GAO Highlights

Highlights of GAO-20-523, a report to congressional requesters

July 2020

FEDERAL EMPLOYEES' COMPENSATION ACT

Comparisons of Benefits in Retirement and Actions Needed to Help Injured Workers Choose Best Option

Why GAO Did This Study

The President's budgets for fiscal years 2019-2021 have proposed several FECA reforms, including reducing disability compensation at retirement age. In a series of reports published in 2012, GAO analyzed the effects of similar proposed revisions to FECA compensation. GAO was asked to update its FECA and FERS benefit comparisons.

This report examines (1) how FERS and total disability FECA benefits at retirement age compare under current and previously proposed reduced FECA compensation rates, and (2) the extent to which FECA recipients have access to information to compare their FECA and FERS benefits options. GAO compared the FERS benefits selected retirees received in 2018 with the hypothetical total disability FECA benefits they would have received from simulated injuries. GAO reviewed agency documents and interviewed officials from DOL, SSA, and other federal agencies.

What GAO Recommends

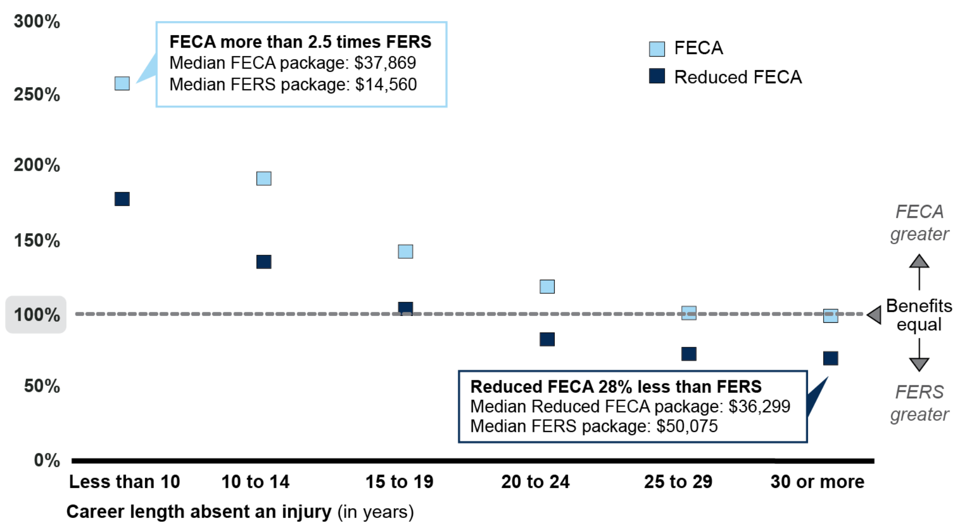
GAO is recommending that DOL remind FECA recipients as they approach retirement to obtain FERS benefit estimates for comparisons with FECA, and that DOL and SSA take steps to modernize and improve their process for calculating and providing information on certain FECA benefits in retirement that would enable recipients to make complete comparisons of retirement options. DOL and SSA concurred with all three recommendations.

View GAO-20-523. For more information, contact Cindy Brown Barnes at (202) 512-7215 or brownbarnesc@gao.gov.

What GAO Found

Factors such as the timing of an injury in a career affect how Federal Employees' Compensation Act (FECA) total disability benefits compare to income security from typical federal retirement. The FECA program compensates federal employees for lost wages from work-related injuries, among other benefits. FECA recipients can receive this compensation for as long as their disability continues. At retirement age, they can remain on FECA or, instead, choose to receive their benefits from the Federal Employees Retirement System (FERS). Thus, FECA benefits represent a significant portion of retirement income for some injured federal employees. Through simulations, GAO found that factors such as the length of retirees' careers absent injury affected how similar their hypothetical FECA benefits packages were to their FERS packages in 2018. FERS benefits increase substantially the longer a federal employee works. As a result, median current and reduced FECA packages were greater than the FERS median for retirees with shorter careers absent injury. However, median FECA packages were similar to or less than FERS for retirees with longer careers (see figure).

Median FECA Benefits as a Percentage of FERS Benefits by Career Length Absent an Injury



Source: GAO comparison of hypothetical Federal Employees' Compensation Act (FECA) total disability benefits with actual Federal Employees Retirement System (FERS) benefits in 2018 for non-U.S. Postal Service workers. | GAO-20-523

For FECA recipients who choose to compare their FECA and FERS benefit options at retirement, estimates for most components of those benefits packages are available. However, the Department of Labor (DOL) does not routinely remind recipients to compare benefits, so they may be unaware of their options or how to consider them. In addition, DOL and the Social Security Administration (SSA) use a manual and highly complex process to calculate one key component of a FECA recipient's compensation in retirement related to Social Security benefits. As a result, estimates of FECA benefits in retirement that include this component are not readily available prior to retirement. These challenges hinder recipients' ability to accurately compare their options and may result in some recipients not choosing their best option at retirement.