



**WRITTEN TESTIMONY BY
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**BEFORE
THE SUBCOMMITTEE ON THE FEDERAL
WORKFORCE, THE POSTAL SERVICE & THE
CENSUS, COMMITTEE ON OVERSIGHT AND
GOVERNMENT REFORM, UNITED STATES HOUSE OF
REPRESENTATIVES**

**HEARING TITLED,
“IS OPM PROCESSING FEDERAL WORKER PENSION
CLAIMS ON TIME?”**

MAY 9, 2013

Chairman Farenthold, Ranking Member Lynch, and Members of the House Oversight and Government Reform Subcommittee on the Federal Workforce, the Postal Service and the Census, on behalf of the nearly five million federal workers and annuitants represented by the National Active and Retired Federal Employees Association (NARFE), I appreciate the opportunity to express our views regarding the processing of federal retirement annuity claims.

At the end of 2011 and the beginning of 2012, both this subcommittee and its Senate counterpart recognized there were problems with the processing of federal retirement annuity claims by agencies and the Office of Personnel Management (OPM), and held hearings drawing attention to the issue. As the association representing those directly affected by these problems, I would like to extend our thanks to the subcommittee for addressing the issue. We at NARFE further appreciate this follow up to ensure progress is being made.

Last February, before the Senate Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia, I testified that NARFE was receiving hundreds of calls from our members complaining that their interim annuity payments were too low, they were waiting too long to receive their full annuity payments, and they were unable to communicate with OPM to check the status of their claims. Some had understandably complicated claims that took longer than the average – they worked for several federal agencies, they had a break in service or they had both military and civilian service. However, even in instances of fully complete claims with little to no errors, wait times were far too long. There was a major problem, to say the least.

It was not uncommon for NARFE staff to hear tales of interim payments being as low as 40 percent of the full annuity and claims taking over a year to be processed. Contrary to some commonly-held beliefs by members of Congress, federal employees do not make exorbitant amounts of money and therefore it would not be of little consequence if annuity payments were delayed. These delays have real, substantial impacts on federal retirees, many of whom rely on their already modest government pension as their sole source of income. NARFE members reported extreme worry over being able to pay their bills, including their mortgages.

To their credit, OPM acknowledged what our members were experiencing, recognizing, “[f]ederal employees face unacceptable delays in receiving retirement benefits after years of honorable service to the nation.”¹ In January 2012, there was a backlog of 61,108 claims and the average time to process a claim was over five months. Many claims, however, took far longer to process.

It was in this context, coupled with pressure from Congress and employee groups, that OPM developed a strategic plan to improve the processing of retirement benefit claims, which they released in January 2012, promising to do better.

Success of OPM’s Strategic Plan

Let’s give credit where credit is due. OPM laid out a strategic plan that predicted improvements in claims processing through additional staff, longer call center hours and better communication

¹ *Strategic Plan for Retirement Services*, Office of Personnel Management, January 17, 2012.

with agency human resource offices. OPM implemented the plan as intended, and it worked to reduce the inventory of claims according to plan.

OPM hired more staff and utilized overtime effectively to handle retirement processing, including rehiring some recent retirees with the experience to process claims quickly. The agency also implemented process improvements to increase the efficiency of the staff already in house.

Additionally, the modest steps taken to improve how each agency handles the initial phase of the retirement claims process has seemed to yield positive results. By disseminating a checklist for agency human resource personnel to use and publicly publishing agencies' accuracy rates, it appears that the files being sent over by agencies have less errors and are more complete. Notably, the issue has drawn greater attention from the Chief Human Capital Officers (CHCO) Council, placing retirement processing results at a higher priority within agencies. We are encouraged by the results, but continue to see room for improvement within agencies with regard to errors in the initial retirement annuity claim.

In no small part due to these efforts, we have noticed a considerable decline in complaints from our members. Particularly, the decline suggests OPM is doing a much better job of answering customer calls regarding the status of their claims, and utilizing an online system to provide individual status updates regarding claims processing.

The inventory of claims has dropped from 61,108 in January 2012 to 30,080 in April 2013. OPM has outpaced their projections for claims processing every month, with the exception of December 2012. Yet, as a result of much higher than expected retirements in February and March, the 30,080 claims inventory is about 7,000 higher than the inventory projected pursuant to the strategic plan. In the three of this year's first four months, the number of federal employees filing retirement claims outpaced OPM's projections. Given the ongoing retirement wave, this trend is likely to continue. With overtime reductions planned as a result of budget cuts, it now seems doubtful that OPM will be able to reach the goals of their strategic plan, despite the substantial progress that has been made. This is a huge setback in an otherwise successful story.

Sequestration

While some members of Congress have suggested that budget cuts made pursuant to sequestration will not significantly impact government operations, it is clear that is not the case. As flight delays made frustratingly clear to many members of Congress, you need a strong, capable and fully staffed federal workforce for the government to operate and serve its customers. Unfortunately, while Congress passed a Band-Aid fix to prevent the continuation of air traffic controller furloughs, it did not fix the remainder of the less-publicly-visible problems being caused by sequestration, and it's starting to show.

The following blog post appeared on OPM's website on last week:

Due to budget cuts caused by sequestration, OPM has been required to initiate changes to some of the business operations in Retirement Services. Beginning on Sunday, April 28, 2013, all overtime for employees working in Retirement Services at OPM is suspended and call center hours are reduced to 7:40 a.m. - 5:00 p.m. EDT Monday through Friday. While it is our hope that process improvements developed over the past year will ameliorate some of the adverse effects of these necessary actions, retirees should expect an increase in the time required to process their claims or respond to inquiries. OPM remains committed to assuring that retirees receive the benefits that they have earned, and we will provide an update on the impact of these actions on retirement processing on a monthly basis with our retirement claims processing report.

As you can see, while OPM is fortunate it will not have to furlough employees, it will be forced to reduce its call-center hours and halt overtime for employees processing federal retirement annuity claims. That is very disappointing news. Previously, one of our most significant complaints with OPM was that federal retirees were unable to reach someone on the phone. Reducing call center hours threatens to bring a return of this problem. Furthermore, the use of overtime may have been one of OPM's most effective tools in reducing the backlog of retirement claims. By taking that capacity away, we find it hard to see how OPM will be able to handle the large wave of retirements expected to occur in the very near future. With U.S. Postal Service buyouts combined with a general sentiment among retirement-eligible workers to retire before Congress asks for more financial sacrifices from them, there are likely to be more retirement claims before there are less.

So the question must be asked, with sequestration a reality, what can OPM, agencies, and Congress do to lessen the impact on retirees? For one, while progress has been made, there needs to be more communication with agencies to ensure retirement packages reaching OPM are as complete as possible. The checklist was a good step, as was publicly publishing results, but we believe agencies should be held accountable for incomplete packages. Where possible, agencies should be providing their human resources staff with additional training, particularly those agencies which are failing to meet expectations. In a similar vein, agency HR staff are often unaware of an employee's intention to retire until they have started the process. It would behoove agencies to keep a list of when employees will reach retirement-eligibility, so they can guide them through the process before it even starts.

OPM recently provided NARFE with a copy of its checklist, and it ran as the cover story in the *narfe* magazine, which has wide distribution among the federal community. This has yielded accolades from recipients and we at NARFE are more than willing to do what we can to help OPM and the people it serves. We encourage OPM to continue to utilize NARFE and the other federal employee groups to help distribute checklists widely and often.

As suggested by the Government Managers Coalition and supported by NARFE, the retirement information process should start when an employee first joins the civil service. As part of the onboarding process, employees should be made aware that they should keep records of standard forms, transfers between agencies etc... Additionally, as employees near retirement eligibility, fact sheets with a list of common errors and more complex issues should be developed and made

available. Once an employee declares his/her intention to retire, agencies should ensure that s/he receives the standardized checklist, a list of common problems that can delay processing, an FAQ (contact numbers, info on what to expect, etc...), and a list of forms that may need to be updated (beneficiaries, life insurance). It should also be made clear to employees that the process takes time, especially if they worked for more than one agency, since most employee records are in paper form. The employee should also follow up with his/her agency to ensure the request to receive those records has been made.

The Future of Retirement Processing at OPM

It is our understanding that OPM is taking an incremental approach to automating its retirement processing. Given the setbacks OPM has had in the past with electronic processing, we at NARFE support this methodical approach.

However, OPM must work to enter the electronic age, and eventually cease with paper records being physically driven up and down the east coast. We realize this is no easy feat, and requires a collaborative effort with agencies, not to mention the daunting task of obtaining funding from Congress. However, the process to start moving into retirement varies too much among agencies. A standardized process, to the best that one can be developed across the government, would go far in ensuring a backlog of this magnitude never happens again.

The Administration's FY14 budget requests \$2.6 million in Trust Fund No-Year Authority, presumably intended to be directed towards modernizing the retirement processing system.² Specifically, the Congressional Budget Justification states that Retirement Services "plans to implement a case management system for centralized storage processing of all retirement and related benefits claims."

First, OPM should provide additional details to members of Congress as well as federal employee and retiree representatives regarding this plan. As currently described, it is difficult to ascertain what this proposal entails. Second, as has occurred in the past, financing for information technology modernization should come from the general fund rather than the retirement trust fund. We strongly support efforts by OPM to modernize its retirement services to improve efficiency and better serve federal retirees. However, we are skeptical of using the retirement trust fund as an alternative source of funding simply because Congress is unwilling to provide adequate financing.

Conclusion

Make no mistake; by January 2012, there was a major problem with federal retirement annuity claims processing. But remarkable improvements have been made since then. We commend both former OPM Director John Berry and Ken Zawodny, the Associate Director of Retirement Services, for their leadership in recognizing and tackling the problem head on, as well as the hard work of the employees at OPM in reducing the backlog of claims.

² *Congressional Budget Justification, Performance Budget, Fiscal Year 2014*, Office of Personnel Management (CBJ Submission April 2013).

However, we have not crossed the finish line yet. There is still an inventory of more than 30,000 retirement annuity claims, and waits continue to be too long. The wave of federal retirements that is expected threatens to reverse the progress that has been made. The forced reduction in overtime and call center hours resulting from sequestration could not come at a worse time. We implore members of Congress to take notice of the very real effects that austerity budgeting will have on government services, including the ones on which our career civil servants rely.

Thank you again for inviting me to testify and for providing me the opportunity to share NARFE's views.