of the Navy for Financial Management (1967-1971)	Partner, Arthur Anderson	$133,600

FORMER COMPTROLLER GENERAL BACKGROUND INFORMATION							
CG	**Dates of Service**	**Age at Appointment**	**Educational Background**	**Private Sector Experience (before CG)**	**Public Sector Experience (before CG)**	**Position prior to CG**	**Final Salary**
Elmer Staats	1966-1981	52	AB, McPherson College; MA, Political Science and Economics, University of Kansas; PhD, University of Minnesota	Not Known	Total number of years in the public sector (before CG): **27** • U.S. Bureau of the Budget (1939-1953 &1958-1966) • Executive Officer of the Operations Coordinating Board of the National Security Council (1953-1958)	Deputy Director, U.S. Bureau of the Budget	$60,662
Joseph Campbell	1955-1965	55	BA, Columbia University	Total number of years in the private sector: about **28** • Columbia University (1941-early 1950's) • Several accounting firms (1925-1941)	Total number of years in the public sector: about **2** • US Atomic Energy Commission (1953)	Member, US Atomic Energy Commission (1953)	Not Known

FORMER COMPTROLLER GENERAL BACKGROUND INFORMATION							
CG	**Dates of Service**	**Age at Appointment**	**Educational Background**	**Private Sector Experience (before CG)**	**Public Sector Experience (before CG)**	**Position prior to CG**	**Final Salary**
Lindsay Warren	1940-1954	51	JD, University of North Carolina; Admitted to the bar (1912)	Not Known	Total number of years in the public sector (before CG): **28** • U.S. House of Representatives (1924—1940) • North Carolina State Senate and House of Representatives (1917-1924) • Beaufort County (1912-1925)	Chairman of the Committee on Accounts, House of Representatives	Not Known
Fred Brown	1939-1940	60	School of Law, Boston University; Dartmouth College; Admitted to the bar (1907)	Not Known	Total number of years in the public sector: **15** • United States Senate (1932-1938) • New Hampshire Public Service Commission (1925-1933) • Governor of New Hampshire (1923-1924)	U.S. Senator	Not Known

FORMER COMPTROLLER GENERAL BACKGROUND INFORMATION							
CG	**Dates of Service**	**Age at Appointment**	**Educational Background**	**Private Sector Experience (before CG)**	**Public Sector Experience (before CG)**	**Position prior to CG**	**Final Salary**
John McCarl	1921-1936	42	Law degree, University of Nebraska	Not Known	Total number of years in the public sector (before CG): **18** • National Republican Congressional Campaign Committee (1918-1921) • Private Secretary of Senator George W. Norris (1914-1918) • Practiced law in McCook, Nebraska (1903-1914)	Executive Secretary, National Republican Congressional Campaign Committee	Not Known

SUMMARY OF THEMES FROM INTERVIEWS

Topic: Nature of the CG Position

- The CG's position is unique, making it difficult to draw direct parallels to other federal positions.
- The functions performed by GAO have evolved over time, and the visibility and impact of the CG's work have expanded with each CG.
- Today, the CG has four major areas of responsibility:
  - Accounting/financial management
  - Quasi-judicial determinations
  - Auditing of federal programs
  - International representation
- The "quasi-judicial" functions (e.g., adjudication of bid protests) do not constitute a major component of the CG's responsibilities.
- The CG differs from other federal positions that require a similar level of independence in terms of the scope and impact of the CG's decisions and the influences with which the CG must deal.

Topic: Comparison to Other Federal Positions Requiring Independence

- Other executive level federal positions such as the FBI Director, Chairman of the Board of Governors for the Federal Reserve System, and the IRS Commissioner, all have similar tenures and requirements for independence, but they have a lesser scope of responsibility than the CG.
- Inspectors General are similar in the need for independence, but their responsibilities are not as broad as the CG's.
- Other than federal judges, similar federal positions are covered by the Federal Employees Retirement System.
- Federal Claims Court judges have the same 15-year tenure as the CG and they receive an annuity equal to their salary at retirement, but they must agree to accept reappointment.
- Federal judges may not be a good comparator group, since there are some key differences in how these positions function. A key distinction is that federal judges are able to make their decisions and move forward. A CG often has the added responsibility of defending his/her decisions before Congress and the Executive Branch.

Topic: Qualifications Required for the Position

- Although there is no prescribed list of "qualifications" for the CG position, there are some common elements that may be predictors of success, e.g.:
  - knowledge of all branches of the federal government,
  - experience in managing large public or private-sector organizations,
  - demonstrated advanced analytical thinking, and

    - Demonstrated advanced communication skills to serve as GAO spokesperson and defend CG decisions.
- While some former CGs have been CPAs, this qualification is not a requirement for successful performance in the position.
- CG needs to have a strong "political sense," but be politically neutral.
- The unique appointment process does not shed light on the specific qualifications necessary for the CG position.

Topic: Independence of the CG Position

- Independence is critical to the success of the CG and GAO. It is imperative that GAO be able to form its own judgments without political pressures from Congress or the Executive Branch.
- Independence is supported and sustained by several interrelated factors:
    - 15-year term
    - lifetime salary annuity
    - limitations on removal
- The 15-year term and the limitations on removal have a greater impact in preserving the independence of the CG position.

Topic: Lifetime Salary Annuity

- A large majority of interviewees said that the lifetime annuity is not the most important factor in preserving the CG's independence, but it does contribute to it.
- The annuity may be more essential in attracting and retaining qualified individuals to the CG position than in "preserving the independence" of the position.
- The annuity is important to candidates who are concerned about their future financial security in light of the 15-year term.
- Two former CGs stated that without the annuity, they would not have been interested in the CG position.
- Changing or eliminating the annuity may require reviewing the other factors as well, since they are all interrelated.

Topic: Possible Alternatives to the Lifetime Salary Annuity

- A graduated annuity scale i.e., incremental vesting, might be a workable alternative.
- Consideration could be given to an enhanced version of the Federal Employees Retirement System, permitting the CG to qualify for full benefits with 15 years of service-- irrespective of age or previous government service.
- A unique 401k system with the same benefits might be another option.
- Finally, a shorter term (e.g., 10 years) could reduce the need for a lifetime salary annuity.

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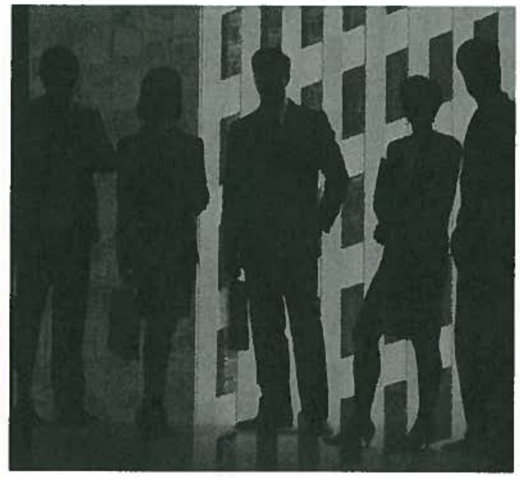

Assessment of Comptroller General's Compensation

Report of Findings

July 10, 2009

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Watson Wyatt
Worldwide

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Background

On behalf of the National Academy of Public Administration, Watson Wyatt performed an assessment of the compensation of the Comptroller General as compared with relevant private and public sector markets. Specifically, Watson Wyatt was asked to evaluate the competitiveness of the lifetime annuity retirement benefit in place for the position of Comptroller General.

Research Methodology

In comparing retirement benefits, the concept of "replacement ratio" is sometimes used. On the basis of this approach, the Comptroller General's annuity at a replacement ratio of 100% can be considered among the richest offered to executives. However, using replacement ratio in and of itself does not consider the influence of compensation on retirement benefits and personal wealth accumulation. As such, Watson Wyatt has used a methodology employing present value – which we believe more accurately illuminates the value of retirement benefits providing a robust basis for comparison.

Findings

The application of a present value approach yields a landscape of values for compensation and retirement, illustrating the fact that the Comptroller General's total future compensation, including the annuity, varies in competitiveness depending on the marketplace from which the candidate is drawn. Considering the fact that three of the last four resumes of incumbents holding the position of Comptroller General are predominated by private sector experience, and the last two Comptrollers General have been recruited directly from executive level positions in the private sector at "mid--career", we believe the most appropriate marketplace for comparison is the private sector. For comparison, and because most Comptrollers General have public sector experience in their resumes, we have also included a comparison to Federal Employees Retirement System (FERS).

Overall, from our analysis we find that:

- The present value of future earnings for the Comptroller General is generally in line with a private sector executive earning $300,000 in total cash compensation (base and annual short-term incentives) regardless of retirement plan type.

- In order to match the present value of future earnings for the Comptroller General, a federal executive under FERS would have to be making approximately $275,000[1].
- The earning potential (vis-à-vis compensation and retirement) is a single but likely important factor in ensuring future financial stability for the Comptroller General and his/her family. Based on this, as well as the findings regarding competitiveness from our analysis, it would appear that the continued ability to attract the desired talent from the private sector may in part be driven by the retirement annuity provided to the Comptroller General.

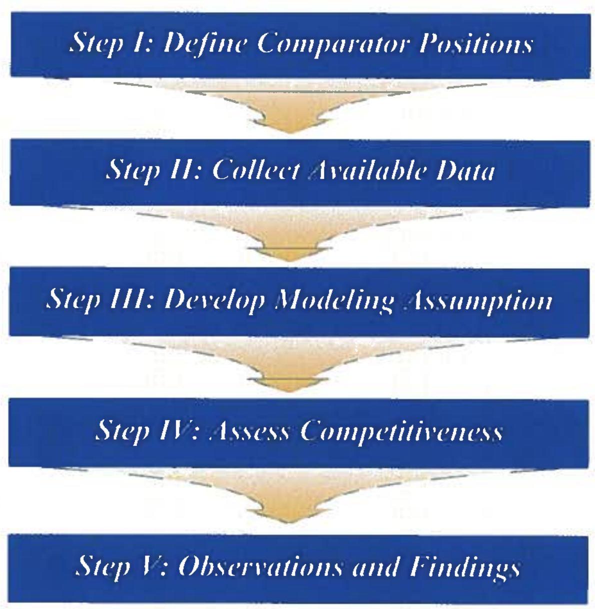
The report that follows details our research and analyses leading to these conclusions.

[1] It is our understanding that there are no federal executives currently at a base pay level of $275,000. However, our research has indicated that a number of positions within the federal government receive base salaries that are relatively comparable. In particular, when considering the Federal Financial Regulator Executive labor market, it is important to note that organizations such as OCC and FDIC have executive pay ranges with maximums of $268,200 and $269,779, respectively, excluding locality pay.

The National Academy of Public Administration (NAPA) engaged Watson Wyatt to assist in the Academy's independent study of the structure and compensation of the Comptroller General position. Specifically, Watson Wyatt has been charged with benchmarking the role, compensation and benefits of the Comptroller General position and providing a report of findings. Our report consists of the following:

- Identification of senior executive positions in the private sector that serve as relevant labor markets for the position of Comptroller General of the United States
- Description of how the compensation and benefit packages, and other features of those positions, compare and are designed to attract, retain, and maintain the independence of high quality individuals
- Identification of leading practices in designing compensation and benefit packages for senior officials
- Assessment of how the Comptroller General's compensation and benefits package compares to leading practices
- Assessment of the cost of the Comptroller General's lifetime compensation with comparable positions

The following work steps were used in our assessment of the Comptroller General's compensation package:



The following pages provide a detailed description of our methodology under each of the steps described above.

Step I: Define Comparator Positions

In identifying comparator positions with which to compare the Comptroller General, we leveraged research conducted by NAPA on the backgrounds and job histories of Comptrollers General, nominees and candidates from 1921 to present. This research resulted in information for the last four Comptrollers General, two previous nominees for the position of Comptroller General, and nine individuals who were candidates for the position.

Using this background information, we assembled the summary charts in Exhibit 1 and Exhibit 2 shown below. As seen in the summarized educational background shown in Exhibit 1, of the known degrees, accounting/taxation and business represent predominant educational backgrounds among the individuals. Illustrated in Exhibit 2 is the previous work experience for individuals prior to consideration of the position of Comptroller General. While all individuals have had public sector experience, the summary experience of the last four Comptrollers General is predominated by private sector experience. Of interest, but not represented below is the fact that the last two Comptrollers General have been hired directly from private sector accounting firms.

Exhibit 1: Summary of Educational Backgrounds (Tally of all degrees earned)[2]

Recruitment Status	Degree Type					Certifications
	Accounting / Taxation	Business	Juris Doctor	Other	Unknown	CPA
Comptroller General (n=4)	2	1	0	1	3	2
Nominee (n=2)	1	--	--	1	1	1
Candidate (n=9)	4	3	2	2	2	1

[2] All degrees for all individuals are represented in this chart

Exhibit 2: Summary of Previous Work Experience Prior to Consideration for the Comptroller General Position					
Recruitment Status	Experience: Private Sector	Experience: Public Sector	Experience: Predominant[3]	Last Position Held	GAO Experience
Comptroller General (n=4)	3	4	Private Sector	Private Sector	0
Nominee (n=2)	1	2	n/a	n/a	0
Candidate (n=9)	4	8	Public Sector	Public Sector	4

Using the information categorized above, we developed a matrix shown in Exhibit 3 that summarizes the prevalent skill set and prior experience desirable in a Comptroller General, and generated five profiles that appropriately reflect that skill set and experience for use in our analyses. These profiles were used to inform our understanding of appropriate labor markets and compensation levels for individuals who could be considered for the Comptroller General position.

Exhibit 3: Comparability Labor Market Matrix			
Sector	Comparator Position	Industry	Skills/Experience Represented
Private	EVP / Division Executive	Professional Services	✓ Technical skills of accounting/business ✓ Advisory function ✓ Last two CGs were hired from similar positions
	Chief Financial Officer	All	✓ Technical skills of accounting/financial management
	General Counsel / Partner	Financial Services	✓ Essence of semi-judicial nature ✓ Educational background of multiple CG candidates
Public	Level I Executive Schedule	Government	✓ Importance of leadership in the public sector
	Federal Financial Regulator Executive	Government	✓ Leadership of oversight/regulatory function ✓ Independence (non-political appointee)

[3] Predominant experience was determined by the number of years of experience the individuals have in either the public or private sector. We were unable to make a determination on the predominant experience of the "Nominees" based on the data available

Step II: Collect Available Data

Compensation Market Data

Using our extensive library of published survey sources, we collected data for base pay, total cash[4] and total direct compensation[5] at the 50th and 75th percentiles for the relevant marketplace. For purposes of our analysis, following standard business practices, we made the following assumptions:

- Where possible, revenue scoping is based on the current GAO annual budget of $507.2 million
- All data is aged to January 1, 2009 using a 3.0% annual update factor[6]
- For federal financial regulator executive data, we used the average of midpoint and maximum pay for executives at the Federal Reserve Board (FRB), Federal Deposit Insurance Corporation (FDIC) and the Office of the Comptroller of the Currency (OCC)

To ensure data reliability, Watson Wyatt only uses reputable, professionally tended survey sources that provide employer reported compensation data and are conducted by third party organizations. We utilized the following survey sources:

- 2008/2009 Watson Wyatt Survey of Top Management Compensation
- 2008 Mercer Executive Compensation Database
- 2007 Altman Weil Law Department Compensation Survey
- 2007 Altman Weil Survey of Law Firm Economics

Exhibit 4 provides a summary of the base salary and total cash compensation market data collected for each of the comparator positions. This information becomes an important driver for our retirement calculations that follow in Steps III & IV because in part, retirement formulas calculate benefits based upon total cash compensation.

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[4] Total Cash Compensation = annual base salary + annual short-term incentive payments paid
[5] Total Direct Compensation = Total Cash Compensation + the present value of long-term incentives paid. Long-term incentives include any form of equity and/or long-term cash incentive plans
[6] Annual update factors are used to normalize the variance in the effective dates of published survey sources to a common point in time. The 3.0% factor above represents estimated increase in budgets for 2009 and 2010

Exhibit 4: Summary of Total Cash Market Data					
Comparator Positions	Base Pay ($000s)		Average Bonus as % of Base	Total Cash Compensation ($000s)	
	50th Percentile	75th Percentile		50th Percentile	75th Percentile
EVP / Division Executive	$279.8	$362.7	63%	$435.6	$591.8
Chief Financial Officer	$308.7	$376.2	62%	$425.8	$584.7
General Counsel / Partner	$305.8	$401.2	81%	$435.9	$803.4
Level I Executive Schedule	$196.7	$196.7	n/a	$196.7	$196.7
Federal Financial Regulator Executive	$273.5	$276.3	n/a	$273.5	$276.3

<u>Retirement Plan Designs and Prevalent Features</u>

The primary issue at the center of this study is the assessment of retirement benefits. In order to perform this assessment, our approach is to calculate the present value of future compensation (including salary and retirement benefits) for the Comptroller General, comparing the resulting value to the present value of future compensation modeled for various candidate profiles. By comparing the present value of future compensation – or the value of future salary and retirement benefits if provided today -- we have a common basis for comparison that considers cash compensation which represents one of the most important drivers of overall benefit values.[7]

In order to value retirement benefits using present value, it is important to understand the types of retirement plans used in the market. There are essentially three types of retirement plans used by organizations:

1) Traditional Defined Benefit (DB) Plan – a type of retirement plan that provides a guaranteed benefit amount at retirement, typically in the form of an annuity. The amount of the benefit is based on a formula, which is usually related to pay and years of service.

2) Hybrid Pension Plan – a type of retirement plan that guarantees the amount of an employee's benefit, like a traditional DB plan, but describes the benefit as a lump

[7] In comparing retirement benefits, the concept of "replacement ratio" is sometimes used. Using replacement ratio, or the percentage of annual final compensation that a retirement benefit is intended to provide, in and of itself does not consider the influence of compensation on retirement benefits and lifetime compensation. As such, we have used a methodology employing present value – which we believe more accurately illuminates the value of retirement benefits and overall wealth accumulation

sum or a cash account balance. These plans generally allow employees to take their account balance with them when they terminate employment.

- The most prevalent type of hybrid plan is a Cash Balance plan[8], which resembles a defined contribution plan. This is a career-average plan (meaning final benefits are based on earnings during each year of participation) that expresses benefits in terms of hypothetical accounts that are credited with interest and cash balance credits (employer allocations) that may be age- or service-related.

3) Defined Contribution (DC) Plan – a type of retirement plan, such as a 401(k) or 403(b), in which the employee elects to defer some compensation into an account that he or she typically manages, including choosing investment options. In most cases, the employer contributes to the account as well. These plans also generally allow employees to take their account balance with them when they terminate employment.

Prevalent Retirement Plan Designs In Today's Organizations

The last ten years have seen a shift in the U.S. retirement system. Some large employers have switched from defined benefit (DB) plans, which are managed by the employer, to defined contribution (DC) plans, in which employees typically manage their own contributions, investments and retirement income, and bear the associated risks. Watson Wyatt research shows that for the 2009 Fortune 100, there has been a steady decline in the number of organizations offering Defined Benefit plans and a subsequent increase in the number of organizations offering Defined Contribution plans. For example, in 2009, only 22 companies in the Fortune 100 had a traditional Defined Benefit, compared with 69 companies in 1998 – a decline of almost 70%. Although these statistics relate to Fortune 100 companies, we consider them to be representative of trends in the larger marketplace.

While the popularity of defined benefit plans is decreasing, each of these types of retirement plans is reasonably prevalent in the market and should be considered to gain a complete understanding of the competitiveness of the lifetime compensation for the Comptroller General. It is also important to note that most organizations that provide a Defined Benefit or Hybrid plan also provide some type of Defined Contribution plan as well.

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[8] From Watson Wyatt's 2008 research publication "Retirement Plan Design: Past, Present and Future"; represents responses from 300 employers with DB plans in place since 1996. All companies are either in the Fortune 1000 or the Pension & Investment 1000 list

Notably, there is no overarching prevalence of retirement plan type by industry. As a result, in presenting a comparison of lifetime compensation for the Comptroller General against the market, we focus primarily on representative salary levels and representative retirement plan designs. Specifically, to determine lifetime compensation for the market, we have used market salary information for comparator positions from the labor markets identified for the Comptroller General to model retirement benefits under each of the plans described. We also include the Federal Employee Retirement System (FERS) to model comparable public sector compensation. The next section provides the retirement assumptions associated with each of the different plan types.

Step III: Develop Modeling Assumptions

In calculating the retirement benefit and lifetime compensation amounts for the representative salary levels, several assumptions were made for each retirement plan type. In all cases, we used the most prevalent plan design aspects to create a reasonable comparison to the market. For each scenario we assume annual pay increases of 3%[9], which matches the projected inflation rate used in our calculations. For the Comptroller General, we assumed 15 years of future service, beginning at age 51[10]. A description of each plan and associated summary of assumptions follows[11]:

<u>Retirement Plan A: Defined Benefit + Defined Contribution</u>

Age Entering Plan	51
Years of Past Service	9 years
Age at Retirement	66
Defined Benefit	1.1% times service times Final Average Pay[12] *(includes base + bonus)*
Defined Contribution	50% company match on 6% employee deferral[13] (subject to IRS limits)
Other	No supplemental executive retirement plan with employer-provided benefit

[9] Based on merit increase budget projections for 2010; also mirrors the update factor used in the compensation market analysis
[10] The average age of the last four Comptrollers General upon taking office is 51 years old
[11] Actuarial and economic assumptions for present value computations can be found in Appendix A
[12] Final Average Pay = the incumbents earnings are based on average pay over the last five years of employment
[13] "Retirement Plan Design: Past, Present and Future", this is the most prevalent plan formula

Retirement Plan B: Cash Balance + Defined Contribution

Age Entering Plan	51
Age at Retirement	66
Cash Balance	5% annual contribution credit & US Treasury yield interest credit *(pensionable pay includes base and cash bonus)*
Defined Contribution	100% company match on 5% employee deferral[14] (subject to IRS limits)
Other	No supplemental executive retirement plan with employer-provided benefit

Retirement Plan C: Defined Contribution Only *(Matching & No-Match)*

Age Entering Plan	51
Age at Retirement	66
Employer Contribution	Non-matching employer contribution of 3.34%[15]
Employer Match	Matching employer contribution of 3.83%[16] (subject to IRS limits)
Other	No supplemental executive retirement plan with employer-provided benefit

Retirement Plan D: Defined Contribution Only *(Matching Only)*

Age Entering Plan	51
Age at Retirement	66
Employer Match	Matching employer contribution of 4.26%[17] (subject to IRS limits)
Other	No supplemental executive retirement plan with employer-provided benefit

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[14] "Hybrid Pension Conversions Post-1999: Meeting the Needs of a Mobile Workforce" reports that in the transition from defined benefit to cash balance plans, organizations typically increased their defined contribution match by approximately 2%

[15] "Retirement Plan Design: Past, Present and Future" – for organizations offering DC plan with both match and non-match contributions, the average non-matching contribution is 3.34%

[16] "Retirement Plan Design: Past, Present and Future" – for organizations offering DC plan with both match and non-match contributions, the average company match is 3.83%

[17] "Retirement Plan Design: Past, Present and Future" – for organizations offering DC plan with match only, the average company match is 4.26%

Retirement Plan E: Federal Employee Retirement System

Age Entering Plan	25 *(career government employee)*
Age at Retirement	65
Basic Plan	1.1% of high 3 average pay times creditable service[18]
Thrift Plan/Employer Contribution	1% non-matching contribution and 100% match of 5% employee deferral; includes COLA

[18] The FERS "Basic Benefit" requires a modest employee contribution in excess of the Social Security contribution toward old age benefits (totaling about .8% of pay annually). This small employee contribution has been ignored in our computation of the value of employer-provided FERS benefits

Step IV: Assess Competitiveness

Any assessment of personal wealth, for example in the context of retirement planning or personal asset allocation, includes one's "human capital" or the present value of one's expected future income. Summarized below in Exhibits 5 and 6 are "human capital" figures (present value of future cash compensation plus present value of future employer-provided retirement benefits) for the Comptroller General position plus the hypothetical "market" positions described in the prior pages. The retirement plan types and assumptions identified in the previous section were used in the calculation of these figures.

Exhibit 5: Present Value of Future Compensation for Comptroller General

Age Entering Plan	51
Age at Retirement	66
Starting Base Salary	$177,000
Present Value	**$4,625,056**

The chart below can be used to compare and contrast the Comptroller General's present value of future earning power to those of other possible candidates in the market place. For example, in Exhibit 4 we estimate that a hypothetical EVP/Division Executive in a Professional Services firm is estimated to earn approximately $435,000 in total cash compensation at the 50th percentile of the market. Looking at Exhibit 6 below, the $400,000 salary level can be used as a proxy for this incumbent. Based on their current cash compensation and the possible range of retirement plans, our hypothetical EVP/Division Executive (who is assumed to be at age 51) may be expected to realize a present value of future earnings (cash compensation and employer provided benefits) of anywhere from $5,683,000 to $6,051,100. These amounts can be compared to the Comptroller General's present value of future earnings of $4,625,056. As seen in this example, the EVP/Division Executive would be disadvantaged financially in accepting the position of Comptroller General given the Comptroller General's lower relative compensation and resulting retirement benefits.

Exhibit 6: Present Value of Future Compensation ($000s)					
Salary Level[19]	Defined Benefit + Defined Contribution	Cash Balance + Defined Contribution	Defined Contribution Only		FERS[20]
			Match + Non-Match	Match Only	
$500,000	$7,426.9	$7,258.6	$7,181.9	$7,059.1	--
% Differential from CG	*61%*	*57%*	*55%*	*53%*	*n/a*
$400,000	$6,051.1	$5,882.7	$5,806.0	$5,683.3	--
% Differential from CG	*31%*	*27%*	*26%*	*23%*	*n/a*
Comptroller General $4,625,056					
$300,000	$4,675.2	$4,506.9	$4,430.2	$4,307.4	--
% Differential from CG	*1%*	*-3%*	*-4%*	*-7%*	*n/a*
$275,000	$4,331.2	$4,162.9	$4,086.2	$3,963.4	$4,554.8
% Differential from CG	*-6%*	*-10%*	*-12%*	*-14%*	*-2%*
$225,000	$3,595.0	$3,444.7	$3,374.1	$3,261.1	$3,726.7
% Differential from CG	*-22%*	*-26%*	*-27%*	*-29%*	*-19%*
$175,000	$2,796.1	$2,679.2	$2,624.3	$2,536.4	$2,898.5
% Differential from CG	*-40%*	*-42%*	*-43%*	*-45%*	*-37%*

Long Term Incentives: An Important and Prevalent Component of Executive Compensation

The calculations reported in Exhibit 6 reflect the present value of future compensation, including base salary, annual short-term incentives paid, and a valuation for retirement benefits. In addition to these facets of the total direct compensation package, it is important to note, as graphically illustrated in Exhibit 7, that another significant feature of total direct compensation designs for private sector executives includes long-term incentives[21].

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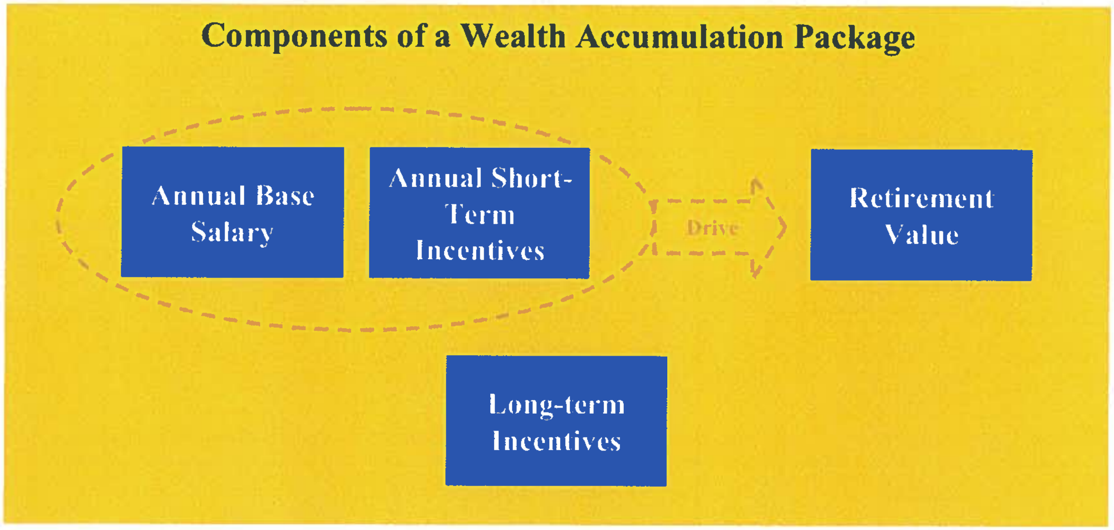
[19] Salary level represents total cash compensation (base salary plus bonus)

[20] PV of future compensation for FERS not calculated above $275,000 as few government positions are paid beyond this level

[21] Long-term incentives are typically paid out in the form of equity, such as stock options and restricted stock/units, but can also take the form of cash compensation paid out based on achievement against a long-term performance plan

Exhibit 7: Illustration of Wealth Accumulation for Executives



The vast majority of executives in private sector organizations are eligible to receive long-term incentives. According to Watson Wyatt's 2008/2009 database of long-term incentives, the median eligibility for private sector executives earning in excess of $150,000 is 98%.

The value of the long-term benefit received tends to differ by salary level. Exhibit 8 below illustrates general long-term incentive payments that individuals might receive through private sector employment.

Exhibit 8: Summary of Long-Term Incentive Market Data

Base Salary Range ($000s)	Value of 2008 LTI Awards *% of Salary*	
	50th Percentile	75th Percentile
$401-$500	156.8%	253.7%
$351-$400	116.2%	190.3%
$301-$350	92.4%	142.7%
$251-$300	78.2%	121.0%
$201-$250	57.6%	91.8%
$176-$200	43.5%	69.7%

Based on their prevalence and the value that long-term incentives can provide to an executive, the impact of such plans on total direct compensation should be acknowledged when considering attraction of executive talent from the private sector market.

Step V: Observations/Findings

The analyses in the previous section, specifically the calculations in Exhibit 6, lead to the following findings and observations:

- Comparison to Private Sector Executives
    - The present value of future earnings for the Comptroller General is generally in line with a private sector executive earning $300,000 in total cash compensation (base and annual short-term incentive) regardless of retirement plan type. Thus, private sector executives making more than $300,000 benefit from a higher present value than the Comptroller General, while private sector executives making less than $300,000 have a present value that trails the Comptroller General's present value of future compensation.
    - Based on comparable positions in the private sector constructed for the Comptroller General position, annual cash compensation could reasonably be expected to fall in the $400,000 to $500,000 range. The present value of future compensation at such salary levels is estimated to be 23% to 61% greater than that of the Comptroller General. Moreover, such a calculation does not consider the impact of long-term incentives on private sector wealth accumulation.
- Comparison to the Public Sector Executives
    - In order to match the present value of future earnings for the Comptroller General, a federal executive under FERS would have to be making approximately $275,000[22].
    - The Comptroller General's current retirement annuity is significantly more generous than FERS, even when considering a career government employee. A federal executive's salary level of $175,000 (similar to the Comptroller General's current salary of $177,000) yields a present value of $2,898,500 under FERS which is 37% below the Comptroller General's present value.

[22] It is our understanding that there are no federal executives currently at a base pay level of $275,000. However, our research has indicated that a number of positions within the federal government receive base salaries that are relatively comparable. In particular, when considering the Federal Financial Regulator Executive labor market, it is important to note that organizations such as OCC and FDIC have executive pay ranges with maximums of $268,200 and $269,779, respectively, excluding locality pay.

Watson Wyatt appreciates the fact that a decision to accept the prestigious position of Comptroller General is a profound move in an executive's career and life. As such, financial factors are only one consideration of potential candidates. However, given the precedent of both considering and hiring experienced executives of impressive accomplishment and stature at the peak of their professional careers, we consider the earning potential (vis-à-vis compensation and retirement) to be a single but likely important factor in ensuring future financial stability for the Comptroller General and his/her family. Based on this, as well as the findings from our analysis, it would appear that the continued ability to attract the desired talent from the private sector may in part be driven from the retirement annuity provided to the Comptroller General.

Actuarial and Economic Assumptions for Present Value Computations

Return	7.0% (for DC balances, net of fees)
Discount	5.5% (post-retirement only, for measuring present value of annuity stream)
Risk-Free / Treasury Rate	4.0%
Annual Salary Increase	3.0%
Inflation	3.0%
Mortality	Pre-retirement: None Post-retirement: PPA 2009 optional combined table, unisex
Retirement	Age 66 (65 for career FERS employee)
Employment Termination	None assumed
Disability Termination / Retirement	None assumed
Other	• Effect of future income taxes is ignored • Social Security benefits (50% employer funded) ignored • Age 66 DB and DC values are discounted to 1/1/2009 at the risk free rate • Future cash compensation is discounted to 1/1/2009 at the risk free rate

The exhibit below illustrates the distinct pieces that comprise the present value of future compensation presented earlier in the report, namely the present value of future base pay and bonus and the present value of future retirement benefits. This allows us to directly compare both total cash compensation to be paid over an executive's tenure as well as the retirement benefit associated with each plan.

Detailed Present Value of Future Compensation ($000s)						
Salary Level	Pay Type	Defined Benefit + Defined Contribution	Cash Balance + Defined Contribution	Defined Contribution Only		FERS
				Match + Non-Match	Match Only	
$500,000	Base + Bonus	$6,879.4	$6,879.4	$6,879.4	$6,879.4	--
	Retirement	**$547.6**	**$379.2**	**$302.5**	**$179.7**	**--**
$400,000	Base + Bonus	$5,503.5	$5,503.5	$5,503.5	$5,503.5	--
	Retirement	**$547.6**	**$379.2**	**$302.5**	**$179.7**	**--**
$300,000	Base + Bonus	$4,127.6	$4,127.6	$4,127.6	$4,127.6	--
	Retirement	**$547.6**	**$379.2**	**$302.5**	**$179.7**	**--**
$275,000	Base + Bonus	$3,783.7	$3,783.7	$3,783.7	$3,783.7	$3,548.1
	Retirement	**$547.6**	**$379.2**	**$302.5**	**$179.7**	**$1,006.7**
$225,000	Base + Bonus	$3,095.7	$3,095.7	$3,095.7	$3,095.7	$2,903.0
	Retirement	**$499.3**	**$348.9**	**$278.4**	**$165.4**	**$823.7**
$175,000	Base + Bonus	$2,407.8	$2,407.8	$2,407.8	$2,407.8	$2,257.9
	Retirement	**$388.3**	**$271.4**	**$216.5**	**$128.6**	**$640.6**
Comptroller General	***Base Salary***	***$2,435.3***	***$2,435.3***	***$2,435.3***	***$2,435.3***	***$2,435.3***
	Retirement	***$2,189.8***	***$2,189.8***	***$2,189.8***	***$2,189.8***	***$2,189.8***

Watson Wyatt
Worldwide

July 16, 2009

Mr. Rick Cinquegrana
Program Area Director
National Academy of Public Administration
900 7th Street NW, Suite 600
Washington, DC 20001

Subject: Addendum to Report Dated July 10, 2009

Dear Rick:

During the discussion with the panel on July 13, 2009, Watson Wyatt was asked to provide an additional valuation of the Comptroller General's compensation. This assessment is intended to value the Comptroller General's compensation under the Federal Employee Retirement Systems (FERS) in lieu of the current retirement plan associated with the position.

Methodology

In calculating the present value of future compensation for the Comptroller General under both the current retirement plan as well as FERS, we have made the following assumptions (specific retirement plan assumptions can be found in the original report):

Age Entering Plan	51
Age at Retirement	66
Starting Salary	$177,000
Annual Base Salary Increase	3%

Summary of Findings

Exhibit 1 on the following page provides a comparison of the present value of future compensation for the Comptroller General under both the current retirement plan as well as FERS. Based on our assessment, the present value of future compensation for the Comptroller General under the current retirement plan is considerably higher than present value of future compensation that would be earned under FERS. Moving the Comptroller General position from the current retirement plan into FERS results in a decrease in value of approximately 36%.

Watson Wyatt & Company

901 N. Glebe Road \ Arlington, VA 22203 \ 703 258 8000 *Telephone* \ 703 258 8099 *Fax*

Exhibit 1: Comparison of Comptroller General's Present Value of Future Compensation under Current Retirement as Compared to FERS

	Current	*FERS*
Base + Bonus	$2,435.3	$2,435.3
Retirement	$2,189.8	$502.5
Total	***$4,625.1***	***$2,937.8***

If you have any questions or concerns about the information provided above, please feel free to reach me at 703.258.8014 or Mark Miller at 781.283.9323.

Sincerely,

Jane Weizmann
Senior Consultant
Watson Wyatt Worldwide

FEDERAL AGENCIES AND POSITIONS WITH SIMILAR NEED FOR INDEPENDENCE

FEDERAL BUREAU OF INVESTIGATION

The Federal Bureau of Investigation (FBI) is a component of the U.S. Department of Justice and has as its mission investigating violations of federal criminal law; protecting the United States from foreign intelligence and terrorist activities; and providing leadership and law enforcement assistance to Federal, state, local, and international agencies. The FBI performs its mission with a workforce of approximately 31,891 employees, including 13,075 special agents and 18,816 professional staff.[133] While the FBI performs its work independently, its activities are closely and regularly scrutinized by a variety of entities. Congress, through several oversight committees in the Senate and House, reviews the FBI's budget appropriations, programs, and selected investigations. Also, the results of FBI investigations are often reviewed by the judicial system during court proceedings. Within the U.S. Department of Justice, the FBI is responsible to the Attorney General.

INTERNAL REVENUE SERVICE

The Internal Revenue Service (IRS), a bureau of the U.S. Department of the Treasury, is charged with administering the Internal Revenue Code enacted by Congress. The IRS's mission is to provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness to all. In 2004, the IRS collected more than $2 trillion in revenue and processed more than 224 million tax returns.[134]

OFFICE OF THE COMPTROLLER OF THE CURRENCY

As a bureau of the U.S. Department of the Treasury, the Office of the Comptroller of the Currency (OCC) charters, regulates, and supervises all national banks. It also supervises the federal branches and agencies of foreign banks. The OCC supervises more than 1,600 federally chartered commercial banks and approximately 50 federal branches and agencies of foreign banks in the United States, comprising nearly two-thirds of the assets of the commercial banking system. In regulating national banks, the OCC has the power to:[135]

- approve or deny applications for new charters, branches, capital, or other changes in corporate or banking structure;
- take supervisory actions against banks that do not comply with laws and regulations or that otherwise engage in unsound banking practices; and

[133] www.fbi.gov/quickfacts.htm
[134] www.irs.gov.
[135] www.occ.treas.gov.

- o issue rules and regulations governing bank investments, lending, and other practices.

OCC receives no appropriations from Congress. Instead, its operations are funded primarily by assessments on national banks.

FEDERAL INSPECTORS GENERAL

The Inspector General Act of 1978, as amended, established the duties, responsibilities, and authorities of a Federal Inspector General (IG). Over the years, the Act has been amended to increase the number of agencies with IGs and to establish IGs in designated, independent agencies. Today, 69 IGs provide audit and investigative oversight across the Federal government.[136] The primary responsibilities of IGs are to: conduct independent and objective audits, investigations, inspections, and evaluations; promote economy, efficiency, and effectiveness; prevent and detect fraud, waste, and abuse; review pending legislation and regulation; and keep the agency head and Congress fully and currently informed.

CONGRESSIONAL BUDGET OFFICE

Created by the Congressional Budget and Impoundment Control Act of 1974, the Congressional Budget Office (CBO) provides economic data to Congress. Specifically, the mandate of the CBO is to provide Congress with: (1) objective, nonpartisan, and timely analyses to aid in economic and budgetary decisions on the wide array of programs covered by the Federal budget; and (2) the information and estimates required for the Congressional budget process. The CBO publishes a variety of documents, including cost estimates and mandates, reports needed for the budget process, analytical studies, briefs, monthly budget reviews, and background papers and related documents.[137] While the CBO is an agency of the Legislative Branch, its products are expected to be independent and politically neutral in their content.

BOARD OF GOVERNERS OF THE FEDERAL RESERVE SYSTEM

The Federal Reserve System is the central bank of the United States. It was founded in 1913 to provide the nation with a safer, more flexible, and more stable monetary and financial system. Congress's intent in establishing the Federal Reserve System was to ensure that monetary policies were not affected by politics.[138] Thus, the System is independent of other branches and agencies of government. It is self-financed, and therefore, is not subject to the Congressional budgetary process. Today, the Federal Reserve's duties fall into four general areas:

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[136] ignet.gov
[137] cbo.gov.
[138] federalrerserve.gov.

- conducting the nation's monetary policy by influencing money and credit conditions in the economy in pursuit of full employment and stable prices;
- supervising and regulating banking institutions to ensure the safety and soundness of the nation's banking and financial system and to protect the credit rights of consumers;
- maintaining the stability of the financial system and containing systemic risk that may arise in financial markets; and
- providing certain financial services to the U.S. Government, to the public, to financial institutions, and to foreign official institutions, including playing a major role in operating the nation's payments systems.

The Federal Reserve System is composed of an independent federal government agency—the Board of Governors—and 12 regional Federal Reserve Banks. The Board of Governors is composed of seven members, who are appointed by the President and confirmed by the Senate.

COMPTROLLER GENERAL ANNUITY SURVIVOR BENEFITS

Under 31 U.S.C. § 772, a Comptroller General serving a complete fifteen year term or who retires due to a permanent disability after serving ten years (50 percent if less than ten years), may receive an annuity for life equal to the pay the CG is receiving on completion of the term or at the time of retirement. If a CG who has competed a full term is under 65 years of age, the annuity is reduced by .25 percent for each complete month the CG is under 65. If the CG at the time of appointment is or has been subject to the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS), the CG may elect to remain in CSRS or FERS. The CG then has 10 years and 60 days to change this election and opt to receive the CG's annuity. Upon electing to receive the CG annuity, the CG is entitled to a refund of lump-sum amounts credited to the CG in the Civil Service Retirement and Disability Fund.

Upon electing to be subject to the CG retirement, for all periods of time as CG prior to the election, the CG deposits with GAO for redeposit in the Treasury as miscellaneous receipts as a contribution to the annuity, 3.5 percent of his/her pay plus 3 percent interest compounded every December 31 on the amount to be deposited, **if survivor benefits are elected**; or 8 percent of the pay before deductions are made plus 3 percent interest compounded every December 31 if survivor benefits are not elected. From the date of the election, the CG has 3.5 percent of pay received as CG deducted as a contribution to the annuity **if survivor benefits are elected**; or 8 percent of pay received as CG deducted as a contribution to the annuity if survivor benefits are not elected.

Under 31 U.S.C. § 773, a Comptroller General may elect to provide survivor benefits. The CG must make this election within six months of taking office (or within 10 years and 60 days after making the election if making the annuity election after being subject to the CSRS or FERS). A CG who makes this election will have 4.5 percent of the pay received as CG and 5 percent of future annuity payments deducted, and deposits with GAO for redeposit in the Treasury as miscellaneous receipts 4.5 percent of the pay and annuity received as CG before the deductions begin; 4.5 percent of basic pay received as a member of Congress or of other civilian service on which a surviving spouse's annuity is computed (under § 774(d)); and 4 percent interest before January 1, 1948, and 3 percent interest after December 31, 1947, compounded every December 31, on amounts deposited.

In order for a survivor annuity to be paid, the CG must have made the election; have died in office or while receiving an annuity under 31 U.S.C. § 772; had at least 18 months of civilian service at death computed under certain sections; and had deductions or deposits made for the last 18 months of civilian service. If the CG or retired CG is survived only by a spouse, the surviving spouse, on the death of the CG or when the spouse is 50 years of age, whichever is later, receives an annuity equal to 1.5 percent of the average annual pay (based on 3 years of highest pay received and other prior allowable service) times the number of years of service as CG, a member of Congress, prior military service and not more than 15 years of prior allowable service as a Congressional employee plus .75 percent of the average pay as described above times the number of years of other allowable service as a civilian employee of the Government or District of Columbia. The surviving spouse's annuity may not be more than 50 percent nor less than 25 percent of the average annual pay.

If the CG or retired CG is survived by a spouse and dependent children, the surviving spouse receives an immediate annuity as described above plus each dependent child shall receive an immediate annuity equal to the smaller of 10 percent of the average annual pay or 20 percent of the average annual pay divided by the number of dependent children. If only survived by dependent children, i.e., no spouse, each dependent child shall receive the smaller of the annuity the surviving spouse would be entitled to divided by the number of dependent children; 20 percent of the average annual pay; or 40 percent of the average annual pay divided by the number of dependent children.

COMPARISON OF CG POSITION TO CALIFORNIA STATE AUDITOR

The Panel examined the California State Auditor position to determine how its structure and compensation compared to the CG. In some ways, the position has strong similarities to the CG, but, in others, significant differences were identified. Like the CG, independence is the hallmark of the State Auditor's position, but there are key differences in terms of the sources of independence. Most notably, compensation and benefits are not part of the structural provisions in place to protect the State Auditor's independence.

ROLES AND RESPONSIBILITIES

Functionally, the Office of the California State Auditor is very similar to GAO. It serves as the State's external auditor, providing independent and nonpartisan assessments of the California State Government's financial and operational activities in compliance with generally accepted government auditing standards. The California State Auditor's Office reports its findings to the State Legislature and recommends actions with the goal of improving State Government operations. The workload of the California State Auditor' Office is divided as follows:

- Performance audits—70 percent;
- Financial and compliance audits—20 percent; and
- Investigations—10 percent.

APPOINTMENT PROCESS

When the State Auditor's position becomes vacant, the Joint Legislative Audit Committee nominates three candidates to the Governor. However, in contrast to the CG selection process, the Governor does not have the option of adding names to the list of candidates and must select one of the three nominated candidates.

TERM

The California State Auditor is appointed to a four-year term. While the four-year term is less than one-third of the CG's 15-year term, the short term is balanced by the possibility of reappointment. In order to be reappointed, an incumbent State Auditor's name must be considered along with two other candidates. The current State Auditor is serving a third term.

PROTECTIONS FROM REMOVAL

The California State Auditor can only be removed for reasonable cause by a resolution of both Houses of the Legislature. This appears to present a lower threshold for removal than that required to remove the CG.

ADDITIONAL SOURCES OF INDEPENDENCE

The California State Auditor's Office and GAO share several additional sources of independence. Similar to GAO's unique human resources system (described in Chapter 2), the California State Auditor's Office is covered by a personnel system that is exempt from the civil service regulations that apply to other State Government employees. In particular, the compensation and hiring practices that are applicable to the rest of the State government do not govern the State Auditor's Office.

Likewise, the budget authority afforded the California State Auditor's Office is similar to GAO's. Both organizations develop their budgets separately, and they are submitted and accepted without modification by the Executive Branch of government.

COMPENSATION AND RETIREMENT BENEFITS

Unlike the CG, there is no special retirement system or other compensation tool in place to preserve the independence of the California State Auditor position. The California State Auditor's salary of $175,000 is very close to the CG's salary of $177,000, but the State Auditor's retirement benefit is no different from that of other State employees. The threshold age for retirement is 55, and the employee receives a percentage of the final salary that is tied to the individual's age and number of years of service.

SUMMARY

The California State Auditor's position is similar to the CG in terms of its roles and responsibilities, appointment process, protections from removal, base salary, and other sources of independence. Its independence is supported greatly by the statutes that establish the State Auditor's Office as an independent entity and provide for separate financial and human resources. The term of office is relatively short compared to the CG, and no unique retirement system is available to the California State Auditor.

Actuarial Valuation
for the
Comptroller General's Retirement System

September 30, 2008

September 24, 2008

Attachment 1

GENERAL INFORMATION SHEET
Report for plan year ending

September 30, 2008

1. Name of plan: Comptroller General's Retirement System

2. Name and address of plan sponsor (employer if for a single employer plan):

   U.S. Government Accountability Office
   441 G Street, NW
   Washington, DC 20548

3. Name and phone number of plan administrator (or other responsible plan official):

   John O'Connor, Director
   Financial Management
   (202) 512-6539

4. Type of plan entity:

   _x_ Single-employer plan
   ___ Multiemployer plan

5. Date plan established: 1953 and most recently amended by P.L. 100-426 enacted September 9, 1988.

6. Plan participants at end of plan year:

   Active employees _0_
   Separated employees entitled to deferred benefits _0_
   Retiree annuitants _2_
   Other annuitants _0_

7. Type of plan:

   _x_ Defined benefit
   ___ Defined contribution
   ___ Other (specify)

8. Administrative Costs:

(a) Are administrative costs borne by the plan?

___Yes _x_No

If yes, describe specific elements.
If no, who absorbs such costs?

U.S. Government Accountability Office

9. (a) In this plan year, was the plan merged or consolidated into another plan or were assets or liabilities transferred to another plan?

___Yes _x_No

(b) If "yes," identify other plans.

10. Indicate funding arrangement(s):

___ Trust
___ Insured Benefits and other expenses financed through annual Congressional appropriations
___ Combination
_x_ Other

11. Date of most recent actuarial valuation: September 30, 2008

12. Actuarial cost method used in completing tables in attachment 3:

___ Attained age normal
_x_ Entry age normal*
___Accrued benefit (unit credit)
___ Aggregate
___ Frozen initial liability
___ Individual level premium
___ Other (specify)

*With normal cost expressed as a percentage of payroll

13. Actuarial assumptions

a. Economic:

(1) The future plan payments are discounted at 6.25 percent annually.

(2) A salary increase of 4 percent per year of service has been used where appropriate.

(3) An inflation rate for post-retirement benefit adjustments of 4 percent per year has been used.

b. Decrements:

(1) Basis of mortality assumptions:

After retirement:
_x_ RP-2000 Combined Healthy with White Collar Adjustment.

Before retirement:
_x__ None
___ Plan experience
___ Other (explain)

(2) (a) Normal retirement age: 15 years of service or age 70 with 10 years of service as Comptroller General, whichever comes first.

(b) Lowest age at which employee may voluntarily retire with full benefits: 65

(3) Basis of withdrawal assumption:

___ Published table (identify)
___ Plan experience
_x_ None
___Other

(4) Basis of disablement assumption:

_x__None
_____Plan experience
_____Other (explain)

14. A brief description of the plan provisions is attached, including a summary of the principal eligibility and benefit provisions and provisions for employee and employer contributions.

* * * * * * * * * * * * * * * * *

I declare that I have examined this report, including accompanying tables and statements, and to the best of my knowledge and belief it is true, correct, and complete.

Signature of plan administrator
(or other responsible plan official)

John O'Connor
John O'Connor, Director, FM

Date 9/30/2008

Statement of Actuary

The actuarial assumptions used in preparing this report are in the aggregate reasonably related to the experience of the plan and to reasonable expectations and represent my best estimate of anticipated experience under the plan. To the best of my knowledge, the report is complete and accurate.

Signature of Actuary
Thomas B. Lowman, F.S.A.,E.A.

9-24-08
Date

SUMMARY OF PROVISIONS OF COMPTROLLER GENERAL'S RETIREMENT SYSTEM (AMENDED BY P.L. 100-426 on September 9, 1988)

Participation

Participation is elective for any Comptroller General who, at any time prior to appointment as Comptroller General, had been covered by the Civil Service Retirement System or the Federal Employee's Retirement System. Otherwise participation is compulsory. The election is irrevocable and must be made within 10 years and 60 days after the start of service as Comptroller General.

Retirement

Eligibility: 15 years of service or age 70 with 10 years of service as Comptroller General, whichever comes first.

Benefit Formula:

Retirement because of age 70 or greater:

If at least 10 years of service, the salary of the Office at time of retirement. If less than 10 years of service, no annuity provisions.

Retirement due to completion of 15-year term:

Annuity equal to the salary of the office at time of retirement, reduced by one-fourth of 1 percent for each full month under age 65.

Disability Retirement

Eligibility: Permanently disabled from performing the duties of the office.

Benefit Formula: If at least 10 years of service as Comptroller, an annuity equal to the salary payable for the office at the time of retirement. If less than 10 years of service as Comptroller, an annuity equal to one-half of the salary payable for the office at the time of retirement.

Survivor Benefits

Eligibility: Participation in the Comptroller General survivorship program is elective, and those who choose to participate must contribute 4.5 percent of salary and 5 percent of the retired annuity. Also, 18 months of creditable service must have been completed and contributions made.

Spouse's Benefit: Upon reaching age 50, an unmarried widow receives an annuity equal to (1) 1.5 percent of the participant's high-3 average annual salary multiplied by the sum of years' service as Comptroller General, Member of Congress, military service and up to 15 years of congressional employee service and (2) 0.75 percent of the participant's high-3 average salary multiplied by all other creditable service. The annuity cannot be less than 25 percent nor exceed 50 percent of the high-3 average annual salary of the participant. Remarriage before age 55 terminates eligibility for a survivor annuity.

Children's Benefit with Widow: Each dependent child will receive an immediate annuity equal to the smaller of:

(a) 10 percent of the high-3 average annual salary; or
(b) 20 percent of the high-3 average annual salary divided by the number of dependent children.

Children's Benefit without Widow: Each dependent child will receive an immediate annuity equal to the smaller of:

(a) the widow's annuity that would have been payable divided by the number of dependent children; or
(b) 20 percent of the high-3 average annual salary; or
(c) 40 percent of the high-3 average annual salary divided by the number of dependent children.

Benefit Adjustments

The retired pay of former Comptrollers General and annuities payable to survivor beneficiaries are adjusted at the same time and by the same percent as Civil Service retirement annuities. However, the retired pay of a former Comptroller General cannot exceed the current salary of the office. Also, the survivor's annuity is only subject to the 50 percent limitation when initially established.

Financing

There is no trust fund maintained for the system. Benefits are paid through annual congressional appropriations.

Employee Contributions: An active participating Comptroller General is required to contribute 8 percent of his annual salary. If he or she elects survivor benefits, 4.5 percent of salary is used to fund the survivor annuity, and an additional 3.5 percent of salary is contributed toward retirement. A Comptroller General retiring after September 9, 1988, who elects survivor benefit coverage must contribute 5 percent of retired pay. A Comptroller General already retired on September 9, 1988 may elect to remain under the prior amendments with a 4.5 percent contribution for survivor benefits.

Employer Contributions: An annual amount necessary to pay all benefits under the system.

COMPTROLLER GENERAL'S RETIREMENT SYSTEM
STATEMENT OF ACCUMULATED PLAN BENEFITS

	For the Period Ended	
	September 30, 2007	September 30, 2008
Actuarial present value of accumulated plan benefits		
Vested benefits		
Participants currently receiving payments	$2,025,000	$1,975,000
Other participants	0	0
Nonvested benefits	1,088,000	0
Total actuarial present value of accumulated plan benefits	$3,113,000	$1,975,000

COMPTROLLER GENERAL'S RETIREMENT SYSTEM

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

	For the Period Ended	
	September 30. 2007	September 30, 2008
Net assets available for benefits at beginning of plan year	0	0
Investment income	0	0
Net appreciation (depreciation) in fair value of investments		
Interest		
Dividends		
Other income (Identify)		
Less investment expenses		
Contributions*		
Employer(s)	$ 281,000	$ 434,000
Employees	22,000	16,000
Other (Identify)	0	0
Less: Refunds, current	0	(7,000)
Total additions*	$ 303,000	$ 443,000
Benefits		
Benefit Payments	$ 303,000	$ 311,000
Purchased from insurance companies	0	0
Administrative expenses	0	0
Refunds of prior contributions	0	132,000
Total deductions	$ 303,000	$ 443,000
Net additions (deductions)	0	0
Net assets available for benefits at end of plan year	0	0

* The contributions and benefits reflect reductions taken voluntarily to cover spouses for post-retirement death benefits.

COMPTROLLER GENERAL'S RETIREMENT SYSTEM

STATEMENT OF CHANGES IN PRESENT VALUE OF ACCUMULATED PLAN BENEFITS

	For the Period Ended September 30, 2007	September 30, 2008
Actuarial present value of accumulated plan benefits at beginning of plan year	$ 2,982,000	$ 3,113,000
Increase (decrease) during the year attributable to:		
Benefits accumulated	193,000	(1,088,000)
Plan amendment(s)	0	0
Changes in actuarial Assumptions	0	0
Allocated insurance contracts transferred to or from insurance companies	0	0
All other changes	$ (62,000)	$ (50,000)
Net increase (decrease)	$ 131,000	$ (1,138,000)
Actuarial present value of accumulated plan benefits at end of year	$ 3,113,000	$ 1,975,000

Attachment 3

TABLE 1
ACTUARIAL STATUS INFORMATION
AS OF END OF PLAN YEAR

	For The Period Ended	
	September 30, 2007	September 30, 2008
1. Present value of -re benefits:		
(a) Annuitants now on roll	$ 2,025,000	$ 1,975,000
(b) Others	2,294,000	0
(c) TOTAL	$ 4,319,000	$ 1,975,000
2. Less: Present value of future employer/employee normal cost	$ 830,000	$ 0
3. Actuarial accrued liability	$ 3,489,000	$ 1,975,000
4. Less: Assets in funds	0	0
5. Unfunded accrued liability	$ 3,489,000	$ 1,975,000*
6. Normal cost as a percentage of covered payroll:		
(a) Employee	8%	N/A
(b) Employer	79%	N/A
(c) TOTAL	87%	N/A

* *Values for 2008 cannot be shown as a percentage of salary since there are no active members.*

TABLE 2

COMPARISON OF ACTUARIAL FUNDING WITH ACTUAL CONTRIBUTIONS
(in dollars)

(1) Plan Year	(2) Normal Cost	(3) 40 Year Amortization of Unfunded Liability	(4) Total Actuarial Contribution (Col.2 plus 3)	(5) Actual Contributions to Plan from All Sources	(6) Difference between Col. 4 and 5	(7) Col. 5 Divided by Col. 4
1991	98,000	146,000	244,000	84,000	160,000	34%
1992	101,000	151,000	252,000	90,000	162,000	36%
1993	105,000	164,000	269,000	95,000	174,000	35%
1994	106,000	176,000	282,000	97,000	185,000	34%
1995	101,000	178,000	279,000	100,000	179,000	36%
1996	105,000	187,000	292,000	102,000	190,000	36%
1997	0	194,000	194,000	240,000	(46,000)	124%
1998	0	191,000	191,000	240,000	(49,000)	126%
1999	105,000	194,000	299,000	247,000	52,000	83%
2000	108,000	202,000	310,000	252,000	58,000	79%
2001	107,000	215,000	322,000	261,000	61,000	81%
2002	120,000	219,000	339,000	268,000	71,000	79%
2003	121,000	225,000	346,000	272,000	74,000	74%
2004	134,000	225,000	359,000	278,000	81,000	77%
2005	128,000	212,000	340,000	284,000	56,000	84%
2006	130,000	223,000	353,000	295,000	58,000	84%
2007	132,000	232,000	364,000	303,000	61,000	83%
2008	0	131,000	131,000	443,000	(312,000)	338%

TABLE 2(A)

COMPARISON OF ACTUARIAL FUNDING WITH ACTUAL CONTRIBUTIONS (as percent of salary)

(1) Plan Year	(2) Normal Cost	(3) 40 Year Amortization of Unfunded Liability	(4) Total Actuarial Contribution (Col.2 plus 3)	(5) Actual Contributions to Plan from All Sources	(6) Difference between Col. 4 and 5
1991	78%	117%	195%	67%	128%
1992	78%	117%	195%	69%	126%
1993	79%	122%	201%	71%	130%
1994	79%	132%	211%	71%	140%
1995	76%	133%	209%	74%	135%
1996	76%	140%	216%	76%	140%
1997	N/A	N/A	N/A	N/A	N/A
1998	N/A	N/A	N/A	N/A	N/A
1999	76%	142%	218%	181%	37%
2000	76%	143%	219%	178%	41%
2001	74%	148%	222%	180%	42%
2002	80%	144%	224%	179%	45%
2003	78%	145%	223%	176%	47%
2004	85%	142%	227%	176%	51%
2005	87%	131%	218%	175%	43%
2006	87%	135%	222%	179%	43%
2007	87%	138%	225%	180%	45%
2008*	N/A	N/A	N/A	N/A	N/A

***** *Values for 2008 cannot be shown as a percentage of salary since there are no active members.*

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