

**STATEMENT OF
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before the

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

**COMMITTEE ON HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE**

on

***The Federal Government's Role in Empowering Americans to Make
Informed Financial Decisions***

April 29, 2009

Mr. Chairman and Members of the Subcommittee:

It is my pleasure to be here today to outline the important work the Office of Personnel Management (OPM) is doing to ensure Federal employees are ready for retirement.

OPM is committed to educating Federal employees about the need for retirement savings and investments and providing information on how to plan for retirement, including how to calculate the retirement savings and investments needed to meet their retirement goals. As part of that commitment, we are pleased to participate in Financial

Literacy Day on Capitol Hill tomorrow where we will provide information about the various benefits programs available to Federal employees and have experts available to answer attendees' questions. We also invited representatives from the Thrift Savings Plan (TSP) to join us, thereby providing attendees with additional resources to discuss this important facet of their retirement benefits.

As you know, the TSP is a Federal Government-sponsored retirement savings and investment plan open to Federal civilian employees and to members of the uniformed services. The TSP offers savings and tax benefits comparable to what many private corporations offer their employees under tax-deferred 401(k) plans. It is one of the Nation's largest retirement plans and one we strongly encourage all eligible Federal employees to take advantage of as a means of preparing for their future. Due to the leadership of this subcommittee, Congress took steps to help make Federal employees more aware of the opportunities available to them through the TSP when it passed the Thrift Savings Plan Open Elections Act of 2004. The Act directed the Board that manages the TSP, the Federal Retirement Thrift Investment Board, to evaluate and improve the existing TSP education program and to annually report to Congress on these efforts. OPM was directed to develop a strategy (in consultation with the Board) to "provide employees information on how to plan for retirement and how to calculate the retirement investment needed to meet their retirement goals." OPM is doing that through a strategy based on an education model we call *Retirement Readiness NOW*. The term focuses on the outcome of our retirement financial education programs—to provide

employees information on how to plan for retirement and how to calculate the retirement investment needed to meet their retirement goals.

Retirement readiness combines basic information about the benefits provided by the Government, as an employer, and the broader financial education needs of employees. Rather than being a “near retirement” event, the retirement readiness model considers retirement financial literacy and education as a career-long process. The model incorporates the broad range of information employees need to help them make informed retirement planning decisions. It also recognizes that these needs change as a person moves through his or her career.

Our *Retirement Readiness NOW* model takes a total balanced approach to planning that covers:

- Networking & Engagement – finding enjoyable challenges, connecting with other people in meaningful activities such as volunteer work, or even exploring a new career;
- Overall Health – staying as healthy as you can for however long you live; understanding the aging process and how best to approach healthcare such as preventative and disease treatment; and
- Wealth– preparing financially to have sufficient income to have a sustainable standard of living and life style in retirement.

Retirement readiness is also dynamic. It changes over time. The activities and planning employees need to do, such as awareness they may need to alter their choice of TSP funds during their careers, preventative health care measures, and planning what they will do and where they will live in retirement – are all changes made as one moves through life stages.

Providing employees with the tools and resources to empower them to make informed financial decisions is a shared responsibility among OPM, employing agencies, and employees. Each has important roles to play.

OPM has three key roles in retirement readiness: Capacity, Coordination, and Catalyst. Building capacity means providing training and tools to agency benefits officers so they can help their employees understand their benefits and identify their financial education needs. The Federal benefits programs form an important base for employees to build their financial security upon. Our training programs for benefits officers play an important role in preparing them to provide their employees with the information they need. We are also developing tools for employees to use to better understand their benefits and plan for retirement.

One of the tools we developed in partnership with the American Savings Education Council (ASEC) of the Employee Benefits Research Institute is the Federal Ballpark Estimate—a savings goal worksheet—based on the widely-used ASEC Ballpark Estimate. The Federal Ballpark Estimate makes it possible to automatically calculate

estimates of future Civil Service Retirement System or Federal Employees' Retirement System retirement benefits and TSP account balances, as well as inform the user of how well he or she is doing in meeting their savings goal. During FY 2008, there were 135,000 visits to the Federal Ballpark Estimate on OPM's web site and more than 400,000 estimates completed. Most users created 2 or 3 scenarios to help them test different savings strategies to help them set a savings goal. Many agencies, such as the Federal Retirement Thrift Investment Board, link their sites to the Federal Ballpark Estimate.

Evaluation measures are critical to ensuring our efforts are effective. We are developing a measure of employee benefits knowledge and will collect a Government-wide baseline later this year. The level of employee benefits knowledge is one measure of the effectiveness of our education program. Our strategy requires agencies to develop their own plans and to report annually to OPM on their retirement readiness programs. These annual reports help ensure agencies institute sustainable programs and evaluate their effectiveness.

For the past 3 years, we delivered a series of pre-retirement seminars to the staff of the U.S. House of Representatives. We were pleased that over 100 Congressional staff took part in the series this past November.

Next month, we will conduct our fourth benefits officers Retirement Financial Education Symposium. The symposium will provide training for agency benefits officers

on a wide variety of benefits administration topics, as well as updates on our retirement readiness initiatives. Another goal of our symposium is to provide benefits officers with information about reliable resources they can utilize to provide financial education programs to their employees. Next month's symposium will feature Bruce Kohl, Chair of the Investor Education Committee of the North American Securities Administrators Association. Mr. Kohl will discuss the resources available from State security administrators to help them educate their employees.

Another key role of OPM is coordination of financial education resources. There is a wealth of financial education materials and programs—course materials, web site, brochures, newsletters, etc., that have been developed by Federal agencies such as the Federal Reserve System, the Federal Deposit Insurance Corporation (FDIC), the Department of Agriculture Cooperative State Research, Education and Extension Service, and the Thrift Savings Plan. In addition, numerous non-profit organizations, such as the American Savings Education Council and the National Endowment for Financial Education, have also developed excellent resources that are available at little or no cost.

OPM's role is to identify those resources and create partnerships to leverage the use of those materials by agencies for their employees. Last year we entered into a partnership with FDIC to provide train-the-trainer training and course materials for their Money Smart program to benefits officers. We have trained over 150 benefits officers through this partnership. We are working with the North American Securities

Administrators Association to link benefits officers with the State regulators who have programs to educate the citizens of their States.

Over the next year, we plan to expand our partnerships with nonprofit financial education organizations and to reach out to Federal Executive Boards and employee organizations to build partnerships that will leverage their day-to-day relationships with employees with the financial education resources of our other partners.

OPM also serves as a catalyst for retirement readiness programs. OPM speakers participate in a variety of conferences involving Federal employees to spread the word on the need for retirement readiness and our education programs. In addition, we are looking at the role the new social networking media, such as Twitter, can play in helping us reinforce the retirement readiness messages.

Agencies share the responsibility and play a key role in OPM's retirement readiness programs. They have the primary responsibility of identifying employee needs using the tools we develop; providing training, information and access to resources to their employees; and giving us feedback so we can continue to improve agencies' retirement education capacity. For example, OPM conducts a speaker series throughout the year on topics such as debt management, TSP, college savings plans and home mortgages. OPM employees also have access to a financial education page on the agency intranet. The Social Security Administration (SSA) conducts seminars for new, mid-career, and pre-retirement employees covering the three dimensions of our *Retirement*

Readiness Now model. Additionally, SSA conducts monthly lunch and learn seminars – *Wealth of Wisdom Wednesdays* – on an array of financial education topics.

However, OPM and agencies cannot improve employees' retirement readiness without the direct involvement of the employees themselves. Employees must take advantage of opportunities provided and must assume responsibility for taking steps to meet their retirement goals. Our responsibility, and one we work on daily, is to provide as many tools and as much information as is needed to understand the importance and value of retirement savings and investments to help employees make informed financial decisions in preparation for retirement.

OPM also is proud of the active role it has taken as a member of the Financial Literacy and Education Commission. We are on the national strategy working group and co-chair, with the Department of Treasury, the National Financial Education Network. The network created a clearinghouse of State and local government financial education programs to serve as a place to share best practices and resources. This clearinghouse not only serves as a valuable resource to State and local governments, it provides a rich array of resources agency benefits officers can use to expand their retirement readiness education program for Federal employees.

I appreciate this opportunity to testify before the Subcommittee on this very important issue. I will be glad to answer any questions you may have.