



UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

Washington, DC 20415

The Director

February 22, 2010

The Honorable Barbara Mikulski
United States Senator
503 Hart Office Building
Washington, DC 20510

Dear Senator Mikulski,

This letter responds to the concerns you raised regarding the Office of Personnel Management's (OPM) administration of the Federal employee retirement system. Unfortunately, your concerns are valid and I share them. When I arrived at OPM in April of 2009, I inherited a retirement program that was and remains in need of significant repairs, despite the significant sums of money that the previous Administration had spent on modernization efforts.

You are also correct in recognizing the urgency of addressing the longstanding problems in our retirement program. That is why I have made the issue a priority for 2010 and 2011. I have asked Deputy Director, Christine Griffin to devote the majority of her time to this effort, which we would like to bring to a successful conclusion without additional wasteful expenditures of appropriated funds.

Retirement Systems Modernization

Upon my arrival at OPM, I directed a thorough and aggressive review of the Retirement Systems Modernization (RSM) initiative. My goal was to identify the changes necessary to make the Federal retirement process as cost efficient and effective as possible, and to implement them.

The RSM Program is a strategic initiative whose intended purpose is to develop and provide top-notch IT support to the OPM's retirement program. The core of the modernization initiative has two main components: (1) updating all computer systems that relate to the administration of retirement benefits and (2) transitioning from a process that is heavily dependent upon the use of paper documents to one that utilizes electronic data.

With respect to the first component, we are currently upgrading our calculator and modifying it so that it may handle many complicated computations more efficiently and effectively. However, much remains to be done to take full advantage of automation. With respect to the second, we are working on a number of data initiatives including efforts intended to secure accurate data feeds from the payroll centers and to scan all paper records.

Transitioning to electronic records will eliminate a great deal of inefficiency inherent in the use of paper documents on such a large scale and would significantly decrease costs not only for OPM, but for all Federal agencies that employ civilian personnel: they will

no longer have to incur the costs of producing and mailing these paper records, not to mention the hours of labor saved.

OPM's goal is to construct a system that makes the most efficient use of the electronic retirement-related data produced by all Government agencies. Not only will OPM and other Federal agencies have access to this retirement information, but active employees, retirees, and annuitants will have the ability to retrieve their personnel data, apply for benefits, and receive planning advice.

In short, my goal is to improve the administration of retirement benefits through incremental and definable changes that will ensure that retirees and annuitants are paid accurately and receive high-caliber customer service. The progress we will make in each of these areas will lay a solid foundation upon which we can further improve and build the RSM program.

Of course, these fixes will not take place overnight. They will take more than a year or more to be fully functional. Nonetheless, once they are in place, I expect that they will noticeably improve our efficiency and customer service.

Service Credit System

Another issue you raised concerns the manual calculation of "service credit deposit" amounts by OPM, another significant challenge that is left over from the previous Administration. As you may know, Federal employees have the option of making "service credit deposits" into the Civil Service Retirement System (CSRS) or Federal Employee Retirement System (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.

The "Service Credit System" is a software application that OPM uses to maintain Service Credit account information for participants in the program. In July, 2008, OPM discovered that, in some circumstances, the system application was not applying the interest rate that the law requires when calculating the amount of the service credit deposit due. Shortly thereafter, all aspects of the system were shut down to begin backup and contingency efforts.

In late August/early September of 2008 OPM corrected the system application to enable it to process new applications. Thereafter, and through my arrival here in April, OPM staff were attempting to design and test a data fix program for the existing accounts that had been affected by the interest rate error. In July, I asked our Inspector General to conduct a thorough review of the problem, to ensure that the new system had been adequately tested, and to determine how the error occurred. The IG has continued to be involved and is overseeing the final testing of the new system, which we expect to complete in March.

At the present time, we are providing manual calculations for individuals with open accounts upon request. Employees whose retirement is imminent are given priority and manual calculations for these employees take approximately 5-10 business days. All

other requests may take anywhere from 20-40 business days, depending on how complicated the calculation is and how many priority requests we have.

Informational letters have been sent to all account holders who have made payments but have not been provided an updated statement of changes to their current account balances. As noted above, changes to correct the system application have been implemented and are currently being tested. A dedicated team of subject matter experts are reviewing a large number of cases to inspect every aspect of the system changes in order to determine that they meet the expected result. When the system testing is complete in March OPM will be able to determine, based on the results, when the system will be fully functional.

When the service credit system is fully restored, all open accounts will receive updated statements. Our current expectation is that we will have statements issued to all open account holders by April 15, 2010.

Based on what we can determine right now, this error in interest calculations affects approximately 12,000 people. Once the testing of the system is completed, we will be able to calculate the correct amount of money that individuals may owe or that is owed to them by OPM. Employees who have made overpayments will be sent refunds. OPM is currently reviewing the scope of its statutory obligation to collect additional interest payments from account holders who have underpaid the interest due on their service credit accounts, as a result of the system error.

In closing, let me assure you that my goals are the same as yours – to ensure that Federal employees and retirees receive timely and accurate annuity information and payments. Please let me know if I can be of further assistance.

Sincerely,



John Berry
Director

Dear Senator,
Thank you for your leadership
on all issues of concern to
Federal employees and retirees.
John