

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT



## **Strategic Plan for Retirement Services**

**January 17, 2012**

*a New Day for Federal Service*



## UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

Washington, DC 20415

The Director

### **Message from the Director**

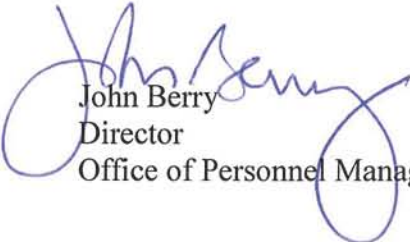
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The Office of Personnel Management's (OPM) core mission is to recruit, retain, and honor a world-class workforce to serve the American people. One of the ways we honor the workforce is by providing timely, accurate annuities to our Federal retirees, 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 our goal to eliminate the current backlog in 18 months so that 90 percent of retirees will receive their full annuity payments within 60 days of retirement by July 2013.

To be clear and transparent in this process, OPM leadership has developed the attached strategic plan to achieve this goal. I will continue to make retirement operations a priority for the Agency, and will devote the necessary leadership and talent from our agency to the task. We look forward to working with Congress and other stakeholders as we eliminate the backlog, improve our customer service, and honor our retirees.

  
John Berry  
Director  
Office of Personnel Management

# STRATEGIC PLAN FOR RETIREMENT SERVICES

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## STRATEGIC PLAN FOR RETIREMENT SERVICES

January 17, 2012

### **Executive Summary**

Federal employees face unacceptable delays in receiving retirement benefits after years of honorable service to the nation. As of December 31, 2011, the average time to process a new retirement claim under the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS) was 156 days. Although many retirement claims are complicated, the primary cause for the delay in processing time is a caseload backlog that has developed over many years. As of December 31, 2011, that backlog was 48,378 claims.

The U.S. Office of Personnel Management (OPM) and our Retirement Services (RS) team are committed to providing our annuitants with the service they deserve. Prior efforts to improve the administration of retirement programs over the past 20 years have focused almost exclusively on automation and Information Technology (IT) improvements. While IT remains a component of the long-term solution, it cannot be the only strategy. Instead, improvement for the near term must consist of a multi-faceted approach.

OPM has drafted a plan to eliminate the claims backlog and improve the claims adjudication process that consists of four pillars:

- I. People
  - Bring “all hands on deck” to add claims production capacity immediately
  - Hire 56 new Legal Administrative Specialists (LAS)
  - Hire 20 new Customer Service Specialists (CSS)
- II. Productivity and Process Improvement
  - Establish higher production standards and consider production bonuses
  - Expand work hours and effective use of overtime
  - Complete Lean/Six-Sigma review of the claims process
  - Ensure LAS have complete cases and more time to process claims
- III. Partnering with Agencies
  - Improve accuracy and completeness of incoming claims
  - Involve Chief Human Capital Officers
  - Provide more frequent feedback to agencies on claims deficiencies
- IV. Partial, Progressive Information Technology (IT) Improvements
  - Pursue long-term data flow strategy
  - Explore short-term strategy to leverage work agencies do now
  - Review and upgrade systems used by LAS

OPM believes that this four pillar strategy will increase monthly claims adjudication capacity by as much as 2,000 claims per month prior to July 2012 and by as much as 5,000 claims when new staff members are fully trained. This will eliminate the claims backlog within 18 months and allow RS to adjudicate 90 percent of all new claims within 60 days of receipt from the agencies.

## **Section I. Introduction**

OPM has a simple strategic plan, which includes four high level strategic goals. Among these is “Honor Service,” which is carried out in large part by RS. RS is charged to:

Develop a 21<sup>st</sup> Century customer-focused retirement processing system that adjudicates claims in a timely and accurate manner by:

- Investing in Information Technology tools and solutions to facilitate benefits payments
- Using performance measures to ensure quality customer service
- Strengthening quality assurance processes, policies, and procedures
- Delivering optimal customer service experiences by improving processes

## **Customers and Lines of Business**

RS serves approximately 2.5 million Federal retirees and survivors who receive monthly annuity payments. OPM’s program activities entail making initial eligibility determinations, including eligibility for disability retirement; claims adjudication; post-retirement changes requested by annuitants or required by law; and other payments to annuitants and other customers, such as court ordered benefits. Each business line operates under a variety of different rules and procedures, many of which have been set by Congress or are included in implementing regulations. Of the approximately 100,000 claims RS processes each year, approximately 85 percent are new claims under either CSRS or FERS. More information about the programs of RS can be found in the “Retirement Basics” appendix to this document.

## **Funding**

RS receives funding from both discretionary and mandatory sources. The bulk of RS funding comes from either discretionary allocations, similar to appropriations, from the earned benefit Trust Funds or mandatory budget authority not subject to Congressional limitation to perform specific tasks related to the administration of retirement programs. The FY 2012 budget for RS from all sources is \$94,860,000 compared to the FY 2010 enacted budget of \$96,790,000 and the FY 2011 annualized Continuing Resolution funding of \$91,005,000.

## **Current Status of Retirement Services Programs**

Because of a claims backlog, RS has been the subject of annuitant complaints, Congressional hearings and frequent media scrutiny. RS understands that its customers are Federal workers who have earned the right to retire after years of honorable service. All components of RS have workload backlogs, and the quality of service OPM is currently providing to its customers is not acceptable. In particular, the agency’s new claims process needs to be improved so that annuitants can receive the benefits they have earned in a timely manner.

An Interim Payment (IP) process was established in the 1960s so that annuitants would receive some income while waiting on their final annuity to be adjudicated. Annuitants are paid once a month rather than once every two weeks, which is typical for Federal employees. Via IP, interim payments are authorized within five to seven days, for nearly all new claims (automated or manual) but the payments would come on the next regular scheduled pay cycle. In FY 2011, the average amount of interim pay received by annuitants was 80.3 percent of their final annuity.

The current time to process the cases discussed herein is 156 days. More information about the IP process is included in a later section of this document.

In some cases, the process leading to final claim adjudication is complex. Disability retirements require a determination of eligibility that includes documentation from physicians. Court Ordered Benefits typically involve legal documentation from multiple attorneys. Some think of CSRS and FERS as being simple, with OPM's responsibility simply to multiply the high-three average salary by a percentage based upon years of service. The reality is that both CSRS and FERS are extraordinarily complicated structures with a multitude of complex provisions that apply under various circumstances.

These complicated provisions require complex systems to administer, and employees require a great deal of training. While new LAS can begin issuing the simplest cases in about six months, it takes years before an LAS can deal with all types of cases. Since each annuitant's situation is different, there will always be examples where final annuity adjudication was delayed due to complexity. At present, all annuitants face an unacceptable delay because of our claims backlog.

## **Section II. Backlog Reduction Plan**

For the purposes of this document, the claims backlog is defined as all new pending claims under the CSRS and FERS, including all non-disability claims and disability claims after a determination has been made that disability retirement under CSRS or FERS is warranted. Other specialty claims and processes (discussed in section four), such as Service Credit issues, Court Ordered Benefits, disability retirement determination or lump sum payments to Federal employees who died while still employed (Death in Service) will not be included in our backlog elimination tracking. While these claims are important and are tracked separately, they are fundamentally different from the vast majority of our cases, and efforts to resolve the different types of claims cannot be usefully aggregated into a single report. OPM is committed to monthly reporting on the number of claims received, the number of claims processed and the current backlog of claims, as defined above.

Since the failure of Retirement Systems Modernization (RSM) in 2008, RS has been struggling to address its current workload, which has led to delayed annuity payments, thousands of complaints from retirees and other stakeholders, inquiries from Members of Congress, and frequent criticism through the media. In anticipation of RSM, and specifically an automated system called RetireEZ, claims processing staff- LAS- were reduced through attrition between 2005 and 2009. When the automated solution did not materialize, RS was left without enough trained LAS to keep pace with the annual workload and a claims backlog has grown over time. As of December 31, 2011, the backlog for CSRS and FERS disability and non-disability claims is 48,378.

The following plan is designed to eliminate the claims backlog within 18 months and reduce claims processing times so that 90 percent of claims are processed within 60 days from the date of receipt. This plan is built on four pillars, which will be detailed in the following sections: People, Productivity/Process Improvement, Partnerships with Agencies, and Partial and Progressive Information Technology Improvements.

## **People**

The first pillar of our plan is the most simple and most urgent: adding more people to the manual claims adjudication process. As of December 2011, RS had 130 LAS who were fully trained and contributing to the reduction of the claims backlog, which is not enough to handle the workload OPM receives each month. To increase capacity, RS is in the process of hiring 56 additional LAS, including 40 new positions and backfilling 16 positions. These positions will be divided between the Claims I section in Washington, DC, and the Claims II section in Boyers, PA, based on need in order to improve timeliness and production. There is an associated training period to ensure the new employees produce the quality product expected of RS, so the newly-hired LAS will not increase monthly production capacity until June or July 2012. Once trained, RS expects the new LAS to add at least 3,000 claims per month to our capacity.

In addition to the hiring of new LAS, RS has identified individuals who have previous experience in the LAS position who have recently retired. They are being contacted to determine interest in returning to work, and RS has developed a plan with HR so that RS can quickly and effectively make the case for rehiring these former employees with valuable claims adjudication experience.

Although claims themselves must be adjudicated by LAS staff, there are mandatory supporting duties that can be performed by other staff. To address this, RS is hiring 20 additional CSS who will work with existing staff in a new Claims Development Team. These individuals will be assigned to a myriad of duties as needed to address the backlog, primarily case preparation and development. They will ensure that when an LAS receives a case, no additional administrative work will be required so that the case may be adjudicated quickly and accurately. The Claims Development Team has already started incorporating the new CSS and we expect the hiring to be complete in the next six weeks. As they enter on duty, they are being placed into their positions and adding to the work output.

While additional staff is vitally important to our success, OPM must utilize current staff better. To that end, the agency is also identifying employees with previous adjudication experience who now work in other areas of RS or OPM. Thus far, 39 are contributing hours either during regular time or on overtime to help reduce the backlog. OPM expects this number to grow and will be increasing the amount of overtime available to maximize production. In all cases, overtime will only be approved for LAS who have proven their ability to accurately adjudicate claims in a timely manner.

RS is identifying claims processing support duties that administrative staff members or managers could perform with minimal training to relieve LAS of nearly all duties except claims adjudication and customer service for claims assigned directly to them. RS has engaged and sought out assistance from other OPM offices to provide support in areas such as correspondence or phone support to further relieve the administrative burden on those involved in case preparation, development, adjudication and review.

## **Productivity and Process Improvement**

Increasing production capacity goes hand in hand with improving the way the agency measures productivity and manages its workflow. OPM continues to build better metrics to capture

production efforts, and is now able to track production weekly at the individual level to identify and correct performance problems at the onset. OPM is committed to removing failing LAS who cannot or will not improve, and will backfill to replace failed LAS as the agency builds its full-time adjudication team to 186 LAS, including LAS Reviewers, which are part of the overall approval process. Currently, an LAS is expected to produce at least 700 claims per year. Increasing the rate to about 1,100 claims per year, on average, and increasing the staff will allow RS to reduce the backlog to a manageable state of 13,000 cases by July 2013. By having no more than 13,000 claims on hand, the staff will be able to adjudicate 90 percent of all the claims covered by this plan within 60 days.

RS management is considering new annual production standards for LAS, but higher production standards will not guarantee more claims are adjudicated. Instead, RS is immediately building capacity through more effective use of overtime and expanding work hours to accommodate a wider range of availability of the workers. In effect, staff will be allowed to work any hours that the computer systems necessary to process claims are online. In an effort to help motivate staff during this momentous effort OPM is looking to implement an incentive program for those going above and beyond the call of duty to help us achieve this goal in the time frame allotted. For LAS, individual monthly incentives are being considered. Group incentives are being considered for those who provide support to the adjudication process, such as case production and development prior to adjudication or timely review after adjudication. When RS has established the higher standards, RS will work with the unions to implement them. In the meantime, the agency is committed to taking action to address performance that falls short of existing standards, including removal.

Distributing work is also an area where RS has made recent adjustments. RS is scaling back the review process and looking at other opportunities to reduce review overhead. For example, to help increase output in Claims II retirement operations, which handles all CSRS and FERS non-disability claims, veteran LAS with a 95 percent or better accuracy rating will have the option to waive the review process if the OPM calculation matches the agency estimate. These cases will be triggered active on the annuity roll. This change should improve timeliness and increase capacity by freeing review staff to adjudicate claims until additional new hires are brought on board in 2012.

Service to our customers is one of the most vital functions OPM performs, so the agency is working to improve this function in various ways. The first is the implementation of a two-tier approach in the Retirement Information Office (RIO) section of our organization.

The two-tier approach divides the RIO staff into two groups. The first group will be the individuals who answer initial calls in our call center as they do now. The second group will be comprised of specialists with a deeper technical knowledge base who can resolve issues over the phone. The tier one staff will now refer the more technical calls to the tier two staff instead of the LAS, which is the current process. The implementation of this two-tier approach will relieve the LAS staff of the large number of calls that are transferred to them currently and will allow them to spend more time closing cases. This program has proven to be a success. Before Tier 2 was implemented 7,216 calls were transferred to LAS staff in a three week time frame. Since the implementation of Tier 2, the three week time frame saw only 2,577 calls transferred to LAS



staff. All of the combined efforts to relieve existing LAS of the administrative burden associated with developing claims and attending to customer service for claims that have yet to be assigned to an LAS may provide as much as 30 percent more time per day for claims adjudication.

Outside of OPM's normal scope, the agency has also elicited the help of the U.S. Navy to improve our processes. A Lean/Six-Sigma Study of the pending claims process is currently underway. The Navy's Lean/Six-Sigma Team has spent three weeks with the team in OPM's Boyers, PA, facility to assess current processes. From their observations they will determine where RS is operating at its best and where improvements can be made. The Navy is currently assessing the need for additional visits. Final recommendations are expected in February 2012. This reengineering of our workflow process is expected to increase our monthly claims capacity by an additional amount that will be determined once the review is complete.

### **Partnering with Agencies**

While OPM is working to improve timeliness and production capacity within RS, it will also have to depend significantly on the individual employing agencies that prepare the files for their retiring employees. RS has maintained an ongoing partnership administering the retirement program with agencies. OPM's Benefit Officers Training and Development group has agency liaisons with each agency to provide a single contact to assist with complex issues. OPM has coordinated the Benefit Officers Network for over 25 years. The Network meets quarterly to provide updates to benefits officers.

Accuracy and responsiveness of the agencies is an area OPM must continue to address. To do this, OPM conducts annual agency audits and provides follow up training to identify and address barriers to timely processing. However, veteran LAS are involved in the process and time spent auditing is time lost to adjudication. RS is considering additional audits of the agencies where delays are consistently caused by incomplete case submissions. The RS audit process is usually conducted at the agency benefits officer level, but OPM raised this to the attention of the Chief Human Capital Officers (CHCOs) at their December 2011 meeting with the full support of the Office of Management and Budget.

To supplement the annual audits, the Claims Development Team will use an agency package checklist as it prepares all new incoming claims for adjudication. Checklist results will provide a near-constant source of feedback to the agencies.

One of the strategies to accomplish OPM's strategic goal to *Honor Service* by improving OPM's service to Federal agency benefits officers was the development of an agency benefits officers service delivery model emphasizing shared responsibility for benefits/retirement among employees, OPM and individual agencies. This year, OPM will publish performance standards for the service delivery model and begin development of a process to identify and acknowledge exceptional customer service by agencies.

Additionally, OPM is working to get agency access to the Electronic Data Management System (EDMS). This may improve the application process and improve the completeness of the applications received from the agencies. At this time, RS is working with OPM's CIO to provide

a plan for this implementation, and more discussion about the agency's efforts to partner with agencies on Information Technology improvements can be found in the following section.

### **Partial, Progressive Information Technology (IT) Improvements**

Additional automation is vital to OPM's success. Since previous efforts to automate the entire RS process have failed, automation of the process piece-by-piece will be the path to success of the initiative.

Services On-Line is an automated tool that RS has enhanced to better serve our customers. With this tool, retirees can log onto the system and enter their individual password to access portions of their case files in order to print needed information. They are also able to update their accounts to show address changes, banking information for Electronic Funds Transfer and tax exemptions online.

OPM has a promising and 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. With the recent failure of RSM, other payroll centers have been reluctant to participate and are not as far along.

When paired with an online retirement application, the data feeds will constitute significant automation progress. However, because an LAS needs an employee's entire record, the true value in this effort will not be realized for many years when employees hired after implementation begin to retire (i.e., the system will have captured everything about their service). Until then, this system will simply be one more on top of a number of other systems that an LAS must check before adjudicating a case unless costly efforts are pursued to migrate historical data from the other systems and paper files maintained by multiple government entities. At this time, no funds exist to pursue such a massive undertaking.

In the interim, OPM is exploring mid-term solutions that harness work agencies are already doing, require only modest investments in new and existing IT systems, and reposition OPM to get out of the paper-pushing business to focus on quality, timeliness, and customer service.

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. Moreover, private sector vendors have already developed an online retirement application.

The opportunity lies in transmitting the raw data from agency estimators as well as the application and supporting documents electronically. The systems agencies procure from private sector vendors would have to be modified, and OPM would have to build or acquire IT systems to receive and manage the data and documents electronically.

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.

### **Conclusion**

The retirement claims backlog developed over a number of years and for a number of reasons, but the current team at OPM recognizes the need for urgent action. The agency believes that the combined efforts described in this backlog reduction plan will increase our claims production capacity by nearly 2,000 claims per month before new LAS are fully trained in July 2012 and by as much as 5,000 claims per month after new staff come into production. By following this plan, RS expects to eliminate the agency's backlog within 18 months so that 90 percent of the cases on hand can be adjudicated accurately within 60 days.

### **Section III. Interim Pay**

Interim payments are based on a percentage of the final salary submitted by the agency. Final payments are based on a review of all documents in the retiree's case file and calculation based on this.

**Background:** Interim Pay (IP) was established in the 1960s to provide new retirees with an initial payment while their retirement benefits are adjudicated. Retirees are authorized to receive their first interim payment in an average of five to seven business days from the date the agency's electronic file or paper records are received by OPM and payments are made in the next payment cycle. Typically, OPM receives these records about 30 days after an employee's separation for retirement. Currently, 51 percent of all pending non-disability retirement applicants are placed into IP via an automated process. For the remainder of the applicants, including disability retirees, interim payments are calculated and authorized manually. Applicants for disability are not put into IP status until their application is approved and RS has received notification that they have been separated from the Federal service.

The goal is to provide the annuitant with approximately 90 percent of their expected net monthly payment, less Federal income tax withholding. The gross monthly annuity rate is the actual monthly annuity rate after any reductions for age, unpaid deposits or redeposit, alternative form of annuity elections, part-time service factors and survivor annuity elections. The net payment amount is the amount of the annuity payment after deducting premiums for health benefits and life insurance from the gross rate. Please note that OPM is unable to reflect the Special Retirement Supplement (SRS) in interim payments because the agencies do not provide the annuity supplement estimate; it is not one of the 59 required automated data elements reported to OPM by agencies. Agency HR offices do not generally have the Social Security payroll amounts available needed for the supplement. As a result, OPM must obtain this information directly from the U.S. Social Security Administration (SSA). Several other factors can cause reduced interim payments or prevent OPM from being able to even initiate interim payments.

Upon final adjudication of the retiree's application, OPM pays the accrued annuity due, less health benefits and life insurance premiums due, and any additional Federal income tax withholding.

**Interim Pay Formula:** The Automated Front End Process (AFEP) system calculates interim pay using the employee's date of birth, final salary, survivor and insurance elections, last day of pay, and Service Computation Date (SCD). The AFEP:

- Calculates the years and months of creditable service to use in the computation
- Uses the appropriate factor for final salary and survivor election
- Computes the monthly interim pay rate
- Applies reduction for age if discontinued service retirement
- Reduces the amount of interim pay for insurance elections

The two methods used to authorize interim payments to new retirees are detailed below.

**Automated Interim Pay Process:** The Data Exchange Gateway (DEG) is an electronic submission established with the majority of agencies to submit the data required to generate a claim number and proactively place retirees into a payment status as soon as possible. There are 311 data elements submitted by the agencies for each individual retiree. The validity of these data elements can affect the amount of interim pay calculated by the AFEP.

The AFEP was modified in 2004 to allow a larger percentage of retirement claims to be placed into automated interim pay when the retiree's payroll provider reports unpaid post-1956 military deposit, post-04-06-1986 part time service, and unpaid refunded service. This allows an interim payment to be issued but at a reduced rate using the same rules that are applied to the manual process.

**Manual Interim Pay Process:** The manual interim pay process is used for all paper receipts, for electronic receipts lacking required data elements, or those that fall under exception processing rules. OPM must manually generate the claim number for most of these claims by entering the required data fields into the AFEP. Then, the agency must manually enter the additional data elements required to compute and authorize interim payments. This process can take several additional days before the claim is sent to the claims processing sections for final adjudication.

**Causes of Lower Interim Pay:** As previously stated, OPM is unable to reflect the retiree annuity supplement in interim payments. Thus, FERS retirees who will be entitled to an annuity supplement will definitely receive less than 90 percent of their expected NET payment, including the annuity supplement. Other conditions that could cause the annuitant to receive less than 90 percent of the agency's NET estimate:

- Applicant entitled to a special computation as a Law Enforcement Officer, Fire Fighter, Air Traffic Controller or other special retirement group
- CSRS Offset annuitant within 90 days of or over the age of 62
- Court Order on file at OPM
- Part-time service
- Non-deduction service performed after 10/1/82 creditable under CSRS where the deposit has not been paid in full
- Non-deduction service creditable under FERS where the deposit has not been paid in full
- Refunded service creditable toward CSRS non-disability retirement that ended on or after 3/1/91 where the redeposit has not been paid

- Refunded service creditable toward FERS or CSRS disability retirement where the redeposit has not been paid;
- VA Part Time Direct Medical Solutions (DMS) Physicians, including Doctors, Dentists, and Surgeons
- Receipt of Military Retired Pay
- Unpaid Military Deposits
- Excess Leave Without Pay (LWOP)
- Unverified or missing service
- Insurable Interest survivor election made
- No survivor election made

**Claims Where OPM May be Unable to Authorize Interim Payments:** OPM may be unable to authorize interim payments at all in the following instances:

- Title to annuity is not established because of:
  - Unverified or missing service
  - Waiver of military retired pay is not verified
  - Payment of deposit or redeposit is required for title to annuity
  - Retiree appears to be in receipt of workers' compensation payments
  - Annuity is Insufficient to withhold health benefits and/or life insurance premiums

**Summary of Interim Payment Processing for FY 2011**

<b>Manual or Automated IP</b>	<b>Number of Cases</b>	<b>%</b>	<b>Percent of final pay</b>
<b>Total Cases Triggered in 2011**</b>	<b>83922</b>		
Total Cases Put into IP Manually	40753	49%	This group averaged 79.12%
Total Cases Put into Automated IP	43169	51%	This group averaged 81.55%
<b>Manual IP</b>	<b>40753</b>		
Number of customers receiving at least 90% of final pay	14898	37%	This group averaged 94.45%
Number of customers receiving less than 90% of final pay	25855	63%	This group averaged 70.3%
Average interim pay amount			79.12%
<b>Automated IP</b>	<b>43169</b>		
Number of customers receiving at least 90% of final pay	10880	25%	This group averaged 95.83%
Number of customers receiving less than 90% of final pay	32289	75%	This group averaged 76.74%
Average interim pay amount			81.55%
<b>Average interim pay as a percentage of final pay -</b>			<b>80.3%</b>

\*\* Includes all triggered cases – CSRS and FERS pending, disability, and exception cases.

## **Section IV. Process Improvement Outside CSRS and FERS New Claims Adjudication**

### **Lump Sum**

#### **Purpose / History:**

Payment of a lump sum death benefit is governed by 5 CFR 831.2001 through 831.2011. The purpose is to provide a one-time lump sum death benefit to a designated party or survivors of former CSRS and FERS federal employees that have either not exhausted all retirement contributions and/or accrued annuity for the number of days in the month they lived.

The functional responsibility for processing lump sum death benefit cases was transferred to OPM's Retirement Operations Center (ROC) in Boyers, PA, in January 1988. Lump sum death benefit payments make up approximately 52 percent of all survivor claims. The remaining survivor claims workload was transitioned to the ROC in 2005 resulting in all survivor/lump sum death benefit claims being processed solely by the staff in Boyers.

#### **Current Workloads:**

Balance:	52,503 (CSRS & FERS)
Processing Times:	CSRS 676 days
	FERS 442 days

OPM anticipates reducing this backlog by 40-50 percent in FY 2012 with the additional staffing and implementing process improvement initiatives.

#### **Current Staffing:**

The lump sum death benefit function is currently staffed with six full time equivalent (FTE) LAS at GS-5/7/9 who process CSRS lump sum death benefits. In prior years this workload was staffed with 16 FTE LAS. However, due to attrition and the anticipated staff savings RS would gain by implementing a predominately automated system, OPM severely decreased hiring LAS while modernization efforts for planning and implementation were underway. As a result the anticipated efficiencies of the process that would result in the need for less staff were never realized and the current staffing level processing lump sum death benefit payments diminished to six FTE LAS.

#### **Future Staffing:**

A team of 16 CSS have been hired to process payments for those eligible for the lump sum death benefit payment in the first three orders of precedence, which accounts for approximately 80 percent of the CSRS lump sum death benefit payments. The remaining six LAS will continue processing the remaining lump sum death benefit payments that the CSS cannot.

## **Service Credit / Redeposit**

### **Purpose/History:**

Service Credit is governed by title 5, United States Code, Chapter 83, subchapter III

This is a program that allows employees to make payments into CSRS or FERS for certain periods of service during which they either did not contribute to the Civil Service Retirement and Disability Fund, or for which they received a refund of their retirement contributions. In statutorily defined circumstances, employees may make service credit deposits or redeposits, which include both principal and interest, to maximize the benefits they will receive upon retirement.

In April 2006, a new Service Credit system was implemented and all the data from the legacy system was migrated into the new system. In July 2008, it was discovered that the system, going back as far as December 2007, had been incorrectly calculating the amount of interest some employees had to pay as part of their service credit deposits. Consequently, the system was shut down to develop a data fix and stabilize the build environment so that it could be backed up. Contingency efforts were launched to test the data fixes created and provide manual calculations of deposit/redeposit amounts upon request. Since the system was down for an extended period, it was necessary to reconcile all the affected accounts.

In October 2008, the system was restored to compute initial billing statements only. In August of 2009 version 4.4 of the Service Credit system was rolled out correcting interest problems. In December 2010, version 4.5 was released. Letters describing the details were mailed to the affected Federal employees with their updated account balance and providing a six-month grace period to pay down or pay off their accounts without additional interest.

### **Current Workload:**

	Balances:	Average Processing Times:
CSRS	3281	284 days
FERS	6756	285 days

During this fiscal year OPM anticipates the additional resources and the realignment of these two sections will improve processes, allow for cross training of staff resulting in a reduction of the current balances and average processing times.

### **Current / Future Boyers Staffing:**

Currently this group consists of two LAS and four CSS. In order to increase productivity and reduce processing times we will be adding two additional CSS. Due to the relocation of this section to the Customer Services Group, the individuals in both groups will be cross trained so that more people will be able to do the work needed without a dramatic increase in staff.



## **Court Ordered Benefits**

### **Purpose / History:**

Court Ordered Benefits (COB) was established to centralize, review, and determine acceptability based on title 5 of the United States Code and title 5, part 838, of the Code of Federal Regulations of all court ordered benefits for Federal employees under CSRS and FERS. Consequently COB administers court awarded determinations for active employees (currently working), pending retirees (currently in interim pay status), and post retirement annuitants. In addition to general court order determinations, COB processes child support, garnishment, and bankruptcy orders from state and local governments. Furthermore, COB determines acceptability of health benefits for former spouses under the Spouse Equity Act, which provides Temporary Continuation of Coverage, and/or permanent health benefits, based on eligibility.

### **Current Workload:**

COB processes a varying category of court orders designated in a variety of categories outlined below.

1. **Employee orders** cover active Federal employees who have not retired or separated from Federal service
2. **Retiree Orders** are active retirees whose marriages have terminated and a Federal benefit may have been provided to the former spouse.
3. **Pending orders** are orders for retirees who are in an interim pay status and who did not submit a divorce decree before separating from Federal service.
4. **Garnishments** cover an order to withhold money from the Federal retirement benefit to satisfy a debt or responsibility (child support, bankruptcy, tax levies, etc.)
5. **Manual COLA Updates** are court ordered calculations that require a manual application of the COLA to the calculation. This workload is not automated though efforts to automate this have been considered. There will always be a remnant that cannot be automated.
6. **Congressional / Director's Letters** are written, electronic, and verbal inquiries that concern timely court ordered processing, computation review, unambiguous interpretations, and audit requests.
7. **Spouse Equity benefits (to include health)** is awarding of survivor benefits and/or health benefits to a former spouse under that divorce decree. The spouse is required to have her own account for these benefits and in most cases has to pay for these benefits directly.
8. **Survivor determinations for Y-Adjustments (post retirement marriage) section**, reviews the court order to determine whether an adjustment is necessary in the annuity.
9. **Correspondence for all categories of work** include phone, electronic mail or written correspondence from retirees, former spouses, or their representatives (lawyers, etc) requesting information on how to submit a court order, the regulations that drive our benefits, status of a submitted order, disputes on determinations made, requests for cases audits, etc.

Currently, our workload for this area consists of 3,119 claims.

**Current / Future Staffing:**

Currently COB support staff consists of five CSS and one clerk. In addition, there is a new group of sixteen Paralegals. With the hiring of these paralegals, RS has undertaken efforts to streamline training materials and changed the strategy to be more comprehensively planned instead of piecemealed. RS is utilizing COB senior staff and training resources to mirror the effort undertaken with the new Claims staff in developing a comprehensive plan and schedule.

**Disability Retirement Determinations**

Disability retirement is a benefit to protect an employee who is no longer able to provide useful and efficient service in his or her current grade or pay level due to a medical condition which may be due to disease or injury. The employee must meet the seven statutory, regulatory or administrative criteria. It should be the last resort after all other measures have been exhausted.

The Initial Disability Branch is responsible for making initial determinations on an application for disability retirement, determining the eligibility for benefits for disabled adult children, Health Benefits Waivers, Alternative Annuity, Insurable Interest, Reinstatement claims and making determinations of annuitant incompetency. The Initial Disability Branch receives approximately 11,000 initial disability cases per year and processes approximately 13,000 decisions per year. OPM is currently staffed with 13 Initial Specialists and eight Reconsideration Specialists. The agency currently has two specialists in training for Reconsideration.

Once a case is received in the disability branch it is reviewed to determine if all documents are present. If they are not, the applicant is given 30 days to submit the requested information. Once the information is received the specialist will review the case file to determine if the employee meets the seven criteria for disability retirement. All medical information must be reviewed and analyzed, administrative criteria analyzed, and statutory requirements met before a decision is made.

Once a decision is made (one to three months), the specialist must send a decision letter to the annuitant, representative (if applicable) and the agency notifying them of the decision. The case is then forwarded to the clerk to be logged to the Approved Disability Prep Team. Once the Prep Team receives the case they must request Last Day of Pay (LDOP), Health Benefit and Life Insurance information and final payroll records from the agency. In order to put the applicant into interim pay status, OPM needs the LDOP, and, for FERS annuitants, proof that they have applied for Social Security benefits. Once OPM receives this information, annuitants are placed in interim pay.

If the case is denied, the applicant has 30 days from the date of the denial letter to request reconsideration. Once the applicant requests reconsideration the case is assigned to a specialist to determine if the initial decision is upheld. If the application is again denied on reconsideration, the applicant has 30 days to request an appeal.

## **Disability Processing**

At present, average non-disability retirement processing time is 133 days, while average disability processing time is 297 days. Although disability eligibility development requirements will always result in longer average processing times for disability cases, RS has taken a number of steps to reduce both the backlog of disability cases and case processing times. The transfer of all non-disability FERS cases to OPM's Boyers office has freed up FERS-trained LAS in Washington to work on disability cases, the vast majority of which are FERS. The new LAS class has made a significant impact on the ability to process disability cases. Finally, RS has established a Claims I SWAT Team to address aged disability cases, and for the month of October 2011 the number of issued disability cases increased significantly.

## **Section V. Customer Service**

### **Customer Service**

#### **Purpose / History:**

The Customer Service (CS) operations are our front-line responders to the agency's customers. The individuals in this section staff OPM's call center for any customers calling in with questions or concerns. In addition to answering phone calls they also respond to written and email correspondence, faxes, and inquiries from Congress, the Director's Office and other senior officials. Their main objective is to answer questions and resolve problems of annuitants. If necessary they will route calls to appropriate department and escalation points of contact. They also provide 24 hour access to our automated services, Services On-Line (SOL).

#### **Current Workload:**

In the past year this area has made great strides in improving the services they perform. Since January 2011 OPM's SOL site has received 2,246,886 total activities, i.e. changes of address, etc. Hold times have dropped from 11.25 minutes to 6.15 minutes since the beginning of October 2010. Likewise, correspondence balances, to include e-mail, fax, etc., dropped from 37,939 to 5,544 during fiscal year 2011.

The agency continues to look for ways to improve its services. For instance, the CS team is currently piloting E-Fax, an automated fax solution that has the potential to provide efficiency gains within the CS organization. If successful, Customer Service Specialists (CSS) will be reassigned to other customer actions. New part time employees are also being recruited both to help improve timeliness in response to customer correspondence and improve customer service with RS's call centers. The two-tier methodology, described earlier, also falls under the auspices of the CS organization.

#### **Current / Future Staffing:**

Currently CS has a staff of 121 between RIO (83) and Correspondence (38). By the end of February 2012, RS will be adding 30 additional people to this staff. The RIO team will be gaining 24 positions, 21 part-time and three students. The other six will be going to the Correspondence section.

## Appendix

# RETIREMENT BASICS

## Civil Service Retirement System (CSRS) Overview

CSRS was established in 1920, and, until the establishment of the Federal Employees Retirement System (FERS) in 1986, was the principal retirement system for Government employees. Postal employees were covered by CSRS from its inception. Indeed, while the original retirement age was 70 for most employees, the Civil Service Retirement Act of 1920, Public Law 66-215, made special provision for retirement of letter carriers and post-office clerks at age 65, and for railway Postal clerks at age 62.

While there have been numerous major and minor modifications over the years both before and after 1956, the current basic structure dates to the Civil Service Retirement Act Amendments of 1956, Public Law 84-854. CSRS is a nearly pure defined benefit system, with benefits based upon the individual's age and service history rather than the retirement contributions to the individual's credit. The amounts of retirement deductions from salary and agency contributions have essentially no effect upon benefit computations (with the minor exceptions relating to adjustments based on certain unpaid retirement deductions and refunded deductions). While there is substantial correlation between contributions and benefit amounts, there is not a cause and effect relationship between the amount of retirement deductions to an individual's credit and their annuity rate. That is to say, while higher income individuals tend to have higher contributions and annuities, under certain circumstances it is possible for an individual with very low contributions to have a high annuity. CSRS is substantially older than Social Security, and employees covered by CSRS are generally excluded from Social Security coverage and benefits based upon their CSRS service, with a relatively recent exception for individuals who return to employment after a break in service of over 365 days (for whom benefit coordination provisions have been enacted).

CSRS is a closed system. Primarily, only individuals with at least five years of Federal service prior to 1987 are eligible to be covered under CSRS.

### *CSRS Retirement Eligibility*

The main aspects of eligibility for retirement are the employee's age and years of service. For an employee to retire voluntarily on an immediate annuity with no other eligibility requirements, an individual must be age 55 with 30 years of service, age 60 with 20 years of service, or age 62 with five years of service.

Provisions are made for earlier retirement if an individual is involuntarily separated on a not-for-cause basis, or voluntarily separates under a Voluntary Early Retirement Authority (VERA, approved under statutorily specified circumstances when agencies are undergoing reorganizations or downsizing), when an immediate annuity is available at age 50 with 20 years of service, or at any age with 25 years of service.

Disability retirement is available at any age when an individual becomes disabled while employed under CSRS. Five years of service are required.

When an individual separates with at least five years of service, but does not qualify for an immediate annuity, a deferred annuity is payable beginning at age 62. Finally, there are special groups of employees, such as law enforcement officers (LEOs) and firefighters (FFs), who are permitted to voluntarily retire on an immediate annuity at age 50 with 20 years of service, and who (unlike other employees) are subject to mandatory retirement (generally at age 57).

#### *CSRS Creditable Service*

Under the older CSRS, generally speaking, all periods as a Federal Government employee are potentially available to be used for retirement purposes. However, service can only be creditable under a single retirement system. In addition, service credit is generally available for military service and certain volunteer service (e.g., Peace Corps and VISTA). Service credit deposit payments are generally required, but these represent only a small fraction of the value added by the service.

#### *CSRS Annuity Computation*

Benefit computation is primarily based upon the individual's "high-three" average salary multiplied by a percentage figure derived from the individual's service history. For most employees, the percentage equals 1.5 percent for each of the first five years of service, 1.75 percent for each of the next five years of service, and 2.0 percent for each year of service in excess of 10 years. Unless an individual is retiring under disability or one of the special retirement classes (i.e., LEO or FF), the annuity is reduced by two percent for each year the individual is below age 55 at the time of retirement. For an employee retiring on disability, their service is extended to age 60, with a maximum of 40 percent based upon the extended service. For LEOs and FFs, the calculation is 2.5 percent for each of the first 20 years of service, and 2.0 percent for each year of service in excess of 20.

#### *CSRS Survivor Benefits*

If an individual dies as an employee after at least 18 months of service, survivor annuity benefits are provided to the individual's surviving spouse and/or minor or disabled children. The spousal annuity is 55 percent of what the employee's disability benefit would be, while children's benefits are fixed dollar amounts. Upon retirement, an individual's annuity is reduced (by 2.5 percent of the first \$3,600 per annum, and by 10 percent of the remaining annuity) to provide a potential survivor benefit of 55 percent of the individual's unreduced annuity, unless the spouse waives the right in a notarized document. Post-retirement children's survivor benefits are provided without annuity reductions. Provisions are also available for employee and annuitant survivor benefits to former spouses under specified circumstances.

#### *CSRS Post-retirement Annuity Adjustment*

CSRS annuity benefits are adjusted annually, based upon the percentage change in cost-of-living, as measured by the Consumer Price Index (all items–United States city average) (CPI). COLAs

begin immediately after retirement, regardless of the type of retirement, with proration of the initial COLA.

#### *CSRS TSP Eligibility*

Employees are permitted to make contributions to the Thrift Savings Plan (TSP). However, there are no employer contributions for CSRS covered employees.

#### *CSRS Funding*

For most non-Postal employees, the law provides that seven percent of basic pay will be deducted from the employee's pay, and the employing agency will contribute a matching amount. However, since the CSRS normal cost percentage is substantially higher (25.8 percent, effective in FY 11), CSRS is not fully funded.

#### **FERS Overview**

The Federal Employees' Retirement System (FERS) was established by Public Law 99-335, the Federal Employees' Retirement Act of 1986. This followed enactment of Public Law 98-21, the Social Security Act Amendments of 1983, which established a policy that new Federal employees would be covered by Social Security.

FERS was designed as a fully funded, more modern, more portable retirement system. It is a three-tier plan, composed of Social Security benefits, a defined benefit tier (FERS), and a defined contribution tier (TSP). It was intended that the combination of benefits would be roughly equal to the benefits under CSRS.

#### *FERS Retirement Eligibility*

As with CSRS, under FERS the main aspects of eligibility for retirement are the employee's age and years of service. For an employee to retire voluntarily on an unreduced immediate annuity with no other eligibility requirements, an individual must be Minimum Retirement Age (MRA), from 55 to 57, depending upon year of birth, with 30 years of service (MRA+30), age 60 with 20 years of service, or age 62 with five years of service. An individual may retire voluntarily on a reduced (five percent for each year under age 62 at retirement) immediate annuity at MRA with 10 years of service.

Provisions are made for earlier retirement if an individual is involuntarily separated on a not-for-cause basis, or voluntarily separates under a VERA, with an immediate annuity available at age 50 with 20 years of service, or at any age with 25 years of service.

Disability retirement is available at any age when an individual becomes disabled while employed under FERS. Eighteen months of service are required.

When an individual separates with at least five years of service, but does not qualify for an immediate annuity, a deferred annuity is payable beginning at age 62. When an individual separates with at least 10 years of service, but does not qualify for an immediate annuity, the deferred annuity is payable beginning at the time elected by the employee between MRA and age

62, but is reduced by five percent for each year the individual is under age 62 when the annuity commences. When an individual separates with at least 30 years of service, but does not qualify for an immediate annuity, an unreduced deferred annuity is payable at MRA.

Finally, there are special groups of employees, such as law enforcement officers (LEOs) and firefighters (FFs), who are permitted to voluntarily retire on an immediate annuity at age 50 with 20 years of service or at any age with 25 years of service. Unlike other employees, these individuals are subject to mandatory retirement (generally at age 57).

#### *FERS Creditable Service*

The basic FERS service credit concept is that, after an initial transition period ending December 31, 1988, service credit for civilian employment would be available only for service that was covered under FERS or CSRS (which are funded by the same trust fund) at the time it was performed. Service credit may also be transferred to or from the Foreign Service's and Federal Reserve's retirement systems. In addition, subject to a small deposit requirement, service credit is generally available for military service and certain volunteer service (e.g., Peace Corps and VISTA). Beginning in late 2009, service for which a refund of retirement contributions were taken can be reinstated by payment of the refund plus interest, provided that the employee is subsequently employed under FERS.

#### *FERS Annuity Computation*

Benefit computation is primarily based upon the individual's "high-three" average salary multiplied by a percentage figure derived from the individual's service history. For most employees, the percentage equals 1.0 percent for each year of service. The percentage factor is increased to 1.1 percent per year when an individual retires after reaching age 62 with at least 20 years of service. There is no reduction for early retirement.

For law enforcement officers and firefighters, the calculation is 1.7 percent for each of the first 20 years of service, and 1.0 percent for each year of service in excess of 20.

Under specified circumstances, there is a Special Retirement Supplement (SRS) which is paid as an annuity until age 62. This supplement approximates the Social Security benefit earned while the individual was employed by the Federal Government. An individual may be eligible for the SRS if he or she retires at MRA with 30 years of service; at age 60 with 20 years of service; or under the special LEO or FF retirement provisions. An individual with involuntary or VERA retirement may also receive the SRS, but only after reaching MRA. If the individual has earnings from wages or self-employment that exceed the Social Security annual exempt amount, the SRS will be reduced or stopped.

For an employee retiring on disability who is not eligible for optional retirement, for the first year the annuity is 60 percent of the high-three average salary minus 100 percent of any Social Security disability benefit. After the first year, the benefit is 40 percent of the high-three average salary minus 60 percent of any Social Security disability benefit. At age 62, the disability annuity is recomputed, with the service extended to age 62, and the original high-three average

salary increased by the COLAs that have been applied since retirement. If an individual meets the requirements for an immediate annuity (other than an MRA+10 annuity) at retirement on disability, the annuity is the earned benefit under the regular computation rules.

#### *FERS Survivor Benefits*

If an individual dies as an employee after at least 18 months of service, a lump-sum benefit is provided to the individual's surviving spouse, and survivor annuity benefits are provided to the individual's minor or disabled children. If an individual dies as an employee after at least 10 years of service, a survivor annuity is also provided to the individual's surviving spouse. The spousal annuity is 50 percent of what the employee's disability benefit would be, plus a special supplemental annuity payable until age 60 (if the spouse will not be eligible for Social Security survivor benefits until age 60) while children's benefits are fixed dollar amounts. Upon retirement, an individual's annuity is reduced (by 10 percent of the annuity) to provide a potential survivor benefit of 50 percent of the individual's unreduced annuity, unless the spouse waives the right in a notarized document. Post-retirement children's survivor benefits are provided without annuity reductions. Provisions are also available for survivor benefits to former spouses under specified circumstances both as an employee and annuitant.

#### *FERS Post-retirement Annuity Adjustment*

Except for survivor annuities, disability annuities, and special retirement annuities (e.g., LEO and FF), COLAs do not begin until the annuitant reaches age 62. FERS annuity benefits are adjusted annually, based upon the percentage change in the Consumer Price Index (all items—United States city average). If the CPI increase is two percent or less, the COLA increase is the full amount of the CPI increase. If the CPI increase is between two percent and three percent, the COLA increase is two percent. If the CPI increase is three percent or more, the COLA increase is the amount of the CPI increase minus one percent.

#### *FERS Thrift Savings Plan Eligibility*

The employer TSP contribution under FERS is one percent of basic pay, plus a dollar-for-dollar match of the first three percent of basic pay contributed by the employee, plus a fifty-cents-per-dollar match of the next two percent of basic pay contributed by the employee. The maximum employer contribution is five percent of basic pay.

#### *FERS Funding*

FERS was designed as a fully funded staff retirement system, with the full dynamic normal cost of service credit paid for by employer and employee contributions.





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