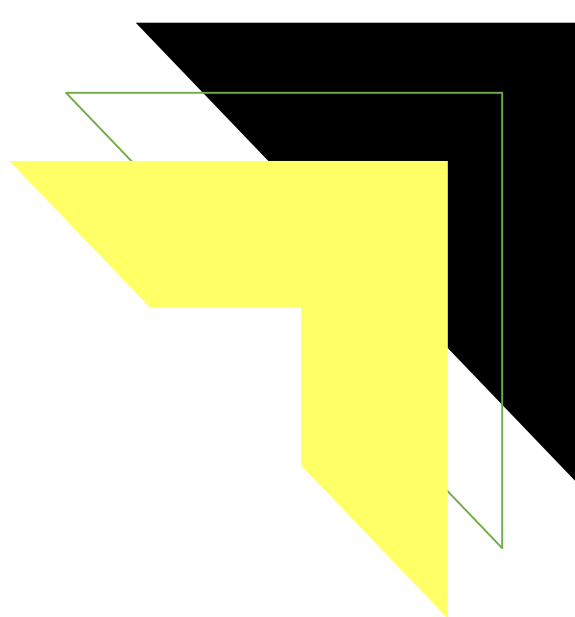




AUDITOR GENERAL'S
DEPARTMENT OF JAMAICA



Management of the Special Early Retirement Programme (SERP)

Performance Audit Report

"A Better Country Through Effective Audit Scrutiny"

February 2019

The Auditor General is appointed by the Governor General and is required by the Constitution, Financial Administration and Audit Act, other sundry acts and letters of engagement, to conduct audits at least once per year of the accounts, financial transactions, operations and financial statements of central government ministries and departments, local government agencies, statutory bodies and government companies.

The Department is headed by the Auditor General, Pamela Monroe Ellis, who submits her reports to the Speaker of the House of Representatives in accordance with Section 122 of the Constitution of Jamaica and Section 29 of the Financial and Administration and Audit Act.

This report has been prepared by the Auditor General's Department of Jamaica for presentation to the House of Representatives.

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AUDITOR GENERAL'S
DEPARTMENT OF JAMAICA

'A better Country through effective audit scrutiny'



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AUDIT AT A GLANCE



Poor Planning and Implementation:

- Failure to adhere to financial viability requirements
- Link between take-up and service delivery not defined.



Deficiency in the scheduling of SERP activities:

- Deadlines missed despite reduced workload of processing pension staff.
- Deadline for delivering transition programme revised to February 2019.



Absence of Centralised & Comprehensive Database of Public Sector Employees:

- Targets for SERP take-up varied amongst units within MoFPS.
- Absence of a complete database of existing employees and job functions.



Weak Monitoring and Oversight of SERP:

- Monitoring meetings not held.
- Required progress reports not received.

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Auditor General's Overview

The Special Early Retirement Programme (SERP) was part of the Government's strategic initiative to support public sector pension reform and to manage the public sector wage bill. The Government offered the SERP in the context of Pensions (Public Service) Act passed in 2017, which adjusted the terms under which public sector workers will retire. The new Act is expected to gradually increase the retirement age from 60 to 65 years; facilitate mandatory contributions by all pensionable officers towards their pension; and harmonise the legislation governing public sector pensions in a single statute.

I commissioned the audit to determine whether the SERP was managed in an efficient and effective manner and whether the broad objectives, intended outcomes and benefits were achieved.

Based on my review, the Ministry of Finance and Public Service (MoFPS) embarked on implementing the SERP without first ensuring that the Programme met all the requirements for financial viability and assuring itself of the likelihood of effectively increasing and accelerating the retirement rate, in excess of the natural attrition rate. Despite receipt of Cabinet approval for SERP one year prior, implementation was rushed, which contributed to significant uncertainty not only among potential SERP participants, but also within the leadership of some Ministries Departments and Agencies (MDAs).

I therefore recommend that the MoFPS review the findings from this audit to inform future strategies for pension reform to enable greater coordination and cohesiveness in the implementation process.

Thanks to the management and staff of the Ministry of Finance and Public Service (SERP Unit) for the cooperation and assistance, as well as for courtesies extended to the audit team throughout the period of the audit.

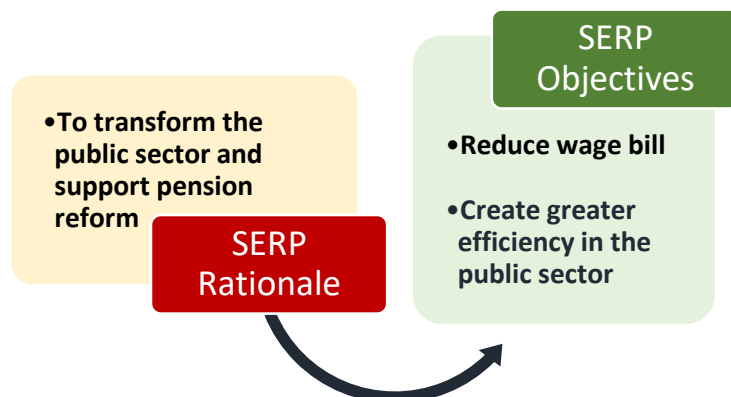


Pamela Monroe Ellis, FCCA, ACCA
Auditor General

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Executive Summary

The Special Early Retirement Programme (SERP) formed a part of the Government's strategic initiative to transform the public sector to make it more efficient. SERP was initiated in response to concerns regarding the size of the public sector wage bill and the need for public sector pension reform.



Accordingly, SERP was designed to create incentives that would effectively increase and accelerate the retirement rate, in excess of the natural attrition rate. In accordance with statutory powers, the Minister¹ responsible for Finance, in February 2017 approved the SERP for eligible employees in the public sector between the age of 50 and 59 years, to take up early retirement through an incentivized package.

The objective of this audit was to determine whether appropriate systems were in place to implement SERP in an efficient and effective manner; and whether the programme was properly managed to achieve the broad objectives and intended outcomes and benefits. Accordingly, the audit was designed to ascertain if SERP was:

- well planned,
- implemented according to plan, and
- evaluated to determine if outcomes and benefits were achieved.

¹ Section 44 of the Pension (Public Service) Act



Key Audit Question

Was SERP effectively planned and executed to support GOJ's achievement of its public sector reforms?

What We Found

The Government of Jamaica did not meet the objective of the Special Early Retirement Programme (SERP), as the level of participation achieved was only 37 per cent of the take-up target. SERP was conceptualised as part of the Government's strategy to manage the wage bill and support the public sector pension reform process by effectively increasing and accelerating the retirement rate, in excess of the natural attrition rate. However, the Ministry of Finance and Public Service (MoFPS) implemented SERP without first ensuring that all the requirements for financial viability were met and despite securing Cabinet approval, over one-year prior, failed to undertake a comprehensive survey of eligible civil servants, in order to gauge whether the programme could be successful.

SERP PERFORMANCE

- 1. The Special Early Retirement Programme (SERP) did not meet its objective, as only 597 eligible retirees participated in the programme relative to the take-up target of 1,600.** This was also well below the required take-up of 838, as determined by the financial model developed by MoFPS in conjunction with the IADB, in order to effectively increase the retirement rate and contribute to a reduction of the public sector wage bill as a percent of GDP. We found that Government implemented SERP without first conducting a comprehensive survey to determine interest and possible take-up rates from the total eligible population, in accordance with Cabinet approval in February 2017. Cabinet also charged MoFPS, upon receipt of the results, to conduct further investigations and confirmation for the application of the early retirement programme to a defined sub-set of the eligible population. We noted that the survey results were delivered in September 2018, seven months after the 2018-19 budget was approved in Parliament in February 2018; which would have had no impact on the budget decision. The MoFPS reliance on the projected cost of \$4.9 billion approved by Cabinet in February 2017, therefore resulted in an over funding of the budget, necessitating a reduction by \$2.5 billion as per the First Supplementary Estimates tabled in September 2018.
- 2. The MoFPS' measure of the financial viability of the SERP did not include a metric for the impact on service delivery.** The financial model used by the MoFPS only took into account take up rate and the rehiring costs but did not consider correlation between take up rate and service delivery. Hence, there was a disjuncture between the expected reduction in the wage bill and maintenance of essential job functions. This was in a context where the MoFPS approved SERP Operations Manual², indicated that heads of department (HODs) in their decision-making and in seeking to ensure that the public sector runs smoothly, should *"retain or attain the required skill-sets enabling us to achieve our vision of becoming a first world country"*. Further that *"any rehire that takes place consequent on the SERP should not exceed the 15 per cent of the total savings generated by the SERP"*. Therefore, it was not surprising

² September 2017

that some HODs and permanent secretaries (PS) could not reconcile how they could contribute to the success of the SERP while maintaining the level of service delivery. Further, records of the SERP Oversight Committee also revealed that some members believed that after the retirees left the public service the posts would be deactivated or abolished. This apparent confusion underscored the important role of the MoFPS to engage PS and HODs to obtain buy-in for the programme. This may have also influenced the low level of applications and approvals. Our survey of PS and HODs revealed that some viewed the 15 per cent cap as limiting their ability to employ suitable replacements to maintain service delivery.

SERP IMPLEMENTATION

3. The Special Early Retirement Programme suffered from inadequate planning and monitoring:

- i. **The SERP Oversight Committee did not effectively oversee the implementation of the Programme.** Since inception, the Committee³, which was responsible for providing overall guidance to implement SERP, met only three times, with the last meeting held on January 30, 2018, one month before the February 28, 2018 deadline for submission of applications. In addition, there was no evidence that the Programme Implementation Unit (PIU) provided the Committee with the required progress reports to track and monitor the performance of the SERP. Given the Programme end date of March 2019, we expected the SERP Oversight Committee to obtain relevant information, review SERP progress and make necessary strategic interventions, where performance was below target. By way of email correspondence dated November 1, 2018, a senior MoFPS official indicated that the inaugural progress report was incomplete and would be ready by November 2018. To date, the requisite progress report has not been made available, despite requests.

Further, MoFPS could not confirm that all information from MDAs without access to the Employee Census (eCensus) Data System was included in their records of application and approvals. MoFPS provided information of amounts paid by Accountant General (\$1.7 billion) in respect of 538 approved applicants, however they were unable to provide information on payments through municipal corporations and executive agencies. Information obtained directly from four agencies revealed a total of \$14.2 million and \$23.1 million paid for incentive and gratuity respectively, to 22 SERP retirees. This deficiency undermined credibility and transparency in the implementation and monitoring of SERP.

- ii. **The MoFPS had to revise the deadline for delivering the transition programme to February 2019 as the processing of SERP pension payments were not concluded within the planned timeline.** Due to delays in processing approved applications by the June 30, 2018 deadline, SERP's Management deferred the transition support programme, citing that the majority of approved applicants would not have received their gratuity, the largest portion of payments by

³ The SERP Steering Committee is chaired by Strategic Human Resource Management Division (SHRMD) and comprises officers from SHRMD and the MoFPS; the Jamaica Civil Service Association; the Public Sector Transformation Implementation Unit (PSTIU), OPM; the Office of the Services Commissions (OSC), and two (2) HR Professionals from the public sector

May 30 2018, the time scheduled for rollout of the programme. By way of correspondence dated December 14 2018, MoFPS indicated that the planned programme to assist the retirees, which involved facilitation of financial planning assistance, counselling (based on request) and financial planning and investment options, would be delivered in February 2019.

- iii. **The SERP communications strategy was less successful than anticipated in building awareness and encouraging buy-in.** MoFPS developed a communications plan aimed at building awareness for the SERP, facilitating understanding of the programme and encouraging take-up. The Ministry scheduled the communication and PR activities to take place over the period December 2017 to March 2018. However, the Ministry cancelled its planned press conference, which would have provided further opportunity for Government to directly engage and clarify concerns of prospective retirees and stakeholders, and instead issued a News Release, citing ongoing tense public sector wage negotiations as a reason for the change. However, over 35 per cent of HOD/PS surveyed believed that the timeframe for submitting applications to the SERP Unit was too short, with human resource managers of seven MDAs also shared this view. Respondents also identified a lack of clarity regarding the implementation and implications of SERP as factors deterring their participation, as demonstrated by the low take up rate. MoFPS did not provide an evaluation of the impact of the communication plan and awareness programme for our review.

What Should Be Done

Based on the weaknesses identified in the management of the SERP and the opportunities provided under the Pensions (Public Service) Act, 2017, going forward:

- Given the separate HR databases among the ministries, MoFPS should implement a centralised database for the entire public sector that is continually updated to enable informed, efficient and effective implementation of the pension

DATA MANAGEMENT



- Ensure that the appropriate due diligence is undertaken prior to project approval and funding commitments for future early retirement programmes in order to achieve value for money.

PROGRAMME PLANNING



- GOJ should accelerate rationalization efforts such as merging, outsourcing and shared servicing. Where possible eliminating duplicated job functions, reducing public service staff and by extension the GOJ wage bill.

TAKING ACTION



- Lessons learnt from the SERP should be applied to future programs to enable successful implementation and achievement of the fiscal objectives.

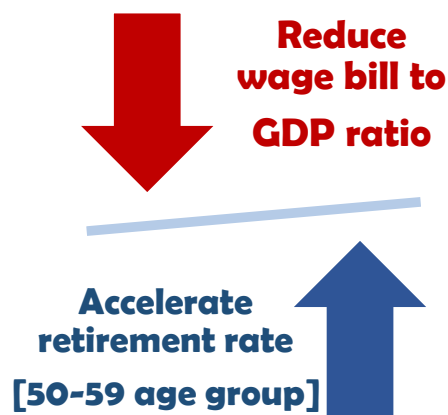
PROJECTIONS



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GOJ's Motivation

1.1 As one of the strategies towards a transformed public sector, the Government had proposed a special early retirement programme, which would form part of the its strategy to manage the wage bill and support the Government's public sector pension reform process. The early retirement programme was contemplated to create enticements that would effectively increase and accelerate the retirement rate, in excess of the natural attrition rate. It was indicated that this process was in keeping with international best practice where major programmes of rationalization are supported by the implementation of voluntary separation interventions that are technically and financially appropriate measures to improve the human resource skills in the public sector and reduce the wage bill in the short to medium term, respectively.



Overview of the Special Early Retirement Programme (SERP)

1.2 In accordance with statutory powers, the Minister⁴ responsible for Finance in February, 2017 approved the establishment of the Special Early Retirement Programme (SERP) for suitably qualified Central Government Employees⁵ within the age range 50 – 59 years to take up early retirement through an incentivized package. Apart from the age requirement, applicants for the SERP must meet the following criteria:

- Be permanently employed to the Government of Jamaica;
- Have 10 years' qualifying service with the Government of Jamaica; and
- Be eligible to retire early as per the rules of the Pensions Act.

1.3 Further SERP was designed to operate under specified terms:

- It is the employee's choice to apply for the SERP.
- The head of an organisation will decide which applications can be approved.

1.4 The incentives included in the SERP were an offer of two weeks' salary for each year of service up to a maximum of one year's salary, and payment in lieu of accumulated vacation leave; features not provided under the normal pension scheme. In order to preserve the savings from this voluntary separation, the program restricted rehiring of public officers that were separated from the public service

⁴ Section 44 of the Pension (Public Service) Act allows the Minister to establish a Special Early Retirement Scheme with the objective to give public officers, who satisfy certain requirements, an option for early retirement

⁵ Exempt Groups: Health Professionals, Security Forces and Teachers

via the SERP. A condition under the programme was that the cost for any rehire arising from the SERP to not exceed 15 per cent of the total savings generated by the SERP.

Accountability for appeals activities

1.5 The project manual states that responsibility for the direction of the appeals resides with the Offices of the Service Commission (OSC). In a report dated June 21, 2018, OSC stated that of the 41 cases received and dealt with, none was upheld. The report cited the following as reasons the appellants' requests were declined by the respective entities:

- Permanent Secretaries/ Heads of Department's awareness that only 15 per cent of the value lost can be replaced.
- Some entities did not have adequate funds to recruit a suitable replacement.
- In some instances, the posts were critical for the efficient operation of the entity.
- The remaining staff could not adequately perform the related duties.

SERP's Performance, Budget and Expenditure

1.6 As per MoFPS records, 597 applications were processed and of this amount, the Ministry indicated that 538 were paid as of December, 2018. The amount processed represented 37 per cent of the anticipated 1,600 public sector employees.

1.7 A provision of \$4.9 billion was made for the SERP on the assumption that 10 per cent or 1,600 from a population of 16,671 would take up the offer. However, there was a reduction to \$2.4 billion in the First Supplementary Estimates tabled in September 2018. As at December 2018, MoFPS provided details of SERP expenditure amounting to \$1.7 billion (**Table 1**).

Table 1 Budgetary provision for SERP's activities and expenditure as at December 31, 2018

Component	Component Name	SERP Budgeted Cost (J\$)	SERP Expenditures Provided to date (J\$)
Component 1a	Pensions Processing	17,538,240	NP ⁶
Component 1b	Incentive Payment	1,757,660,961	562,612,087.15 ⁷
Component 1c	Gratuity Payment	3,141,818,968	1,148,246,619.26 ⁸
Component 2	Communications	35,500,000	4,111,618.75
Component 3	Project Management	26,500,000	NP
TOTAL		4,979,018,169⁹	1,714,970,325.16

Source: Extracted from SERP's project document

⁶ NP means not provided

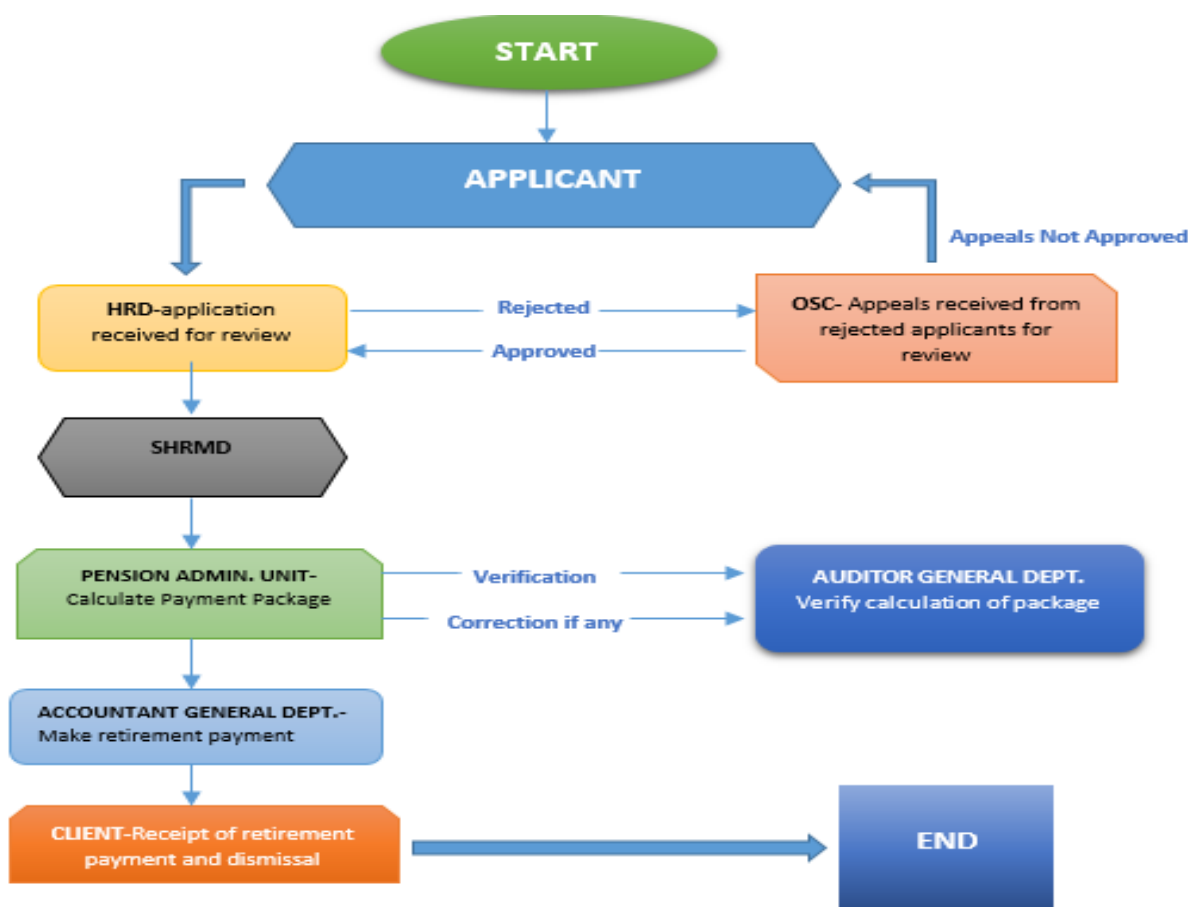
⁷ Figures shown as per Accountant General's records. These do not include amounts paid by Municipal Corporations and related Executive Agencies

⁸ Figures shown as per Accountant General's records. These do not include amounts paid by Municipal Corporations and related Executive Agencies

⁹ **Appendix 1** provides further breakdown

Figure 1 illustrates the roles and responsibilities for processing a typical request for early retirement under SERP.

Figure 1 Roles and responsibilities for processing a typical request



Source: AuGD's demonstration of SERP's process

Audit Objective, Scope and Methodology

1.8 The objective of this audit was to determine how effective the Government managed the SERP to contribute to improvement in public sector efficiency. In particular, we sought to determine whether the broad objectives, intended outcomes and benefits for the SERP were achieved, and the programme properly managed, we designed the audit to ascertain if SERP was:

- I. Well planned
- II. Implemented according to plan
- III. Evaluated to determine if outcomes and benefits are achieved.

1.9 Our assessment covered the periods 2017-18 and 2018-19 and reflected specifically on two themes, namely Governance and Resource Management, which formed part of the Auditor General's strategic priorities.

1.10 The audit did not:

- Test the accuracy of incentive and lump sum payments¹⁰.
- Undertake a comprehensive assessment of SERP's use of MoFPS' Information and Communication Technology (ICT) systems [Employee Census (eCensus) Data System].

1.11 We planned and conducted our performance audit in accordance with the Government Auditing Standards, which are applicable to performance audits, our Performance Audit Manual (2017), as well as, standards issued by the International Organization of Supreme Audit Institutions (INTOSAI). Our assessment included a review of the SERP unit and MoFPS' records, policy documents, committee minutes and internal reports, progress and media reports and applicable laws; conducting of interviews and surveys.

1.12 This report was prepared in accordance with professional auditing standards and sought to inform Parliament and the public in their assessment of whether the SERP was properly managed to achieve the intended outcomes. The audit findings, conclusions and recommendations do not constitute legal opinion and should not be considered as such.

¹⁰ The AuGD pension unit is required to verify all pension payments prior to disbursement

Planning of SERP

Comprehensive feasibility study was not conducted

2.1 In keeping with a properly conceptualized programme, we expected the MoFPS to develop clearly defined SERP long-term outcomes as well as short-term output and activities, along with interim targets or milestones, to measure performance and the achievement of SERP targets and objectives. However, there was no evidence that the MoFPS conducted a feasibility study to identify interested beneficiaries so as to inform targets consistent with GOJ's objectives and establish milestones for achieving the long term goals. Despite its legal status¹¹, the objectives of the Programme were not clearly defined and we found various rationales and objectives advanced (**Table 2**).

Table 2 SERP's wide and varying programme rationale/objectives

Early Retirement Implementation Project Proposal	Cabinet Decision (dated 27 February 2017)	OPERATIONS MANUAL (September 2017)	Press Release	SERP Implementation Plan (September 2017, Revised February 2018)
...to create greater efficiency in the Public Sector to improve the HR skills in the public sector and reduce the wage bill in the short to medium term, respectively as one of the strategies towards the transformed public sector , it was proposed that the Government offer a one-time special early retirement programme SERP.... is being implemented as a part of the public sector pension reform process SERP is expected to contribute to reducing the size of the public sector wage bill as a percent of GDP .	The SERP is designed to present the option of early retirement to eligible public officers ages 50 – 59 years now in the Public Service with special incentives

Source: AuGD's compilation of extracts from SERP's related documents

2.2 MoFPS determined that the Programme would contribute towards the achievement of a more efficient public sector by reducing the public sector wage bill and supporting the pension reform process (**Table 2**). However, although the identified long-term objective of SERP was *to create greater efficiency in the Public Sector*, milestones to assess the achievement of the Programme were not developed. Due to limited documentation and non-response to our queries, we were not able to determine whether MoFPS identified the future costs savings from the programme.

2.3 In its December 14, 2018 response to our draft report, MoFPS advised that:

¹¹ SERP was established through Section 44 of the Pension (Public Service) Act. Act was passed in Parliament granted assent by the Governor General on October 23, 2017. The Act came into operation on April 1 2018

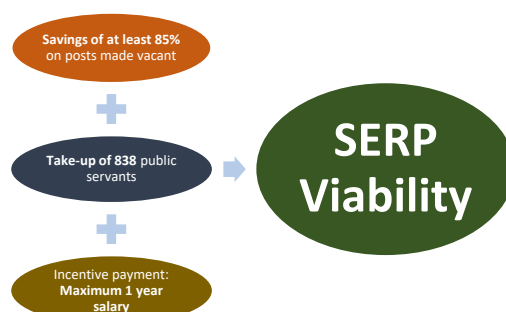
The discussions around SERP have been on-going for some time; certainly prior to 2014. In 2014 the HR Transformation programme had designed a voluntary separation programme. When the new Pensions Bill was passed, there was even more focus on wage bill management. To this end, the programme was tweaked for the development and implementation of SERP.

The basis for determining targeted civil servants' take-up and budget was flawed

2.4 In February 2017, Cabinet approved the SERP, which included the requirement to conduct a comprehensive survey to determine interest and possible take-up rates from the total eligible population of 16,000 public sector employees. The comprehensive survey is critical given that the financial model developed by MoFPS in conjunction with the IADB, required take-up of five per cent of the total eligible cohort (16,700), or approximately 838 officers to ensure viability of SERP (**Figure 2**). As per Cabinet's directive, we requested the results of the survey and the MoFPS presented a market research survey, which we found to be narrowly focused and inconsistent with the Cabinet directive. The survey had used a minimum sample size of 311 public sector employees and covered government workers within the age range of 50 to 60 years old in the parishes of Saint Catherine and Kingston & Saint Andrew only. We considered the information to have little value for decision-making, given that the data collected were from a narrow segment of the public sector and the report was delivered in September 2018, seven months after the 2018-19 budget of \$4.9 billion for SERP was approved in Parliament in February 2018. Hence, the SERP budget was approved based on a projected 10 per cent take up instead of a realistic indication of interest by the eligible cohort. The MoFPS reliance on the projected programme cost approved by Cabinet in February 2017 therefore resulted in an over funding of the budget necessitating a reduction by \$2.5 billion as per the First Supplementary Estimates tabled in September 2018, as the actual SERP take-up was only 37 per cent of the targeted 1,600 retirees.

2.5 The market service report indicated that data collection were to be conducted for two weeks in October 2017; however, data collection was carried out over eight months, ending in September 2018. The market service company outlined that the delay was 'due to challenges encountered with participation from the target group'; however, given the Ministry's role in relation to the public sector, we expected decisive action to ensure full cooperation from the MDAs.

Figure 2 Requirements for SERP to achieve financial viability



Source: AuGD's compilation of information from SERP's related documents

Absence of centralised and comprehensive public sector employee database

2.6 The MoFPS did not have in place, a complete database of eligible persons across the public sector, to determine potential impact and inform costing of the SERP. Whereas MoFPS' records indicated that the Ministry had eliminated teachers, police and nurses within the legislated age group of 50-59 years citing a shortage of these critical services, a similar analysis was not conducted for the overall public sector to determine the adequacy of groups and the impact of the job functions on the MDAs operation. We noted that the *'Communication and PR Plan for the Special Early Retirement December 2017 – March 2018'* reflected a take-up target of 1,300 potential retirees, whereas the overall project budget of \$4.9 billion was created on a take-up target of 1,600¹² employees as indicated by the *'Early Retirement Project Proposal, dated February 7 2017'*. This discrepancy underscored the importance of MoFPS having a centralized and comprehensive database of the public sector employees to enable more precise targeting.

By way of response dated December 14, 2018, MoFPS stated:

There is currently no database that is 100% accurate in respect of employment and employees in the public sector. The available data does not reside in the particular MDAs. Data also exists in the E-Census database but it is estimated that this is approximately 70% accurate. The project to roll out the HR Information System with Payroll will change this, but that project is relatively new and will not be completed for some years.

Stakeholders Engagement: Incoherence in articulation of policy objective

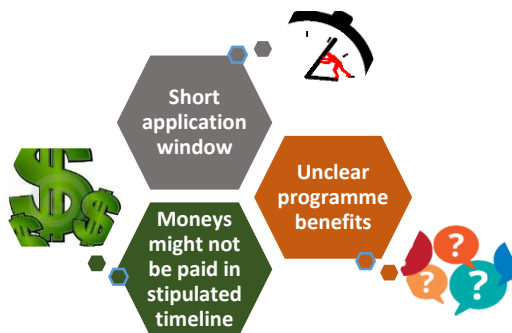
2.7 We expected MoFPS to engage HODs to obtain buy-in for the programme as well as to ascertain their full understanding of the implications for service delivery within the entire civil service. Although the MoFPS indicated that consultations were undertaken with MDAs and other stakeholders before and after the Government's decision to establish SERP, we were not provided with information that could enable us to determine the extent of this consultation or the feedback and concerns which had an influence on the finalisation of the structure of the SERP. For instance, SERP proposed to reduce the GOJ wage bill by encouraging savings of 85 per cent of the cost of each post made vacant by the programme, over a five-year period. However, in a context where a SERP beneficiary cannot be eligible for re-appointment to any public office within the five-year period and the stipulation that costs associated with operating the respective posts cannot exceed 15 per cent; it was important to ensure that HODs had a full understanding of the implications for service delivery.

2.8 We found that some HODs were concerned they would not have sufficient budgetary resources to employ suitable replacements, given the allocation of 15 per cent of the wage bill for hiring, whereas others feared the adverse effect on service delivery. On the other hand, some HODs saw the program as an opportunity to recruit staff that are more qualified or productive. **Appendix 2** provides other views of HODs. In addition, to mitigate any negative effect of having to deactivate high and critical positions, some entities assigned higher-level work to lower level employees. Further, over 35 per cent

¹² Target of 1,675 based on 10% take-up of total population of 16,751 (Early Retirement Project Proposal, February 7 2017; page 13)

of HOD/PS believed the timeframe for submitting applications to the SERP Unit were too short with human resource managers of seven MDAs also sharing this view (**Figure 3**).

Figure 3 Summary of HR Managers responses



Source: AuGD's compilation of information from survey to HOD and PS

2.9 There was also a lack of clarity regarding the treatment of posts made vacant by the SERP beneficiary. Some entities were concerned about the de-activation of posts for five years. The SERP Operations Manual distributed to MDAs stated that HODs, in their decision-making and in seeking to ensure that the public sector runs smoothly, should *“retain or attain the required skill-sets enabling us to achieve our vision of becoming a first world country”*. Further, HODs should recognize that *“any rehire that takes place consequent on the SERP should not exceed the 15% of the total savings generated by the SERP.”* We also noted that minutes¹³ of the Oversight Committee¹⁴ indicated, *“Once the person leaves, the post is either deactivated or abolished.”* Further, the minutes of the Oversight Committee also indicated that *“..... the ministries do not have full staff complement so the SERP has to be presented in a manner that will ensure they are willing to let their staff take up this offer as they will be losing staff and not being able to recruit”*.

MOFPS in its response to our draft report in December 2018 stated:

“It was never proposed to deactivate the SERP positions for five (5) years. The proposal was that the savings should be maintained over five years at 85% of the cost of each SERP post. If there was a need to find ways to execute the functions of those posts, the opportunity for a manpower review should be seized whilst still maintaining the 85% savings.”

2.10 The Ministry's response underscored the apparent confusion relating to the issues that could have influenced the low take-up given that some HODs would have been reluctant to approve application requests. We note that the financial model used by the MoFPS only took into account the take-up rate and rehiring costs but did not consider correlation between take-up rate and service delivery. This highlights non-cohesion between the expected reduction in the wage bill and

¹³ November 30 2017

¹⁴ The SERP Steering Committee is chaired by SHRMD and comprises officers from Strategic Human Resource Management Division (SHRMD) and the MOFPS; the Jamaica Civil Service Association; the Public Sector Transformation Implementation Unit (PSTIU), OPM; the Office of the Services Commissions (OSC), and two (2) HR Professionals from the public sector.

maintenance of essential job functions. Hence, it was not surprising that some HODs and PS could not reconcile how they could contribute to the success of the SERP while maintaining the level of service delivery.

2.11 Further, based on our survey of HOD/PS there was widespread misunderstanding related to abolishment/deactivation of posts once SERP applications were approved and the impact on their Department's efficiency and service delivery.

Implementation of SERP

The scheduling of the SERP awareness programme was not aligned with the achievement of the SERP objectives

2.12 The success of the early retirement program lies in proper implementation-a process, which should provide adequate support to advise, assist and communicate with targeted employees. We expected the MoFPS to have in place an effective communication strategy to raise awareness of the SERP; facilitate understanding of the benefits, rules and procedures; and encourage persons to apply as it sought to achieve the objectives of the program.

2.13 MoFPS developed a communications plan aimed at building awareness for the SERP, facilitating understanding of the programme and encouraging take-up. The communication and PR activities were scheduled for implementation between December 2017 to March 2018. In January 2018, a contract was signed between the MoFPS and the Jamaica Information Service (JIS) to undertake a public education campaign. The campaign was originally scheduled to run for six weeks from January 2, 2018 to February 16, 2018, but was delayed to January 22, 2018 to February 28, 2018. This was in addition to consultations with MDAs and other stakeholders. Instead of a planned press conference that would have provided further opportunity for Government to directly explain and clarify concerns of prospective retirees and stakeholders, the Ministry issued a News Release.

The MoFPS advised that the decision to substitute a press conference with a press release was:

.... taken by the Minister on the recommendation of the FS as the Ministry was in the middle of wage negotiations that were tense and it was the considered opinion that this would jeopardize those negotiations.¹⁵

2.14 The MoFPS' response underscored the limited importance ascribed to communicating the benefits of SERP in order to achieve desired interest from potential retirees. As previously indicated, HOD/PS surveyed believed that the timeframe for submitting applications to the SERP Unit was too short. Respondents also identified a lack of clarity regarding the implementation and implications of SERP as factors affecting their decision to participate, reflected in only a 37 per cent take-up of the targeted 1,600 public sector employees. The Ministry did not provide an evaluation of the impact of the communication plan and awareness programme for our review.

¹⁵ By way of email correspondence dated November 1 2018.

The processing of SERP applications was tardy despite additional staff

2.15 Whereas the MoFPS had envisioned that 14 pension staff would have been engaged to process 1,600 applications for payment, we noted that despite additional staff, only 597 applications were processed up to December 2018¹⁶ for pension payment, way below the anticipated workload. Further, the PAU had only transferred to AuGD for verification, 212 of these applications by the June 30 2018 deadline. Additionally, MoFPS had expected to conclude incentive and lump sum payments by April 30, 2018¹⁷ and June 30, 2018, three months and five months respectively, after the deadline for submission of applications.

SERP Transition Programmes were delayed

2.16 Based on the delays in processing of approved applicants, SERP's Management deferred SERP's transition support programme, citing that the majority of approved applicants would not have received their gratuity, the largest portion of payments, by May 30 2018, time scheduled for rollout of the programme. By way of correspondence dated December 14 2018, MoFPS indicated that the planned programme to assist the retirees, which involved facilitation of financial planning assistance, counselling (*based on request*) and financial planning and investment options, would be delivered in February 2019.

2.17 According to SERP's Project Plan, *'Central SERP Management will coordinate with MDA HR to execute the following support services during a 2-month timespan beginning May 2018:*

- *Counselling – this will be provided on a one to one basis and will be done based on request.*
- *Financial Planning and Investment Options – A two-day financial fair will be held at the end of May where the retirees will be able to interact with various financial institutions and there will be sessions on varying types of investment and financial and business planning. Depending on the location and number of the retirees from out of Kingston, this fair may also be held in one other location in the island.'*

2.18 These support programmes would have been timely seeing that MOFPS' plan¹⁸ was for all incentive payments to be effected by April 30 2018. The SERP Unit advised that *"as most persons would not have received their gratuity which represented the largest bulk payment"* a decision was made to defer the support programmes to November 2018. However, at the date of this report none of the support services as indicated above were executed. MoFPS advised that the revised timeline for the fairs, one in Kingston and the other in Montego Bay, is November, 2019.

¹⁶ This represents applications processed by MoFPS' Pension Administration Unit and submitted to the Accountant General's Department and Municipal Corporations and related Executive Agencies for payment

¹⁷ GOJ SERP Operations Manual 2017-2018; SERP Project Implementation Plan 2017-2018 dated September 2017 (Revised February 2018)

¹⁸ GOJ SERP Project Plan

Oversight – SERP Steering Committee

2.19 The SERP Oversight/Steering Committee has responsibility for providing overall guidance in the implementation of the Programme; identifying challenges and gaps in the implementation; and, providing strategic input to ensure the quality and timeliness of the Programme. Since inception, the Committee met three times, with the last meeting held on January 30, 2018, approximately one month before the February 28, 2018 deadline for the submission of applications. Over the period, February 2018 to present, no meetings of the Steering Committee were held to allow for an assessment of the progress and performance of the SERP.

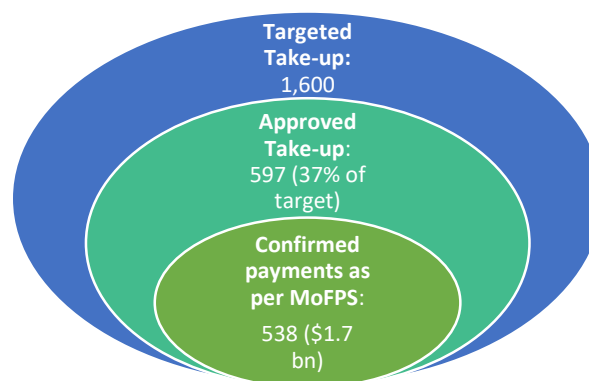
2.20 The Terms of Reference of the SERP Steering Committee required receipt of quarterly progress reports from the Project Manager, incorporating the inputs from all the SERP Technical Coordinators and Fiduciary; however, the project manager was not engaged and instead the Project Implementation Unit (PIU) was required to report on the progress of the project. To date, no progress report and/or updates have been provided to the Oversight Committee. By way of email correspondence dated November 1, 2018, MoFPS senior officer indicated that the inaugural progress report is incomplete and would be ready by November, 2018. This report was still outstanding at the date of this report.

Evaluation of SERP

SERP performance

2.21 SERP did not achieve its target of 1,600 as the most recent data indicated that the take-up was only 597 employees (**Figure 4**).

Figure 4 SERP targeted take-up and number of awardees paid as per MoFPS as at December, 2018



Source: AuGD's compilation from SERP's data

2.22 We noted that data regarding payments made to the total number of approved applicants was incomplete. For instance, although the MoFPS provided information of amounts paid by Accountant General (\$1.7 billion), in respect of 538 approved applicants, no figures was provided for payments to

50¹⁹ SERP beneficiaries (**Table 5**). However, we obtained information directly from four agencies, which revealed that 22 of the 50 applicants received total payment of \$14.2 million and \$23.1 million for incentive and gratuity, respectively. In order to facilitate proper monitoring, a reliable system to accurately sort, measure and evaluate SERP's performance is required.

Table 3 Variance in reported number of approved applicants and number paid as at December 2018

Entity Responsible for Payment	APPROVED	Withdrawn etc.	Approved for Payment	Total Paid (\$)
MoFPS (Accountant General)	546	5	541	1.7bn
Municipal Corporations & Executive Agencies	51	1	50	NP ²⁰
TOTAL	597	6	591	

Source: AuGD's compilation from SERP's data

2.23 Further, rather than engaging a human resource officer to upload all relevant data pertaining to SERP applicants to Employee Census (eCensus) Data System as planned, MOFPS relied on MDAs to upload information regarding the number of applications received and approved on the eCensus data system. However, the eCensus data system was not available to all MDAs and thus the SERP Central Team provided Excel spreadsheets for these MDAs to capture the data. Hence, the MoFPS could not confirm that all information from the excel spreadsheets were uploaded and included in the 706 applicants recorded on the eCensus data system as they were unsure that all MDAs complied with the stated requirements which undermines the credibility and transparency in the implementation and monitoring of the SERP.

By way of response dated December 14, 2018, the MoFPS indicated that:

The MFPS could not confirm 100% of the total number of applications for SERP. However, we have a high level of confidence that the Ministries and Departments have reported all applications, whether through E-Census (which was modified to accommodate this) or via an excel spreadsheet (as would have been agreed between the MDA and the MoFPS).

2.24 Currently there has been no formal evaluation of the success of the SERP. We expected that the impact of the implementation of the early retirement initiative on the MDAs would be monitored in terms of savings, the level of staff reduction and service delivery. It was acknowledged nonetheless that the direct impact of staff reduction may be difficult to separate from other corporate initiatives such as a restructure and that the impact may be difficult to measure in certain cases, for example, the effect on quality of service. We were advised that an evaluation was being conducted and would be available in November, 2018²¹. Hence, we received no information on any resulting budget savings from the voluntary separation, to inform an assessment of value for money regarding the SERP.

¹⁹ Payments to 50 applicants were the obligation of agencies which had responsibility for paying their own pensions directly (Municipal Corporations and Executive Agencies).

²⁰ Actual payment not confirmed

²¹ Email dated November 1 2018

Appendices

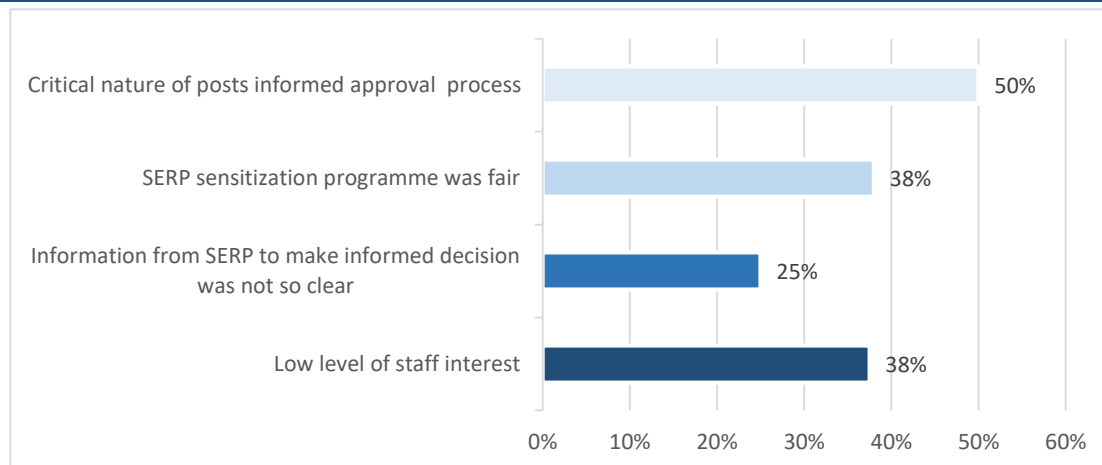
Appendix 1: Breakdown of SERP Cost

COMPONENT	ACTIVITY	Unit	Unit Cost	Quantity	Total	%
1a. EVR Pensions Processing	Meeting with HR	per person	2,000.00	50	100,000.00	0.35%
	Create & Distribute EVR Packages	per person	80.00	17,978	1,438,240.00	
	Hire support staff for MDA	per person/ per month	40,000.00	64	2,560,000.00	
	Hire & Train 5 Registry Staff	per person/ per month	30,000.00	60	1,800,000.00	
	Hire & Train 10 Computation Staff	per person/ per month	40,000.00	120	4,800,000.00	
	Hire 3 Computation Supervisor	per person/ per month	50,000.00	36	1,800,000.00	
	Special Allowance for 2 Managers	per person/ per month	60,000.00	24	1,440,000.00	
	Special Allowance 2 Liaison Officer	per person/ per month	25,000.00	24	600,000.00	
	AGD support	sum	3,000,000.00	1	3,000,000.00	
Component 1a Sub-Total					17,538,240.00	
1b. Incentive Payments	Pay Incentive	sum	1,757,660,961	1	1,757,660,961.00	35%
Component 1b Sub-Total					1,757,660,961.00	
1c. Payment of Lump sum	Payment of Lump sum	sum	3,141,818,968.75	1	3,141,818,968.75	63%
Component 1c Sub-Total					3,141,818,968.75	
2. Communication Management	Hire Communication Officer	per person/ per month	458,333.33	12	5,500,000.00	0.71%
	Implement Communication Plan	sum	20,000,000.00	1	20,000,000.00	
	Administration of M and E Surveys	sum	10,000,000.00	1	10,000,000.00	
Component 2 Sub-Total					35,500,000.00	
3. Project Management	Hire Project Manager	per person/ per month	500,000.00	12	6,000,000.00	0.53%
	Hire Pension Processing Expert	per person/ per month	416,666.67	12	5,000,000.00	
	Hire Administrator	per person/ per month	291,666.67	12	3,500,000.00	
	Project Management Operation Cost	sum	12,000,000.00	1	12,000,000.00	
Component 3 Sub-Total					26,500,000.00	100%
TOTAL PROJECT COST					4,979,018,169.75	

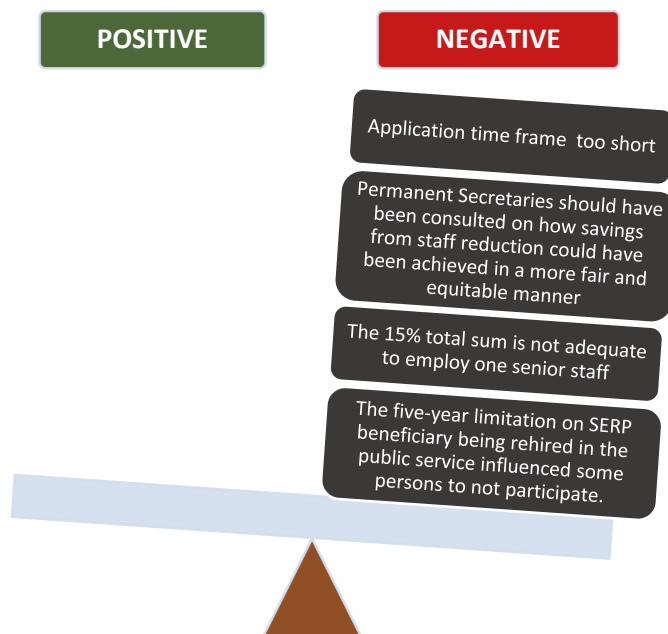
Source: SERP Document

Appendix 2: Results from AuGD Survey

HOD's UNDERSTANDING AND PREPAREDNESS FOR THE IMPACT OF SERP



SUMMARY OF HODs WRITTEN COMMENTS



Source: AuGD Survey Results