



UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

STATEMENT OF

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DIRECTOR

U.S. OFFICE OF PERSONNEL MANAGEMENT

before the

SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT MANAGEMENT, THE
FEDERAL WORKFORCE, AND THE DISTRICT OF COLUMBIA

on

"Federal Retirement Processing: Ensuring Proper and Timely Payments"

Chairman Akaka, Ranking Member Johnson and members of the Subcommittee:

I am pleased to have the opportunity to appear before you this afternoon to discuss the Office of Personnel Management's (OPM) retirement processing system.

OPM's core mission is to recruit, retain, and honor a world-class workforce to serve the American people. One of the ways OPM honors the workforce is by providing timely, accurate annuities to our Federal retirees, who have devoted years of service to the American people. The current delays in retirement processing are unacceptable and eliminating the current backlog is my highest priority for 2012. It is OPM's goal to eliminate the current backlog in 18 months, and provide new retirees with their full annuity payments within 60 days of retirement by July of 2013 in all but the most complex cases.

To accomplish this, we must improve the overall claims adjudication process. There is no simple or easy solution that is capable of instantly remedying the problem, but OPM is doing everything in its power to improve service to our future annuitants as rapidly as possible within the constraint of available resources.

Future annuitants are understandably anxious to receive their full annuity soon after they retire. To accelerate this process, OPM has begun several initiatives to speed up the review of retirement claims and to streamline other retirement procedures. Most important among these

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initiatives is our Strategic Plan for Retirement Services which is presently being implemented. Among the central pillars of this plan are: people; productivity and process improvement; partnering with agencies; and partial, progressive information technology (IT) improvements.

People

Adding more people to our manual claims adjudication process is of vital importance to meet near-term demand. OPM has been taking preliminary steps to reduce the current backlog, within our budget restraints, to allow for the hiring of additional Legal Administrative Specialists (LAS) to process pending claims. It should be noted that some of the staffing level increase is needed to replace staff positions that were vacated through attrition and retirements and were not filled in anticipation of the implementation of the automated Retirement Modernization System that failed in 2008. While OPM presently employs 130 LAS, this is not enough to handle the workload OPM receives each month. Consequently, OPM is in the process of hiring 56 additional LAS, including backfilling 16 positions and creating 40 new positions. OPM has also identified individuals who have previous experience in the LAS position who have recently retired and who may be interested in returning to work. OPM has begun the onboarding of new LAS in both our Washington, DC and Boyers, PA locations. The Boyers LAS training class is scheduled to begin on February 13, 2012, and the class will contain 20 new LAS. The remaining LAS in Boyers will participate in a separate class. The onboarding of new LAS in DC continues, with a hopeful start date in February. We believe new LAS will become productive by July of this year. Additionally, OPM is working with current employees with adjudication experience who presently work in other parts of Retirement Services, or at the agency, to increase their contribution of hours towards processing the backlog of retirement claims, either during their regular time or during overtime. Finally, OPM is working to develop a strong support network for LAS, through the Customer Service Support staff, managers, and the administrative staff. To these ends, we will be implementing a two-tiered system of the call center staff, with a first tier of individuals who answer initial calls in our call center, as they currently do, and with a second tier comprised of specialists with a deeper technical knowledge base to look into actual cases to resolve issues over the phone. This approach will provide our LAS with more time to adjudicate claims rather than answering inquiries that can be handled by others.

Productivity and Process Improvement

It is also important that OPM has an increased production capacity in order to improve the way OPM measures productivity and manages workflow. This includes fostering accountability through better metrics to capture production efforts and removing failing LAS who cannot or will not improve. OPM is immediately building capacity through more effective use of overtime and expanding work hours to accommodate a wider range of availability of workers. OPM has also been working with a U.S. Navy Lean/Six-Sigma Team to assess where OPM is operating at its best and where improvements can be made.

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Partnering with Agencies

Core to the success of the plan is our partnership with other agencies. OPM has developed and maintained ongoing partnerships with individual employing agencies that prepare files for their retiring employees. Most important to OPM's progress in retirement processing is improving the accuracy and responsiveness of the agencies and the records submitted to OPM for processing. OPM has conducted audits of agency applications. The results are troubling.

Although we currently provide follow-up training to identify and address barriers to timely processing, agency leadership must be held accountable for sending OPM complete and quality retirement applications. I have asked the Associate Director for Retirement Services to begin tracking the completeness of all incoming requests and provide me regular updates. We will share monthly results with the Chief Human Capital Officers once that feedback process is in place rather than rely on annual audits. OPM is also planning to publish performance standards for the service delivery model and will identify and document agencies that provide exceptional customer service.

Partial, Progressive Information Technology (IT) Improvements

Finally, the plan recognizes that additional automation is vital to OPM's success. Given the failure of past efforts to automate the entire retirement services process at once, automation of the process in a methodical, step-by-step manner is the plan's recommended path to success. OPM has a forward-looking long-term IT project in place to automatically collect necessary data for retirement from payroll providers. It is about to enter testing with the National Business Center, which is responsible for servicing 15 percent of the non-postal Federal workforce.

However, because a LAS needs an employee's entire record, the true value in this effort will not be realized for a decade or more when employees hired after implementation begin to retire (i.e., the system will have captured everything about their service). In the interim, OPM is exploring mid-term solutions that harness the work agencies are already doing. Currently, agencies provide comprehensive annuity estimates to prospective retirees. To construct these estimates, agencies are using private sector estimators that have been deemed to be generally accurate. All of the effort to construct an estimate mirrors what it takes to actually and officially determine an annuity amount. The challenge lies in transmitting the raw data from agency estimators as well as the application and supporting documents electronically. In order to pursue such a solution, OPM would have to build or acquire IT systems to receive and manage the data and documents electronically, and the systems agencies procure from private sector vendors would have to be modified.

OPM will seek to leverage existing technology as much as possible. For example, e-QIP, the system used to assemble files for security clearance background investigations, may be used to securely receive the data and documents from agencies. A few agencies are interested in pursuing a pilot project to this end. Obvious challenges include data security, policy considerations, contracting/funding issues, and technical capabilities.

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Interim Payments to Annuitants

OPM realizes that delayed processing times can place future annuitants into a difficult predicament. In recognition of this, OPM has long provided interim pay to annuitants. Interim pay is not meant to be a solution to the delays in retirement processing and is merely a means of assisting annuitants while OPM adjudicates their claims. While interim pay is definitely helpful to annuitants, it is still inexcusable for annuitants to wait as long as they presently do for their final claims to be adjudicated. We are committed to improving our timeliness.

Currently, OPM works with agencies to authorize new annuitants to receive interim pay on the first regular payment cycle after their materials are received. In Fiscal Year 2011, new annuitants received an average of 80 percent of their final annuity while on interim pay. Because of our recent process review, we will manually adjust the vast majority of claims to at least 80 percent of their final annuity, which will greatly increase the average paid out in Fiscal Year 2012.

Payments to Deceased Annuitants

Finally, there has been some publicity regarding the report of OPM's Inspector General's office dealing with payments made after annuitants are deceased. The Inspector General's report reflects overpayments to deceased annuitants that are equal to less than one-fifth of one percent of annuity payments. I want to make it perfectly clear that OPM regards any overpayments as unacceptable, but, as noted by the Inspector General, this improper payment rate is extraordinarily low.

The Inspector General has noted that most improper payments to deceased annuitants are short-term in nature and typically recovered. For the amounts reported by the Inspector General as overpaid to deceased annuitants during the 5 year period from 2006 to 2010, OPM resolved \$487 million of the \$600 million. That left \$113 million from that 5 year period still undergoing collection efforts by OPM. As of the end of the most recent fiscal year, September 30, 2011, the amount undergoing collection is down to \$102.7 million. The collection process is an ongoing effort, and our experience has shown that we ultimately collect 90 percent of the amounts resolved with the remaining 10 percent either determined to be uncollectible or adjusted because it was later determined that the payment was not improper. Therefore, OPM estimates it has collected over \$438 million of the \$487 million resolved over the past 5 years. OPM will continue collection efforts on the current \$102.7 million until it is completely resolved.

I believe, however, more can be done to eliminate improper payments to deceased annuitants. My team at OPM and I have worked hard with our Inspector General on this issue. As the Inspector General's report notes, we have already implemented 10 of their 14 recommendations. In addition, I have named four senior members of my staff who are working directly with our Inspector General and me to resolve the final four.

Though we have implemented many positive reforms, I remain deeply committed to keeping this a top priority and to working with our Inspector General to ensure the proper internal controls are in place to protect the taxpayers and our employees and retirees.

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I want to thank you for this opportunity to testify today and I am happy to address any questions you may have.