# UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

**STATEMENT OF**
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**before the**

**SUBCOMMITTEE ON FEDERAL WORKFORCE, U.S. POSTAL SERVICE, AND THE CENSUS**
**COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM**
**UNITED STATES HOUSE OF REPRESENTATIVES**

**on**

**"Is OPM Processing Federal Worker Pension Claims on Time?"**

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**May 9, 2013**

Chairman Farenthold, Ranking Member Lynch and Members of the Subcommittee:

Thank you for allowing me the opportunity to appear before you today to discuss the progress of

the Office of Personnel Management (OPM) in reducing the backlog of Federal retirement

claims, as well as the challenges of developing a 21st Century customer-focused retirement

processing system that adjudicates claims in a timely and accurate manner.

## OPM's Strategic Plan for Retirement Services

OPM's mission is to recruit, retain, and honor a world-class workforce to serve the American

people. Under the charge to honor the service of dedicated Federal employees who have devoted

their careers to serving the citizens of this country, OPM is responsible for processing in excess

of 120,000 retirement applications a year for Federal employees from all three Branches of the

Government and dozens of Independent Agencies and Commissions. Aside from processing new, incoming retirements, OPM also handles post-retirement human resources functions for 2.5 million Federal annuitants, survivors and their families. In January 2012, OPM released and began implementation of a strategic plan to reduce the unacceptable backlog of retirement claims, and we remain on track and focused on the goal of adjudicating 90 percent of retirement cases within 60 days starting in July 2013.  In keeping with the principles of open government, our backlog reduction efforts are posted publicly on our website on a monthly basis, allowing the public to track our progress.

The strategic plan consists of four pillars: people, productivity and process improvement, partnering with agencies, and partial, progressive information technology (IT) improvements. All four of these pillars have been put into action, and we were able to reduce the claims inventory by 57 percent and reduce the average time to process a claim from 156 to 136 days in 2012. However, over the first four months of 2013, OPM has experienced significant unprecedented increases in the number of retirement applications received.  While actual claims processed continue to outpace our projections under the strategic plan, so do actual claims received.  In January through April of this year, OPM received over 60,000 new retirement applications, approximately 43 percent more than were received for the same period in 2012, and 44 percent more than we projected.  Still, the efforts of our employees resulted in a record number of claims being processed during that period, maintaining progress toward our goal.  For example, in April 2013 there was a 41 percent decrease in the inventory versus April 2012.

OPM Retirement Services (RS) employees, the first pillar of the strategic plan, are engaged and focused on reducing the backlog. Individuals from all over the organization have contributed to the backlog reduction effort in whatever capacity they can, from adjudication, to review, to assembly of cases. Other organizations within OPM have provided RS with help by prioritizing requirements, working with RS employees to identify potential improvements in processing and, where possible, providing employees on detail to RS. Additional staff was added to the claims adjudication process during 2012 as called for in the strategic plan, including 56 new Legal Administrative Specialists (LAS) and 20 new Customer Service Specialists. Additionally, as employees have retired or moved on to pursue new opportunities, we are backfilling positions in critical workload areas as resources permit. The new employees have been fully trained and have increased our capacity to improve timeliness and production in claims processing. I must also note that our progress would be impossible without our partnership with our labor organizations.

We continue to achieve gains in efficiency in the pending workload through the second pillar, productivity and process improvements. Improvements to our processes have been happening as a result of our work with the Navy's Lean Six Sigma team in 2012 and an additional Lean Six Sigma effort in 2013, and taking what we have learned from that experience and transferring it to other parts of the organization. In order to ensure that LAS receive complete cases, a development team has been established to review incoming cases and make sure they are "healthy" so that employees can focus on claims adjudication and not on development of a complete case file. Until the current inventory is significantly reduced, the use of overtime remains critical. In 2012 our employees worked over 94,000 hours of overtime. Overtime usage

enabled processing of over 34,000 additional cases in 2012, equating to roughly 26 percent of our total production for the year.

Reducing the retirement claims backlog also requires OPM to work with the employing agencies that prepare the retirement applications for their retiring employees.  Through the third pillar, partnering with agencies, we are working with agency Chief Human Capital Officers to improve the accuracy and completeness of incoming claims.  Last year we developed an agency audit process designed to identify incomplete and inaccurate retirement cases sent to us by the agencies so that we can better track and report errors.  These cases cause delays in processing and place additional development work on OPM.  The audits, which are posted on our website each month, have enabled RS to provide consistent feedback and focused training. Additionally we have partnered with organizations such as the National Active and Retired Federal Employees Association (NARFE) who provide information to their members regarding retirement preparation.

The fourth and final key pillar in the strategic plan involves expanding information technology (IT) support for record maintenance and claims processing through incremental progressive IT improvements. Working with agency and service partners, continued modernization of the current, paper-reliant, retirement claims process is vital to OPM's long-term success.  As such, we are focused on transitioning the retirement program to a paperless system that will truly honor a Federal employee's service by authorizing accurate retirement benefit payments, answering customers' questions in a timely manner, and promoting self-service account maintenance via PC, tablet or other mobile device.

**Retirement Services Information Technology Strategy**

In the strategic plan, we outlined our intention to modernize our IT infrastructure incrementally, employing a cost effective and efficient modular approach to transition away from paper and into the modern era.  Working with agency and service partners, we are in the process of establishing the capability of gathering electronic data from the applicant and to have that data sent to the repository.  In addition, we are in the process of establishing the capability to feed the agency human resources, payroll and applicant sourced data from the repository to the benefit calculator. These represent the critical first steps in a long modernization journey.

In 2012, we launched the Data Viewer, a web-based application which aggregates information from multiple systems and enables authorized users to see retirement related data.  The Data Viewer will help our adjudicators access scanned retirement documents and other data through a single interface and will also help agencies assemble more accurate retirement packages for their employees so that they are sent to OPM in a more complete state, all saving time in claim processing.  Currently 11 agencies are in a pilot for the Data Viewer, and they have viewed over 40,000 documents to help make the retirement case packet more complete and accurate.  The plan is to continue to deploy the Data Viewer to all agencies within the Federal government.  We are also engaged in a crowd-sourcing initiative to develop innovative solutions to the current Service Credit system.  The improved system will include enhanced capability to adapt to modifications to service credit calculations due to legislative changes, as well as robust accounting and financial management features.

We have requested $2.6 million in our FY2014 budget request to begin development of a Case Management System (CMS) for centralized tracking of, and reporting on, retirement documents and retirement cases. This initial, modest investment is to begin the process of upgrading CMS to an automated system, eventually streamlining the intake and review process and in the long-term reduce the amount of time necessary to process claims.

Finally, our web-based Retirement Services Online application empowers retirees to view their individual information, make changes and update their information on demand. The program has over 25,000 visitors per week, and over 3.2 million transactions were processed during FY2012. These online transactions, from email address updates to tax withholding changes to establishing direct deposits, reduces calls and emails to our customer service group freeing them to respond to other customers. Further enhancements to Retirement Services Online will advance our focus on providing better customer service.

## Challenges in Achieving the Goals of the Strategic Plan

We are at a critical juncture of the strategic plan and continuation of the current success in reducing the pending inventory is by no means assured. The improvements outlined above offer an excellent start, but alone, are not sufficient to overcome some of the challenges facing the retirement program. Without proper resources, the momentum we currently have processing claims and moving toward IT modernization will be in jeopardy.

Government-wide fiscal challenges have obvious ramifications for maintaining the enhancements made in processing capacity as well as future plans for improvements in

efficiency.  As noted above, we are experiencing continued increases in new retirements, representing a growth in the customer base of OPM, while resources to handle the volume and provide appropriate customer service diminish.  One example is the recent surge of retirement cases due to U.S. Postal Service early retirements.  Our staff is working diligently to finalize these cases as quickly as possible through the use of overtime.  However, similar receipts in FY 2014, especially if accompanied by reductions in funding for staffing and overtime, would severely impact our capability to achieve processing goals.

Funding reductions will also affect our customer service group.  The Call Center receives between 35,000 and 40,000 calls and upwards of 5,000 emails each week as well as thousands of other pieces of correspondence.   Reduced funding will lead to reduced response rates and a decrease in service levels.  Over the last year or so, hold times in the call center have improved by 4 or 5 minutes, but these sorts of improvements will quickly be negated.  The second impact will be seen in our reduced ability to provide timely responses by e-mail, fax, correspondence, and a system that allows us to see all avenues of customer updates by the enhanced CMS.

As noted above, we are also poised to implement real change in our IT systems with assistance from other Federal agencies and service partners.  Lack of funding for these initiatives will impact the good work that has been done thus far and will bring a stop to development in the future.

## Improper Payments

Finally, I want to address the work that OPM has done in recognition of the need to reduce the number of improper annuity payments and recovery of overpayments. OPM established an Improper Payments Working Group to design controls to protect the integrity of program data. This group is represented across organizational and functional areas within OPM, led by the Chief Financial Officer, and has worked during the year to develop the OPM Improper Payments Plan. Utilizing these efforts and working with the OPM Inspector General, OPM is making continued progress to reduce the number of improper annuity payments. In FY2012, the rate of improper payments for the Federal Retirement Programs was 0.36 percent of outlays, and almost 72 percent of improper payments identified have been recovered.

## Conclusion

OPM has made significant progress in reducing the Federal retirement claims inventory in the past year. We expect to make continued progress utilizing process improvements and incremental IT advances; however, we understand that challenges remain and our future is uncertain, and that our efforts must continue. We understand reducing the claims inventory is not just about reducing numbers, but about our commitment to retired dedicated public servants and their families. For our employees and our customers, we are moving forward on a major initiative we call C.A.R.E, which stands for Compassionate, Accurate, Responsive, and Empowered, to make workforce improvements in order to better serve our customers. We understand that any delays that retired Federal employees experience in receiving their final annuities can cause personal and financial hardships. While we continue to reduce the backlog,

we have tried to mitigate any hardship as much as possible, such as by paying new retirees an estimated interim monthly annuity immediately after they retire until we complete their case.

In recognition of our goal to honor service, both the performance of current employees and the careers of retired employees, we are continuously working to address challenges and have implemented several initiatives to develop a 21st Century customer-focused retirement processing system that adjudicates claims in a timely and accurate manner.

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