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REPORT BY THE

Comptroller General

OF THE UNITED STATES

AD A106527

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**Action Needed To Eliminate Delays
In Processing Civil Service Retirement
Claims .**

The Office of Personnel Management's failure to timely process claims for retirement benefits has caused financial uncertainty and distress. While OPM has set its performance standards at 35 days for acceptable claims processing, it is currently processing retirement claims in an average of 98 days and processing claims for survivors of deceased annuitants and deceased employees in an average of 136 and 225 days, respectively.

Although OPM recognizes this problem and has taken some steps to reduce the number of backlogged claims, little progress has been made toward achieving its processing standard. Without the steps OPM has taken, the backlog would be even higher. More must be done if OPM is to meet its standards for acceptable processing times and to eliminate the backlog of unprocessed claims.

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

B-203710

The Honorable John Warner
United States Senate

The Honorable Mary Rose Oaker
Chair, Subcommittee on Compensation
and Employee Benefits
Committee on Post Office and
Civil Service
House of Representatives

This report discusses the delays civil service retirees and their survivors experience in having their claims settled and the causes for this longstanding problem. The report contains recommendations to the Director, Office of Personnel Management, to improve the timeliness of claims settlement.

As your offices requested, we did not obtain official agency comments. Also, as arranged with your offices, unless you publicly announce its contents earlier, we will not distribute this report until 7 days from its issue date. At that time, the report will be sent to the Director, Office of Personnel Management; Director, Office of Management and Budget; and other interested parties.

Milton J. Aroslan

Acting Comptroller General
of the United States

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D I G E S T

For the past 4 years, the Office of Personnel Management (OPM) has not met its performance standard of 35 days for acceptable retirement claims settlement. In January 1981, OPM was taking an average of 98 days to settle retirement claims. Claims from survivors of deceased annuitants and deceased employees were taking even longer--an average of 136 and 225 days, respectively. OPM officials are unwilling to state when acceptable settlement times will again be achieved, and OPM had a backlog of about 75,000 claims at the end of March 1981. (See pp. 5 and 7.)

Since GAO began this study OPM officials initiated several actions to improve the claims processing operation. Specifically, they

- developed a means of identifying work force requirements,
- detailed for 90 days former claims examiners who settled about 9,000 claims,
- recruited 113 additional claims examiners, and
- refined the claims settlement process.

Without these actions, settlement times would be much longer. However, even with the expanded work force and current settlement process GAO estimates that OPM will need 2-1/2 more years to eliminate the backlog of claims and reach its 35-day processing standard. An additional 8,500 staff-days would need to be applied to reach that goal within 6 months. (See pp. 8 and 12.)

MAJOR CAUSES OF PROCESSING DELAYS

GAO found the primary cause of the lengthy delays in settling retirement claims to be OPM's

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JULY 20, 1981

failure to maintain a sufficient and experienced work force. Other causes were a cumbersome claims process and incomplete and inaccurate records submitted by employing agencies. (See p. 7.)

Before GAO began this study, OPM allowed the claims settlement operation to become understaffed as shown in the following table:

| <u>Date</u> | <u>Number of claims examiners</u> |
|---------------|---------------------------------------|
| January 1978 | 184 |
| July 1978 | 140 |
| February 1979 | 80 |
| July 1979 | 77 |
| January 1980 | 51 |

In addition, 26 of the 51 examiners in January 1980 had less than 1 year's experience. OPM estimates that it takes an examiner 3 years to become fully proficient at settling all types of claims. Furthermore, OPM has no standards for measuring the productivity of its examiners. (See pp. 8 and 10.)

While OPM's current work force planning process is a major improvement, it still has shortcomings because it is not based on achieving OPM's standard for an acceptable level of service to retirees. Instead, it is based on reducing the inventory to 30,000 claims, which would continue to cause settlement times to exceed 60 days. Had OPM based its plans on meeting the 35-day acceptable standard, it would have recognized the need to hire more examiners, use additional overtime, and detail former examiners. (See p. 9.)

Before 1980, regardless of complexity, all claims moved through the same processing steps and OPM made no effort to identify claims that could be processed faster than others. In March 1980, OPM determined that technicians in its records center were capable of isolating less complex claims and performing the routine review and calculations necessary to authorize payment. (See p. 11.)

Approximately 25 percent of the retirement claims could be settled by abbreviated processing. Average settlement time for these claims was approximately 40 days; 58 days less than the time needed to settle claims using the normal processing track. However, this shortcut was abandoned between August and October 1980 and again during January 1981 because the less complex claims, normally processed by technicians, were needed to keep the inexperienced examiners busy. (See p. 11.)

OPM cannot complete its claims settlement process until it receives complete and accurate records from agencies. OPM considers an agency's performance acceptable if it forwards retirement records to OPM within 30 days of an employee's separation or retirement. An OPM report showed that 70 percent of all records were received during June 1980 in less than 30 days. However, some agencies exceeded OPM's criteria in more than half of their submissions. (See pp. 12 and 13.)

Approximately 10 percent of all records submitted by agencies are inaccurate or incomplete, and correcting these deficiencies can extend OPM settlement times by more than 70 days. OPM has recently begun to help agencies improve the quality of their submissions. For example, the results of OPM's Quality Assurance Division review of agency submissions have become the basis for an agency outreach program. (See pp. 12 and 13.)

RETIREMENT CLAIMS PROCESSING CAN BE IMPROVED THROUGH AUTOMATION

OPM's retirement program management acknowledges that the current manual claims process needs to be automated. However, the data processing system being developed will have negligible impact on claims settlement times. OPM has not developed a long-term plan for automating the retirement claims process. (See p. 15.)

RECOMMENDATIONS

To reduce the time that retirees and survivors wait to receive full retirement benefits, GAO recommends that the Director, OPM:

- Apply additional resources to claims settlement to more quickly eliminate the backlog and achieve the 35-day processing standard.
- Develop a work force plan based on maintaining 35-day processing times.
- Develop productivity measurements and use them to hold employees and managers accountable for their performance.
- Evaluate periodically the timeliness, completeness, and accuracy of records submitted by employing agencies; and inform agencies of their performance deficiencies.
- Develop a long-term plan for automating the retirement claims process which will insure that settling claims entails less manual effort. (See p. 17.)

AGENCY COMMENTS

As requested by Senator John Warner and the Chair, House Subcommittee on Compensation and Employee Benefits, Committee on Post Office and Civil Service, GAO did not obtain official agency comments.

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ABBREVIATIONS

| | |
|------|---|
| GAO | General Accounting Office |
| OPM | Office of Personnel Management |
| PACE | Professional and Administrative Career Examination |
| TVA | Tennessee Valley Authority |

CHAPTER 1

INTRODUCTION

The civil service retirement system, administered by the Office of Personnel Management (OPM), is the largest of 38 Federal systems which provide retirement income to former Government employees and their survivors. About 2.7 million active Federal workers participate in the civil service retirement program, and about 1.2 million former civil servants and 428,000 survivors receive civil service retirement benefits.

OPM's Compensation Group, headquartered in Washington, D.C., administers the retirement program. The group's assistant director for retirement programs directs two operating divisions concerned with retirement claims processing. The Retirement Claims Division adjudicates claims for benefits in approved disability, optional, deferred, and involuntary retirement cases. The Operations Support Division oversees operating methods, staff training, and OPM's Employee Service and Records Center in Boyers, Pennsylvania.

OPM also processes claims for refunds from the retirement fund when employees leave Government service or transfer to positions outside the civil service retirement system.

THE CLAIMS PROCESS

Retirement claims processing is a function of both OPM and Federal agencies. OPM, through the Code of Federal Regulations, the Federal Personnel Manual, and periodic letters and bulletins to agencies, prescribes what information to record and how to report it. For each employee in the retirement system, agencies maintain a record of the employee's service history and cumulative contributions to the retirement system. These records are certified and sent to OPM when an employee transfers between agencies or leaves Federal service. If the employee does not withdraw retirement contributions or apply for retirement benefits, OPM keeps the record for later use. If a claim is involved, OPM assembles all records into a case file. OPM currently maintains retirement records for about 12 million former employees and employees who have transferred between agencies.

Agencies are required to forward retirement records to OPM's records center in Boyers, Pennsylvania, no later than 5 days after the date of the employee's final paycheck. The claims process begins when OPM receives the individual's retirement record with an application for benefits. Clerks then assemble and screen the case file for "special" payment. About 95 percent of new retirees receive special payments to alleviate financial hardships while their claims are adjudicated. These payments average about 85 percent of annuitants' benefits.

Cases authorized for special payment are screened again, and the easiest, least complex ones are settled by trained technicians at the records center, and full benefit payments commence.

The remaining retirement claims, about 75 percent, are forwarded to a case control unit in Washington, D.C., where location control is established and missing documentation is identified. Technicians request the necessary documents from individuals, employing agencies, or the Federal Records Center in St. Louis, Missouri. After missing data has been received, these cases are then assigned to claims examiners who verify retirement and insurance eligibility and compute the annuity rate. A review section rechecks settled claims for accuracy and completeness and forwards them to a financial control group which puts the retiree on the annuity roll.

The process for survivors' claims is essentially the same as that for retirement cases.

OPM claims settlement times have increased sharply in the past 4 years, and many annuitants and survivors have suffered financial distress because of delays in receiving earned benefits. (See ch. 2.)

OBJECTIVES, SCOPE, AND METHODOLOGY

Senator John Warner and the former Chair, Subcommittee on Compensation and Employee Benefits, House Committee on Post Office and Civil Service, requested this review. Six additional Members of Congress later made similar requests because their constituents complained about lengthy delays in receiving retirement benefits.

Our review covered the period January through October 1980. Our objectives were to ascertain the extent of and causes for the delays in settling civil service retirement claims. To determine how other Federal employees fared, we also examined retirement systems of the Tennessee Valley Authority (TVA), Foreign Service, and the Air Force component of the uniformed services retirement system. We obtained information about the use of automated data processing in settling claims for social security insurance and survivor benefits, as specifically requested by the Subcommittee. Our observations on other Federal retirement systems are in appendix I.

In conducting our review we

- obtained data on OPM's average time to process the various types of retirement claims and the number of unprocessed claims on hand;
- analyzed the organization and workflow of OPM's claims process;

- determined the timeliness and quality of agency submissions to OPM and the extent to which OPM assists agencies in forwarding accurate and timely data for the claims process;
- identified the procedures and timeliness of claims processing in the Tennessee Valley Authority, the Foreign Service, and the U.S. Air Force; and
- identified the extent to which the social security system is automated.

We made our review at OPM headquarters offices in Washington, D.C., and the Employee Service and Records Center in Boyers, Pennsylvania. We interviewed OPM officials responsible for administering the retirement claims process and obtained statistical data on the extent of claims processing delays from OPM's Quality Assurance Division. This division periodically reviews functions of the Retirement Claims Division to determine timeliness and accuracy of claims processing. We tested the accuracy and methodology used to compile this data and found it to be correct and sound.

In response to the Subcommittee's request to obtain data on other Federal retirement programs, we interviewed program officials and analyzed retirement processing data at the headquarters of the Foreign Service in Washington, D.C.; the Tennessee Valley Authority in Knoxville, Tennessee; the Social Security Administration in Baltimore, Maryland; and the Air Force Accounting and Finance Center in Denver, Colorado.

CHAPTER 2

LONGSTANDING MANAGERIAL NEGLIGENCE CAUSED MAJOR PROBLEMS IN THE CLAIMS PROCESS

The average time to process claims steadily increased from mid-1977 to early 1980. Since that time there has been improvement, but OPM continues to exceed its 35-day standard for acceptable claims processing time. In January 1981, claims for retirement benefits were settled in an average of 98 days while claims from survivors of deceased annuitants took 136 days and claims from survivors of deceased employees took 225 days. By comparison, OPM's statistics show that 4 years earlier, it generally settled all claims in less than 35 days. The prime cause of this deterioration in service was OPM's failure to plan for and maintain a sufficient and experienced work force. Other causes were a cumbersome claims process and agencies' errors and omissions in records submitted to OPM.

Since we began our review in January 1980, OPM has initiated several actions to improve the claims processing service. Although we could not determine the specific impact of these actions, the average processing time has been reduced and continues on a downtrend. We estimate, however, that, on the basis of OPM's present work force, it will take an additional 2-1/2 years to eliminate the backlog and reach acceptable processing times. To reach the goal sooner, OPM will have to apply more resources. For example, we estimate that an additional 8,500 staff-days would be required to reach the goal within 6 months.

Other actions that would improve the process include developing productivity measures and holding employees accountable for meeting them; automating more of the claims process; and working with agencies to improve the timing and quality of the records they submit to OPM.

EXTENT OF DELAYS

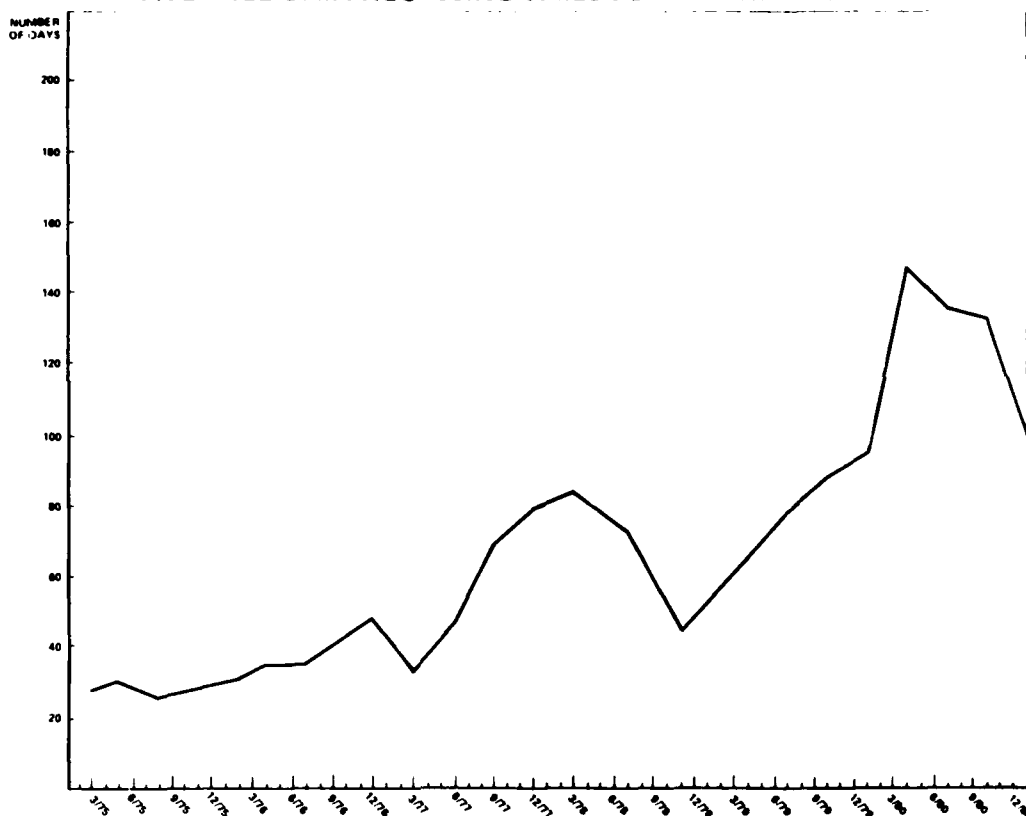
In January 1980, OPM established the following internal performance standards for the time claims were received to the time they were settled.

| <u>Performance standard</u> | <u>Retirement claims</u> | <u>Survivor claims</u> | |
|---------------------------------|------------------------------|-------------------------------|--------------------------------|
| | | <u>Deceased employees</u> | <u>Deceased annuitants</u> |
| | | ----- (days) ----- | |
| Outstanding | 25 | 25 | 15 |
| Acceptable | 35 | 35 | 20 |
| Minimally acceptable | 50 | 50 | 30 |

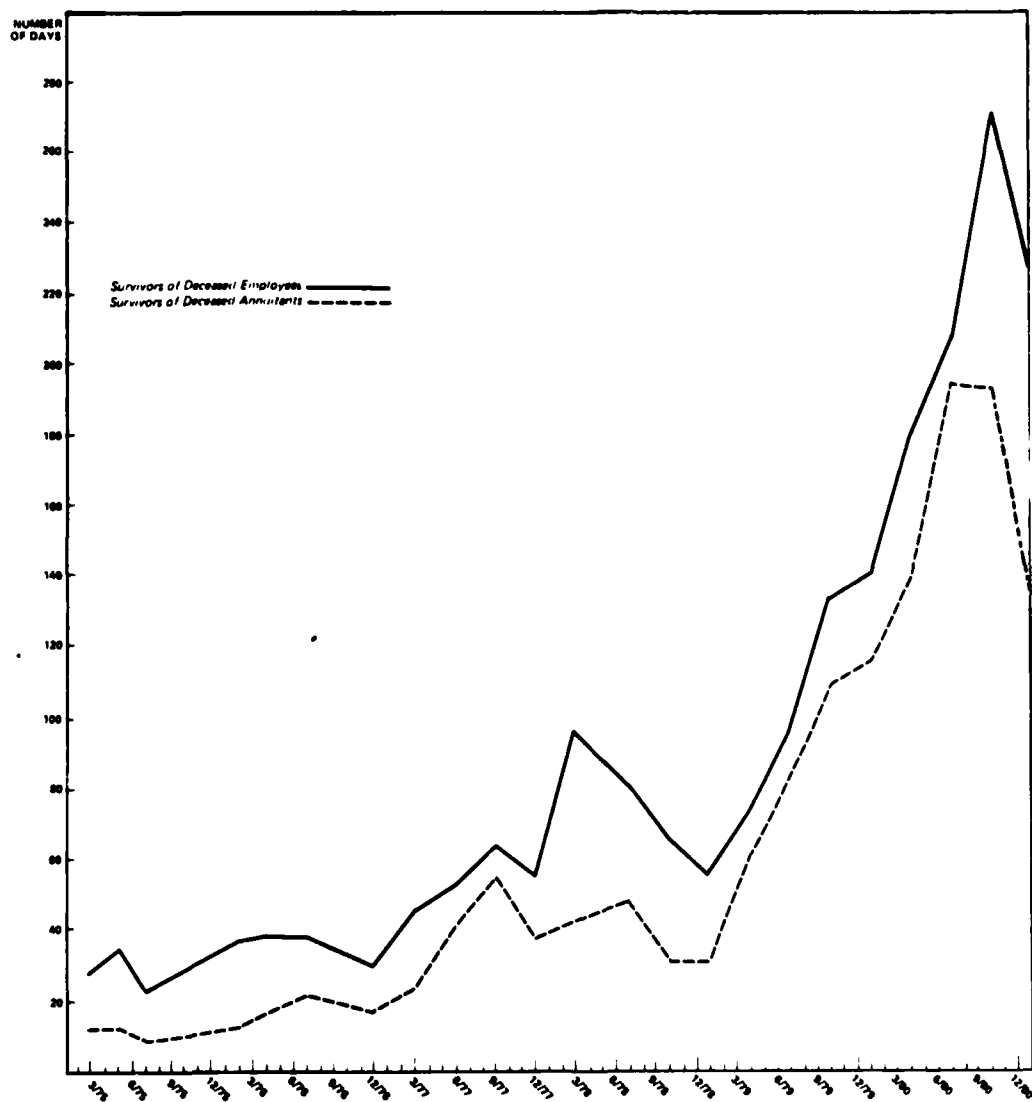
We believe the standards for acceptable performance, if met, would provide reasonable service to retirees and survivors. Therefore, we define processing or settlement delays as the time exceeding those standards.

The following graphs show the average settlement times from March 1975 to January 1981. Settlement delays evident in 1980 are not unique; they have not developed suddenly but have been increasing since 1977.

AVERAGE OPM PROCESSING TIMES FOR RETIREE CLAIMS



AVERAGE OPM PROCESSING TIMES FOR SURVIVOR CLAIMS



The following table shows the number of claims received, processed, and in backlog during 1976 through 1980 as well as the first quarter of 1981.

| <u>End of reporting period</u> | <u>Receipts</u> | <u>Processed</u> | <u>Backlog of claims in process</u> |
|--|-----------------|------------------|---|
| 1976 | 175,222 | 162,309 | 44,186 |
| 1977 | 171,561 | 160,134 | 55,613 |
| 1978 | 179,320 | 200,397 | 34,536 |
| 1979 | 185,079 | 151,242 | 67,858 |
| 1980 | 178,476 | 179,894 | 66,440 |
| 1st quarter 1981 | 59,154 | 55,208 | a/ 74,626 |

a/Backlog includes 4,240 additional claims found during a physical count in March 1981.

In April 1980, OPM officials set a goal of reducing the inventory of unprocessed claims to 30,000 by October 1, 1981. OPM anticipated that processing times would concomitantly fall to about 60 days which would still exceed the minimally acceptable performance level. OPM officials are hopeful processing times will decrease to 45 days after October 1981 but would not predict when its performance of 1975 to 1977 can be repeated.

CAUSES AND EFFECTS OF PROCESSING DELAYS

During an April 1980 hearing before the Subcommittee on Compensation and Employee Benefits, an OPM official acknowledged that the retirement claims operation is a "tedious, paperladen, largely manual process" in need of automation. He added that some delay in claims settlement was attributable to poor records forwarded by the employing agencies but that the major reason was a severe shortage of trained OPM claims examiners. We agree that the primary cause for the lengthy delays in settling retirement claims is OPM's failure to plan for and maintain a sufficient and experienced work force and that the claim process is a cumbersome one and can be automated more. We also found that delays are caused by incomplete and inaccurate data submitted by employing agencies and that some agencies are late in submitting records to OPM.

We have previously reported on the delays in settling civil service retirement claims. 1/ In 1973 we recommended that retirement program managers develop a systematic method of evaluating

1/Letter report (B-130150, Apr. 13, 1973) and "Improvements Needed In Processing Civil Service Retirement Claims (FPCD-78-10, Jan. 30, 1978).

total agency performance on retirement matters. Our 1978 report again recommended this, but more explicitly. We recommended that program managers establish an internal time standard to measure results of various steps of the claims process. Causes of delays could then be identified and corrected. OPM did not act on these recommendations until our current study.

Work force planning practically nonexistent

The need to identify work force requirements is essential for maintaining or improving an organization's productivity. Overstaffing can lower productivity. Understaffing can cause unmet program objectives, curtailed services, work backlogs, unnecessary overtime, and low responsiveness and employee morale.

Until January 1980, OPM had not developed a work force planning process for identifying the number of examiners necessary to settle retirement and survivor claims within an acceptable period. OPM gradually allowed the retirement claims processing operation to become understaffed. OPM's data shows that, during 1978 and 1979, the hiring of new examiners did not keep pace with attrition, and the lower staffing levels led to large backlogs and increased processing times.

| <u>Date</u> | <u>Number of examiners</u> |
|---------------|----------------------------|
| January 1978 | 184 |
| July 1978 | 140 |
| February 1979 | 80 |
| July 1979 | 77 |
| January 1980 | 51 |

In January 1980, OPM management acknowledged the shortage of trained staff as the immediate cause of the claims backlog and extremely long settlement times. A month later it began developing work force plans to cover a 21-month period ending September 30, 1981. It developed the following five alternatives because of the uncertainty of the productivity rates to be expected for new examiners. Each alternative was aimed at reducing the backlog to about 30,000 claims by October 1, 1981.

| <u>Hourly production rate</u> | <u>Average number of examiners</u> | <u>Overtime hours</u> |
|---------------------------------------|--|---------------------------|
| 0.95 | 102 | 60,880 |
| 1.0 | 100 | 52,540 |
| 1.05 | 100 | 41,940 |
| 1.1 | 96 | 35,370 |
| 1.2 | 90 | 26,770 |

OPM used the 1.0 hourly production rate in planning its staffing needs. After considering its onboard strength, it recruited 113 additional claims examiners in March 1980 and conducted staggered training programs between April and November of the same year. In April 1980, OPM also pulled together a special team of OPM employees who were former claims examiners. These employees spent only 90 days on detail and quickly settled 9,000 claims which otherwise would have remained part of the backlog.

From this point on, OPM adjusted its plan three times--in September and October 1980 and in February 1981.

In September 1980, OPM lowered the productivity rate assumption and discontinued "heavy" overtime work by claims examiners because of budget constraints.

In October 1980, OPM updated its assessment of work force requirements because the number of unprocessed claims on September 30, 1980, was 10,110 more than predicted and the number of survivor claims expected to arrive during the year was understated by 10,000. It rearranged available staff and shifted responsibility for settling 21,000 claims from examiners in Washington to technicians at the records center. The revised plan also assumed that

- 126 examiners at headquarters and 17 technicians would be available throughout fiscal year 1981 to settle claims,

- the records center would settle 20 percent of all claims during the year,

- examiners and technicians would settle claims at rates less optimistic than hoped for in previous plans,

- examiners would not work overtime to settle claims, and

- 12 new examiners would start training in March 1981 and 12 in July 1981.

In February 1981 OPM determined that further work force adjustments were needed because productivity of inexperienced examiners during the first quarter of fiscal year 1981 did not meet expectations. The work force planners advised retirement program managers that without additional staff hours, OPM would miss its target of about 30,000 claims on September 30, 1981, by 8,000.

Had OPM based its plans on meeting the 35-day processing time instead of its backlog goal of 30,000, it would have recognized the need to hire more examiners, use additional overtime, and detail more former examiners to the program.

We calculated that OPM will take about 30 more months to eliminate the backlog and achieve acceptable processing times. This estimate is based on (1) the current work force of 135 examiners and 21 technicians settling claims during the normal workday, (2) an individual productivity rate of 5.5 claims per day (which OPM used in its plan), (3) receipts of 15,000 claims per month, and (4) the current backlog of claims (about 60,000). To reach this goal more quickly, OPM would need to apply considerably more resources to settling claims as shown by the following table.

| <u>Time needed to eliminate backlog</u> | <u>Total staff-days needed</u> | <u>Staff-days available</u> | <u>Additional staff-days required</u> |
|---|--|---------------------------------|---|
| 3 months | 19,091 | 9,360 | 9,731 |
| 6 months | 27,270 | 18,720 | 8,550 |
| 12 months | 43,636 | 37,440 | 6,196 |

OPM could obtain the additional resources from a variety of sources, including using overtime, detailing former claims examiners, assigning and training more technicians, and borrowing examiners from other Federal agencies.

Inexperienced claims examiners delay processing

OPM estimates it takes an examiner a minimum of 3 years to become fully proficient at settling retirement and survivor claims. However, of the 51 examiners settling claims in January 1980, 26 had less than 1 year's experience.

The attrition rate for claims examiners has been about 40 percent each year. One factor contributing to this high turnover rate has been OPM's practice of hiring most of its new examiners as college graduates from the former Professional and Administrative Career Examination (PACE) register. The remaining examiners were former OPM technicians or claims personnel from other agencies.

Although its supervisors praised PACE hires for high productivity, OPM found they left more quickly than individuals hired from other sources. Other OPM managers recruited heavily from the claims area for its Administrative Intern Program, and the new interns usually left during periods of high workload.

To overcome this problem, OPM decided to redesign its hiring mix. Of 113 examiners recruited in March 1980, 32 were from the former PACE register, 34 were from clerical or administrative positions within OPM, and 47 came from other Federal agencies.

Shortages of experienced examiners have also delayed processing times for survivor claims. Because OPM officials believe survivors generally receive life insurance proceeds to help them through any financial difficulties, they focused greater attention and resources on solving problems with retirement claims.

Claims process needs streamlining

Before 1980 all claims, regardless of complexity, moved through the same processing steps. OPM made no effort to identify claims that needed less processing than others. In January 1980, OPM began identifying retirement claims which could skip steps and avoid backlog buildups at each work station. Records center clerks began segregating those cases with complete data needed to settle the claim. By March 1980, OPM determined that records center technicians could isolate the less complex claims and make the routine review and calculations necessary to authorize payment of full retirement benefits. Approximately 25 percent of retirement claims fall into this category. The average processing time for settling these claims was about 40 days--about 58 days less than the time needed to settle claims using the normal processing track. However, the shortcut was abandoned between August and October 1980 and again during January 1981 because the examiners hired in March 1980 lacked experience to handle the difficult claims and needed less complex claims to keep busy.

In late 1980, OPM also established a processing track at the records center which permitted technicians to completely adjudicate the less complex survivor benefit claims. About the same time, OPM trained a group of technicians in Washington to settle relatively straightforward claims for lump-sum death benefits. In the past, senior examiners handled these cases as well as the more difficult cases.

These changes in settling retirement and survivor claims have helped. Trained claims examiners were a scarce resource within OPM but the processing system, as it existed, required intervention of an examiner in every case. OPM has now determined that some cases could be handled by less skilled technicians.

Separation of technicians and examiners unsuccessful

The assembly-line process by which most claims are settled exacerbated the delays which retirees and their survivors experienced. The claims technician position was introduced to the claims process in 1978 because OPM believed it was inefficient for an examiner to handle both the clerical and adjudicative aspects of settling retirement claims. OPM believed these functions could be done by two or more employees with differing levels of training and experience. Except for a special group that processed

survivor claims, technicians were segregated from examiners and assigned to one of two large "control" sections. However, OPM later found this segregation of examiners and technicians to be ineffective because technicians were for the most part under-trained for their role, and the physical separation of technicians and examiners resulted in duplicate efforts, discouraged good feedback, and developed an adversary relationship.

To remedy the problem, OPM in 1980 reorganized its Retirement Claims Division. Claims technicians from the control sections were placed into work teams with examiners from the adjudication sections. OPM believes this will foster a better working relationship between the two groups and reduce overlap caused by segregating case development and adjudication.

Employees not held accountable
for timely processing

Although OPM assigns individual claims to specific technicians for development and to examiners for adjudication, it has no means of holding the employee accountable for timely processing of claims. In addition, it has no information system for giving OPM management feedback on the causes and length of delays. An automated case locator system to be implemented later this year (see p. 15) should provide this information.

Agency submissions are sometimes
late, inaccurate, or incomplete

OPM set a standard for agencies which requires them to forward retirement documents to OPM not later than 5 days after issuing the employee's final paycheck. However, to allow time for paying, processing records at the agencies, and mailing, OPM determined that retirement records should be received no more than 30 days after an employee's separation. According to the Quality Assurance Division's report, dated December 1980, OPM receives retirement records an average 29 days after employee separations.

OPM cannot begin its segment of the claims settlement process until it receives retirement records from employing agencies; it cannot finish the process without complete and accurate records. Most agencies submit records on time, but the time some agencies take in submitting the records exceeds the OPM standard. About 10 percent of the records are inaccurate or incomplete, and correcting these deficiencies can extend OPM processing times by as much as 70 days.

OPM monitors agency timeliness through an "aging of separations" report showing the percent of records received during a specific test month which have been forwarded 30, 60, or over 60 days from the dates of employee separations. Until mid-1980

the report, which was intended to be issued quarterly, was prepared infrequently. OPM seldom notified agencies of performance deficiencies or requested proposals for improvement.

This report showed that 62 agencies submitted records during June 1980 to OPM. Seventy percent of all records were received in less than 30 days. However, some agencies exceeded OPM's criteria in more than half of their submissions as shown.

| | <u>Treasury</u> | <u>General Services Adminis- tration</u> | <u>Interior</u> | <u>Health, Education, and Welfare (note a)</u> |
|---|-----------------|--|-----------------|--|
| Number of retirement records submitted during June 1980 | 430 | 146 | 256 | 519 |
| Number submitted within 30 days | 196(46%) | 52(36%) | 99(39%) | 162(31%) |
| Number submitted after 30 days | 234(54%) | 94(64%) | 157(61%) | 357(69%) |

a/On May 4, 1980, HEW's responsibilities were split between the new Department of Education and the Department of Health and Human Resources.

Claims examiners believed that poor quality submissions from specific agencies was a major factor affecting the timeliness of claims adjudication. OPM tested the hypothesis in the spring of 1980 by sampling claims processed between November 1, 1979, and January 31, 1980. These claims were submitted by the five agencies perceived by claims personnel to be causing the most problems: Department of Agriculture; Department of Health, Education and Welfare; Department of Housing and Urban Development; Government of the District of Columbia; and Postal Service. Eighteen percent of these claims were incomplete or incorrect, while the average error rate for all agencies was 9 percent.

In July 1980, OPM created a new position to manage external relations in the retirement area. The incumbent is responsible for monitoring priority (e.g., congressional) correspondence, managing an information office, and handling annuitant appeals. The fiscal year 1981 retirement program plan suggests the incumbent may also assume responsibility for and integrate various retirement-related, interagency functions. In the meantime, this official and a staff of two have worked with congressional, union, and retiree association representatives to develop informal channels for handling constituents' complaints. He has also met with officials from agencies which have had difficulty in submitting

timely and accurate retirement records and has obtained promises for improvement. For example, after 7 to 8 years of neglecting OPM's requirements, the Postal Service agreed in September 1980 to submit standard service history verification forms with each application for benefits. OPM officials said this office is also using the results of the Quality Assurance Division's review to begin an agency outreach program.

Additional resources needed to
handle priority correspondence

During our review we received several requests from retirees and survivors for assistance in settling claims pending before OPM. Most of these individuals had written or telephoned OPM several times without achieving the desired result and often without receiving any reply.

A woman, writing on behalf of her elderly aunt, expressed dismay at having to wait months just to receive an application form to begin the process of claiming survivor benefits. She stated that her aunt and many other survivors "are desperate for an immediate flow of funds in what, to say the least, is an extremely emotional and traumatic situation--death."

In another example, the widow of an annuitant who died in early December 1979 requested our assistance in August 1980. She filed claims with OPM during January 1980 and again in February. We learned the file was lost and that no action had been or could be taken. Following our inquiry, OPM placed the widow in special payment status on August 8, 1980; her claim was finally adjudicated 3 weeks later.

OPM receives an imposing number of retirement-related inquiries. In the week ended February 14, 1981, more than 14,000 telephone calls, visits, or letters were recorded. More than 230 letters were from Members of Congress or the White House concerning pending retirement claims.

OPM set internal standards for replying to both priority and nonpriority mail. However, only the response time for priority mail is measured. An OPM review of priority correspondence answered in October 1980 found the average response time to be 28 days, which exceeded OPM's 20-day standard for processing final replies.

Priority mail, although often a result of processing delays, also caused delays. Responding to congressional inquiries requires time from the most experienced claims personnel, which delays the settlement of other cases. This can ultimately result in another priority request.

In April 1980, when the number of unprocessed claims was at its peak, the Director, OPM, wrote to each Member of Congress and explained OPM's shortage of trained examiners and requested that status inquiries be limited to the most financially desperate cases. In September 1980, OPM was devoting the equivalent of 36 full-time employees to responding to priority inquiries concerning pending retirement claims. Once OPM reduces its claims backlog and processing times, status inquiries should also diminish. Many of these 36 positions can then be used for other functions.

RETIREMENT CLAIMS PROCESS CAN BE
IMPROVED THROUGH USE OF AUTOMATED
DATA PROCESSING

Although OPM's retirement program management agrees that the retirement claims operation needs automation, little has been done or planned to shorten claims settlement times. The automatic data processing in recent years has been directed toward supporting ongoing manual processes and maintaining annuity roll files once the claims have been settled.

From 1977-79, OPM awarded three automatic data processing contracts totaling \$14.8 million to improve its retirement programs.

The most extensive of the three, in terms of services and equipment, is the Retirement Interface Processing System contract. This contract was awarded in September 1979 at an estimated 6-year system life cost of \$11.8 million. It provides for

- converting data entry computer applications from an older computer to a new computer;
- implementing an automated document and case control system; and
- acquiring computer hardware, software, and related support services for the above applications and others to be implemented by OPM over a 6-year period.

Although these contracts improved automated data processing support of retirement programs, they have not significantly improved retirement claims settlement. Only the automated document and case control system will help the manually oriented process. This system if successfully implemented should greatly improve OPM's capability to locate documents and cases processed and will provide claim status information.

Increased use of automation in retirement claims processing is possible

OPM can automate more of the retirement claims process. The current, manually oriented process has characteristics that lend themselves well to automation, such as high-volume activity, repetitiveness of processing, and clerical functions.

OPM had the General Services Administration's National Archives and Records Service do a study in 1972. The Records Service analyzed the manual system and recommended what OPM should automate. An OPM study, completed in early 1974, recommended that management implement a centralized system of automated retirement records. Management did not act on the recommendation because of the high cost involved, the lack of staff resources, and uncertainty regarding the technical feasibility of the system.

CONCLUSIONS

While OPM has added more examiners and made changes to the claims process, it has made little headway in reducing the time annuitants and survivors must wait to receive full benefit checks. Management's neglect of claims processing has caused the situation to worsen over the years. Unless immediate action is taken to apply additional resources, delays will continue for the next 30 months. We believe this is unreasonable. OPM should make every effort to eliminate the claims backlog and achieve its 35-day processing standard as soon as possible. It should use overtime, detail former examiners, assign and train more technicians, and borrow examiners from other agencies.

For the longer term, OPM needs to prepare a work force plan based on maintaining its standard for acceptable processing times. To enhance work force planning and performance evaluation, it should also develop productivity standards and hold examiners accountable for timeliness of processing claims. It needs to identify who is responsible for the claim, the extent of the delay, and the reason for the delay.

OPM should refine its agency assistance program to insure that it periodically evaluates the timeliness, completeness, and accuracy of claims submitted by agencies. It should also provide more specific feedback to agencies when their performance does not meet the standards.

Although the new automated documented case control system will help examiners and technicians locate claims and provide

management data, it will have little effect on reducing the overall time it takes to settle a claim. OPM must do more than collect and analyze claims performance data if the retirement claims process is to be improved. It needs to study indepth all aspects of the present manual process to determine where the bottlenecks and inefficiencies are and where automation could improve the process.

RECOMMENDATIONS

To reduce the time annuitants and survivors must wait to receive full benefit checks, we recommend that the Director, OPM:

- Apply additional resources to claims settlement to more quickly eliminate the backlog and achieve the 35-day processing standard.
- Develop a work force plan based on maintaining 35-day processing times.
- Develop productivity measurements and use them to hold employees and managers accountable for their performance.
- Evaluate periodically the timeliness, completeness, and accuracy of records submitted by employing agencies and inform them of their performance deficiencies.
- Develop a long-term plan for automating the retirement claims process which will insure that settling claims entails less manual effort.

OBSERVATIONS ON OTHER FEDERAL
RETIREMENT SYSTEMS

Other Federal retirement systems vary significantly from the civil service retirement system. The TVA and the Foreign Service retirement systems are relatively small, compared to the civil service retirement system. Because of their size, retirement files can be assembled and updated manually by only a few employees. The Air Force retirement system is somewhat larger than the TVA and Foreign Service retirement systems but, when compared to the civil service retirement system, is still quite small. The Air Force system is highly automated, and retirement processing is an integral part of its overall payroll program. Therefore, Air Force retired pay follows active duty pay without disruption.

While the social security insurance and survivor benefits claims system is larger than the civil service retirement system, much of the process has been automated, allowing most citizens entitled to these benefits to receive their first payment in the month they become eligible. Each of these systems has evolved through the years to meet its individual needs and has insured that prompt payments are provided to the beneficiaries and their survivors.

The experience of the Air Force and social security systems demonstrates the benefits of automating the claims process to provide timely service to annuitants and survivors.

TVA RETIREMENT SYSTEM

The TVA retirement system covers about 25,000 active employees and 5,600 annuitants. During 1979, TVA added 394 employees and 116 survivors to its retirement rolls.

TVA retirement claims processing is handled by the Retirement Claims Branch's benefits section in Knoxville, Tennessee. This section consists of four individuals who process retirement claims, handle health insurance, make necessary adjustments in rates or eligibility after benefits commence, and present pre-retirement planning seminars for TVA employees and spouses.

The Retirement Claims Branch maintains a retirement file for each employee throughout the individual's career at TVA. Because military service, prior to employment at TVA, and civilian service with other Federal agencies are not creditable employment under the TVA retirement system, TVA does not share OPM's problems in verifying a retiree's service history. TVA retirement files are kept current, so an application submitted before the actual retirement date will not need development and the claim can normally be settled before the employee's expected retirement date.

During 1979, TVA sent retirees their first check in an average of 32 days. Also during 1979, TVA processed claims from survivors of annuitants and employees in an average of 16 and 51 days, respectively. The processing time for claims from survivors of employees was generally longer because these survivors take time to consider and choose between optional survivor benefit plans.

FOREIGN SERVICE RETIREMENT SYSTEM

About 9,500 active employees of the Department of State, Agency for International Development, and International Communication Agency are covered by the Foreign Service retirement plan. Another 6,500 former employees or their survivors are receiving monthly benefits.

The Department of State Retirement Division, with about 10 staff members, administers the program and settles claims for all participating agencies. A retirement file for each covered employee is assembled when the individual's eligibility for coverage is first established. This file is independent of the employee's official personnel file and any payroll records. Retirement files contain evidence of eligibility for coverage, copies of pertinent personnel actions, and verification of military and creditable civil service employment.

The retirement claims process is initiated by either the employee's retirement application or the Foreign Service's mandatory retirement policy. All retirement applications are approved by an appropriate agency official and are then sent to the Retirement Division for processing.

According to agency officials, if the paperwork is finished before midmonth, the first check will be issued at the end of that month; otherwise, the retiree or survivor must wait until the end of the following month and will receive a check for both months.

Employees who completed all forms and selected a survivor benefit option before they retired could expect to receive their first check about 37 days after retirement. If the survivor benefit plan decision was delayed, or if other development was necessary, the first check would be mailed about 46 days after retirement.

AIR FORCE RETIREMENT SYSTEM

The Air Force has about 488,000 annuitants on its retirement rolls. During 1979 the Air Force processed 16,944 active duty personnel retirements, 3,868 reservist retirements, and about 2,200 survivor benefit annuities. Air Force officials stated that, because all processing actions are controlled

within one department, processing times are minimized and the transition from active to retirement pay status is greatly facilitated.

The Air Force Manpower and Personnel Center at Randolph Air Force Base, Texas, maintains a personnel data system for all active duty Air Force members and verifies prior military service, service dates, and grades or ranks held. It determines future retirement eligibility for all military personnel as soon as they accrue 18 years of active service. (Military personnel can retire at any age after completing 20 years of service.) Under optimum conditions, when a member requests retirement, the local base personnel office informs the Personnel Center which processes the claim, including approval and issuance of a retirement order, automatically with data processing equipment. The Personnel Center electronically transmits approved retirement data to the Air Force Accounting and Finance Center in Denver before the member's effective retirement date. Almost all retirees receive a check for full monthly retirement benefits on the first date due. For example, if a retirement is effective on August 31, the retired pay for September is paid on October 1st.

SOCIAL SECURITY SYSTEM

As described by Social Security officials, the claims process for social security retirement and survivor benefits is decentralized and involves about 1,300 district offices, six regional program service centers, and a computer complex in Baltimore. District offices provide service to individuals living in their vicinity, and the centers provide other services on the basis of an individual's social security account number prefix, regardless of address.

The claims process typically begins when a claimant applies for benefits at the nearest district office and is interviewed by a claims representative. The representative obtains necessary documentation required to prove eligibility.

The district office then transmits this data, via a telecommunications system, to the Baltimore computer facility. There, the data is edited, and computerized earnings records are located, analyzed, and compared to application data. Exceptions are noted, a preliminary decision concerning entitlement is made, and the preliminary benefit amount is computed--all automatically. At this point, clerical staff in the computer center collates the computer-printed employment records and other claims material and mails them to the district office. An agency official explained that about 25 percent of the new claims screened during this process require manual review because of inconsistent data. When these questions are resolved, the claims files are also sent to the district office.

APPENDIX I

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New claims are sorted into a series of processing "tracks." About 50 percent of all claims are authorized for payment by the district office. The remainder require some action in the program service center. The average processing time for all social security monthly benefit claims is 43 days.

The same official said that about 50,000 claims a month are funnelled by district offices into a particularly fast processing track. These are the claims of wage earners whose earnings histories are available "on-line" in some district offices. Since the on-line records are 1-1/2 to 2 years out of date, the claimant must document more recent earnings. If this is done, the office can authorize payment without waiting for printed earnings records to be sent from Baltimore. The average processing time for these claims is only 7 days.

The Social Security Administration actively encourages applicants to file their claims for processing before they become eligible for coverage. In April 1980, the Administration reported that, in 1979, 71 percent of the claimants eligible to file early did so and that 92 percent of these claims were processed so that the first benefit check was paid in the first month of eligibility. The Administration hopes that increased public awareness of the advantages of early filing will further improve the timeliness of claims processing.

At this time, there is only a limited advantage for the civil service retiree who files early. The employing agency might use the time to complete or correct retirement records, but the documentation cannot be forwarded to OPM until final sick leave balances are calculated and the final pay check is authorized. So, at present, OPM cannot adjudicate claims and hold them until the employee actually retires.

