

Chairman Towns Requests Comprehensive GAO Report to Examine the Use of Retained Asset Accounts in FEGLI

WASHINGTON – Chairman Edolphus "Ed" Towns (D-NY) is asking the Government Accountability Office (GAO) to examine the Office of Personnel Management's (OPM) operation of the Federal Employees Group Life Insurance (FEGLI) program. FEGLI, which covers more than four million federal employees and incurs annual costs of nearly \$4.7 billion, [is the subject of an ongoing Committee inquiry](#) into the use of "retained asset accounts."

The House Committee on Oversight and Government Reform began investigating the payment of claims under FEGLI after learning that FEGLI beneficiaries no longer receive a direct lump-sum claim payment after the loss of a loved one. Instead, the money is deposited in a "retained asset account" administered by MetLife. "Retained asset accounts" are essentially low interest bank accounts that, unlike bank deposits, are not insured by the Federal Deposit Insurance Corporation (FDIC), although they may be protected by state insurance guaranty funds. Moreover, as the contractor hired by OPM to administer FEGLI payments, MetLife earns interest at a much higher rate than the rate being paid to the owner of the account. In fact, MetLife currently earns more than four percent on funds deposited in these retained asset accounts, while some beneficiaries earn only half a percent of interest.

"It appears that MetLife is paying itself a much higher interest rate on the money in these accounts than the interest they pay to the account holder. To many people that does not seem fair," said Chairman Towns. "Furthermore, I am concerned that some beneficiaries may not fully understand their right to obtain immediate, lump-sum payment of their benefits."

Chairman Towns added, "This raises questions about disclosures and account protections provided to the beneficiaries of the accounts, and in turn highlights the cost of the program to the federal government."

In the 1970s and 1980s, GAO identified several concerns about the operation of FEGLI. However, it is unclear whether these issues were ever addressed by OPM. Chairman Towns is requesting that GAO conduct a thorough review of the operation of the FEGLI program and OPM's administration of it.

Specifically, Chairman Towns wants a detailed description of how FEGLI operates; an assessment of OPM's management of contracts with third party administrators; and the use of "retained asset accounts" rather than traditional lump sum payments.

The request for a GAO review of "retained asset accounts" follows Chairman Towns' [letter to](#)

[the CEO of Metlife,](#)

in which he requested records of the company's use of "retained asset accounts" in their administration of the FEGLI program.

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Documents and Links

[Letter to GAO Acting Comptroller Gene Dodaro.](#)