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

B-200587

September 30, 1980

The Honorable David H. Pryor  
Chairman, Subcommittee on Civil  
Service and General Services  
Committee on Governmental Affairs  
United States Senate

Dear Mr. Chairman:

During your Subcommittee's July 12, 1979, hearing on the major issues facing the civil service retirement system, Hy Krieger, the Director of our Federal Personnel and Compensation Division, emphasized the contribution that [disability retirement reform] could make to the greater retention of productive employees and a reduction in costs to the taxpayers. Through your questions and the discussions that ensued with him and the Office of Personnel Management (OPM), you expressed concern over the slowness with which OPM was moving to bring about the improvements that we had highlighted as being needed in our studies of the disability retirement program. You asked how the needed actions could be accelerated, and Mr. Krieger suggested that your continued interest in achieving meaningful results would be a positive force in achieving this.

We are currently appraising the status and completeness of OPM's actions in the disability area, and in recent discussions with Subcommittee staff, they felt it would be useful for us to provide an interim assessment of the progress being made by OPM in dealing with this significant problem. I am pleased to let you know that we can see substantial improvements in OPM's administration of the disability retirement program. In our view, these improvements were stimulated in large measure by your thorough and constructive exploration of the issues and persistence in urging OPM to get on with the job at hand.

In April 1980, OPM implemented a substantial change in its administration of the program that could reduce the number of disability retirements significantly. The change will not rid the program of all its problems, but it is definitely an important step toward that end.

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The change concerns what OPM considers when reviewing a disability retirement claim. In the past, OPM did not seek to establish a relationship between the claimant's medical problem and his or her performance deficiency. This aspect of the disability definition received little attention, and a claimant could obtain disability retirement for a medical condition irrespective of whether it had any effect on job performance. Since April, OPM has emphasized the importance of the causal relationship between the deficiency in performance and the specific medical problem. This change should help insure that the disability retirement is approved only when (1) a deficiency in performance is identified, (2) a medical problem is clearly established, and (3) the medical problem has demonstrably interfered with an employee's performance to such a degree that he or she is in fact disabled for the position.

Although insufficient time has elapsed since the change was implemented to know whether the trend will be maintained, the number of disability claims disallowed by OPM has increased significantly. During fiscal year 1979, disallowances ran at between 8 and 9 percent, whereas the initial disallowances considering "deficiency in performance" in conjunction with medical condition have been around 40 percent. OPM estimates that, if the change eventually results in a disallowance rate of as much as 20 percent, the retirement system's normal cost will be reduced by .27 percent of payroll--about \$140 million based on the 1980 payroll, and outlays from the fund could be reduced by as much as \$6 billion over the next 20 years.

We noted that, in a hearing before your Subcommittee last week, OPM discussed these developments with you and promised to provide you a monthly report on the number of disability claims received and their disposition. I can only again wholeheartedly endorse this continued interest on your part as a means of assuring that OPM maintains its vigilance in the disability retirement area.

OPM has proposed other changes to the program which it hopes to have finalized by November 1980. We plan to send a report to the Director of OPM within the next few months commenting on these changes and recommending some others that we believe would further tighten the disability retirement program. We will send you a copy of that report.

Sincerely yours,



Comptroller General  
of the United States