

STATEMENT OF CHAIRMAN DANIEL K. AKAKA

Federal Retirement Processing: Ensuring Proper and Timely Payments

Hearing

Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, Senate Committee on Homeland Security and Governmental Affairs

Aloha, welcome, and thank you for being here. Today's hearing will focus on processing Federal retirements. Discussing the administration of Federal retirement benefits is timely and important. Recent news articles have told the stories of people waiting months on end for retirement benefits, while millions of dollars are improperly paid to annuitants who passed away.

This is not the type of Federal Government that will regain the faith of the American public, and is not a Government living up to the potential that I know it has. As the Federal Government's human resource agency, the Office of Personnel Management (OPM) administers retirement benefits for roughly 2.5 million Federal retirees and processes approximately 100,000 new claims each year.

OPM uses a system that is mostly paper-based. Over the past 24 years, the agency has embarked on a number of information technology (IT) projects to automate retirement processing – most of which were contracted out to private companies. Each one failed after millions of dollars and years of development were poured into them. The Government Accountability Office found that management weaknesses like poor contracting oversight were the source of OPM's troubles. I look forward to hearing more about how the agency will improve its management of IT projects, and how it will approach the need to modernize in the future.

Failed IT contracts are at the root of OPM's current challenges. OPM reduced its retirement staff significantly through attrition from 2005 to 2009 in anticipation of an automated system that never materialized. The result is a backlog of over 48,000 claims that the agency is struggling to address. To recapture some of its lost processing capacity, OPM plans to hire 56 new adjudicators. According to OPM, the average wait for a full annuity is five months, and people quickly receive interim payments that are approximately 80 percent of what their final annuity is later determined to be.

Although those statistics are not good, as Members of Congress, we all hear stories from retirees who have even worse experiences. News articles and constituent calls describe a system where people wait up to one year to receive full benefits, while living off of a small percentage of their final annuity.

Today, I hope to gain a better understanding of how OPM will eliminate the backlog. In the meantime, it must make sure no one waits this long and that interim pay is more accurate, even for those with complex retirement applications.

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Another common concern from recent retirees is poor customer service. I understand that OPM's new strategic plan addresses this. I look forward to hearing more about how the plan creates more efficient retirement processes and increases the effectiveness of its customer service.

In this era of financial constraints, every effort must be made to safeguard our tax dollars. I am troubled by improper payment recommendations from the Inspector General that date back to 2005. They highlight inadequate internal controls to detect and prevent waste. This has resulted in some \$600 million being paid to deceased annuitants over the past five years.

While these large improper payments are unacceptable, they are well under one percent of the agency's total annuity payments. OPM has also made progress on implementing the Inspector General's recommendations, reduced the number of improper payments made in the last year, and recovered most of the payments. However, it must do even more to prevent this sort of waste from happening.

I appreciate our witnesses' dedication to improving the Federal retirement system, particularly Director Berry, whose willingness to be held accountable and his resolve to reform broken processes are encouraging. I look forward to hearing from him and our other witnesses as we try to find solutions to these important issues.

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