

U.S. Office of Personnel Management

Agency Financial Report

Fiscal Year 2026

This report is prepared in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements.

OPM

NOVEMBER 2026



OPM Director Scott Kupor spoke at Texas A&M University about building a high-performance federal workforce and why the next generation should be part of it through Early Career Talent Network Program

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Message from the Director



Scott Kupor
Director

The Office of Personnel Management (OPM) has made major strides during Fiscal Year (FY) 2026 to build a merit-based, accountable, and modern workforce that will attract and retain top talent to meet America's toughest challenges. One of the key principles that guide us to the successful implementation of the **OPM Strategic Plan** is strong financial stewardship – accurate financial reporting, disciplined budgeting, efficient business operations, transparent internal control to prevent fraud, waste, and abuse, and holding ourselves accountable with the resources entrusted to OPM.

This OPM Agency Financial Report (AFR) for FY 2026 demonstrates our commitment to strong financial stewardship and provides an overview of how OPM used its financial resources to support the mission of human resource management in the federal Government. The performance and financial data presented in this AFR is complete and reliable. I am proud to report that OPM has earned an unmodified "clean" audit opinion for the 27th consecutive year as well as downgraded a prior year material weakness audit condition on financial reporting controls, a great testimony to the organization's focus on financial management integrity and excellence.

Every modernization effort depends on disciplined stewardship of the funds entrusted to us. Being responsible stewards of taxpayer funds drives many of the transformation projects that we initiated or completed in FY 2026.

OPM's Online Retirement Application (ORA) has changed how federal employees retire. ORA processed more than 155,000 retirement applications as of June 30 after serving only a few hundred users during its initial rollout. More than 95 percent of retirement applications are now fully electronic. Faster and more accurate adjudication means annuitants receive their pension checks faster and with greater accuracy.

OPM is modernizing how the Government finds and hires talent. Under the Merit Hiring Plan, we are expanding pooled hiring and shared certificates to increase the efficiency of and improve candidate satisfaction with the hiring process. New talent programs target early-career and technical skills, including the U.S. Tech Force, which aims to bring early-career technology professionals into two-year federal roles to help modernize government systems. Together with merit-based hiring, stronger performance management, and better workforce data, these investments will help agencies recruit, develop, and manage talent with efficiency and high quality.

OPM also is delivering the first government-wide human capital management platform, Core Human Capital Management (HCM). Phase I of the launch in 2027 will replace tens of separate agency systems. This type of system consolidation provides a significant opportunity to reduce costs for taxpayers by more than 90 percent while improving data quality and employee experience. This transformation initiative calls for rigorous cost estimating, competitive evaluation, and continuous tracking of spending and performance. Core HCM is exactly the kind of smart, cost-saving reform the American people expect and deserve.

We remain focused on disciplined financial stewardship and ensuring that every taxpayer's dollar delivers real value. I look forward to another great year of continuing to deliver results for the American public.

Sincerely,

Scott Kupor
Director
U.S. Office of Personnel Management
November 16, 2026

Section 1

Management's Discussion and Analysis

(Unaudited)

Overview

The U.S. Office of Personnel Management (OPM) serves as the central human resources (HR) agency and personnel policy manager for the federal Government, playing a strategic role in executing the President's vision for a streamlined, merit-based, and efficient civilian workforce. OPM leads the implementation of critical executive orders, providing guidance on executive actions issued to all Federal agencies.

OPM operates from its headquarters in the Theodore Roosevelt Federal Building at 1900 E Street NW, Washington, DC, 20415, with 9 additional operating locations across the country. For more information about OPM, please refer to the agency's website, **opm.gov**.

About This Report

The FY 2026 AFR provides an overview of OPM's financial results to inform Congress, the President, and the public on the results of the agency's operations and stewardship over the financial resources entrusted to execute its mission.

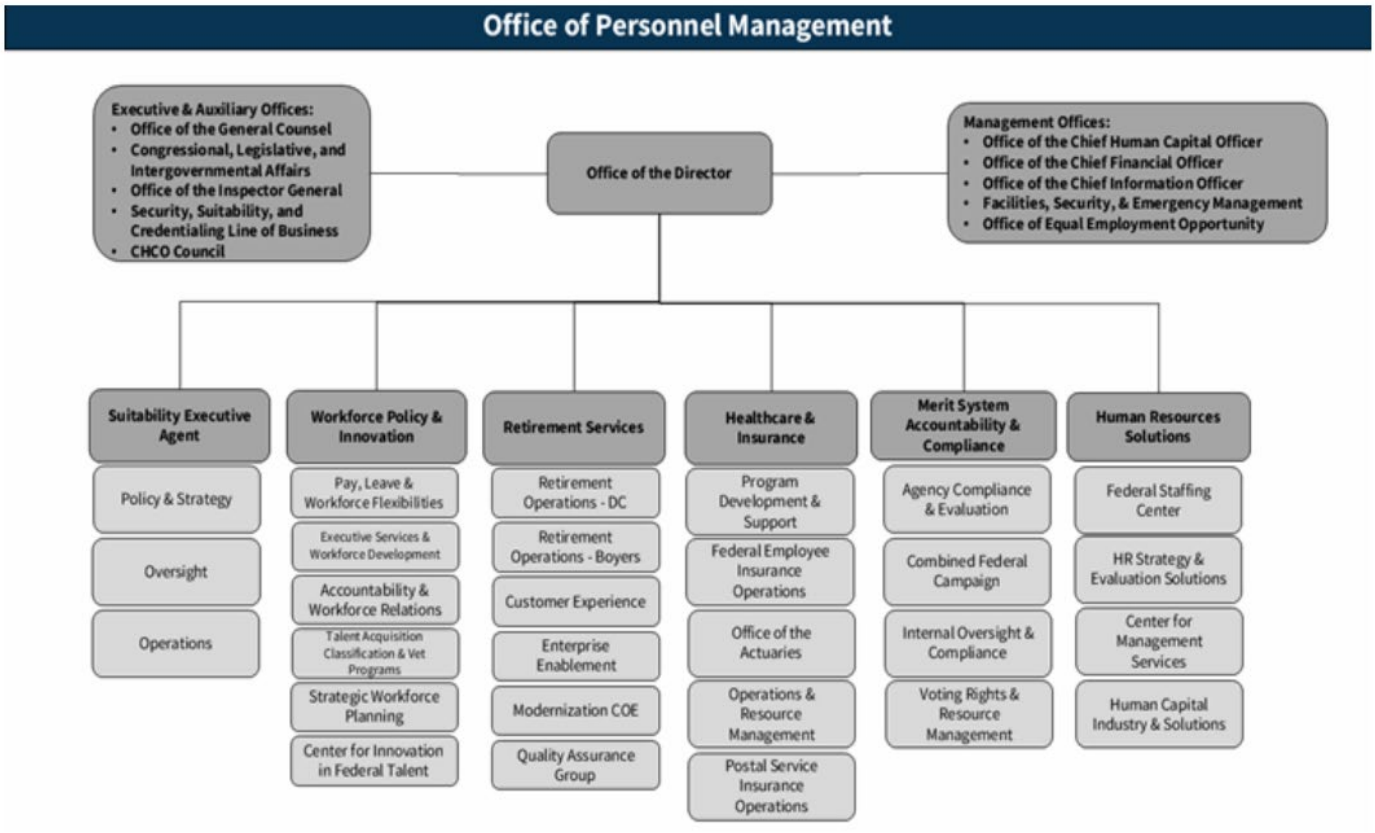
The AFR provides an accurate and complete accounting of OPM's financial performance in fulfilling its mission during FY 2026 and meets reporting requirements, including laws focusing on improved accountability among federal agencies, and the regulatory guidance described in the Office of Management and Budget (OMB) Circulars A-11, A-123, and A-136. OPM reports are available at **Agency Reports** section (opm.gov).

Suggestions for improving this report should be sent to the following address:

U.S. Office of Personnel Management
Office of the Chief Financial Officer
1900 E Street, NW
Washington, DC 20415

Organizational Framework

OPM's offices and their employees implement the programs and deliver the services that enable the agency to meet its strategic goals and fulfill its statutory mandates. The agency's organizational framework consists of program offices that directly and indirectly support the agency's mission.



This section describes each office and the key roles and responsibilities each play in contributing to the achievement of OPM's mission. OPM organizations are categorized into four different types of offices: Executive, Program, Management, and Auxiliary, which are detailed below:

Executive Offices

Office of the Director (OD) provides strategic guidance, leadership, and direction to advance OPM's mission to lead and serve the federal government by delivering policies and services that foster a merit-based, trusted, and efficient civilian workforce. In addition, OD includes Office of Legislative Affairs, Federal Prevailing Rate Advisory Committee, Enterprise Risk Management Organization, and the White House Fellows Program.

Office of the General Counsel (OGC) provides legal advice, representation, and policy support and carries out several statutory and regulatory responsibilities that support OPM's mission and benefit the Executive Branch.

Chief Human Capital Officers (CHCO) Council serves as the federal government's principal interagency forum for coordinating and advising on human capital policy and workforce management. It supports the 24 Chief Financial Officers (CFO) Act agencies, Small Agency Human Resources Council, and the Intelligence Community Human Resources Council.



OPM Director Scott Kupor joined senior Administration officials, agency leaders, and industry executives at the White House for the Tech Force roundtable on strengthening federal government's technology workforce

Program Offices

Healthcare and Insurance (HI) administers a broad portfolio of insurance benefits for eligible federal and postal employees, annuitants, their families, tribal employees, members of the uniformed services, and other designated groups. HI oversees contracting, program development, and management functions for six statutorily mandated programs: Federal Employees Health Benefits (FEHB) Program, Postal Service Health Benefits (PSHB) Program, Federal Employees' Group Life Insurance (FEGLI) Program, Federal Long Term Care Insurance Program (FLTCIP), Federal Employees Dental and Vision Insurance Program (FEDVIP), and Federal Flexible Spending Account Program (FSAFEDS).

Human Resources Solutions (HRS) operationalizes the Administration's goals and HR policy across federal agencies to accelerate human capital results in alignment with merit principles. HRS delivers human capital products, services, and technology that enable Federal agencies to meet their missions. HRS provides human capital solutions and technology human resources systems, services, and human capital standards and data.

Merit System Accountability & Compliance (MSAC) provides oversight to ensure that federal agency human resources programs are effective, efficient, and fully compliant with merit system principles and applicable civil service regulations. MSAC conducts special cross-cutting studies to examine the use of HR authorities and flexibilities across the federal government. MSAC also reviews and issues decisions on agency requests to appoint current/former political appointees to positions in the competitive service, the nonpolitical excepted service, or the Senior Executive Service (SES).

Retirement Services (RS) administers the Civil Service Retirement System (CSRS) and Federal Employees Retirement System (FERS). RS is responsible to adjudicate retirement claims, manage disability retirement benefits eligibility, govern annuities under court decrees of divorce, annulment, or separation, provide health benefits for annuitants, implement cost of living adjustment increases and issue tax statements, regularly train and counsel all Federal agencies and appropriately respond to customer inquiries and to produce guidance to implement retirement provisions, processes bankruptcy and estate cases to recover outstanding debts to the Retirement Fund.

Suitability Executive Agent (SuitEA) serves as the Suitability and Credentialing Executive Agent and leads government-wide improvements in personnel vetting processes. SuitEA provides policy, guidance, training, and oversight to ensure suitability, fitness, and credentialing determinations are consistent, timely, reciprocal, and secure across agencies. It is also responsible for conducting suitability investigations and taking suitability actions to protect the integrity and efficiency of the federal workforce.

Workforce Policy and Innovation (WPI) provides government-wide human capital guidance, oversight, and implementation strategies, supporting agencies in the effective administration of recruitment, hiring, classification, pay, leave, workforce flexibilities, performance management, employee accountability, labor relations, strategic workforce planning, training, and executive services. WPI also leads the development of legislative and regulatory proposals to transform Federal personnel systems and processes, supporting the President's civil service agenda.



The 2026 Tech Force cohort met at OPM Headquarters to share ideas, and meet with OPM Director Scott Kupor

Management Offices

Office of the Chief Financial Officer (OCFO) is responsible for strategic financial management, fiscal responsibility, transparency, and accountability and advises on all financial matters to enable effective resource allocation and support mission success. Core services include budget operations, accounting, reporting, and financial systems oversight. OCFO manages OPM-wide budgeting, ensures compliance with fiscal laws, and oversees financial statements, reporting and investments for over $1.2 trillion in assets. OCFO also leads financial systems operations, modernization projects, and agency-wide financial services such as payroll and travel.

Facilities, Security & Emergency Management (FSEM) is responsible for managing operational aspects of OPM by ensuring the continuity of essential services regardless of workforce reductions and workplace impacts. FSEM manages procurement services, real property and physical security operations, enforces occupational health and safety standards, and oversees the mail center.

Office of the Chief Human Capital Officer (OCHCO) provides comprehensive human capital support to OPM leadership and employees, workforce planning, data and accountability, employee and labor relations, benefits administration, and executive resources.

Office of the Chief Information Officer (OCIO) is responsible for modernizing Information Technology (IT), developing and maintaining IT security policies, and operating and enhancing the cybersecurity program. OCIO provides technical guidance, cloud technology and services, application and system development and maintenance, IT project management, agile frameworks, collaboration and communication tools, hardware, software, and infrastructure, including OPM Help Desk services, to support OPM's business operations.

Auxiliary Organizations

Office of Equal Employment Opportunity (EEO) ensures adherence to Federal EEO laws and regulations, investigates complaints of discrimination and harassment, monitors workplace policies and practices for compliance, accepts, processes, and investigates internal EEO complaints, facilitates alternative dispute resolution, provides findings and recommendations after investigations, and maintains records and submits reports to the EEO Commission.

Office of the Inspector General (OIG) provides comprehensive oversight of OPM programs through audits, evaluations, and investigations to protect taxpayer dollars and ensure efficient service delivery. As a Federal law enforcement organization, OIG brings to justice abusive medical providers and those committing financial crimes.

Security Suitability, and Credentialing Line of Business (SSCLoB) provides dedicated programmatic and operational support to the Performance Accountability Council (PAC). SSCLoB supports improvements to security, suitability, and credentialing processes that enable agencies to onboard trusted persons more efficiently while maintaining rigorous standards for national security and public trust.



Tech Force hosted an event with OPM Director Scott Kupor, tech founder Joe Lonsdale, and Under Secretary of War Emil Michael about Super Intelligence and how technologists can serve America

Mission and Performance

In March 2026, OPM published the **Strategic Plan for FYs 2026-2030**. This Strategic Plan sets out OPM's commitment to serving as the model for organizational excellence across government. We honor dedicated federal employees while demanding the highest standards. We aim to partner with other agencies, sharing best practices and solutions. At a glance, the Strategic Plan defines OPM's mission, vision, values, and strategic goals.

Mission (What We Do): OPM leads federal agencies in building merit-based, accountable, and modern workforce systems that attract and retain top talent to meet America's toughest challenges.

Vision (Where We Want to Go): As the leader in human capital management, we cultivate a world-class, modern, and efficient workforce.

Values (How We Work):

Start With Why: We are transparent, accountable, and curious.

Work as a Team: We collaborate and solve problems together

Customer First: We have a service oriented mindset.

Other People's Money: We are responsible stewards.

Embrace Measured Risk: We embrace innovation with intention.

Strategic Goals (What We Aim to Achieve):

1. Attract and Retain Top Talent

2. Deliver High-Quality, Efficient Service

3. Lead America's Super Intelligence (SI)-Ready Workforce

As the new OPM Strategic Plan for FYs 2026-2030 was finalized and published less than a year ago, the full agency's performance status and results are not yet available. Those results will be reported in the Annual Performance Report (APR) that is scheduled to be published at **Agency Reports** section of the OPM website in February 2027.



OPM Director Scott Kupor joined other federal leaders at the Driving Government Efficiency Conference to discuss agency perspectives on operational efficiency

Analysis of Financial Statements

In accordance with the Chief Financial Officers Act of 1990 (CFO Act) and the Government Management Reform Act of 1994 (GMRA), OPM prepares consolidated and consolidating financial statements for Retirement, Health Benefits, Life Insurance and Other Programs. For the 27th consecutive year, OPM received an unmodified or "clean" audit opinion on the Consolidated Balance Sheet and related Consolidated Statement of Net Costs, Changes in Net Position, Combined Statement of Budgetary Resources, and related notes for the fiscal year ended September 30, 2026 and 2025. In addition, OPM received an unmodified audit opinion on the individual Balance Sheets of the Retirement Program, Health Benefits Program, and Life Insurance Program and the related individual Statements of Net Cost, and Changes in Net Position, and Budgetary Resources and related notes to the individual financial statements.

Table 1 – Summary of Key Financial Measures

Summary Consolidated Balance Sheet	September 30, 2026 (In Billions)	September 30, 2025 (In Billions)
Total Intragovernmental Assets	$1,255.6	$1,228.7
Total With the Public Assets	5.9	3.6
Total Assets	**$1,261.5**	**$1,232.3**
Total Intragovernmental Liabilities	0.3	0.4
Total With the Public Liabilities	3,313.1	3,215.8
Total Liabilities	**$3,313.4**	**$3,216.2**
Unexpended Appropriations	0.3	0.3
Cumulative Results of Operations	(2,052.2)	(1,984.2)
Total Net Position	**$(2,051.9)**	**$(1,983.9)**
Total Liabilities and Net Position	**$1,261.5**	**$1,232.3**
Summary Consolidated Statement of Net Cost	**September 30, 2026 (In Billions)**	**September 30, 2025 (In Billions)**
Gross Costs	$280.8	$276.9
Less: Earned Revenue	(164.3)	(159.6)
(Gain)/Loss on Pension, ORB,[1] or OPEB[2] Assumption Changes	18.7	(180.4)
Total Net Cost of Operations	**$135.2**	**$(63.1)**
Summary Combined Statement of Budgetary Resources	**September 30, 2026 (In Billions)**	**September 30, 2025 (In Billions)**
Unobligated Balance, From Prior Year Budget Authority, Net	$77.2	$74.2
Appropriations	188.5	183.7
Spending Authority From Offsetting Collections	84.1	80.6
Total Budgetary Resources	**$349.8**	**$338.5**

[1] Other retirement benefits (ORB)

[2] Other post-employment benefits (OPEB

Overview of Financial Position

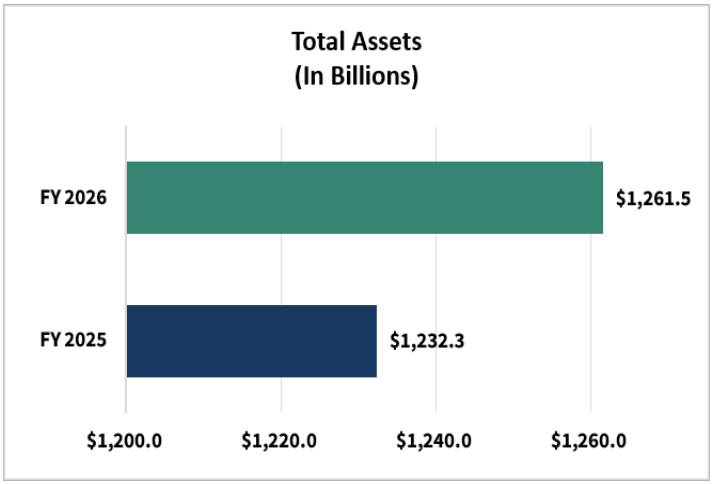
Balance Sheet

Assets. At the end of FY 2026, OPM held $1,261.5 billion in assets, an increase of $29.2 billion from $1,232.3 billion at the end of FY 2025. The majority of OPM's assets are intragovernmental, representing activity with other Federal entities. As required, the Balance Sheet separately identifies intragovernmental assets from assets with the public. OPM's largest category of assets is investments at $1,249.3 billion, which increased approximately $28.6 billion in FY 2026. While this represents 99.0 percent of all assets, the change for the fiscal year is less than 3 percent.

Retirement is responsible for the majority of the increase due to investing receipts in special securities issued by the Department of the Treasury (Treasury), that are not immediately required for payment. These collections and warranted funds will be required for future retirement expenditures and outlays. This is a normal course of business for OPM trust funds.

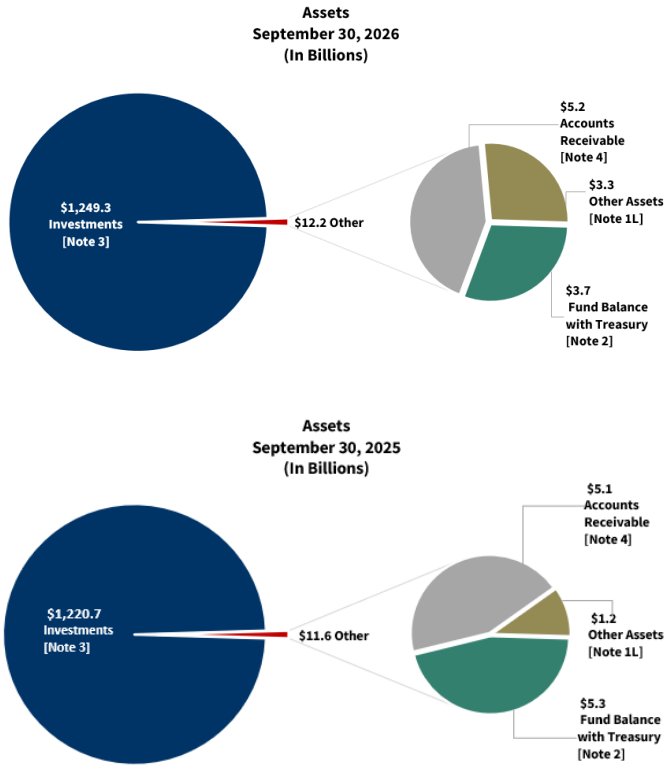
The Retirement program is made up of two major programs within the Civil Service Retirement and Disability Fund (CSRDF), CSRS and FERS. Asset balances are tracked separately, however the entirety of the CSRDF is available for payment of benefits in either program. Due to the overall CSRS fund diminishing each year due to benefit expenses exceeding program revenues and collections, a funding transfer from FERS to CSRS is made annually. In FY 2026, $36.5 billion was recorded as an asset transfer moving investments between programs.

Figure 1: Total Assets for the Years Ended September 30, 2026 and 2025



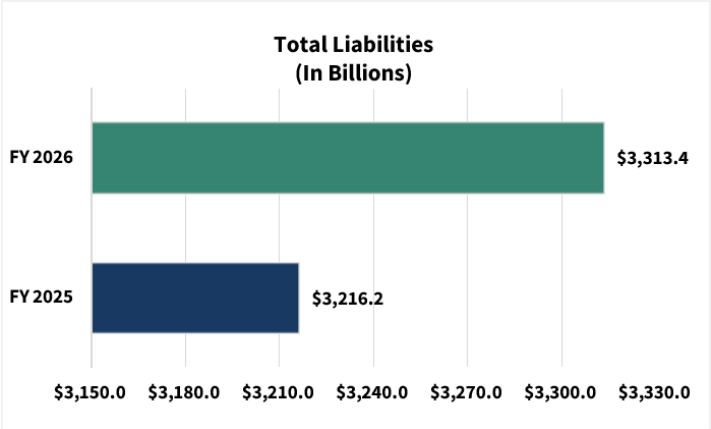
OPM's net intragovernmental accounts receivable of $2.6 billion includes a receivable of $39.2 billion due from USPS for annual contribution payments owed to the CSRDF and PSRHBF, of which OPM recorded an allowance for nearly the full amount as it's deemed uncollectable due to agency history and reported budget constraints. See Note 4, Accounts Receivable, Net for more information.

Figure 2: Assets by Type for the Years Ended September 30, 2026 and 2025



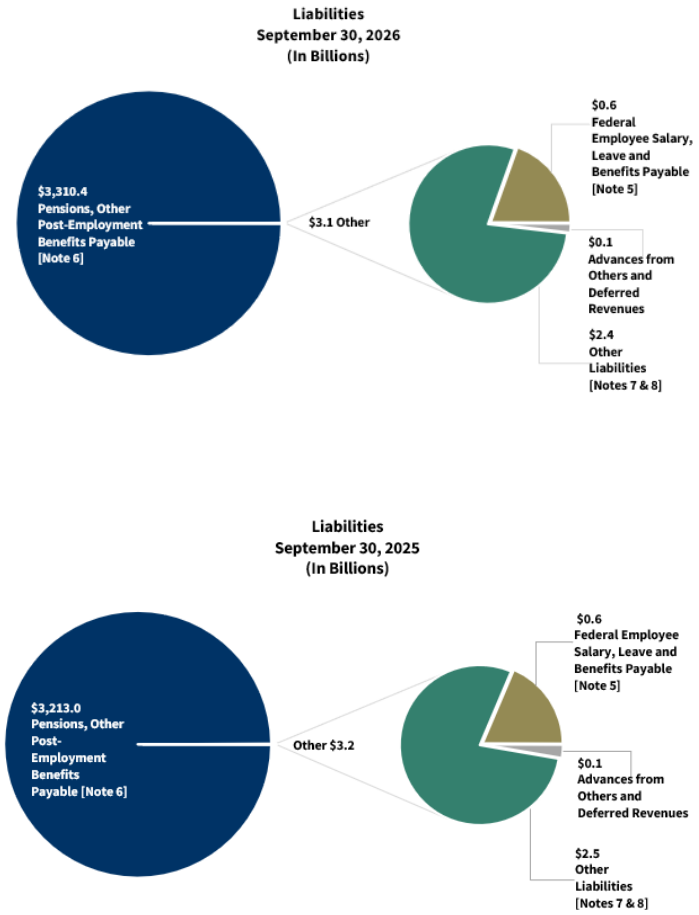
Liabilities. At the end of FY 2026, OPM's total liabilities were $3,313.4 billion. Pensions, OPEB Payable is the largest category of Liabilities, which represents 99.9 percent of the total. Pensions, OPEB Payable represent an estimate of the future cost in today's dollars to provide earned benefits to participants in the future.

Figure 3: Total Liabilities for the Years Ended September 30, 2026 and 2025



To compute these liabilities, the actuaries make assumptions about economic factors and the demographics of the future of Federal employee workforce and annuitants, retirees, and their survivors' populations. The largest change in actuarial liabilities was in the Health Benefits program fund. FEHB's future annuitant cost estimates in FY 2026 were also impacted by high medical and pharmacy trends, exceeding the assumed long term single equivalent trend and an update to the trend and interest assumptions, increasing the spread between healthcare cost trend and interest by 0.2% from the prior year. See Note 6, Pensions, OPEB Payable in the Financial Section for additional information.

Figure 4: Liabilities by Type for the Years Ended September 30, 2026 and 2025



Net Position. OPM's Net Position is classified into two separate balances. The Cumulative Results of Operations comprise OPM's net results of operations since its inception. Unexpended Appropriations is the balance of appropriated authority granted to OPM against which no expenditures or outlays have been made.

OPM's total liabilities exceeded its total assets at the end of FY 2026 by $2,051.9 billion, primarily due to the actuarial liabilities. However, it is important to note that the Retirement, Health Benefits, and Life Insurance Programs are funded in a manner that ensures there will be sufficient assets available to pay benefits well into the future.

Figure 5: Total Net Position for the Years Ended September 30, 2026 and 2025

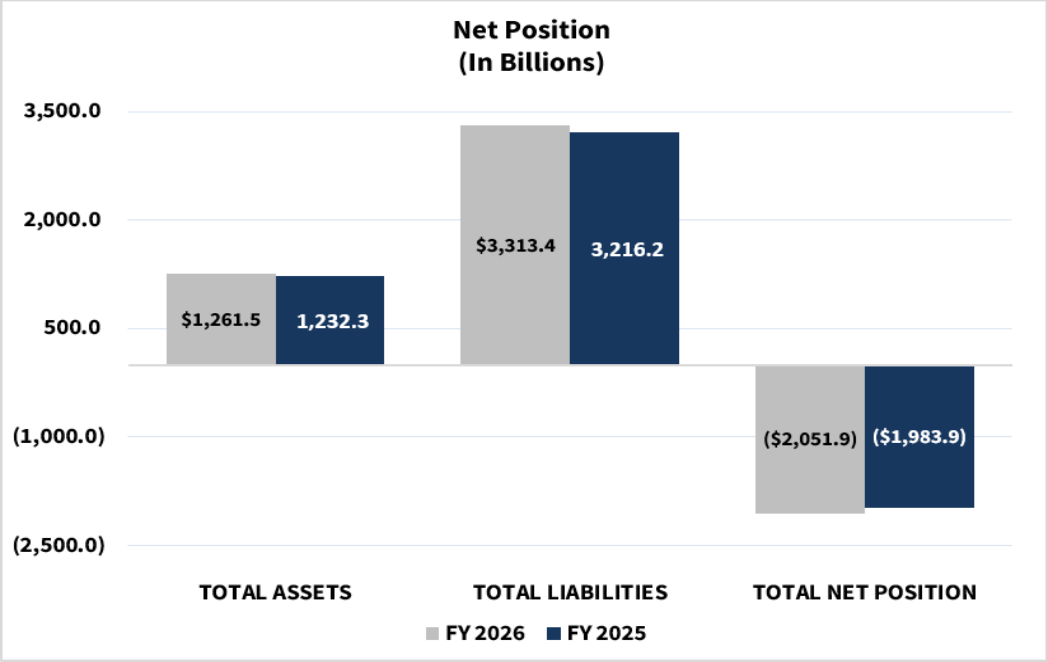


Table 2 – Net Assets Available for Benefits

Net Assets Available for Benefits	September 30, 2026 (In Billions)	September 30, 2025 (In Billions)
Total Assets	$1,261.5	$1,232.3
Less: "Non-Actuarial" Liabilities	(20.7)	(18.7)
Net Assets Available to Pay Benefits	**$1,240.8**	**$1,213.6**

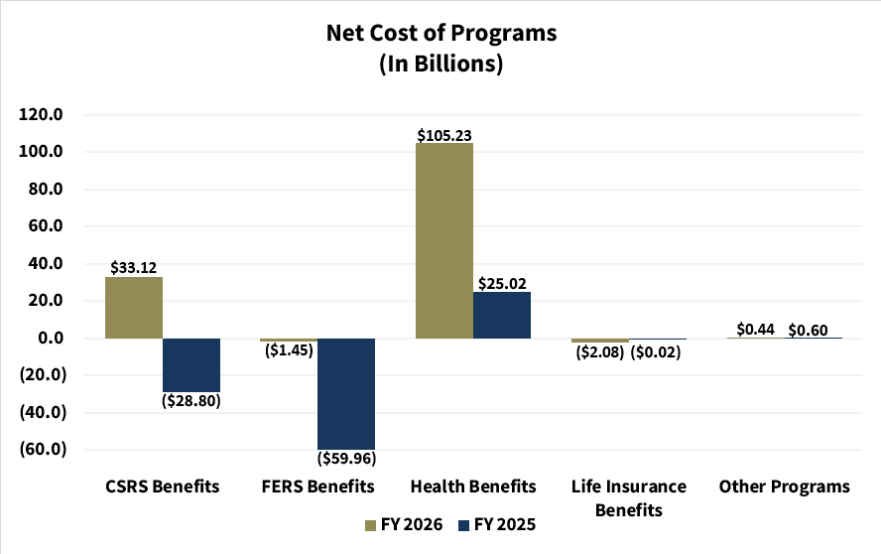
Note: *Non-Actuarial liabilities are mostly comprised of accounts payable, contingent liabilities, and benefits payable.*

Statement of Net Cost

The Statement of Net Cost presents the gross cost incurred by OPM, less exchange revenues earned by its benefits and services. Gains and losses related to Pension, ORB, or OPEB Assumption used to measure program liabilities are reported separately and calculated into the Net Cost of Operations for the agency.

It includes four major categories of benefits and services: Civil Service Retirement and Disability Benefits (CSRS and FERS), Health Benefits, Life Insurance Benefits, and Other Programs. In FY 2026, Net Cost of Operations totaled $135.2 billion and consisted of Gross Costs of $280.8 billion less Earned Revenue of $164.3 billion, and Net Losses of $18.7 billion.

Figure 6: Net Cost of Programs for the Years Ended September 30, 2026 and 2025

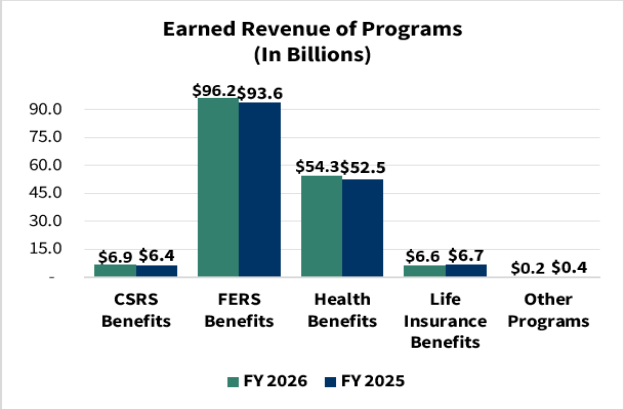


Earned Revenue. Employer and participant contributions and investments are two main categories of earned revenue. The total earned revenues for the year ended September 30, 2026, increased by $4.7 billion, or 2.9 percent, from FY 2025. The majority of the increase is due to Health's increase of $1.8 billion and Retirement's increase of $3.2 billion.

The Health Program increase of approximately $1.8 billion is attributed to increased contributions collected as a result of increased healthcare premiums due to the health insurance premium increase for 2026 was estimated to be 10.4% for FEHB and 9.4% for PSHB based on 2025 enrollments.

The Retirement Program increase of $3.2 billion is due to approximately $6.8 billion in additional interest earned on a larger investment portfolio and a revised investment strategy implemented in June 2026 to better align with the future benefit needs by investing approximately 25% in longer term market securities yielding higher interest rates. Offsetting these increased revenues were reduced employer and participant contributions of approximately $3.6 billion due to the significant reduction in government employees that retired between September 30, 2025 and December 31, 2025.

Figure 7: Earned Revenue of Programs for the Years Ended September 30, 2026 and 2025

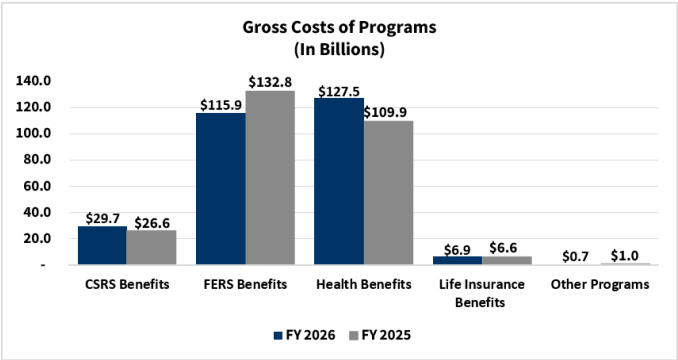


Gross Cost. Agency gross costs for FY 2026 were $280.8 billion compared to $276.9 billion in FY 2025. The majority of the increase is due to Health's increase of $17.6 billion netting with Retirement's decrease of $13.7 billion.

Health's post-retirement benefit cost increased due to a larger actuarial loss from experience coupled with an increase in current benefits and premiums costs.

Retirement's decrease in gross costs is attributable to two main factors. Retirement's pension expense decreased overall by approximately $17.5 billion, offset by approximately a $3.8 billion increase to allowance for bad debt recognized mostly for receivables due from USPS. Retirement's pension expense incurred approximately $6.0 billion more in benefits expense due to an increase retirees between September 30, 2025, and December 31, 2025, as a result of the DRP offered in FY 2025. Offsetting this increase is a net decrease to pension expense of approximately $23.5 billion from changes in future funded expenses and actuarial gains on changes in experience such as lower cost of living adjustments in 2026 than was assumed in the prior year valuation. These amounts are a result of updates to demographics and long term assumption factors like Cost-Of-Living Adjustment (COLA), Interest Rates, Inflation. The remaining

Figure 8: Gross Cost of Programs for the Year Ended September 30, 2026 and 2025



Actuarial Gain and Loss. Due to actuarial gains and losses, OPM's Net Cost to provide Retirement, Health Benefits, and Life Insurance Benefits can vary widely year to year. In computing the Pension, Post-Retirement Health Benefits, and Actuarial Life Insurance Liabilities, OPM's actuaries must make assumptions about the future. When the actual experience of the Retirement, Health Benefits, and Life Insurance Programs differs from these assumptions, as it generally will, actuarial gains and/or losses will occur. For example, if the COLA increase is less than the actuary assumed based on prior year valuations, there will be an actuarial experience gain as it will cost the Government less. A decrease in the assumed future rate of inflation would produce a gain. These gains and losses are recognized when expected changes in estimated factors result in a different projection from what was previously used for valuation.

Long-term assumption-based actuarial gains and losses are a result of several factors such as changes to long-term averages based on current year actual rates and cost, new or updated program information, new or updated program information, and revised demographic assumptions.

The major components contributing to OPM's net current year loss due to assumption changes of $18.7 billion is in retirement and health. Retirement recognized a gain of net $10.9 billion between the CSRS and FERS programs. CSRS changes in assumptions resulted in a $10.2 billion actuarial loss, primarily due to an increase in the assumed long-term inflation rate. FERS changes in assumptions resulted in a $21.1 billion actuarial gain, primarily due to an increase in the assumed long-term interest rate. Adjustments to assumed short-term employee turnover rates in FY 2026 also contributed to the gain. Health recognized a $32.0 billion loss due to long term assumptions in FY 2026 primarily due to updated trend and discount assumptions, higher health care cost trends and PSHB experience enabling the development of PSHB specific cost curves and the removal of PSHB cost assumptions based on FEHB program-wide experience, and updated FEHB cost curves.

Statement of Budgetary Resources

In accordance with Federal statutes and implementing regulations, OPM may incur obligations and make payments to the extent it has budgetary resources to cover such items. The Statement of Budgetary Resources (SBR) presents the sources of OPM's budgetary resources, their status at the end of the year, obligated balances, and the relationship between its budgetary resources and the outlays disbursed. As presented in the SBR, OPM had access to a total of $349.8 billion in budgetary resources for FY 2026.

Unobligated Balance from Prior Year Budget Authority. In FY 2026, unobligated balances from the prior year's budget authority amounted to $77.2 billion. These funds represent unused balances that roll forward from the previous year. See Note 13 for more information.

Appropriations include appropriated resources to cover the Government's share of cost related to health and life insurance benefits for Retirement program annuitants. Retirement also receives a General Fund warrant annually for supplement funding for the CSRDF.

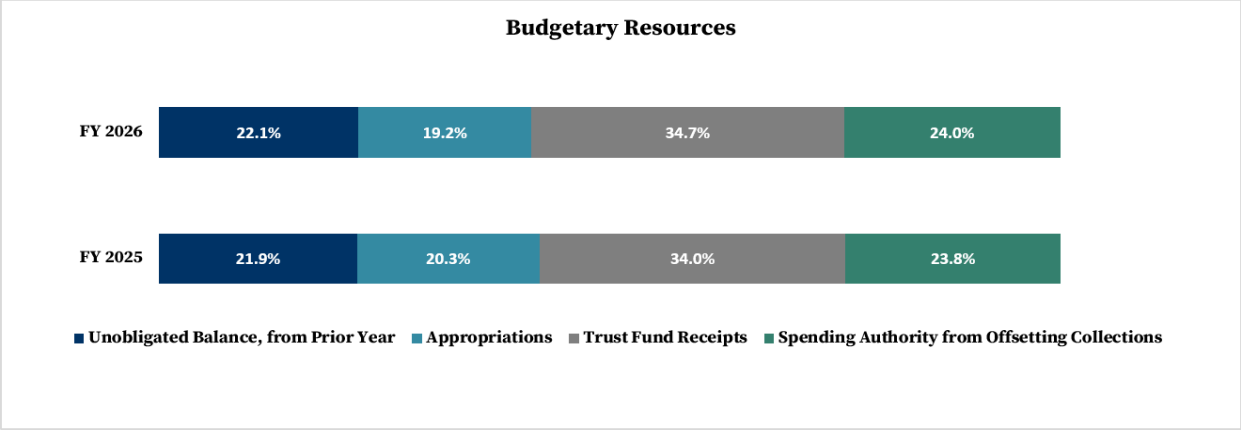
Trust Fund Receipts are Retirement Program and Postal Service Retiree Health Benefit Fund (PSRHBF) contributions and withholdings from participants, and interest on investments. Of the $139.6 billion in new receipts this fiscal year, ($22.8) billion was precluded from obligation in the Retirement program, while ($4.5) billion of previously precluded from obligation funds were made available to cover current year costs in the PSRHBF. Remaining funds precluded from obligation in these programs are available for obligation and expenditure, upon Apportionment by OMB, without further action by Congress. See Note 10 for more details.

Spending Authority from Offsetting Collections includes contributions made by and for those participating in the Health Benefits and Life Insurance, and revenues in Revolving Fund Programs.

Table 3 – Total Budgetary Resources for the Year Ended September 30, 2026 and 2025

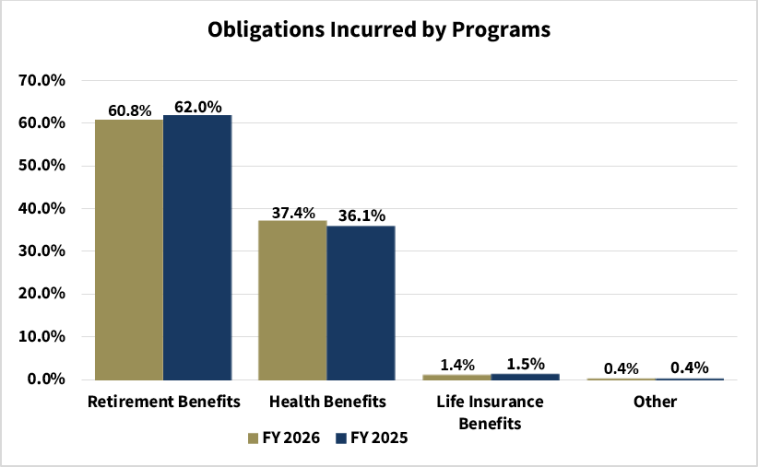
Source of Budgetary Resources	September 30, 2026 (In Billions)	September 30, 2025 (In Billions)
Unobligated Balance, From Prior Year	$77.2	$74.2
Appropriations	67.2	68.6
Trust Fund Receipts Less Changes in Amounts Precluded from Obligation	121.3	115.1
Spending Authority From Offsetting Collections	84.1	80.6
Total Budgetary Resources	**$349.8**	**$338.5**

Figure 9: Budgetary Resources by Percentage for the Years Ended September 30, 2026 and 2025



Of the $349.8 billion in budgetary resources, OPM obligated $270.8 billion of these funds in FY 2026. This includes $67.0 billion of obligations in the program payment accounts that were incurred moving warranted appropriations received from OPM general funds into expenditures trust funds accounts for benefits to be paid for participants in the Retirement, Health Benefits, and Life Insurance Programs.

Figure 10: Obligations Incurred by Program for the Years Ended September 30, 2026 and 2025



Analysis of Systems, Controls, and Legal Compliance

This section provides information on OPM's compliance with the following legislative mandates:

- Federal Managers' Financial Integrity Act (FMFIA)
- Federal Financial Management Improvement Act (FFMIA)
- Inspector General Act, as amended
- Federal Information Security Modernization Act (FISMA)
- Compliance with Other Key Legal and Regulatory Requirements



OPM Director Scott Kupor testified before House Appropriations Subcommittee on Financial Services and General Government to share agency successes and priorities

Management Assurances

Office of Personnel Management

FY 2026 Statement of Assurance

U.S. Office of Personnel Management (OPM) is responsible for managing risks and maintaining effective internal control to meet the objectives of Sections 2 and 4 of the *Federal Managers' Financial Integrity Act* (FMFIA). OPM conducted its assessment of risk and internal control in accordance with OMB Circular A-123, *Management's Responsibility for Internal Control*. Based on the results of the assessment, OPM can provide reasonable assurance that internal control over operations, reporting, and compliance were operating effectively as of September 30, 2026.

The *Federal Financial Management Improvement Act* (FFMIA) requires agencies to implement and maintain financial management systems that are in substantial compliance with Federal financial management system requirements, applicable Federal accounting standards, and the U.S. Government Standard General Ledger at the transaction level. Based on the results of OPM's FFMIA compliance assessment, OPM can provide reasonable assurance that it substantially complies with FFMIA.

Scott Kupor
Director
November 16, 2026

Compliance with the Federal Managers' Financial Integrity Act (FMFIA)

The **FMFIA** requires agencies to establish internal control and financial systems that provide reasonable assurance that the following objectives are achieved:

- Effective and efficient operations,
- Reliable financial reporting, and
- Compliance with applicable laws and regulations.

OMB Circular A-123, Management's Responsibility for Internal Control, provides implementing guidance for FMFIA and provides guidance to federal managers on improving accountability and effectiveness of federal programs as well as mission-support operations. In addition, OMB Circular A-123, Appendix A, Management of Reporting and Data Integrity Risk (Appendix A), contains specific requirements for agencies to assess internal control over reporting.

The Internal Control and Compliance team (ICC) within the OCFO has primary responsibility for coordinating the annual assessment of internal control. OPM evaluates its systems of internal control over agency operations, reporting, and compliance with applicable laws and regulations. Office heads conducted self-assessments of the internal controls under their purview. They provided an assurance statement detailing whether their internal control systems met the requirements of FMFIA. This included an assessment of entity-level controls. Each business unit assessed its controls against the internal control principles.

As part of the overall assessment, ICC reviewed these submissions along with applicable external audit reports throughout the reporting period to determine if there were other material weaknesses that should be reported in the assurance statement. In accordance with OMB Circular A-123 Appendix A, OPM assessed the effectiveness of its key internal controls to support reliable reporting as well as the operating effectiveness of key controls contained in OPM's Data Quality Plan that considers the incremental risks to data quality in federal spending data.

Compliance with the Federal Financial Management Improvement Act (FFMIA)

The **FFMIA** of 1996 was established to ensure that Federal financial management systems provide accurate, reliable, and timely financial management information to Federal Government managers and leaders. Further, FFMIA required this disclosure be done on a basis that is uniform across the Federal Government from year to year by consistently using professionally accepted accounting standards.

Specifically, FFMIA requires each agency to implement and maintain systems that comply substantially with:

- federal government financial management systems requirements;
- applicable federal government accounting standards; and
- United States Standard General Ledger (USSGL) at the transaction level.

OPM completed an assessment of the systems of internal control against the FFMIA guidelines. OPM determined that for FY 2026, OPM complies substantially with Federal Government financial management systems requirements, Federal financial accounting standards, and application of the USSGL.

The objectives of the assessment were to ensure that our financial systems achieve their intended results. OPM's administrative core accounting system is currently being served on the Department of Transportation (DOT), Federal Aviation Administration's (FAA) Enterprise Service Center (ESC) Delphi platform. OPM's trust fund accounting system is being served by the Department of the Treasury's Bureau of the Fiscal Service (BFS), Center for Financial Management (CFM), Administrative Integrated Oracle Solution (AIOS). The third-party service provider platforms allow OPM to leverage the latest technology and adhere to federal financial management system requirements, as both providers are Financial Management Quality Service Management Office (FM QSMO) approved solutions and services.

Based on OPM's FY 2025 FFMIA compliance assessment, OPM reported substantial compliance with FFMIA. OPM's resources were used consistent with OPM's mission and are in compliance with applicable laws; funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and revenues and expenditures are properly recorded and accounted for to

maintain accountability over the assets; and reliable and timely information was maintained, reported, and used for decision making. Financial information systems continue to support OPM's strategic goal to exceed the Government-wide average satisfaction score for each agency mission support service through identifying, building, and managing financial management solutions that sustains OPM's mission, objectives, and overall Government requirements.

FFMIA requires management to ensure OPM's financial management systems consistently provide reliable data that comply with Federal financial management system requirements, applicable Federal accounting standards, and the USSGL at the transaction level. **Appendix D to OMB Circular A-123, Management of Financial Management Systems**, and **OMB Circular A-130, Managing Information as a Strategic Resource**, provides specific guidance to agency managers when assessing conformance to FFMIA requirements.

OPM's vision for its financial systems is to provide accurate financial management information to internal and external stakeholders to support data-driven decision making, promote sound financial management, and enhance financial reporting and compliance activities. This vision aligns with the agency's strategic priority to "provide innovative and data-driven solutions" that enable the agency to deliver on our mission. The agency uses the following core financial management applications:

- AIOS, the financial system platform provided by the Treasury, BFS, ARC, is used for trust funds accounting and financial management activities related to the Federal earned benefits programs.
- Delphi, the financial system platform provided by the DOT, FAA, ESC is used for financial transaction processing as well as reporting and analysis to support management of OPM's Other Programs, which include the Salaries and Expense (S&E) and Revolving Fund.

Federal Information Security Modernization Act (FISMA)

OPM continued its efforts to achieve an efficient cybersecurity program, focusing on delivering operationalized and resilient outcome-based cybersecurity capabilities, and evaluating those capabilities based on their effectiveness in achieving the desired business outcomes. OPM's focus areas include: Automating additional continuous monitoring capabilities to allow staff to focus on work requiring human analysis; leveraging Super Intelligence (SI) to derive process efficiencies, assist in research, and reduce repetitive tasks; improving incident response time resulting in faster detection, and resolution of cybersecurity events.

Compliance with the Inspector General Act

The Inspector General Act, as amended, requires agencies to report on the final action taken with regard to audits by its OIG. The reported audit follow-up activities for the period October 1, 2025 through September 30, 2026 in Table 4 – Inspector General Audit Findings provides a summary of OIG's audit findings and actions taken in response by OPM management during this period.

Table 4 – Inspector General Audit Findings FY 2026

Inspector General Audit Findings FY 2026	Number of Reports	Questioned Costs ($ In Millions)
Reports With No Management Decision On October 1, 2025	13	332.3
New Reports Requiring Management Decisions	3[1]	701.7
Management Decisions Made During the Year	3	69.8
Net Disallowed Costs	–	33.0[2]
Net Allowed Costs	–	36.8[3]
Reports with no management decision on September 30, 2026	13	964.1

Source: Audit Reports Issued with Questioned Costs for reporting periods October 1, 2025, through March 31, 2026, and April 1, 2026, through September 30, 2026.

Purpose: To provide data to the OCFO to be included in the FY 2026 Management Discussion and Analysis for OPM's AFR.

[1] The number of new reports (six reports were previously issued in prior FYs with additional questioned costs in FY 2026) requiring a management decision represents reports with monetary recommendations. This year, 12 reports were issued and 4 of them had monetary recommendations (1 internal report issued in FY 2026 with questioned costs is not included in this table), and 8 reports, which are not reflected in the table, had no monetary recommendations.

[2] Represents the net of disallowed costs, which includes disallowed costs during this reporting period less costs originally disallowed but subsequently allowed during this reporting period.

[3] Represents the net of allowed costs, which includes allowed costs during this reporting period plus costs originally disallowed but subsequently allowed during this reporting period.

Compliance with Other Key Legal and Regulatory Requirements

OPM is required to comply with other legal and regulatory financial requirements. Information concerning these regulatory requirements, including Payment Integrity Information Act (PIIA) and Civil Monetary Penalty Act, can be found in the Other Information, Section 3, of this report.

OPM also has been implementing Presidential Executive Orders (EOs) related to workforce optimization, improper payment reduction, contract consolidation and spending reviews, and other operational impact. Key EOs include the following:

- Implementing the President's "Department of Government Efficiency" Workforce Optimization Initiative
- Modernizing Payments To and From America's Bank Account
- Protecting America's Bank Account Against Fraud, Waste, and Abuse
- Implementing the President's "Department of Government Efficiency" Cost Efficiency Initiative
- Eliminating Waste and Saving Taxpayer Dollars by Consolidating Procurement
- Return to In-Person Work
- Reforming the Federal Hiring Process and Restoring Merit to Government Service
- Restoring Accountability to Policy-Influencing Positions Within the Federal Workforce
- Exclusions from Federal Labor-Management Relations Programs
- Ensuring Transparency, Accountability, and Efficiency in Taxpayer-Funded Union Time Use
- Strengthening the Suitability and Fitness of the Federal Workforce

Limitations of the OPM's Financial Statements

- The principal financial statements have been prepared to report OPM's financial position and results of operations, pursuant to the requirements of 31 USC 3515(b).
- The statements have been prepared from OPM's records in accordance with U.S. Generally Accepted Accounting Principles (GAAP) for Federal entities and the formats prescribed by OMB. They are in addition to the financial reports used to monitor and control OPM's budgetary resources, which are prepared from the same books and records.
- The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.



OPM Director Scott Kupor and interns celebrated National Intern Day

Section 2

FY 2026 Financial Information

Message from the Chief Financial Officer



Katie W. McGuiness
Chief Financial Officer

I am pleased to join Director Kupor in presenting the Fiscal Year (FY) 2026 U.S. Office of Personnel Management (OPM) Agency Financial Report (AFR). The AFR is OPM's principal report demonstrating our commitment to accountability and transparency, as the report provides important financial positions and program performance to the American people. As public servants, one of our most important responsibilities is to be good stewards of the taxpayer dollars that OPM uses every day to serve our Country.

For the 27th consecutive year, OPM has earned an unmodified "clean" audit opinion that reflects agency's financial positions are presented fairly and are free of material misstatement. The financial reporting controls material weakness has also been downgraded by the external auditors, based on the audit remediation efforts and corrective actions made during FY 2026. This achievement reflects our excellence in financial management and reporting performance. OPM will continue to take corrective actions to improve the internal control assessment program and information technology operations.

FY 2026 is a transformation year for OPM as we began to implement the visions laid out in the **OPM Strategic Plan**. The Office of the Chief Financial Officer (OCFO) continues to advise the Director and collaborate with program offices on all aspects of financial stewardship and delivers outstanding customer services to our stakeholders, enabling OPM to achieve its strategic goals.

OCFO collaborated with our partners and successfully led a transformative project to fundamentally reform the investment strategy of the $1.2 trillion Civil Service Retirement and Disability Funds (the Funds) that fund the federal retirement program and invest in Treasury-only investments. After careful studies and analysis, OPM increased the duration of Treasuries from 7.5 years to 15 years by adding longer-date (20- and 30-year) Treasury bond to the Funds' investment portfolio. The projected higher investment returns on the Fund could save up to $6 billion annually that agencies would otherwise have to contribute to the Fund save potentially $100 billion on a present value basis over the life of the Funds.

OCFO continued efforts in reducing and preventing improper payments through advising, providing thought leadership and technical assistance to program offices managing the health, life, and retirement programs. These collective efforts enabled OPM to fully onboard with the Treasury's Do Not Pay (DNP) portal, which allows OPM to screen payments that prevent monies from being paid to ineligible or deceased individuals. Through DNP, OPM has screened payments with monies returned to OPM and further reduced fraud, waste, abuse, and improper payments. Efforts also contributed to OPM's regaining full compliance with the Payment Integrity Information Act, in FY2026, with low improper payment rates among federal programs government-wide.

As good financial stewards, OCFO continues to look for ways to operate more efficiently and effectively by modernizing legacy process and systems and applying sound financial stewardship principles to our everyday work. I am proud to be the leader of our great team at the OCFO and cannot wait to see what lies ahead when the current transformation initiatives come to fruition in FY 2027.

Sincerely,

Katie McGuiness

Katie W. McGuiness
Chief Financial Officer
United States Office of Personnel Management
November 16, 2026

Transmittal from the Inspector General

Office of the
Inspector General

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

Washington, DC 20415

November 16, 2026

Report No. 2026-IAEG-006

MEMORANDUM FOR THE HONORABLE SCOTT KUPOR
Director

FROM: Michael R. Esser
Deputy Inspector General
Performing the Duties of the Inspector General

SUBJECT: Final Audit Report of the U.S. Office of Personnel Management's Fiscal Year 2026 Consolidated Financial Statements

This memorandum transmits Kearney & Company's (Kearney) report on its audit of the U.S. Office of Personnel Management's (OPM) consolidated financial statements and discusses the results of the OIG's oversight of the audit and review of those reports.

Kearney's report is comprised of the consolidated balance sheets as of September 30, 2026, and the related consolidated statements of net cost, changes in net position, and the combined statement of budgetary resources for the year then ended, and the related notes to the financial statements. Kearney's report also covers individual balance sheets of OPM's Retirement, Health Benefits, and Life Insurance Programs as of September 30, 2026, and the related statements of net costs, and changes in net position, and budgetary resources for the years then ended, presented in the accompanying consolidating and combining financial statements, and the related notes to the financial statements.

Audit Reports on Financial Statements, Internal Control over Financial Reporting, and Compliance with Laws and Regulations, Contracts, and Other Matters

The Chief Financial Officers (CFO) Act of 1990 (P.L. 101-576) requires OPM's Inspector General or an independent external auditor, as determined by the Inspector General, to audit the agency's financial statements in accordance with Government Auditing Standards (GAS) issued by the Comptroller General of the United States. We contracted with the independent certified public accounting firm Kearney to audit OPM's consolidated financial statements as of September 30, 2026. The contract requires that the audit be performed in accordance with the standards applicable to financial audits contained in generally accepted government auditing

standards (GAGAS) and the U.S. Office of Management and Budget (OMB) Bulletin No. 24-02, Audit Requirements for Federal Financial Statements.

Kearney's audit report includes opinions on the consolidated financial statements and the individual statements for the three benefit programs. In addition, Kearney reported on internal control over financial reporting and on compliance with laws, regulations, contracts, and other matters. The results of Kearney's audit included the following:

- The consolidated financial statements and individual financial statements were fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles.

- Kearney's report did not identify any material weaknesses in OPM's internal controls.

  A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected, on a timely basis.

- Kearney's report identified significant deficiencies in OPM's internal control:

  A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

  The significant deficiencies identified by Kearney consist of:

  I. Entity-Level Controls (Modified Repeat Condition)
  II. Information Technology (Modified Repeat Condition)

- Kearney's report disclosed no instances in which OPM's financial management systems did not substantially comply with the Federal Financial Management Improvement Act (FFMIA), Section 803(a), related to Federal financial management system requirements, applicable Federal accounting standards, or application of the United States Standard General Ledger at the transaction level.

OIG Evaluation of Kearney's Audit Performance

In connection with the audit contract, we reviewed Kearney's report and related documentation and made inquiries of its representatives regarding the audit. To fulfill our audit responsibilities under the CFO Act to ensure the quality of the audit work performed, we conducted a review of

Kearney's audit of OPM's fiscal year 2026 consolidated financial statements in accordance with GAGAS. Specifically, we:

- provided oversight, technical advice, and liaison support to Kearney auditors;
- ensured the audit and the audit report were completed timely and in accordance with the requirements of GAGAS, OMB Bulletin 24-02, and other applicable professional auditing standards;
- documented oversight activities and monitored audit status;
- reviewed responses to the audit report and reported significant disagreements to the audit follow-up official per OMB Circular No. A-50, Audit Follow-up;
- coordinated issuance of the audit report; and
- performed other procedures we deemed necessary.

Our review, as differentiated from an audit in accordance with GAGAS, was not intended to enable us to express, and we do not express, opinions on OPM's financial statements or internal controls or on whether OPM's financial management systems substantially complied with the FFMIA or conclusions on compliance with laws and regulations. Kearney is responsible for the attached auditor's report dated November 16, 2026, and the conclusions expressed in the report. However, our review disclosed no instances where Kearney did not comply, in all material respects, with GAGAS.

In accordance with OMB Circular A-50 and/or Public Law 103-355, all audit findings must be resolved (agreement reached on actions to be taken on reported findings and recommendations or, in the event of disagreement, determination by the agency follow-up official that the matter is resolved) within 6 months of the date of this report. The OMB Circular also requires that agency management officials provide a timely response to the final audit report indicating whether they agree or disagree with the audit findings and recommendations. If agency management agrees, the response should include planned corrective actions and target dates for achieving them. If agency management disagrees, the response must include the basis in fact, law, or regulation for the disagreement.

To help ensure that the OMB Circular A-50 timeliness requirement for resolution is achieved, and since the OIG exercises oversight concerning the progress of corrective actions, we request that the CFO coordinate with OPM's Privacy and Risk Management Office (PRMO) to provide their initial response to us within 90 days of the issuance of this memorandum. If the corrective action has not been completed at the time of the initial response, we also ask that OPM provide us with a report on the status every March and September thereafter until the corrective action has been completed.

In closing, we would like to thank OPM's financial management staff for their professionalism during Kearney's audit and our oversight of the financial statements audit this year. If you have any questions about Kearney's audit or our oversight, please contact me at (202) 606-1200, or your staff may wish to contact Larry Price, Assistant Inspector General for Audits and Evaluations, at (202) 606-1200.

Attachment

Independent Auditors' Report

KEARNEY& COMPANY

1701 Duke Street, Suite 500, Alexandria, VA 22314
PH: 703.931.5600, FX: 703.931.3655, www.kearneyco.com

INDEPENDENT AUDITOR'S REPORT

To the Director of the U.S. Office of Personnel Management and Deputy Inspector General (Performing the Duties of the Inspector General) of the U.S. Office of Personnel Management

Report on the Audit of the Financial Statements

Opinions

We have audited the consolidated financial statements of the U.S. Office of Personnel Management (OPM), which comprise the consolidated Balance Sheet as of September 30, 2026, and the related consolidated Statements of Net Cost and Changes in Net Position, and the combined Statement of Budgetary Resources (hereinafter referred to as the "consolidated financial statements") for the year then ended, and the related notes to the consolidated financial statements.

We have also audited the financial statements of OPM's Retirement Program, Health Benefits Program, and Life Insurance Program, which comprise the Balance Sheet as of September 30, 2026, and the related Statements of Net Cost and Changes in Net Position, and the combined Statement of Budgetary Resources for the year then ended, presented in the accompanying consolidating and combining financial statements, and the related notes to the financial statements (hereinafter referred to collectively as the "program financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of OPM as of September 30, 2026, and its net cost, changes in net position, and budgetary resources for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Also in our opinion, the accompanying statements present fairly, in all material respects, the financial position of OPM's Retirement Program, Health Benefits Program, and Life Insurance Program as of September 30, 2026, and its net costs, changes in net position, and budgetary resources for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards are further described in the ***Auditor's Responsibilities for the Audit of the Financial Statements*** section of our report. We are required to be independent of OPM and to meet our other ethical responsibilities, in accordance

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with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Other Matter

Fiscal Year 2025 Consolidated Financial Statements and Program Financial Statements Audited by a Predecessor Auditor

The consolidated financial statements and program financial statements of OPM for fiscal year (FY) 2025, as of and for the year ended September 30, 2025, were audited by another auditor, who expressed unmodified opinions on those statements on December 16, 2025. The predecessor auditor's report included an Other Matter paragraph, which stated that OPM management elected to reference information from websites and other forms of interactive data that were not contained within its Agency Financial Report and that those references were not required as part of the consolidated financial statements or supplementary information required by the Federal Accounting Standards Advisory Board (FASAB). Accordingly, the predecessor auditor did not subject those references to auditing procedures.

We were not engaged to audit, review, or apply any procedures on the FY 2025 consolidated and program financial statements. Accordingly, we do not express an opinion or any other form of assurance on the FY 2025 financial statements as a whole.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements and program financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated and program financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and program financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about OPM's ability to continue as a going concern for a reasonable period of time beyond the financial statement date.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and program financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of

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internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements and program financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit
- Identify and assess the risks of material misstatement of the consolidated financial statements and program financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements and the program financial statements
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of OPM's internal control. Accordingly, no such opinion is expressed
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements and program financial statements
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about OPM's ability to continue as a going concern for a reasonable period of time beyond the financial statement date.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and Required Supplementary Information sections be presented to supplement the consolidated financial statements and the program financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by OMB and FASAB, who consider it to be an essential part of financial reporting for placing the consolidated financial statements and the program financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the consolidated financial statements and the program financial statements, and other knowledge we obtained during our audit of the consolidated financial statements and the program financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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Supplementary Information

Our audit for the year ended September 30, 2026 was conducted for the purpose of forming opinions on the consolidated financial statements and the program financial statements as a whole. The "Other Programs" and "Eliminations" columns presented in the consolidating Balance Sheet as of September 30, 2026, and the consolidating Statements of Net Cost and Changes in Net Position for the year then ended, as well as the "CSRS" and "FERS" columns presented in the consolidating Statement of Net Cost for the year ended September 30, 2026, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements and the program financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the consolidated financial statements and the program financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and the program financial statements for the year ended September 30, 2026 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements and the program financial statements or to the consolidated financial statements and the program financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements and the program financial statements, as a whole, for the year ended September 30, 2026.

Other Information

Management is responsible for the other information included in the Agency Financial Report. The other information comprises the Message from the Director, Message from the Chief Financial Officer and Transmittal from OPM's Inspector General, Other Information in Section 3, and Appendices, but does not include the consolidated financial statements and program financial statements and our auditor's report thereon. Our opinions on the consolidated financial statements and program financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements and program financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements and the program financial statements or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards* and OMB Bulletin No. 24-02, we have also issued our reports, dated November 16, 2026, on our consideration of OPM's internal control over financial reporting and on our tests of OPM's compliance with provisions of applicable laws, regulations, contracts, and grant agreements, as well as other matters. The purpose of those

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reports is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of OPM's internal control over financial reporting or on compliance and other matters. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 24-02 in considering OPM's internal control over financial reporting and compliance.



Alexandria, Virginia
November 16, 2026

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Director of the U.S. Office of Personnel Management and Deputy Inspector General (Performing the Duties of the Inspector General) of the U.S. Office of Personnel Management

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and U.S. Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*, the consolidated financial statements and the Retirement Program, Health Benefits Program, and Life Insurance Program financial statements (hereinafter referred to collectively as the "program financial statements"), of the U.S. Office of Personnel Management (OPM) as of and for the year ended September 30, 2026, and the related notes to the financial statements, which collectively comprise OPM's consolidated financial statements and program financial statements, and we have issued our report thereon dated November 16, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements and program financial statements, we considered OPM's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the consolidated financial statements and program financial statements, but not for the purpose of expressing an opinion on the effectiveness of OPM's internal control. Accordingly, we do not express an opinion on the effectiveness of OPM's internal control. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 24-02. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982, such as those controls relevant to ensuring efficient operations.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies; therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did

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not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying **Schedule of Findings and Responses** as Items I and II, that we consider to be significant deficiencies.

During the audit, we noted certain additional matters involving internal control over financial reporting that we will report to OPM's management in a separate letter.

The U.S. Office of Personnel Management's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on OPM's response to the findings identified in our audit and described in the accompanying **Schedule of Findings and Responses**. OPM concurred with the findings identified in our engagement. OPM's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing, and not to provide an opinion on the effectiveness of OPM's internal control. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 24-02 in considering OPM's internal control. Accordingly, this report is not suitable for any other purpose.



Alexandria, Virginia
November 16, 2026

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Schedule of Findings and Responses

Significant Deficiencies

I. Entity-Level Controls (*Modified Repeat Condition*)

Background: Office of Management and Budget (OMB) Circular A-123 implements the Federal Managers' Financial Integrity Act of 1982 (FMFIA) and requires Federal agencies to establish, assess, and report on internal control over operations, reporting, and compliance, including an annual Statement of Assurance on the effectiveness of those controls. Further, OMB Circular A-123 requires management to establish and maintain internal controls consistent with the Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* (Green Book), which defines five components and 17 principles of an effective internal control system. To support this annual assurance, management is expected to document its business processes and key controls, assess their design and operating effectiveness, and correct identified deficiencies. The Internal Control and Compliance (ICC) Team within the Office of the Chief Financial Officer (OCFO) at the U.S. Office of Personnel Management (OPM) has primary responsibility for coordinating the annual assessment of internal control.

Condition: The OPM A-123 Internal Control Program, as currently implemented, is not sufficient to support reliance on internal controls across the organization. Specifically:

- Several business processes remain undocumented and existing process narratives are outdated or still being revised, limiting OPM's ability to identify, design, and validate key controls and/or ensure that the current control environment is sufficiently understood
- Due to significant resource and bandwidth constraints, the program is only able to assess two of the eight key financial management process areas in the current fiscal year (FY) 2026 cycle, preventing coverage of the entire control environment.

Cause: Recent Government-wide workforce initiatives, including reductions in force (RIF) and the Deferred Resignation Program (DRP), have significantly reduced OPM's available personnel and created resource and bandwidth constraints.

Effect: Incomplete internal control documentation and limited assessment over key process areas impede OPM's ability to monitor the design, implementation, and operating effectiveness of its control environment over time. As a result, OPM is unable to provide reasonable assurance that its internal control over operations, reporting, and compliance is operating effectively.

Recommendations: Kearney & Company, P.C. (Kearney) recommends that OPM perform the following:

1. Conduct a comprehensive review of all business process documentation. This comprises:
   a. Identifying business process areas where documentation is missing or does not reflect the current processes in place.

b. Completing documentation for undocumented business processes and updating outdated process narratives to identify and validate key controls. This also includes ensuring business processes are updated when processes change and evolve.

2. Expand the scope of the annual OMB Circular A-123 assessment beyond two of the eight key financial management process areas to provide adequate coverage of the internal control environment. This comprises:
   a. Developing a plan that prioritizes higher-risk process areas, ensures all eight process areas are assessed within a defined cycle, and documents the rationale for any areas deferred.

Management's Response: Management concurs with the recommendations. OPM will expand the scope of the OMB Circular A-123 assessments and expand the review of business processes given available resources.

II. Information Technology (*Modified Repeat Condition*)

OPM uses several systems to support its benefits programs, including three systems that have the following functions: 1) one system used to calculate and adjudicate retirement and annuity payments; 2) one system used to record and issue payments for the initial retirement, lump sums, and recurring annuities; and 3) one system used to collect and record revenue from employee withholdings and employer contributions.

Deficiencies in two related areas, in aggregate, define this significant deficiency:

A. Access Controls
B. Configuration Management

A. Access Controls

Background: The National Institute of Standards and Technology (NIST) Special Publication (SP) 800-53, Revision (Rev.) 5, *Security and Privacy Controls for Information Systems and Organizations*, (December 2020) identifies account management as a foundational security control area designed to ensure that access to information systems is granted only to authorized users, remains appropriate throughout the user lifecycle, and is subject to periodic monitoring and review. OPM should implement these controls to help reduce the risk of unauthorized access, inappropriate privileges, and undetected user activity within the information systems supporting its benefits program.

Condition: OPM management did not adequately design, implement, and monitor controls governing user access to the three aforementioned systems that support OPM's benefits programs. As such, deficiencies were identified related to access controls and segregation of duties (SD). Specifically, the following conditions were noted:

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1. **Lack of Complete and Accurate User Listing:** OPM management was unable to provide a complete and accurate system-generated listing of users associated with one system. In addition, OPM did not capture key data elements, such as the inactive or deactivated date for users within another system. Without a complete and accurate listing of users with access to the system, OPM could not ensure that it effectively implemented several key account management controls, such as the timely revocation of access for separated and terminated users *[Condition 1]*
2. **Periodic Access Reviews:** OPM management did not perform and document comprehensive access reviews/recertifications of all users (privileged and non-privileged) for all three systems *[Condition 2]*
3. **SD:** OPM did not maintain complete and accurate documentation defining the purpose, roles, responsibilities, and privileges associated with user groups or an SD matrix identifying conflicting roles and access groups for one system *[Condition 3]*
4. **User Authorization – Privileged Access:** OPM management did not ensure that access to privileged administrator groups was appropriately approved prior to provisioning access for two accounts. Specifically, OPM granted one account membership in the database administrator (DB Admin) group without manager or supervisor approval of the access request. Additionally, management did not provide evidence demonstrating that one user's addition to a production server administrator group was approved *[Condition 4]*
5. **Removal of Inactive and Separated Users:** A subset of users' accounts was not revoked in a timely manner. Additionally, OPM management did not disable/deactivate a subset of application user accounts that had expired and/or exhibited prolonged periods of inactivity. *[Condition 5]*

Cause: OPM management's processes were not adequately documented to oversee the controls supporting user access. As a result, responsibilities, control requirements, review frequencies, and documentation expectations were not consistently defined and/or implemented. Although management has made some progress toward establishing and implementing controls and remediation efforts, additional time was needed to allow OPM to consistently implement its controls. Additionally, completing certain efforts requires coordination across multiple business units to identify, document, and validate user access rights and associated responsibilities. Competing priorities and the level of effort and resources required to finalize the access matrix have contributed to delays in developing a comprehensive understanding of user access across the system, which is necessary for management to evaluate whether assigned access appropriately aligns with job responsibilities, adheres to the principle of least privilege, and presents potential SD conflicts. *[Conditions 1-5]*

Effect: OPM's failure to consistently identify, authorize, monitor, review, and remove user access within its systems increases the risk that unauthorized users may obtain or retain access to data and functionality within its systems, including access that creates SD conflicts. In addition, the absence of documented periodic access reviews reduces management's ability to identify inappropriate access, excessive privileges, and unauthorized activity in a timely manner. Such access increases the risk of unauthorized activity and could jeopardize the confidentiality,

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integrity, and availability of system data, which could adversely affect financial transactions and/or financial reporting. *[Conditions 1-5]*

Recommendations: Kearney recommends that OPM perform the following:

1. Continue the implementation of its methodology to produce a complete and accurate system-generated listing of all users associated with its systems, ensuring the listing can be used to effectively support the identification, authorization, and timely removal of users. *[Condition 1]*
2. Perform a comprehensive review of all organizational personnel with access to the systems at the organization-defined frequency. The review(s) should include the following:
   a. Review of individuals with non-privileged and privileged access to validate that access remains appropriate based on their current roles and responsibilities.
   b. Review of the specific roles, group memberships, and privileges assigned to each individual to ensure access is appropriate and limited to what is necessary to perform their assigned responsibilities.
   c. Identification and removal or modification of access that is no longer required or is inconsistent with an individual's assigned responsibilities.
   d. Documentation and retention of evidence to support the completion and results of periodic access reviews.
   e. Independent reviews to ensure that the primary reviewer also has their access reviewed and approved. *[Condition 2]*
3. Document and formalize a description of each role/user access group, including its purpose and intended access permissions for its systems. *[Condition 3]*
4. Develop and maintain an SD matrix that identifies conflicting system roles and access groups, including potential conflicts involving both privileged and non-privileged access. *[Condition 3]*
5. Establish and implement a process to ensure that privileged access to its systems is appropriately authorized by the designated management personnel prior to provisioning access. *[Condition 4]*
6. Document and retain evidence to support management's approval of privileged access requests to its systems. *[Condition 4]*
7. Establish, disseminate, and implement system access disabling/deactivation and inactivity policies and procedures. *[Condition 5]*

Management's Response: OCFO concurs with the IT audit recommendations. Office of the Chief Financial Officer will continue to collaborate with Office of the Chief Information Officer to remediate the remaining IT system deficiencies that could increase the risks of financial misstatements.

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B. Configuration Management

Background: Configuration change control is the process of managing changes to information systems and their associated components in a controlled and documented manner. This process includes the identification, justification, approval, testing, implementation, review, and documentation of system changes to ensure they are authorized, function as intended, and do not adversely affect system security, availability, or data integrity. Configuration change controls apply to system upgrades, software modifications, patches, baseline configurations, and system settings. The process also includes the tracking and remediation of vulnerabilities, as well as the identification and resolution of unauthorized or emergency changes. OPM should establish and effectively implement controls that address the risks related to incorrectly identified/labeled, unauthorized, inappropriate, or insufficiently tested program and configuration changes being implemented into the production environment.

Condition: OPM did not provide complete and accurate listings of configuration changes implemented into production during FY 2026 for two systems supporting OPM's benefits programs.

Cause: Due to ineffective configuration change classification practices and system limitations, OPM could not consistently identify, track, or report all configuration changes implemented in the production environment.

Effect: Without a complete and accurate system-generated record of production changes implemented into the application, there is an increased risk that unauthorized, inappropriate, or insufficiently tested program and configuration changes may be implemented into the production environment without detection by management. Inappropriate changes could impact financial transactions and/or OPM's financial reporting.

Recommendations: Kearney recommends that OPM perform the following:

1. Continue the implementation of its methodology to produce a complete listing of all configuration items implemented to production for both internal and external audit purposes, which will support the monitoring, reviewing, and management of the configuration management processes and activities.
2. Establish an internal control mechanism to consistently identify and properly label changes subject to configuration change control processes to ensure all changes requiring configuration management are appropriately identified and tracked.
3. Document and retain records of configuration-controlled changes implemented into production.

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Management's Response: OCFO concurs with the IT audit recommendations. Office of the Chief Financial Officer will continue to collaborate with Office of the Chief Information Officer to remediate the remaining IT system deficiencies that could increase the risks of financial misstatements.

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APPENDIX A: STATUS OF PRIOR-YEAR DEFICIENCIES

In the *Independent Auditor's Report on Internal Control over Financial Reporting* included in OPM's fiscal year (FY) 2025 Agency Financial Report, the predecessor auditor noted several issues that were related to internal control over financial reporting. The statuses of the FY 2025 internal control findings are summarized in ***Exhibit 1***.

Exhibit 1: Status of Prior-Year Findings

Control Deficiency	FY 2025 Status	FY 2026 Status
Improvements Needed in Financial Reporting Controls	Material Weakness	Modified Control Deficiency
Improvements Needed in Controls over Information Technology	Significant Deficiency	Modified Repeat Significant Deficiency
Entity Level Controls	Significant Deficiency	Modified Repeat Significant Deficiency

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS, REGULATIONS, CONTRACTS, AND GRANT AGREEMENTS

To the Director of the U.S. Office of Personnel Management and Deputy Inspector General (Performing the Duties of the Inspector General) of the U.S. Office of Personnel Management

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and U.S. Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*, the consolidated financial statements and the Retirement Program, Health Benefits Program, and Life Insurance Program financial statements (hereinafter referred to collectively as the "program financial statements") of the U.S. Office of Personnel Management (OPM) as of and for the year ended September 30, 2026, and the related notes to the financial statements, which collectively comprise OPM's consolidated financial statements and program financial statements, and we have issued our report thereon dated November 16, 2026.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether OPM's financial statements are free from material misstatement, we performed tests of OPM's compliance with provisions of applicable laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements, including the provisions referred to in Section 803(a) of the Federal Financial Management Improvement Act of 1996 (FFMIA). However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests, exclusive of those referred to in FFMIA, disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and OMB Bulletin No. 24-02.

The results of our tests of compliance with FFMIA disclosed no instances in which OPM's financial management systems did not comply substantially with Section 803(a) requirements related to Federal financial management system requirements, applicable Federal accounting standards, or application of the United States Standard General Ledger at the transaction level.

During the audit, we noted certain additional matters involving compliance that we will report to OPM management in a separate letter.

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Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of compliance with provisions of applicable laws, regulations, contracts, and grant agreements and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 24-02 in considering OPM's compliance. Accordingly, this report is not suitable for any other purpose.



Alexandria, Virginia
November 16, 2026

Consolidated Financial Statements

U.S. OFFICE OF PERSONNEL MANAGEMENT
CONSOLIDATED BALANCE SHEETS
As of September 30, 2026 and 2025
(In Millions)

	FY 2026	FY 2025
ASSETS		
Intragovernmental Assets		
Fund Balance with Treasury [Note 2]	$3,687	$5,251
Investments, Net [Note 3]	1,249,285	1,220,741
Accounts Receivable, Net [Note 4]	2,625	2,684
Advance and Prepayments	7	6
Total Intragovernmental Assets	1,255,604	1,228,682
With the Public Assets		
Accounts Receivable, Net [Note 4]	2,614	2,394
Other Assets [Note 1.L]	3,297	1,237
Total With the Public Assets	5,911	3,631
TOTAL ASSETS	$1,261,515	$1,232,313
LIABILITIES		
Intragovernmental Liabilities		
Accounts Payable	$4	$7
Advances from Others and Deferred Revenue	56	85
Other Liabilities [Notes 7 & 8]	263	275
Total Intragovernmental Liabilities	323	367
With the Public Liabilities		
Accounts Payable	-	8
Federal Employee Salary, Leave and Benefits Payable [Note 5]	604	593
Pensions, Other Post-Employment Benefits Payable [Note 6]	3,310,353	3,213,020
Other Liabilities [Notes 7 & 8]	2,162	2,190
Total With the Public Liabilities	3,313,119	3,215,811
TOTAL LIABILITIES	$3,313,442	$3,216,178
Commitments and Contingencies [Note 9]		
NET POSITION		
Unexpended Appropriations-Funds from Other than Dedicated Collections	$308	$334
Cumulative Results of Operations-Funds from Other than Dedicated Collections	(2,052,235)	(1,984,199)
TOTAL NET POSITION	($2,051,927)	($1,983,865)
TOTAL LIABILITIES AND NET POSITION	$1,261,515	$1,232,313

The accompanying notes are an integral part of the financial statements.

U.S. OFFICE OF PERSONNEL MANAGEMENT
CONSOLIDATED STATEMENTS OF NET COST
For the Fiscal Years Ended September 30, 2026 and 2025
(In Millions)

		FY 2026	FY 2025
Provide CSRS Benefits	Gross Costs	$29,738	$26,594
	Less: Earned Revenue	(6,881)	(6,364)
	Net Cost	22,857	20,230
	(Gain)/Loss on Pension, ORB, or OPEB Assumption Changes [Note 6]	10,258	(49,027)
	Net Cost of Operations	$33,115	($28,797)
Provide FERS Benefits	Gross Costs	$115,948	$132,799
	Less: Earned Revenue	(96,261)	(93,616)
	Net Cost	19,687	39,183
	(Gain)/Loss on Pension, ORB, or OPEB Assumption Changes [Note 6]	(21,135)	(99,141)
	Net Cost of Operations	($1,448)	($59,958)
Provide Health Benefits	Gross Costs	$127,545	$109,938
	Less: Earned Revenue	(54,298)	(52,546)
	Net Cost	73,247	57,392
	(Gain)/Loss on Pension, ORB, or OPEB Assumption Changes [Note 6]	31,982	(32,368)
	Net Cost of Operations	$105,229	$25,024
Provide Life Insurance Benefits	Gross Costs	$6,873	$6,618
	Less: Earned Revenue	(6,597)	(6,726)
	Net Cost	276	(108)
	(Gain)/Loss on Pension, ORB, or OPEB Assumption Changes [Note 6]	(2,358)	90
	Net Cost of Operations	($2,082)	($18)
Other Programs	Gross Costs	$678	$958
	Less: Earned Revenue	(238)	(358)
	Net Cost of Operations	$440	$600
Total Net Cost of Operations	Gross Costs	$280,782	$276,907
	Less: Earned Revenue	(164,275)	(159,610)
	Net Cost	116,507	117,297
	(Gain)/Loss on Pension, ORB, or OPEB Assumption Changes [Note 6]	18,747	(180,446)
	Net Cost of Operations	$135,254	($63,149)

The accompanying notes are an integral part of the financial statements.

U.S. OFFICE OF PERSONNEL MANAGEMENT
CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION
For the Fiscal Years Ended September 30, 2026 and 2025
(In Millions)

	FY 2026	FY 2025
UNEXPENDED APPROPRIATIONS		
Beginning Balance	**$334**	**$369**
Financing Sources:		
Appropriations Received	**67,192**	**67,941**
Appropriations Transferred	**-**	**(1)**
Other Adjustments	**(6)**	**704**
Appropriations Used	**(67,212)**	**(68,679)**
Total Budgetary Financing Sources	**(26)**	**(35)**
Total Unexpended Appropriations - Ending Balance	**$308**	**$334**
CUMULATIVE RESULTS OF OPERATIONS		
Beginning Balances	**($1,984,199)**	**($2,116,076)**
Financing Sources:		
Appropriations Used	**67,212**	**68,679**
Transfer-In/Out Without Reimbursement	**(26)**	**2**
Other Financing Sources	**32**	**47**
Total Financing Sources	**67,218**	**68,728**
Net Cost of Operations	**135,254**	**(63,149)**
Net Change	**(68,036)**	**131,877**
Cumulative Results of Operations - Ending Balance	**($2,052,235)**	**($1,984,199)**
NET POSITION	**($2,051,927)**	**($1,983,865)**

The accompanying notes are an integral part of the financial statements.

U.S. OFFICE OF PERSONNEL MANAGEMENT
COMBINED STATEMENTS OF BUDGETARY RESOURCES
For the Fiscal Years Ended September 30, 2026 and 2025

(In Millions)

	FY 2026	FY 2025
BUDGETARY RESOURCES		
Unobligated Balance, from Prior Year Budget Authority, Net	**$77,203**	**$74,219**
Appropriations	**188,513**	**183,741**
Spending Authority from Offsetting Collections	**84,082**	**80,603**
Total Budgetary Resources	**$349,798**	**$338,563**
STATUS OF BUDGETARY RESOURCES		
New Obligations and Upward Adjustments [Note 11]	**$270,795**	**$261,559**
Unobligated Balance, End of Year:		
Apportioned, Unexpired Accounts	**1,978**	**1,105**
Unapportioned, Unexpired Accounts	**76,716**	**75,618**
Expired, Unobligated Balance, End of Year	**309**	**281**
Total Unobligated Balance, End of Year	**79,003**	**77,004**
Total Budgetary Resources	**$349,798**	**$338,563**
OUTLAYS, NET		
Outlays, Net	**$184,623**	**$180,490**
Less: Distributed Offsetting Receipts	**(48,815)**	**(52,251)**
Agency Outlays, Net	**$135,808**	**$128,239**

The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements

September 30, 2026 [$ in millions]

Note 1, Reporting Entity and Summary of Significant Accounting Policies

A. Reporting Entity

OPM is the Federal Government's HR agency. It was created as an independent agency of the Executive Branch of Government on January 1, 1979. Many of the functions of the former Civil Service Commission were transferred to OPM at that time.

The accompanying financial statements present OPM's financial position, net cost of operations, changes in net position, and status of budgetary resources, as required by the CFO Act, GMRA, and the FY 2026 OMB Circular A-136, Financial Reporting Requirements. OPM is a component of the U.S. Government. For this reason, activity between OPM and other intragovernmental agencies may be eliminated for government-wide financial statements.

The financial statements comprise the following major programs administered by OPM: The funds related to the operation of the Retirement Program, the Health Benefits Program, and the Life Insurance Program. The statutory authority for OPM's Federal employees' benefit programs can be found in Title 5, USC; Chapters 83 and 84 provide a complete description of the CSRDF's provisions; Chapter 89 provides a complete description of the Employees' Health Benefits Fund and the Retired Employees' Health Benefits Fund provisions; and Chapter 87 provides a complete description of the Employees' Group Life Insurance Fund provisions. Sections 802 and 803 of Public Law (P.L.) 109- 435, the Postal Accountability and Enhancement Act (Postal Act), amended certain provisions of Chapters 83 and 89 of Title 5 dealing with the Retirement Program and the Health Benefits Program, respectively. In January 2025, Title I, Section 101 of The PSRA of 2022 (P. L. 117-108) required OPM to establish the Postal Service Health Benefits Program (PSHBP), a separate health benefit program for USPS employees, annuitants, and their eligible family members that will operate in parallel to the FEHBP. Therefore, both the PSHBP and FEHBP are both collectively reported in the Health Benefits Program. In addition, the financial statements also encompass OPM's Other Programs, which includes the Revolving Fund Programs as well as S&E.

Retirement Program

The Retirement Program consists of two defined-benefit pension plans: the CSRS and the FERS. Together, the two plans cover substantially all full-time, permanent civilian Federal employees. The CSRS, implemented in 1921, is a stand-alone plan, providing benefits to most Federal employees hired before 1984. The FERS uses Social Security as its base and provides an additional defined benefit and a voluntary thrift savings plan to most employees entering the Federal service after 1983. The FERS was established in 1986 and when it became effective on January 1, 1987, CSRS Interim employees with less than 5 years of creditable civilian service on December 31, 1986, were automatically converted to FERS. The FERS – Revised Annuity Employees (RAE) was established in 2012 and became effective on January 1, 2013, and the FERS – Further Revised Annuity Employee (FRAE) was established in 2013 and became effective on January 1, 2014. Both defined-benefit pension plans are operated via the CSRDF, a trust fund.

Health Benefits Program

The Health Benefits Program provides comprehensive health insurance benefits to Federal employees, annuitants, their eligible family members, and other eligible persons. It was implemented in 1960 and is operated through two trust revolving funds: the

Employees' Health Benefits Fund and the Retired Employees' Health Benefits Fund. Title 5, USC, Chapter 89 provides a complete description of the funds' provisions. To provide benefits, OPM contracts with approximately 50 FEHB and 28 PSHB carriers. During FY 2026, over 60 percent of the Health Benefits Program's benefits were administered by the Blue Cross and Blue Shield Association, a fee-for-service carrier that provides experience-rated benefits. Contracts with carriers that provide fee-for-service benefits are experience-rated, with the amount contributed by and for participants affected by, among other things, the number and size of claims. Most Health Maintenance Organizations (HMO) contracts are community-rated, so the amount of profit and administrative expenses charged to the FEHBP by the carrier can be no more than what is allowed in the large group market overall.

On December 20, 2006, President Bush signed into law the Postal Act, P.L. 109-435. Title VIII of the Postal Act made significant changes in the laws dealing with the funding of CSRS benefits and the funding of retiree health benefits for employees of the USPS. The Postal Act required the USPS to make statutorily defined payments to the PSRHBF through 2016 and actuarially determined prefunding payments beginning in 2017. The PSRA of 2022 repealed the required prefunding payments, eliminated all past due payments, and defined a new formula for payments into the PSRHBF beginning in FY 2026. The new payments are not meant to prefund PRHB; they have the net effect of the USPS drawing claims costs instead of premiums for their annuitants from the fund. The first FY 2026 payment was due from USPS on September 30, 2026, but USPS informed OPM that they are in an untenable financial position and won't be making the payment. The PSRHBF is included in the Health Benefits Program.

Life Insurance Program

The FEGLI Program provides group, term-life insurance coverage to Federal employees and retirees. The Life Insurance Program was implemented in 1954 and significantly modified in 1980. It is operated through the FEGLI Fund, a trust revolving fund, and is administered, virtually in its entirety, by the Metropolitan Life Insurance Company under contract with OPM. Title 5, USC, Chapter 87 provides a complete description of the fund's provisions. It provides Basic life insurance (which includes accidental death and dismemberment coverage) and three packages of optional coverage.

Other Programs

OPM provides various HR-related services in a Revolving Fund Program to other Federal agencies, such as credit monitoring, employee training, and other human resource solutions. These activities are financed through an intragovernmental revolving fund.

In addition, OPM's S&E provides the budgetary resources OPM uses for administrative purposes in support of the agency's mission. These resources are furnished by annual, multiple-year, and no-year appropriations. Annual appropriations are made for a specified fiscal year and are available for new obligations only during that fiscal year. Multiple-year appropriations are available for a definite period in excess of one fiscal year. No-year appropriations are available for obligation without fiscal year limitation.

B. Basis of Accounting and Presentation

Basis of Accounting

OPM's financial statements reflect both accrual and budgetary accounting transactions. Under the accrual method of accounting, exchange revenue is recognized when earned and expenses are recognized when incurred, without regard to the receipt or payment of cash.

Basis of Presentation

The OPM fiscal year ends September 30. The accompanying financial statements account for all resources for which OPM is responsible. The financial statements are prepared from the books and records of OPM activities in accordance with GAAP promulgated by the Federal Accounting Standards Advisory Board (FASAB[1]) and presented in the format prescribed by the FY 2026 OMB Circular A-136.

The OPM financial statements consist of the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and the Statement of Budgetary Resources and accompanying notes, which are an integral part of the financial statements.

OPM's Balance Sheet: To show the assets, liabilities, and net position to present a comprehensive understanding of OPM's financial position.

[1] FASAB is the official body for setting accounting standards of the U.S. Government.

OPM's Statement of Net Costs: To derive its net cost of operations, OPM deducts the earned revenues associated with its gross cost of providing benefits and services on the accompanying Statement of Net Cost.

OPM's Statement of Changes in Net Position: The Statement of Changes in Net Position separately discloses other financing sources including unexpended appropriations, net cost of operations, and cumulative results of operations.

OPM's Statement of Budgetary Resources: The budgetary accounting concepts are recognized in the Statement of Budgetary Resources. OPM's Statement of Budgetary Resources present:

(1) Budgetary resources[2] for the fiscal year. OPM's budgetary resources include unobligated balances of resources from prior years and new resources, consisting of appropriations, and spending authority from offsetting collections.

(2) Status of those budgetary resources which include obligated[3] amounts and unobligated[4] amounts for the fiscal year. OPM's obligations are direct and reimbursable. In general, reimbursable obligations are those financed by offsetting collections (see Section 20.7 (d)) received in return for goods and services provided, while all other obligations are direct, with a few exceptions noted in OMB Circular A-11.

(3) Outlays[5], Net, and Distributing Offsetting Receipts (cash transactions) for the fiscal year,

which is comprised of Outlays less Actual Offsetting Receipts (cash transactions) and includes:

i. Outlays, Net, which is comprised of Disbursements less, Offsetting Collections[6].

ii. Agency Outlays, Net, which is comprised of Outlays, Net less Distributed Offsetting Receipts.

Distributed Offsetting Receipts represents actual collections from With the Public or from other Federal entities, net of disbursements, that are credited to certain receipt accounts (general fund, special fund, trust fund, and gift and donation receipt accounts) and budget clearing accounts, and for which the net receipts recorded to this line offset the budget outlays of the agency that conducts the activity generating the receipts.

Budgetary accounting is based on concepts set forth by OMB Circular A-11, Preparation, Submission, and Execution of the Budget, as amended, which provides instructions on budget execution. Budgetary accounting is designed to recognize the budgetary resources and the related status of those budgetary resources, including the obligation and outlay of funds according to legal requirements, which in many cases is made prior to the occurrence of an accrual-based transaction. Budgetary accounting is essential for compliance with legal constraints and controls over the use of Federal funds.

Financial Statement Classifications

Intragovernmental and With the Public: Statement of Federal Financial Accounting Standards (SFFAS) 1 distinguishes between intragovernmental and Non-Federal (referred to as With the Public) assets and liabilities. Intragovernmental assets and liabilities arise from transactions among Federal entities.

[2] Per OMB Circular A-11, Section 20, "Budgetary resources are amounts available to incur obligations in a given year. Budgetary resources consist of new budget authority and unobligated balances of budget authority provided in previous years."

[3] Per OMB Circular A-11, Section 20, "Obligation means a legally binding agreement that will result in outlays, immediately or in the future."

[4] Per OMB Circular A-11, Section 20, "Unobligated amount means the cumulative amount of budget authority that remains available for obligation under law in unexpired accounts. The term "expired balances available for adjustment" only refers to unobligated amounts in expired accounts."

[5] Per OMB Circular A-11, Section 20, "Outlay means a payment to liquidate an obligation (other than the repayment to the Treasury of debt principal). Outlays are a measure of Government spending."

[6] Per OMB Circular A-11, Section 20, Terms and Concepts, "Offsetting collections mean payments to the Government that, by law, are credited directly to expenditure accounts and deducted from gross budget authority and outlays of the expenditure account, rather than added to receipts. Usually, offsetting collections are authorized to be spent for the purposes of the account without further action by Congress. They usually result from business-like transactions With the Public, including payments from With the Public in exchange for goods and services, reimbursements for damages, and gifts or donations of money to the Government and from intragovernmental transactions with other Government accounts. The authority to spend offsetting collections is a form of budget authority."

Intragovernmental assets are claims other Federal entities owe to OPM. Intragovernmental liabilities are claims OPM owes to other Federal entities; whereas, With the Public assets and liabilities arise from transactions with non-Federal entities. The term, With the Public entities, encompass domestic and foreign persons and organizations outside the U.S. Government. With the Public assets are claims of OPM against public entities. With the Public liabilities are amounts that OPM owes to non-federal entities.

Throughout these financial statements, intragovernmental assets, liabilities, revenue and cost have been classified according to the type of entity with which the transactions are associated. The majority of OPM's gross cost to provide Retirement, Health Benefits and Life Insurance Program benefits are classified as costs With the Public because the recipients of these benefits are Federal employees, retirees, and their survivors and families.

C. Use of Management's Estimates

The preparation of financial statements in accordance with GAAP requires management to make certain estimates. These estimates affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of earned revenues and costs during the reporting period. Actual results could differ from the estimates.

D. Entity vs. Non-Entity Assets

SFFAS 1, *Accounting for Selected Assets and Liabilities,* distinguishes between entity and non-entity assets. Entity assets are those the reporting entity has the legal authority to use in its operations. Non-entity assets are assets held by an entity that are not available to the entity. All OPM assets are entity assets.

E. Appropriations and Funding Sources

OPM receives new budgetary resources each fiscal year in the form of appropriations, trust fund receipts, and spending authority from offsetting collections. In addition, OPM normally carries-over a balance of unobligated budgetary resources from the prior fiscal year, which may be used in accordance with the current year SF-132 to cover spending, should new budgetary resources or collections be insufficient to cover obligations incurred.

Appropriations

By an act of Congress, OPM receives budgetary resources in the form of appropriations that allow it to incur obligations to pay (1) the Government's share of the cost of health and life insurance benefits for Retirement Program annuitants; and (2) in part, the administrative and operating expenses of OPM. In addition, the CSRDF receives an amount annually to subsidize, in part, the underfunding of the CSRDF. OPM's appropriations state the amount of the authority at the time it is granted, and the authority is available for obligation only during the current fiscal year. At fiscal year-end, any unobligated balances in the appropriations that fund the Government's share of the cost of health and life insurance benefits are returned to the Treasury. Obligated balances are used to make future payments for existing obligations, while unobligated balances are not available to cover new obligations. Budgetary resources in annual or multi-year funds, including any related obligations and payables, are 'cancelled' at the end of the five-year expiration period and returned to Treasury.

Trust Fund Receipts

The amounts collected by OPM and credited to the CSRDF and PSRHBF generate budgetary resources in the form of trust fund receipts. Trust fund receipts are made available to cover the valid obligations throughout the fiscal year of the CSRDF and PSRHBF as they are incurred in accordance with the approved OMB SF-132.

At the end of each fiscal year, the amount by which OPM's collections have exceeded its incurred obligations are temporarily precluded from obligation and added to OPM's trust fund balance. For FY 2026, the PSRHBF receipts are used to pay annual premium costs for the USPS post 1971 current annuitants [See Note 10]. The PSRHBF operates similarly to the CSRDF.

Spending Authority from Offsetting Collections
The amount collected by OPM and credited to the Health Benefits, Life Insurance and Revolving Fund Programs generates budgetary resources in the form of 'spending authority from offsetting collections' (SAOC). During the fiscal year, the obligations incurred by OPM for these programs may not exceed budgetary resources apportioned by OMB. At year-end, the remaining unobligated balances are brought forward into the subsequent fiscal year.

F. Program Funding

Retirement Program
Service-cost represents an estimate of the amount of contributions which, if accumulated and invested over the careers of participants, will be sufficient to fully fund their future CSRS or FERS benefits. OPM's Office of the Actuaries has determined that the service-cost for most or "regular" CSRS participants is 55.3 percent of basic pay for FY 2026. For FERS, the service cost for most or "regular" FERS participants is 23.9 percent of basic pay for FY 2026, and for "regular" Federal Employees Retirement System-Further Revised Annuity Employees (FERS-FRAE) participants is 24.6 percent of basic pay for FY 2026. Different service-costs apply for participants under Federal Employees Retirement System-Revised Annuity Employees (FERS-RAE), Postal Service participants, and participants covered under special retirement provisions such as law enforcement officers, firefighters, and air traffic controllers.

CSRS
Both CSRS participants and their employing agencies, except for USPS, are required by statute to make contributions to CSRS coverage. Regular CSRS participants and their employers each contributed 7.0 percent of pay in FY 2026. The combined 14.0 percent of pay does not cover the service cost of a CSRS benefit. To lessen the shortfall, Treasury is required by statute to warrant an amount annually from the General Fund of the U.S. Government to the CSRDF [See Note 1.G.]; for FY 2026, this amount was $33.4 billion for the CSRS.

FERS
Both FERS participants and their employing agencies are required by statute to make contributions for FERS coverage. In addition, Treasury is required by statute to warrant an amount from the General Fund of the U.S. Government to the CSRDF for the FERS Supplemental Liability; for FY 2026, this amount was $14.9 billion. There are currently three FERS participant contribution rates for most regular participants:

1. For most participants who entered before calendar year 2013, the FERS participant contribution rate is 0.8 percent of pay. The rate is equal to the CSRS participant contribution rate less the prevailing Old Age Survivor and Disability Insurance deduction rate.
2. FERS-RAE, which was established under the Middle-Class Tax Relief and Job Creation Job Act of 2012, P.L. 112-96, Section 5001 – Federal Employees Retirement, generally applies for participants who entered during calendar year 2013. For most FERS-RAE participants, the participant contribution rate is 3.1 percent of pay.
3. FERS-FRAE, which was established under Section 401 of the Bipartisan Budget Act of 2013, P.L. 113-67, Sec. 401, generally applies for participants entering on or after January 1, 2014. For most FERS-FRAE participants, the participant contribution rate is 4.4 percent of pay.

Note: There is no difference in the FERS basic benefit paid to FERS Regular, FERS-RAE, and FERS-FRAE employees. However, the basic benefit for congressional employees and members of Congress under FERS-RAE and FERS-FRAE is different than the basic benefit paid to those groups under FERS.

Health Benefits Program
The Health Benefits Program (except for the PSRHBF) is funded on a "pay-as-you-go" basis, with both participants and their employing agencies making contributions on approximately a 30 percent to 70 percent basis (some

categories of enrollees are responsible for the entire premium amount (e.g., Temporary Continuation of Coverage, former spouses)). OPM contributes the "employer" share for Retirement Program annuitants via an appropriation. It continues to provide benefits to active employees, or their survivors, after they retire (post-retirement benefits). Except for the USPS, agencies are not required to make premium contributions for their annuitants.

Life Insurance Program
The Life Insurance Program is funded on a "pay-as-you-go" basis, with both participants and their employing agencies making contributions to Basic life insurance coverage, generally on a two-thirds to one-third basis; OPM contributes the "employer" share for Retirement Program annuitants via an appropriation. It is funded using the "level premium" method, where contributions paid by and for participants remain fixed until age 65 but overcharge during early years of coverage to compensate for higher rates of expected outflows in later years. A small portion, 0.02 percent of the pay of participating employees in FY 2026, of post-retirement life insurance coverage is not funded and is an OPM liability.

Other Programs
OPM's Revolving Fund Programs provide a continuing cycle of HR services primarily to Federal agencies on a reimbursable basis. Each program is operated at rates established by OPM to be adequate to recover costs over a reasonable period. Receipts derived from operations are, by law, available in their entirety for use of the fund without further action by Congress. Since the Revolving Fund's programs charge full cost, customer-agencies do not recognize imputed costs. OPM provides receiving entities of such services with full cost information through billings based on reimbursable agreements for services rendered. Examples of OPM Revolving Fund programs include USAJOBS and Human Resource Solutions.

The S&E account and the Office of Inspector General (OIG) S&E account finance OPM's administrative operating expenses and have three funding sources: 1) S&E appropriation; 2) transfers from the trust fund accounts; and 3) reimbursements.

G. Financing Sources Other than Earned Revenue

OPM receives inflows of assets from financing sources other than earned revenue. These financing sources are not deducted from OPM's gross cost of providing benefits and services on the Statement of Net Cost but added to its net position on the Statement of Changes in Net Position. OPM's major financing sources other than earned revenue are:

Appropriations Used
By an act of Congress, OPM receives appropriated authority allowing it to incur obligations and make expenditures to cover the operating costs of the agency (S&E) and the Government's share of the cost of health and life insurance benefits for Retirement Program annuitants. OPM recognizes appropriations as "used" at the time it incurs expended obligations against its appropriated authority.

Transfer-In/Out Without Reimbursement
Administrative transfers between OPM funds generally offset each other annually. Funds disbursed from the Other Programs S&E accounts for the administration of the Trust Fund Programs are reimbursed as costs are incurred.

The CSRDF is funded by employee and agency contributions, and from the General Fund of the U.S. Government. The warrant received from the General Fund of the U.S. Government is recorded as a transfer-out of the Retirement Payment Account and a transfer-in to the Retirement Program. This transfer activity offsets within the Retirement Program and therefore does not appear on the Retirement statement of changes in net position.

Other Financing Sources
Other Financing Sources include imputed financing. Goods and services are received from other Federal entities at no cost or at a cost less than the full cost to the providing Federal entity. Consistent with accounting standards, certain costs of the providing entity that are not fully reimbursed by OPM are recognized as imputed cost in the Statement of Net Cost and are offset by imputed financing sources included in the Other Financing Sources on the Statement of Changes in Net Position. Such imputed costs and imputed financing relate to business-type activities, employee benefits, and claims to be settled by the Treasury Judgment Fund. However, unreimbursed costs of goods and services other than those identified above are not included in our financial statements in accordance with SFFAS 55, *Amending Inter-entity Cost Provisions*.

H. Fund Balance with Treasury

OPM does not maintain cash in a commercial bank, but rather in Treasury. OPM's Fund Balance with Treasury (FBWT) includes the amount available for OPM to pay current liabilities and finance authorized purchases, except as restricted by law. FBWT comprises the aggregate total of OPM's unexpended, un-invested balances in its appropriation, trust, revolving, and trust revolving accounts. All of OPM's collections are deposited and its expenditures are paid from one of its FBWT accounts. OPM invests FBWT balances associated with the Retirement, Health Benefits, and Life Insurance Programs that are not immediately needed to cover expenditures unless there is a Debt Issuance Suspension Period (DISP).

I. Investments, Net

OPM invests the excess FBWT for the funds associated with the Retirement, Health Benefits, and Life Insurance Programs in securities guaranteed by the U.S. as to principal and interest. OPM's investments in Federal securities consists of non-marketable Government Account Series (GAS) securities, both market-based notes and par-value securities. In addition, OPM holds long-term marketable Treasury securities with the Federal Financing Bank, as a result of the tools used during a DISP. OPM invests the excess FBWT in the specific security type to match the need to pay future benefits or other expenditures when the funds will be available. Investments are stated at the original acquisition cost, net of amortized premium and discount.

Market-based Notes

The notes consist of interest-bearing, market-based Treasury securities purchased from Treasury at a discount/premium. These investments are presented on OPM's Balance Sheet at acquisition cost, net of amortization of the discount/premium. The discount is amortized over the life of the note using the interest method. Under the interest method, the effective interest rate (the actual interest yield on amounts invested) multiplied by the carrying amount of the note at the start of the accounting period equals the interest income recognized during the period (the carrying amount changes each period by the amount of the amortized discount/premium). The amount of the amortization of the discount/premium is the difference between the effective interest recognized for the period and the nominal interest for the note.

Health Benefits and Life Insurance Programs' and a portion of Retirement monies are invested in market-based securities that mirror the terms of marketable Treasury securities. Program investment strategies are based on the future expected need of the funds. These market-based securities have some market value risk.

Par-value GAS securities and Certificates of Indebtedness

Retirement Program and the PSRHBF portion of the Health Benefits Program monies are invested initially in Certificates of Indebtedness (Certificates), which are issued by the Treasury at par value and mature on the following June 30. The Certificates are routinely redeemed at face value to pay for authorized program expenditures. Each June 30, all outstanding Certificates are rolled over into special GAS securities that are issued by Treasury at par value, with a yield equaling the average of all marketable Treasury securities with four or more years to maturity.

J. Accounts Receivable, Net

Accounts Receivables are mostly comprised of employer and participant contributions, and when OPM performs reimbursable services that result in amounts owed to OPM. Allowances for doubtful accounts are recorded to represent amounts estimated to be uncollectible, using aging methodologies, based on historical collection analysis for both intragovernmental and With the Public receivables.

K. Property, Plant, and Equipment, Net

OPM capitalizes major long-lived software and equipment. Software costing over $500 thousand is capitalized at the cost of either purchase or development and is amortized using a straight-line method over a useful life of five years. Equipment and other general Property, Plant, and Equipment (PP&E) costing over $25 thousand is capitalized at purchase cost and depreciated using the straight-line method over the useful life of the asset. The cost of minor purchases, repairs and maintenance is expensed as incurred.

In accordance with SFFAS 54, *Leases*, OPM evaluated intragovernmental and With the Public lease activity and determined amounts to be immaterial to report separately in the OPM financial statements. The requirements of the standard are applicable only if deemed material to the agency.

L. Other Assets

Other Assets represents the balance of assets held by the experience-rated carriers (ERC) participating in the Health Benefits Program and by the Life Insurance Program carrier, pending disposition on behalf of OPM.

M. Liabilities

Liabilities represent probable and measurable future outflows of resources as a result of past transactions or events and are recognized when incurred, regardless of whether there are budgetary resources available to pay the liabilities.

Liabilities Covered and not Covered by Budgetary Resources

Liabilities covered by budgetary resources include those liabilities for which appropriated funds and receipts are otherwise available to pay amounts due as of the Balance Sheet date.

Liabilities not covered by budgetary resources are amounts owed in excess of available, congressionally appropriated funds and receipts, therefore, no budgetary resources are available to pay amounts due as of the Balance Sheet date but will require future funding. Since no budgetary resources have been made available to liquidate the Pension, PRHB, and Actuarial Life Insurance Liabilities, they are disclosed as being liabilities not covered by budgetary resources. OPM's liability due to the Treasury Judgment Fund, contingent liabilities, unfunded annual leave, and future estimates workers compensation are also disclosed as liabilities not covered by budgetary resources. (Refer to Note 8, Liabilities not covered by budgetary resources).

Current and Noncurrent Liabilities

OPM discloses its other liabilities not covered by budgetary resources between current and noncurrent liabilities in accordance with SFFAS 1. The current liabilities represent liabilities that OPM expects to settle within the 12 months of the Balance Sheet date. Noncurrent liabilities represent liabilities that OPM does not expect to be settled within the 12 months of the Balance Sheet date (refer to Note 8, Liabilities not covered by budgetary resources).

Accounts Payable
Accounts Payable includes amounts owed but not yet paid to intragovernmental and With the Public entities for goods and services received by OPM. OPM estimates and records accruals when services and goods are performed or received.

N. Federal Employee Salary, Leave and Benefits Payable

OPM records liabilities to represent expense incurred; however, not yet paid that relate to current employee salaries, leave, and benefits due and payable. A significant portion of this unpaid liability is for leave earned that an employee is entitled to upon separation that will be funded by future year budgetary resources. Benefits due and payable are premiums payable to community-rated carriers (CRC) participating in the Health Benefits Program that are unpaid as of the current reporting period.

O. Pensions, Other Post-Employment Benefits Payable

OPM records actuarial liabilities [the Pension Liability, PRHB Liability, and the Actuarial Life Insurance Liability] and associated expenses. These liabilities are measured as of the first day of the fiscal year, with a "roll-forward," or projection, to the end of the fiscal year. The roll-forward considers all major factors that affect the measurement that occurred during the reporting fiscal year, including pay raises, cost of living allowances, and material changes in the number of participants. The roll-forward projects a decrease in the number of employee participants by the end of fiscal year 2026, due to greater assumed rates of employee turnover and retirement and less than full replacement of separating employees during the fiscal year.

Long Term Interest Rate Assumptions
OPM's actuaries determine a single interest rate that produces an actuarial liability equivalent to that produced under the 10-year average historical yield curve. OPM's actuaries round the single equivalent interest rate to the nearest 0.1 percent.

OPM's actuaries use a 10-year measuring period for determining the yield curve, taking the 40-quarter arithmetical average of spot rates for zero-coupon Treasuries measured through March 31 of the current fiscal year. OPM's measuring period methodology has been in place under SFFAS 33, *Pensions, Other Retirement Benefits, and Other Postemployment Benefits: Reporting the Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation Dates*, since FY 2010. The March 31 ending date was selected based on the publication dates of source material to meet OPM's financial reporting deadlines. Zero-coupon rates are published by the Treasury's Office of Thrift Supervision.

P. Commitments and Contingencies

In accordance with SFFAS 5, Accounting for Liabilities of the Federal Government, as amended by SFFAS 12, Recognition of Contingent Liabilities Arising from Litigation: An Amendment of SFFAS 5, Accounting for Liabilities of the Federal Government, OPM recognizes and records contingent liabilities in OPM's Balance Sheet and Statement of Net Cost when the loss is determined to be probable and reasonably estimable. In the event of an adverse judgment against the Government, some of the liabilities may be payable from Treasury. OPM evaluates all contingent liabilities based on three criteria: probable, reasonably possible, and remote. OPM recognizes that the estimated liability may be a specific amount or a range of amounts. If some amount within the range is a better estimate than any other amount within the range, that amount is recorded. If no amount within the range is a better estimate than any other amount, the minimum amount of the range is recorded and the range and a description of the nature of the contingency are disclosed. OPM discloses those contingencies that are reasonably possible in Note 9, Commitments and Contingencies, of the financial statements. OPM does not disclose or record contingent liabilities when the loss is considered remote. For matters where OPM's General Counsel is unable to express an opinion regarding the likely outcome of the case and an estimate of the potential liability cannot be made, the total amount claimed against the Government is classified as Reasonably Possible, which meant that the possibility of the loss occurring is more than remote but less than probable, and disclosed if available.

Q. Net Position

Net position is the residual difference between assets and liabilities and consists of Unexpended Appropriations and Cumulative Results of Operations.

Unexpended Appropriations

Unexpended appropriations consist of unobligated and Undelivered order balances. Unobligated balances are amounts of remaining budgetary resources available for obligation, which have not been rescinded or withdrawn. Undelivered Orders are the amount of obligations incurred for goods and/or services ordered, but not yet received or expended.

Cumulative Results of Operations

Cumulative results of operations (CRO) consist of the net difference since inception between: (1) expenses and losses; (2) revenue and gains; and (3) other financing sources. The balance of OPM's CRO is negative due to the recognition of actuarial expenses that will be funded and liquidated in future periods.

R. Expenses

Expenses are recognized when there are outflows, usage of assets, or incurrences of liabilities (or a combination) from carrying out functions related to OPM's activity and related programs, for which benefits do not extend beyond the present operating period. For financial reporting purposes, operating expenses are recognized in the period incurred.

S. Revenue and Other Financing Sources

In accordance with SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, revenue is classified as either exchange revenue or non-exchange revenue.

Exchange Revenue

Exchange revenue is an inflow of resources to an entity that it has earned; it arises when each party to a transaction sacrifices value and receives value in return. All of OPM's revenue is classified as exchange revenue and the two main sources of earned revenue include (1) earning on its investments; and (2) the contributions to the Retirement, Health Benefits and Life Insurance Programs by and for participants.

Federal reporting standards require that earnings on investments be classified in the same manner as the predominant source of revenue that funds the investments; OPM, therefore, classifies earnings on investments as earned revenue. Employing agency and participant contributions to the Retirement, Health Benefits and Life Insurance Programs and the scheduled payment contributions to the PSRHBF are classified as exchange revenue, since they represent exchanges of money and services in return for current and future benefits.

Exchange revenue is presented in the OPM's Statement of Net Cost and serves to offset the costs of these goods and services. The Statement of Net Cost provides users with the ability to ascertain whether OPM's exchange revenue are sufficient to cover the total cost it has incurred to provide Retirement, Health Benefits, and Life Insurance Program benefits.

T. Classified Activities

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

U. Changes in Presentation

Per the FY 2026 OMB Circular A-136, OPM required reporting to follow the comparative year presentation of consolidated financial statements and accompanying notes for FY 2026.

Note 2, Fund Balance with Treasury

Status of Fund Balance with Treasury

OPM's unexpended balances are comprised of its FBWT and its investments (at par, net of original discount). Obligated and unobligated balances reported for the Status of FBWT do not agree with obligated and unobligated balances reported in the Combined Statement of Budgetary Resources due to budgetary balances that are supported by amounts other than FBWT, such as Federal budgetary receivables and unfilled customer orders. These resources provide budget authority; however, do not contribute to FBWT on the Balance Sheet until collected.

In order to reconcile budgetary resources to ending FBWT, balances precluded from obligation and temporarily unavailable are needed as they are not included in the total budgetary resources or the status of budgetary resources on the Statement of Budgetary Resources. In addition, resources associated with investments in Federal securities are no longer in FBWT, and therefore removed. OPM did not have any FBWT related to Non-budgetary accounts such as deposit, clearing or unavailable receipt funds as of September 30, 2026, and 2025, respectively.

The obligated not yet disbursed balance represents amounts designated for payment of goods and services ordered but not yet received; or which payment has not yet been made. The following table presents a summary of OPM's FBWT as of September 30, 2026, and 2025, respectively.

Table 5A – Fund Balance with Treasury FY 2026

September 30, 2026 (In Millions)					
Status of Fund Balances	**Retirement Program**	**Health Benefits Program**	**Life Insurance Program**	**Other Programs**	**Total**
Unobligated	$-	$15,337	$58,877	$ 167	**$ 74,381**
Obligated Not Yet Disbursed	10,429	10,959	1,795	449	**23,632**
Precluded From Obligations (See Note 10)	1,121,093	19,571	-	-	**1,140,664**
Temporary Unavailable	5	18	-	-	**23**
Less: Invested Budgetary Resources No Longer in FBWT	(1,131,304)	(43,063)	(60,646)	-	**(1,235,013)**
Fund Balance With Treasury	**$223**	**$2,822**	**$26**	**$616**	**$3,687**

Table 5B – Fund Balance with Treasury FY 2025

September 30, 2025 (In Millions)					
Status of Fund Balances	**Retirement Program**	**Health Benefits Program**	**Life Insurance Program**	**Other Programs**	**Total**
Unobligated	$-	$16,881	$55,808	$217	**$72,906**
Obligated Not Yet Disbursed	10,010	8,933	1,872	447	**21,262**
Precluded From Obligations (See Note 10)	1,098,310	24,072	-	-	**1,122,382**
Temporary Unavailable	5	18	-	-	**23**
Less: Invested Budgetary Resources No Longer in FBWT	(1,106,317)	(47,343)	(57,662)	-	**(1,211,322)**
Fund Balance With Treasury	**$2,008**	**$2,561**	**$18**	**$664**	**$5,251**

Note 3, Investments, Net

All of OPM's investments are in securities issued by other Federal entities and are therefore classified as intragovernmental. See Note 1.I for further explanation, including the amortization method. All OPM's investments are with Treasury, either in GAS securities or with the FFB securities, held by trust funds - the Retirement, Health Insurance, and Life Insurance Programs.

With the Public cash receipts are collected for the trust funds; and are deposited with Treasury, which uses the cash for general Government purposes. Treasury securities are issued to OPM as evidence of its receipts. Treasury securities are an asset to OPM and a liability to Treasury.

Treasury securities provide OPM with authority to draw upon the Treasury to make future benefit payments or other expenditures. When OPM requires redemption of these Treasury securities to make expenditures, the Government finances those expenditures out of accumulated cash balances by raising taxes or other receipts, borrowing from the public, repaying less debt, or curtailing other expenditures. This is the same way the Government finances all other expenditures.

Market-based GAS securities carry an additional risk, if not carried to maturity. Retirement, Health, and Life all invest in these securities and, if redeemed early, may receive less value in return for the security redeemed.

The following table summarizes OPM's Investments, Net, as of September 30, 2026 and 2025, respectively:

Table 6A – Investments, Net – Intragovernmental FY 2026

September 30, 2026 (In Millions)							
Program	Cost	Amortized Discount/ (Premium)	Interest Receivable	Total Investments		Market Value Disclosure	
						Unrealized Gain/(Loss)	Market Value
Retirement Program							
Marketable:							
FFB Securities	$3,591	$-	$22	$3,613		$-	$3,591
Non-Marketable: (Market-based)							
Market-Based GAS securities	257,249	413	4,222	261,884		(25,103)	232,559
Non-Marketable: (PAR)							
Par-value GAS securities	751,456	-	7,669	759,125		-	751,456
Certificates of Indebtedness	119,477	-	720	120,197		-	119,477
Total Retirement Program	**$1,131,773**	**$413**	**$12,633**	**$1,144,819**		**$(25,103)**	**$1,107,083**
Health Benefits Program							
Non-Marketable: (Market-based)							
Market-Based GAS securities	$23,533	$9	$112	$ 23,654		$(16)	$23,526
Non-Marketable: (PAR)							
Par-value GAS securities	19,566	-	106	19,672		-	19,566
Total Health Benefits Program	**$ 43,099**	**$9**	**$218**	**$43,326**		**$(16)**	**$43,092**
Life Insurance Program							
Non-Marketable: (Market-based)							
Market-Based GAS securities	$60,840	$(7)	$307	$61,140		$(602)	$60,231
Total Life Insurance Program	**$60,840**	**$(7)**	**$307**	**$61,140**		**$(602)**	**$60,231**
Total Investments, Net	**$1,235,712**	**$415**	**$13,158**	**$1,249,285**		**$(25,721)**	**$1,210,406**

Table 6B – Investments, Net – Intragovernmental FY 2025

September 30, 2025 (In Millions)							
Program	Cost	Amortized Discount/ (Premium)	Interest Receivable	Total Investments		Market Value Disclosure	
						Unrealized Gain/(Loss)	Market Value
Retirement Program							
Marketable:							
FFB Securities	$4,093	$-	$25	$4,118		($25)	$4,093
Non-Marketable: (PAR)							
Par-value GAS securities	1,033,894	-	8,576	1,042,470		(8,576)	1,033,894
Certificates of Indebtedness	68,330	-	88	68,418		(88)	68,330
Total Retirement Program	**$1,106,317**	**$-**	**$8,689**	**$1,115,006**		**($8,689)**	**$1,106,317**
Health Benefits Program							
Non-Marketable: (Market-based)							
Market-Based GAS securities	$23,276	$45	$46	$ 23,367		$46	$23,367
Non-Marketable: (PAR)							
Par-value GAS securities	24,067	-	130	24,197		(130)	24,067
Total Health Benefits Program	**$ 47,343**	**$45**	**$176**	**$47,564**		**($84)**	**$47,434**
Life Insurance Program							
Non-Marketable: (Market-based)							
Market-Based GAS securities	$57,668	$220	$283	$58,171		$306	$58,194
Total Life Insurance Program	**$57,668**	**$220**	**$283**	**$ 58,171**		**$306**	**$58,194**
Total Investments, Net	**$1,211,328**	**$265**	**$9,148**	**$1,220,741**		**($8,467)**	**$1,211,945**

Note 4, Accounts Receivable, Net

Intragovernmental

The balances comprising OPM's intragovernmental accounts receivable as of September 30, 2026, and 2025, are reported in the following table:

Table 7A– Accounts Receivable, Net – Intragovernmental FY 2026

September 30, 2026 (In Millions)						
Accounts Receivable, Net-Intragovernmental	**Retirement Program**	**Health Benefits Program**	**Life Insurance Program**	**Other Programs**	**Intra-entity Eliminations**	**Consolidated Total**
Employer Contributions Receivable	$40,177	$1,675	$26	$-	$(2)	$41,876
Other	-	-	-	216	(208)	8
Allowance	(38,533)	(726)	-	-	-	(39,259)
Total Accounts Receivable, Net - Intragovernmental	**$1,644**	**$949**	**$26**	**$216**	**$(210)**	**$2,625**

Table 7B– Accounts Receivable, Net – Intragovernmental FY 2025

September 30, 2025 (In Millions)						
Accounts Receivable, Net-Intragovernmental	**Retirement Program**	**Health Benefits Program**	**Life Insurance Program**	**Other Programs**	**Intra-entity Eliminations**	**Consolidated Total**
Employer Contributions Receivable	$32,698	$878	$25	$-	$(5)	$33,596
Other	-	-	-	181	(169)	12
Allowance	(30,924)	-	-	-	-	(30,924)
Total Accounts Receivable, Net - Intragovernmental	**$1,774**	**$878**	**$25**	**$181**	**$(174)**	**$2,684**

The USPS is required to make annual contributions to the CSRDF for both CSRS and FERS under Section 8348 (h) and Section 8423 (b) of Title 5, U.S.C. As of September 30, 2026, total contributions owed was $38.5 billion, of which OPM has deemed nearly the full outstanding balance to be uncollectible due to continued growth and aging of the receivable as a result of USPS budget constraints. The USPS is also required to make an annual payment into the PSRHBF beginning in FY 2026. The first FY 2026 payment was due from USPS on September 30, 2026, but USPS informed OPM that they are in an untenable financial position and won't be making the payment; therefore, the entire $726 M was deemed uncollectible. All other intragovernmental receivables are considered collectible.

With the Public

The balances comprising OPM's accounts receivable with the public as of September 30, 2026, and 2025 respectively, are reported in the following table. See Note 1.J for the methodology used to determine the allowance.

Table 8A – Accounts Receivable, Net - With the Public FY 2026

September 30, 2026 (In Millions)				
Accounts Receivable, Net-With the Public	**Retirement Program**	**Health Benefits Program**	**Life Insurance Program**	**Total**
Participant Contributions Receivable	$276	$1,755	$206	$2,237
Overpayment of Benefits	429	-	-	429
Criminal Restitution Receivable	29	56	-	85
Other	1	-	-	1
Allowance	(107)	(31)	-	(138)
Total Accounts Receivable, Net - With the Public	**$628**	**$1,780**	**$206**	**$2,614**

Table 8B – Accounts Receivable, Net - With the Public FY 2025

September 30, 2025 (In Millions)				
Accounts Receivable, Net-With the Public	**Retirement Program**	**Health Benefits Program**	**Life Insurance Program**	**Total**
Participant Contributions Receivable	$266	$1,562	$230	$2,058
Overpayment of Benefits	392	-	-	392
Criminal Restitution Receivable	30	45	-	75
Other	1	-	-	1
Allowance	(101)	(31)	-	(132)
Total Accounts Receivable, Net - With the Public	**$588**	**$1,576**	**$230**	**$2,394**

Note 5, Federal Employee Salary, Leave, and Benefits Payable

Federal Employee Salary, Leave, and Benefits Payable represent amounts due for employees currently employed by OPM plus premiums payable to CRC participating in the Health Benefits Program. These liabilities do not represent amounts due that relate to pension or post-employment benefits.

The table below provides a breakdown of the Federal Employee Salary, Leave, and Benefits Payable reported on the Balance Sheet as of September 30, 2026 and 2025, respectively.

Table 9 – Federal Employee Salary, Leave, and Benefits Payable

Federal Employee Salary, Leave, and Benefits Payable	September 30, 2026 (In Millions)	September 30, 2025 (In Millions)
Accrued Funded Payroll and Leave	$7	$19
Employer Contributions and Payroll Taxes Payable	1	-
Benefit Premiums Payable to Carriers	574	546
Unfunded Leave Retirement, Health, & Life	22	28
Total Federal Employee Salary, Leave, and Benefits Payable	**$604**	**$593**

Note 6, Pensions, Other Post-Employment Benefits Payable

A. Pensions, Other Post-Employment Benefits Payable

Pensions and OPEB Payable include actuarial estimates of all future post-employment benefits for Retirement, Health Benefits, and Life Insurance Programs based on certain economic assumptions and demographics. In addition, it includes claims or benefits on behalf of employees that have not yet been submitted to the insurer, actual benefits due to employees and their beneficiaries, and actuarial FECA liability representing a present value of future benefits provided as a result of work-related deaths, disability, or occupational disease.

The table below provides a breakdown of the Pensions, OPEB Payable reported on the Balance Sheet as of September 30, 2026 and 2025, respectively.

Table 10 – Pensions, Other Post-Employment Benefits Payable

Pensions, Other Post-Employment Benefits Payable	September 30, 2026 (In Millions)	September 30, 2025 (In Millions)
Actuarial Liabilities		
Actuarial Pension Liability	$2,706,200	$2,695,100
Actuarial Health Insurance Liability	514,414	431,143
Actuarial Life Insurance Liability	72,082	71,152
Total Actuarial Liabilities	**$3,292,696**	**$3,197,395**
Liability for Employee Benefits and Claims Incurred but Not Reported	7,116	5,451
Pension & Life Insurance Benefits Due and Payable to Beneficiaries	10,536	10,168
Actuarial FECA Liability	5	6
Total Pensions, Other Post-Employment Benefits Payable	**$3,310,353**	**$3,213,020**

B. Reconciliation of Actuarial Liabilities

The table below provides a reconciliation of current year activity in actuarial liabilities by program as of September 30, 2026 and 2025, respectively. Current year actuarial estimates are based on economic assumptions described in section C.

Table 11A – Reconciliation of Actuarial Liabilities FY 2026

September 30, 2026 (In Millions)					
Reconciliation of Actuarial Liabilities	Pension		Health	Life	Total
	CSRS	FERS			
Beginning Actuarial Liability Balance	$1,053,000	$1,642,100	$431,143	$71,152	$3,197,395
Expense:					
Normal Cost[1]	889	79,291	23,568	746	104,494
Interest on the Liability Balance	27,459	53,123	14,307	2,135	97,024
Actuarial (Gain)/Loss:					
From Experience	(1,448)	(20,939)	32,114	1,120	10,847
From Assumption Changes	10,258	(21,135)	31,982	(2,358)	18,747
Total Expense	**$37,158**	**$90,340**	**$101,971**	**$1,643**	**$231,112**
Less Amounts Paid:					
Benefits and Annuities Paid	(73,249)	(42,934)	(17,060)	(703)	(133,946)
Administrative and Other Expenses	(109)	(106)	(1,640)	(10)	(1,865)
Totals Amounts Paid	**$(73,358)**	**$(43,040)**	**$(18,700)**	**$(713)**	**$(135,811)**
Ending Actuarial Liability Balance	**$1,016,800**	**$1,689,400**	**$514,414**	**$72,082**	**$3,292,696**

[1] Life - represents new entrant expense.

Table 11B – Reconciliation of Actuarial Liabilities FY 2025

September 30, 2025 (In Millions)					
Reconciliation of Actuarial Liabilities	Pension		Health	Life	Total
	CSRS	FERS			
Beginning Actuarial Liability Balance	$1,152,400	$1,645,400	$426,219	$68,256	$3,292,275
Expense:					
Normal Cost[1]	1,112	81,983	23,841	755	107,691
Interest on the Liability Balance	27,909	50,041	13,753	1,980	93,683
Actuarial (Gain)/Loss:					
From Experience	(5,810)	233	16,355	763	11,541
From Assumption Changes	(49,027)	(99,141)	(32,368)	90	(180,446)
Total Expense	**($25,816)**	**$33,116**	**$21,581**	**$3,588**	**$32,469**
Less Amounts Paid:					
Benefits and Annuities Paid	(73,465)	(36,312)	(15,061)	(682)	(125,520)
Administrative and Other Expenses	(119)	(104)	(1,596)	(10)	(1,829)
Totals Amounts Paid	**($73,584)**	**($36,416)**	**($16,657)**	**($692)**	**($127,349)**
Ending Actuarial Liability Balance	**$1,053,000**	**$1,642,100**	**$431,143**	**$71,152**	**$3,197,395**

[1] Life - represents new entrant expense.

C. Actuarial Liability Economic Assumptions

Pension Benefits

The OPM Office of the Actuaries, in computing the Pension Liability and associated Pension Expense, applies economic assumptions to historical cost information to estimate the Government's future cost to provide CSRS and FERS benefits to current and future retirees. The estimate is adjusted by the time value of money and the probability of having to pay benefits due to assumed decrements for mortality, morbidity, and terminations. Actuarial gains or losses occur to the extent that actual experience differs from these assumptions used to compute the Pension Liability and associated Pension Expense.

The economic assumptions used to calculate the Pension Liability and related Pension Expense under SFFAS 33, *Pensions, Other Retirement Benefits, and Other Postemployment Benefits: Reporting the Gains and Losses from Changes In Assumptions and Selecting Discount Rates and Valuation Dates* are based on 10-year historical averages. See Note 1.O for further information. These economic assumptions differ from those established by OPM under guidance from the CSRS Board of Actuaries for the determination of certain statutory funding payments for CSRS and FERS. The following table presents the significant economic assumptions in accordance with SFFAS 33 to compute the Pension Liability as of September 30, 2026, and 2025, respectively:

Table 12 - Pension Economic Assumptions

Pension Economic Assumptions	September 30, 2026		September 30, 2025	
	CSRS	FERS	CSRS	FERS
Inflation	3.2%	3.2%	2.9%	2.9%
Interest Rate/Discount Rate	2.9%	3.4%	2.7%	3.2%
Cost of Living Adjustment[1]	3.2%	2.7%	2.9%	2.5%
Rate of Increase in Salary	2.6%	2.6%	2.6%	2.6%

[1]The actuarial liability for CSRS and FERS is determined based on an assumed rate of COLA, an assumption that is related to the general rate of inflation. The assumed CSRS COLA is equal to the assumed rate of inflation.

Post-Retirement Health Benefits

The OPM Office of the Actuaries, in computing the PRHB Liability and associated expense, applies economic assumptions to historical cost information to estimate the Government's future cost of providing PRHB to current employees and retirees. The estimate is adjusted by the time value of money and the probability of having to pay benefits due to factors such as mortality, retirements, and terminations. Actuarial gains or losses will occur to the extent that actual experience differs from the assumptions used to compute the PRHB Liability and associated expense, and due to changes to the actuarial assumptions. The amount for Federal Employee Benefits Payable for PRHB on the Balance Sheet also includes claims payable and benefits due to Health Insurance carriers.

The following table presents the significant economic assumptions used to compute the PRHB Liability and related expense for the year ended September 30, 2026 and 2025, respectively.

Table 13 – Post-Retirement Health Benefits Economic Assumptions

Post-Retirement Economic Assumptions	September 30, 2026	September 30, 2025
Interest Rate[1]	3.5%	3.3%
Increase in Per Capita Cost of Covered Benefits[2]	5.6%	5.2%
Ultimate Medical Trend Rate	4.6%	4.3%

[1]The single equivalent annual interest rate for FY 2026 is derived from a yield curve based on the average of the last 40 quarters through March 2026.

[2] The single equivalent increase in per capita cost of covered benefits for FY 2026 is 5.6%; this is derived from a variable trend which begins at 7.4% for the first three years, 7.0% in the fourth year, and then steadily declines to 4.6% by FY 2075 for FEHB and a variable trend which begins at 6.0% for the first four years and then steadily declines to 4.6% by FY 2075 for PSHB.

Life Insurance Benefits

The Actuarial Life Insurance Liability (ALIL) is the expected present value (EPV) of future benefits to be paid to, or on behalf of, existing Life Insurance Program participants, less the EPV of future contributions to be collected from those participants. As of September 30, 2026, the total amount of FEGLI insurance in-force was estimated at $824.2 billion ($705.3 billion employees + $118.9 billion annuitants). As of September 30, 2025, the total amount of FEGLI insurance in-force was estimated at $846.9 billion ($736.8 billion employees + $110.1 billion annuitants).

In applying SFFAS 33 for calculating the ALIL, OPM's actuary uses salary increase and interest rate yield curve assumptions that are consistent with those used for computing the CSRS and FERS Pension Liability in FY 2026 and FY 2025. This entails the determination of a single equivalent interest rate that is specific to the ALIL. See the table below.

Table 14 - Life Insurance Economic Assumptions

Life Insurance Economic Assumptions	September 30, 2026	September 30, 2025
Interest Rate	3.3%	3.0%
Rate of Increases in Salary	2.6%	2.6%

Note 7, Other Liabilities

Other Liabilities are liabilities not reported elsewhere in the Balance Sheet. They consist of funded and unfunded intragovernmental and With the Public liabilities. The following table presents the other liabilities reported on OPM's Balance Sheet as of September 30, 2026, and 2025, respectively.

Table 15 – Other Liabilities

Other Liabilities	September 30, 2026 (In Millions)	September 30, 2025 (In Millions)
Intragovernmental Other:		
Judgment Fund Payable	$260	$260
Unfunded FECA Liability	2	1
Other Liabilities	1	14
Total Intragovernmental	**$263**	**$275**
With the Public Other:		
Withholdings Payable	1,471	1,406
Other Liabilities With Related Budgetary Obligations	681	765
Contingent Liabilities	10	19
Total With the Public	**$2,162**	**$2,190**
Total Other Liabilities	**$2,425**	**$2,465**

Health Benefits Program

In prior years, OPM was a party to litigation in which certain Health Benefits Program carriers were seeking relief for alleged underpayment of premiums. As a result of one adverse court decision, the DOJ, which represented OPM in the litigation, settled most of the remaining cases (one other case was tried and lost). Judgments/settlements in those cases were paid from the Treasury Judgment Fund. However, because any underpayments that may have occurred resulted from inaccuracies in the number of contributions by or on behalf of employee-participants that were remitted to OPM by the employing agencies (which remittances came from the respective agencies' appropriations), OPM has neither the legal responsibility nor the legal authority to reimburse the Treasury Judgment Fund. Treasury continues to assert that OPM is liable to reimburse the Treasury Judgment Fund for amount of the judgments/settlements. As a result, OPM carries $260 million as of September 30, 2026, and 2025, respectively, as intragovernmental Other Liabilities due to the Treasury.

Note 8, Liabilities Not Covered by Budgetary Resources

Liabilities covered by budgetary resources include those liabilities for which appropriated funds and receipts are otherwise available to pay amounts due as of the Balance Sheet dates.

Liabilities not covered by budgetary resources are amounts owed in excess of available, congressionally appropriated funds and, therefore, no budgetary resources are available to pay amounts due as of the Balance Sheet dates but will require future funding. Since no budgetary resources have been made available to liquidate the Pension, PRHB, and Actuarial Life Insurance Liabilities, they are disclosed as being liabilities not covered by budgetary resources. OPM's other unfunded liabilities include contingent liabilities. OPM estimates approximately $3 million of the liabilities not covered by budgetary resources to be considered current liabilities as they are expected to become due within the next fiscal year. The unfunded liabilities as of September 30, 2026, and 2025, respectively are presented in the following table:

Table 16 – Liabilities Not Covered by Budgetary Resources

Liabilities Not Covered by Budgetary Resources	September 30, 2026 (In Millions)	September 30, 2025 (In Millions)
Intragovernmental:		
Other Liabilities	$263	$275
With the Public:		
Actuarial and Unfunded Leave Liabilities	3,292,723	3,197,429
Other Liabilities	10	19
Total Liabilities Not Covered by Budgetary Resources	**$3,292,996**	**$3,197,723**
Total Liabilities Covered by Budgetary Resources	**$20,446**	**$18,455**
Total Liabilities	**$3,313,442**	**$3,216,178**

Note 9, Commitments and Contingencies

OPM is party to various administrative proceedings, legal actions, and claims. For legal actions where the OGC considers adverse decisions "probable" or "reasonable possible" and the amounts are reasonably estimable, information is disclosed below. In many cases, tort claims are administered and resolved by DOJ, and any amounts necessary for resolution are obtained from a special Judgment Fund maintained by Treasury. In accordance with the FASAB's Interpretation 2, *Accounting for Treasury Judgment Fund Transactions,* costs incurred by the Federal Government are to be reported by the agency responsible for incurring the liability, or to which liability has been assigned, regardless of the ultimate source of funding. No amounts have been accrued in the financial records for claims where the amount of potential loss cannot be estimated, or the likelihood of an unfavorable outcome is less than probable.

The amounts as of September 30, 2026, and 2025, respectively, are presented in the table below.

Table 17 – Commitments and Contingencies

Commitments and Contingencies	Accrued Liabilities (In Millions)	Estimated Range of Loss (In Millions)	
		Lower End	Upper End
FY 2026 Legal Contingencies:			
Probable	$10	$10	$10
Reasonably Possible		$0	$58
FY 2025 Legal Contingencies:			
Probable	$19	$19	$64
Reasonably Possible		$10	$70

Note 10, Availability of Unobligated Balances

Retirement Program

Historically, OPM's trust fund receipts have exceeded the amount needed to cover the Retirement Program's obligations. The excess of trust fund receipts over incurred obligations is classified as being temporarily precluded from obligation. These receipts, however, remain assets of the CSRDF and will become immediately available, if circumstances dictate, to meet obligations to be incurred in the future.

The following table presents the unobligated balance of the CSRDF that is included in the Retirement Program that is temporarily precluded from obligation for September 30, 2026, and 2025, respectively:

Table 18 – Availability of Unobligated Balances – Retirement Program

Availability of Unobligated Balances – Retirement Program	September 30, 2026 (In Millions)	September 30, 2025 (In Millions)
Temporarily Precluded From Obligation at the Beginning of the Year	$1,098,310	$1,062,557
Plus: Trust Fund Receipts During the Year	139,122	146,147
Plus: Appropriations Received	48,295	51,630
Less: Obligations Incurred During the Year, Net of PY Recoveries	(164,634)	(162,024)
Temporarily Precluded from Obligation at the End of the Year	**$1,121,093**	**$1,098,310**

Health Benefits and Life Insurance Programs

OPM administers the Health Benefits and Life Insurance Programs through three trust revolving funds. A trust revolving fund is a single account that is authorized to be credited with receipts and incur obligations and expenditures in support of a continuing cycle of business-type operations in accordance with the provisions of statute. The unobligated balance in OPM's trust revolving funds is available for obligation and expenditure, upon apportionment by OMB, without further action by Congress.

Additionally, the FY 2026 and FY2025 receipts included interest income. The following table presents the unobligated balance of the PSRHBF included in the Health Benefits Program that is temporarily precluded from obligation as of September 30, 2026, and 2025 respectively.

Table 19 – Availability of Unobligated Balances – Postal Service Retiree Health Benefits Program

Availability of Unobligated Balances – Postal Service Retiree Health Benefits Program	September 30, 2026 (In Millions)	September 30, 2025 (In Millions)
Temporarily Precluded from Obligation at the Beginning of the Year	$24,072	$ 28,197
Plus: Special Fund Receipts During the Year	481	575
Less: Obligations Incurred During the Year, Net of PY Recoveries	(4,982)	(4,700)
Temporarily Precluded From Obligation at the End of the Year	**$19,571**	**$24,072**

Other Programs

OPM's Other Programs consist of the Revolving Fund and S&E. The Revolving Fund Programs are administered through an intragovernmental revolving fund. An intragovernmental revolving fund is designed to carry-out a cycle of business-type operations with other Federal agencies or separately funded components of the same agency. The unobligated balance in OPM's intragovernmental revolving fund is available for obligation and expenditure, upon apportionment by OMB, without further action by Congress.

OPM funds its S&E administrative costs through annual, multiple-year, and "no-year" appropriations. For its annual appropriations, the unobligated balance expires at the end of the applicable fiscal year. For OPM's multiple-year appropriations, the unobligated balance remains available for obligation and expenditure for a specified period in excess of a fiscal year. For its no-year appropriations, the unobligated balance is carried forward and is available for obligation and expenditure indefinitely until the objectives for which it was intended have been accomplished.

Note 11, Apportionment Categories of Incurred Obligations

An apportionment is a distribution by OMB of amounts available for obligation. Apportioned amounts appear on different groups of lines in the Application of Budgetary Resources section of an apportionment. Amounts are identified in an apportionment: by time - [Category A]; by program, project or activity [Category B]; or by a combination of program, project or activity and time period [Category AB]. If an account is not subject to an apportionment, it is considered exempt [Category E]. Each of OPM's trust funds have an exempt account that receives warrants from the General Fund of the U.S. Government each fiscal year to subsidize current year premium costs incurred by the Retirement, Health Benefits, and Life Insurance Program benefits. The following table details the direct and reimbursable obligations that have been incurred against each apportionment category as of September 30, 2026, and 2025, respectively.

Table 20A – Apportionment Categories of Incurred Obligations FY 2026

September 30, 2026 (In Millions)				
Apportionment Categories of Incurred Obligations	**Category**	**Direct**	**Reimbursable**	**Total**
Retirement Program	B	$116,443	$-	$116,443
Retirement Program	E	48,295	-	48,295
Health Benefits Program	B	82,634	-	82,634
Health Benefits Program	E	18,669	-	18,669
Life Insurance Program	B	3,704	-	3,704
Life Insurance Program	E	52	-	52
Other Programs	AB	489	509	998
Total		**$270,286**	**$509**	**$270,795**

Table 20B – Apportionment Categories of Incurred Obligations FY 2025

September 30, 2025 (In Millions)				
Apportionment Categories of Incurred Obligations	**Category**	**Direct**	**Reimbursable**	**Total**
Retirement Program	B	$110,400	$-	$110,400
Retirement Program	E	51,630	-	51,630
Health Benefits Program	B	77,699	-	77,699
Health Benefits Program	E	16,750	-	16,750
Life Insurance Program	B	3,883	-	3,883
Life Insurance Program	E	42	-	42
Other Programs	AB	514	641	1,155
Total		**$260,918**	**$641**	**$261,559**

Note 12, Comparison of Combined Statements of Budgetary Resources to the President's Budget

OPM reports information about budgetary resources in the Combined Statements of Budgetary Resources (SBR) and for presentation in the President's Budget. The President's Budget for FY 2028, which will contain the actual budgetary resources information for FY 2026, will be available on a later date at **President's Budget | The White House**. The President's Budget for FY 2027, which contains actual budgetary resource information for FY 2025, was released on April 3, 2026. See the table below for comparison of Combined Statements of Budgetary Resources to the President's Budget for FY 2025.

Table 21 – Comparison of Combined Statements of Budgetary Resources to the President's Budget

FY2025 Reconciliation of the President's Budget to Combined Statements of Budgetary Resources (In Millions)				
Comparison of Combined Statements of Budgetary Resources to the President's Budget	**Budgetary Resources**	**New Obligations & Upward Adjustments**	**Distributed Offsetting Receipts**	**Net Outlays**
Combined Statement of Budgetary Resources	$338,563	$261,559	$52,251	$128,239
Expired Funds	(287)	(6)	-	-
Distributed Offsetting Receipts	-	-	(52,251)	52,251
Reconciling Differences/Rounding	-	1	-	1
Budget of the U.S. Government	$338,276	$261,554	-	$180,491

Note 13, Combined Statements of Budgetary Resources

A. Undelivered Orders

Federal and With the Public undelivered orders represent goods and services ordered and obligated which have not been received. This includes any orders for which we have paid in advance, but for which delivery or performance has not yet occurred prior to fiscal year-end. OPM's Other Programs, which includes the Revolving Fund Program as well as S&E, had Undelivered Orders as of September 30, 2026, and 2025, respectively, that are presented in the table below.

Table 22 – Undelivered Orders

Undelivered Orders	September 30, 2026 (In Millions)	September 30, 2025 (In Millions)
Intragovernmental		
Unpaid	$311	$263
Paid	9	8
Total Intragovernmental	**$320**	**$271**
With the Public		
Unpaid	108	134
Total With the Public	**$108**	**$134**
Total Undelivered Orders	**$428**	**$405**

B. Adjustments to Unobligated Balances Brought Forward

The unobligated balance from prior year budget authority, net amount does not tie to the prior year's unobligated balance, end of year amount due to adjustments. The adjustments mainly consist of recoveries of prior year obligated balances, cancelled authority, and allocation transfers of prior year balances. The following table displays a reconciliation between the prior year's unobligated balance, end of year amount to the current year's unobligated balance from prior year budget authority, net amount. Adjustments to unobligated balances brought forward as of September 30, 2026, and 2025, respectively, are presented in the table below.

Table 23 – Adjustments to Unobligated Balances Brought Forward

September 30, 2026 and 2025 (In Millions)										
Fund	Retirement		Health		Life		Other Programs		OPM Combined	
	2026	2025	2026	2025	2026	2025	2026	2025	2026	2025
Prior Year Total Unobligated Balance, End of Period	$-	$-	$20,105	$20,011	$56,122	$53,258	$777	$786	$77,004	$74,055
Unobligated Balance Transferred from Other Accounts	-	-	-	-	-	-	(39)	9	(39)	9
Adjustment of Unobligated Balance Brought Forward	-	-	-	-	-	-	7	-	7	-
Recoveries of Prior Year Obligations	103	7	22	54	85	68	26	29	236	158
Other Changes in Unobligated Balance	-	-	-	-	-	-	(5)	(3)	(5)	(3)
Total Adjustments to Unobligated Balance Brought Forward	103	7	22	54	85	68	(11)	35	199	164
Unobligated Balance from Prior Budget Authority, Net	**$103**	**$7**	**$20,127**	**$20,065**	**$56,207**	**$53,326**	**$766**	**$821**	**$77,203**	**$74,219**

Note 14, Reconciliation of Net Cost to Net Outlays

Budgetary and financial accounting information differ. Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash, as well as reporting the Federal deficit. Financial accounting is intended to provide a picture of the Government's financial operations and financial position, so it presents information about costs arising from the consumption of assets and the incurrence of liabilities. The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information. As required by SFFAS 7, as amended by SFFAS 53, OPM has reconciled the net cost of operations, reported in the Statement of Net Costs, to the net outlays, reported on the SBR.

The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting. The analysis below illustrates this reconciliation by listing the key differences between net cost and net outlays. Per the FY 2026 OMB Circular A-136, the key differences fall into three categories. (1) Components of net cost that are not part of net outlays, (2) Component of net outlays that are not part of net costs, and (3) Other Temporary Timing Difference section. OPM did not have any activity to report in the third category in FY 2026 and FY 2025, therefore, not disclosed.

Table 24A – Reconciliation of Net Cost to Net Outlays FY 2026

September 30, 2026 (In Millions)																
Programs	Retirement			Health Benefits			Life Insurance			Other Programs			Less: Intra OPM Eliminations	OPM Total Programs		
Category	Intra-governmental	With The Public	Total	Intra-governmental	With The Public	Total	Intra-governmental	With The Public	Total	Intra-governmental	With The Public	Total	Intra-governmental Total	Intra-governmental	With The Public	Total
NET OPERATING COST	$ (87,525)	$ 119,192	$ 31,667	($29,036)	$134,265	$105,229	($3,172)	$1,090	($2,082)	$11	$429	$440	$ -	($119,722)	$254,976	$135,254
Components of Net Cost Not Part of the Budgetary Outlays:																
Increase/(Decrease) in Assets:																
Accounts Receivable	(130)	40	(90)	71	204	275	1	(24)	(23)	35	-	35	(36)	(59)	220	161
Advances and Prepayments	-	-	-	-	-	-	-	-	-	1	-	1	-	1	-	1
Investments	4,826	-	4,826	42	-	42	(15)	-	(15)	-	-	-	-	4,853	-	4,853
Other Assets	-	-	-	-	2,031	2,031	-	29	29	-	-	-	-	-	2,060	2,060
(Increase)/Decrease in Liabilities:																
Accounts Payable	(15)	-	(15)	(24)	-	(24)	1	-	1	2	8	10	39	3	8	11
Federal Employee Salary, Leave and Benefits Payable	-	1	1	-	(27)	(27)	-	-	-	-	15	15	-	-	(11)	(11)
Pensions, Other Post-Employment Benefits Payable	-	(11,572)	(11,572)	-	(84,936)	(84,936)	-	(826)	(826)	-	1	1	-	-	(97,333)	(97,333)
Advances from Others and Deferred Revenues	-	-	-	-	-	-	-	-	-	29	-	29	-	29	-	29
Other Liabilities	-	74	74	-	(21)	(21)	-	(28)	(28)	15	3	18	(3)	12	28	40
Other Financing Sources:																
Imputed Financing Sources	-	-	-	-	-	-	-	-	-	(33)	-	(33)	-	(33)	-	(33)
Appropriated Trust Fund Receipts	139,122	-	139,122	481	-	481	-	-	-	-	-	-	-	139,603	-	139,603
Other Miscellaneous Items	1	-	1	-	-	-	-	-	-	-	-	-	-	1	-	1
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	$ 143,804	$ (11,457)	$ 132,347	$ 570	$ (82,749)	$ (82,179)	$ (13)	$ (849)	$ (862)	$ 49	$ 27	$ 76	$ -	$ 144,410	$ (95,028)	$ 49,382
Components of the Budget Outlays That are Not Part of Net Operating Cost																
Financing Sources:																
Transfers Out (In) Without Reimbursements	201	-	201	119	-	119	5	-	5	(338)	-	(338)	-	(13)	-	(13)
Total Components of the Budget Outlays that are Not	201	-	201	119	-	119	5	-	5	(338)	-	(338)	-	(13)	-	(13)
NET OUTLAYS	$ 56,480	$ 107,735	$ 164,215	$ (28,347)	$ 51,516	$ 23,169	(3,180)	241	(2,939)	(278)	$456	178	-	$24,675	$159,948	184,623
Related Amounts on the Statement of Budgetary																
Outlays, Net (SBR 4190)			164,215			23,169			(2,939)			178				184,623
Distributed Offsetting			(48,334)			(481)			-			-				(48,815)
AGENCY OUTLAYS, NET (4210)			$ 115,881			$ 22,688			$ (2,939)			$ 178				$ 135,808

Table 24B – Reconciliation of Net Cost to Net Outlays FY 2025

September 30, 2025 (In Millions)																
Programs	Retirement			Health Benefits			Life Insurance			Other Programs			Less: Intra OPM Eliminations	OPM Total Programs		
Category	Intra-governmental	With The Public	Total	Intra-governmental	With The Public	Total	Intra-governmental	With The Public	Total	Intra-governmental	With The Public	Total	Intra-governmental Total	Intra-governmental	With The Public	Total
NET OPERATING COST	$ (87,994)	$ (761)	$ (88,755)	($29,417)	$54,441	$25,024	($3,133)	$3,115	($18)	($188)	$788	$600	$ -	($120,732)	$57,583	($63,149)
Components of Net Cost Not Part of the Budgetary Outlays:																
Increase/(Decrease) in Assets:																
Accounts Receivable	10	46	56	105	352	457	1	25	26	24	-	24	(19)	121	423	544
Advances and Prepayments	-	-	-	-	-	-	-	-	-	3	-	3	-	3	-	3
Investments	1,640	-	1,640	(53)	-	(53)	112	-	112	-	-	-	-	1,698	-	1,698
Other Assets	-	-	-	-	265	265	-	(3)	(3)	-	-	-	-	-	262	262
(Increase)/Decrease in Liabilities:																
Accounts Payable	(14)	-	(14)	(6)	-	(6)	1	-	1	17	10	27	19	17	10	27
Federal Employee Salary, Leave and Benefits Payable	-	(1)	(1)	-	21	21	-	-	-	-	-	-	-	-	20	20
Pensions, Other Post-Employment Benefits Payable	-	102,714	102,714	-	5,010	5,010	-	(3,054)	(3,054)	-	1	1	-	-	(94,651)	(94,651)
Advances from Others and Deferred Revenues	-	-	-	-	-	-	-	-	-	19	-	19	-	19	-	19
Other Liabilities	-	(130)	(130)	-	(170)	(170)	-	(7)	(7)	(9)	58	49	-	(9)	(249)	(258)
Other Financing Sources:																
Imputed Financing Sources	-	-	-	-	-	-	-	-	-	(48)	-	(48)	-	(48)	-	(48)
Appropriated Trust Fund Receipts	146,147	-	146,147	575	-	575	-	-	-	-	-	-	-	146,722	-	146,722
Other Miscellaneous Items	1	-	1	-	-	-	-	-	-	-	-	-	-	1	-	1
Total Components of Net Operating Cost Not Part of the	$ 147,784	$ 102,629	$ 250,413	$ 621	$ (4,542)	$ (3,921)	$ 114	$ (3,039)	$ (2,925)	$ 6	$ 69	$ 75	$ -	$ 148,524	$ 95,117	$ 243,641
Components of the Budget Outlays That are Not Part of Net Operating Cost																
Financing Sources:																
Transfers Out (In) Without Reimbursements	222	-	222	86	-	86	6	-	6	(316)	-	(316)	-	(2)	-	(2)
Total Components of the Budget Outlays that are Not Part of Net	222	-	222	86	-	86	6	-	6	(316)	-	(316)	-	(2)	-	(2)
NET OUTLAYS	$ 60,012	$ 101,868	$ 161,880	$ (28,710)	$ 49,899	$ 21,189	(3,013)	76	(2,937)	(499)	$857	358	-	$27,790	$152,700	180,490
Related Amounts on the Statement of Budgetary																
Outlays, Net (SBR 4190)			161,880			21,189			(2,937)			358				180,490
Distributed Offsetting Receipts (SBR 4200)			(51,676)			(575)			-			-				(52,251)
AGENCY OUTLAYS, NET (4210)			$ 110,204			$ 20,614			$ (2,937)			$ 358				$ 128,239

Note 15, Reclassification of Statement of Net Cost and Statement of Changes in Net Position for FR Compilation

To prepare the FR, the Treasury requires agencies to submit an adjusted trial balance, which is a listing of amounts by U.S. Standard General Ledger account that appears in the financial statements. Treasury uses the trial balance information reported in the Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) to develop a Reclassified Balance Sheet, Reclassified Statement of Net Cost, and a Reclassified Statement of Changes in Net Position for each agency, which are accessed using GTAS. Treasury eliminates all intragovernmental balances from the reclassified statements and aggregates lines with the same title to develop the FR statements. This note shows OPM financial statements and the reclassified statements prior to elimination of intragovernmental balances and prior to aggregation of repeated FR line items. A copy of the 2025 FR can be found here: **2025 Financial Report (FR)** and a copy of the 2026 FR will be posted to this site as soon as it is released.

The term, intragovernmental, is used in this note to refer to amounts that result from other components of the Federal Government. The term, Non-federal, is used in this note to refer to Federal Government amounts that result from transactions with Non-federal entities. These include transactions with individuals, businesses, non-profit entities, and State, local, and foreign governments.

Table 25A – Reclassification of Statement of Net Cost

September 30, 2026 (In Millions)			
OPM's Statement of Net Cost		Line Items Used to Prepare FY 2026 Government-wide SNC	
Financial Statement Line	Amounts	Adjusted Amount	Reclassified Financial Statement Line
Gross Costs	$280,782	$272,108	Non-federal gross cost
		63	Federal gross cost - Benefits program costs
		33	Federal gross cost - Imputed costs
		8,578	Federal gross cost - Buy/Sell cost[1]
Total Gross Costs	**$280,782**	**$280,782**	***Total Gross Costs***
Earned Revenue	164,275	35,880	Non-federal earned revenue
		85,974	Federal earned revenue - Benefit program revenue
		696	Federal earned revenue - Buy/Sell revenue[1]
		41,719	Federal earned revenue - Federal securities interest revenue including associated gains and losses
		6	Federal earned revenue - Collections transferred in to a TAS other than the General Fund.
Total Earned Revenue	**$164,275**	**$164,275**	***Total Earned Revenue***
Gain/Loss on Pension, ORB, or OPEB Assumption Changes	18,747	18,747	Gains/losses from changes in actuarial assumptions
Net Cost of Operations	**$135,254**	**$135,254**	**Net Cost of Operations**

[1] *Treasury's Reclassified Statement of Net Cost lines adjusted for intradepartmental elimination differences.*

Table 25B – Reclassification of Statement of Changes in Net Position

September 30, 2026 (In Millions)			
OPM's Statement of Changes in Net Position		Line Items Used to Prepare FY 2026 Government-wide SCONP	
Financial Statement Line	**Amounts**	**Adjusted Amount**	**Reclassified Financial Statement Line**
Unexpended Appropriations			
Unexpended Appropriations Beginning Balance	$334	$334	Net Position, Beginning Balance
Financing Sources:			Financing Sources:
Appropriations Received	67,192	67,192	Appropriations Received as Adjusted (1/2)
Appropriations Transferred	0	0	Non-expenditure transfers-out of unexpended appropriations and financing sources
Other Adjustments	(6)	(6)	Appropriations Received as Adjusted (2/2)
Appropriations Used	(67,212)	(67,212)	Appropriations Used
Total Financing Sources	(26)	(26)	Total Financing Sources
Total Unexpended Appropriations - Ending Balance	**$308**	**$308**	***Net Position, End of Period***
Cumulative Results of Operations			
Cumulative Results, Beginning Balance	($1,984,199)	($1,984,199)	Net Position, Beginning Balance
Financing Sources:			Financing Sources:
Appropriations Used	67,212	67,212	Appropriations Expended
Transfer-In/Out Without Reimbursement	(26)	2	Transfers without reimbursement
		(28)	Non-expenditure transfers-out of unexpended appropriations and financing sources
Other Financing Sources	32	33	Imputed Financing Sources
		(1)	Non-Entity collections transferred to the General Fund of the U.S. Government
Total Financing Sources	67,218	67,218	Total Financing Sources
Net Cost of Operations	135,254	135,254	Net Cost of Operations
Net Change	(68,036)	(68,036)	Net Change (Calculated)
Cumulative Results of Operations - Ending Balance	**($2,052,235)**	**($2,052,235)**	***Net Position, End of Period***
Net Position	**($2,051,927)**	**($2,051,927)**	**Net Position, End of Period**

Consolidating Financial Statements

U.S. OFFICE OF PERSONNEL MANAGEMENT
CONSOLIDATING BALANCE SHEET
As of September 30, 2026
(In Millions)

	Retirement Program	Health Benefits Program	Life Insurance Program	Other Programs	Eliminations	FY 2026
ASSETS						
Intragovernmental Assets						
Fund Balance with Treasury [Note 2]	$223	$2,822	$26	$616	$ -	$3,687
Investments, Net [Note 3]	1,144,819	43,326	61,140	-	-	1,249,285
Accounts Receivable, Net [Note 4]	1,644	949	26	216	(210)	2,625
Advances and Prepayments	-	-	-	7	-	7
Total Intragovernmental Assets	1,146,686	47,097	61,192	839	(210)	1,255,604
With the Public Assets						
Accounts Receivable, Net [Note 4]	628	1,780	206	-	-	2,614
Other Assets [Note 1.L]	-	2,503	794	-	-	3,297
Total With the Public Assets	628	4,283	1,000	-	-	5,911
TOTAL ASSETS	$1,147,314	$51,380	$62,192	$839	($210)	$1,261,515
LIABILITIES						
Intragovernmental Liabilities						
Accounts Payable	$77	$119	$12	$4	($208)	$4
Advances from Others and Deferred Revenue	-	-	-	56	-	56
Other Liabilities (Notes 7 & 8)	-	260	-	5	(2)	263
Total Intragovernmental Liabilities	77	379	12	65	(210)	323
With the Public Liabilities:						
Federal Employee Salary, Leave and Benefits Payable [Note 5]	6	576	-	22	-	604
Pensions, Other Post-Employment Benefits Payable [Notes 6]	2,715,001	521,530	73,817	5	-	3,310,353
Other Liabilities (Notes 7 & 8)	1,561	560	41	-	-	2,162
Total With the Public Liabilities	2,716,568	522,666	73,858	27	-	3,313,119
TOTAL LIABILITIES	$2,716,645	$523,045	$73,870	$92	($210)	$3,313,442
Commitments and Contingencies [Note 9]						
NET POSITION						
Unexpended Appropriations-Funds from Other than Dedicated Collections	$ -	$0	$ -	$308	$ -	$308
Cumulative Results of Operations-Funds from Other than Dedicated Collections	(1,569,331)	(471,665)	(11,678)	439	-	(2,052,235)
TOTAL NET POSITION	($1,569,331)	($471,665)	($11,678)	$747	$ -	($2,051,927)
TOTAL LIABILITIES AND NET POSITION	$1,147,314	$51,380	$62,192	$839	($210)	$1,261,515

The accompanying notes are an integral part of the financial statements.

U.S. OFFICE OF PERSONNEL MANAGEMENT
CONSOLIDATING BALANCE SHEET
As of September 30, 2025
(In Millions)

	Retirement Program	Health Benefits Program	Life Insurance Program	Other Programs	Eliminations	FY 2025
ASSETS						
Intragovernmental Assets						
Fund Balance with Treasury [Note 2]	$2,008	$2,561	$18	$664	$ -	$5,251
Investments, Net [Note 3]	1,115,006	47,564	58,171	-	-	1,220,741
Accounts Receivable, Net [Note 4]	1,774	878	25	181	(174)	2,684
Advance and Prepayments	-	-	-	6	-	6
Total Intragovernmental Assets	1,118,788	51,003	58,214	851	(174)	1,228,682
With the Public Assets						
Accounts Receivable, Net [Note 4]	588	1,576	230	-	-	2,394
Other Assets [Note 1.L]	-	472	765	-	-	1,237
Total With the Public Assets	588	2,048	995	-	-	3,631
TOTAL ASSETS	$1,119,376	$53,051	$59,209	$851	($174)	$1,232,313
LIABILITIES						
Intragovernmental Liabilities						
Accounts Payable	$62	$95	$13	$6	($169)	$7
Advances from Others and Deferred Revenue	-	-	-	85	-	85
Other Liabilities (Notes 7 & 8)	-	260	-	20	(5)	275
Total Intragovernmental Liabilities	62	355	13	111	(174)	367
With the Public Liabilities						
Accounts Payable	-	-	-	8	-	8
Federal Employee Salary, Leave and Benefits Payable [Note 5]	7	549	-	37	-	593
Pensions, Other Post-Employment Benefits Payable [Notes 6]	2,703,429	436,594	72,991	6	-	3,213,020
Other Liabilities (Notes 7 & 8)	1,635	539	13	3	-	2,190
With the Public Liabilities	2,705,071	437,682	73,004	54	-	3,215,811
TOTAL LIABILITIES	$2,705,133	$438,037	$73,017	$165	($174)	$3,216,178
Commitments and Contingencies [Note 9]						
NET POSITION						
Unexpended Appropriations-Funds from Other than Dedicated Collections	$ -	$ -	$ -	$334	$ -	$334
Cumulative Results of Operations-Funds from Other than Dedicated Collections	(1,585,757)	(384,986)	(13,808)	352	-	(1,984,199)
TOTAL NET POSITION	($1,585,757)	($384,986)	($13,808)	$686	$ -	($1,983,865)
TOTAL LIABILITIES AND NET POSITION	$1,119,376	$53,051	$59,209	$851	($174)	$1,232,313

The accompanying notes are an integral part of the financial statements.

U.S. OFFICE OF PERSONNEL MANAGEMENT

CONSOLIDATING STATEMENT OF NET COST

For the Fiscal Year Ended September 30, 2026

(In Millions)

	Retirement Program			Health Benefits Program	Life Insurance Program	Other Programs	Eliminations	FY 2026
	CSRS	FERS	Total					
GROSS COSTS								
Intragovernmental	$2,972	$4,639	$7,611	$814	$ -	$340	($91)	$8,674
With the Public:								
Pension Expense [Note 6]	26,766	111,309	138,075	-	-	-	-	138,075
Post-Retirement Health Benefits [Note 6]	-	-	-	51,288	-	-	-	51,288
Future Life Insurance Benefits [Note 6]	-	-	-	-	3,288	-	-	3,288
Current Benefits and Premiums	-	-	-	75,432	3,557	31	-	79,020
Other Gross Costs With the Public	-	-	-	11	28	398	-	437
Total Gross Costs With the Public	26,766	111,309	138,075	126,731	6,873	429	-	272,108
Total Gross Costs	$29,738	$115,948	$145,686	$127,545	$6,873	$769	($91)	$280,782
EARNED REVENUE								
Intragovernmental:								
Employer Contributions	$4,651	$52,581	$57,232	$28,454	$747	$ -	($67)	$86,366
Earnings on Investments	2,116	35,788	$37,904	1,390	2,425	-	-	41,719
Collections Transferred In	-	-	-	6	-	-	-	6
Other Intragovernmental Earned Revenue	-	-	-	-	-	329	(24)	305
Total Intragovernmental Earned Revenue	6,767	88,369	95,136	29,850	3,172	329	(91)	128,396
With the Public:								
Participant Contributions	114	7,892	8,006	24,441	3,425	-	-	35,872
Other With the Public Earned Revenue	-	-	-	7	-	-	-	7
Total Earned Revenue With the Public	114	7,892	8,006	24,448	3,425	-	-	35,879
Total Earned Revenue	$6,881	$96,261	$103,142	$54,298	$6,597	$329	($91)	$164,275
Net Cost	$22,857	$19,687	$42,544	$73,247	$276	$440	$ -	$116,507
(Gain)/Loss on Pension, ORB, or OPEB Assumption Changes [Note 6]	10,258	(21,135)	(10,877)	31,982	(2,358)	-	-	18,747
Net Cost of Operations	$33,115	($1,448)	$31,667	$105,229	($2,082)	$440	$ -	$135,254

The accompanying notes are an integral part of the financial statements.

U.S. OFFICE OF PERSONNEL MANAGEMENT

CONSOLIDATING STATEMENT OF NET COST

For the Fiscal Year Ended September 30, 2025

(In Millions)

	Retirement Program			Health Benefits Program	Life Insurance Program	Other Programs	Eliminations	FY 2025
	CSRS	FERS	Total					
GROSS COSTS								
Intragovernmental	$3,124	$658	$3,782	$76	$ -	$278	($109)	$4,027
With the Public:								
Pension Expense [Note 5]	23,470	132,141	155,611	-	-	-	-	155,611
Post-Retirement Health Benefits [Note 5]	-	-	-	37,291	-	-	-	37,291
Future Life Insurance Benefits [Note 5]	-	-	-	-	2,806	-	-	2,806
Current Benefits and Premiums	-	-	-	72,399	3,807	44	-	76,250
Other Gross Costs With the Public	-	-	-	172	5	745	-	922
Total Gross Costs With the Public	23,470	132,141	155,611	109,862	6,618	789	-	272,880
Total Gross Costs [Notes 8 and 9]	$26,594	$132,799	$159,393	$109,938	$6,618	$1,067	($109)	$276,907
EARNED REVENUE								
Intragovernmental:								
Employer Contributions	$4,878	$55,843	$60,721	$27,821	$775	$ -	($90)	$89,227
Earnings on Investments	1,315	29,740	$31,055	1,668	2,358	-	-	35,081
Collections Transferred In	-	-	-	4	-	-	-	4
Other Intragovernmental Earned Revenue	-	-	-	-	-	467	(19)	448
Total Intragovernmental Earned Revenue	6,193	85,583	91,776	29,493	3,133	467	(109)	124,760
With the Public:								
Participant Contributions	171	8,033	8,204	23,044	3,592	-	-	34,840
Other Earned Revenue With the Public	-	-	-	9	1	-	-	10
Total Earned Revenue With the Public	171	8,033	8,204	23,053	3,593	-	-	34,850
Total Earned Revenue	$6,364	$93,616	$99,980	$52,546	$6,726	$467	($109)	$159,610
Net Cost	$20,230	$39,183	$59,413	$57,392	($108)	$600	$ -	$117,297
(Gain)/Loss on Pension, ORB, or OPEB Assumption Changes [Note 5]	(49,027)	(99,141)	(148,168)	(32,368)	90	-	-	(180,446)
Net Cost of Operations	($28,797)	($59,958)	($88,755)	$25,024	($18)	$600	$ -	($63,149)

The accompanying notes are an integral part of the financial statements.

U.S. OFFICE OF PERSONNEL MANAGEMENT
CONSOLIDATING STATEMENT OF CHANGES IN NET POSITION
For the Fiscal Year Ended September 30, 2026
(In Millions)

	Retirement Program	Health Benefits Program	Life Insurance Program	Other Programs	FY 2026
UNEXPENDED APPROPRIATIONS					
Beginning Balance	$ -	$ -	$ -	$334	$334
Budgetary Financing Sources:					
Appropriations Received	48,295	18,669	53	175	67,192
Other Adjustments	-	-	-	(6)	(6)
Appropriations Used	(48,295)	(18,669)	(53)	(195)	(67,212)
Total Budgetary Financing Sources	-	-	-	(26)	(26)
Total Unexpended Appropriations - Ending Balance	$ -	$ -	$ -	$308	$308
CUMULATIVE RESULTS OF OPERATIONS					
Beginning Balance	($1,585,757)	($384,986)	($13,808)	$352	($1,984,199)
Budgetary Financing Sources:					
Appropriations Used	48,295	18,669	53	195	67,212
Transfer-In/Out Without Reimbursement	(201)	(119)	(5)	299	(26)
Other Financing Sources	(1)	-	-	33	32
Total Financing Sources	48,093	18,550	48	527	67,218
Net Cost of Operations	31,667	105,229	(2,082)	440	135,254
Net Change	16,426	(86,679)	2,130	87	(68,036)
Cumulative Results of Operations - Ending Balance	($1,569,331)	($471,665)	($11,678)	$439	($2,052,235)
NET POSITION	($1,569,331)	($471,665)	($11,678)	$747	($2,051,927)

The accompanying notes are an integral part of the financial statements.

U.S. OFFICE OF PERSONNEL MANAGEMENT
CONSOLIDATING STATEMENT OF CHANGES IN NET POSITION
For the Fiscal Year Ended September 30, 2025
(In Millions)

	Retirement Program	Health Benefits Program	Life Insurance Program	Other Programs	FY 2025
UNEXPENDED APPROPRIATIONS					
Beginning Balance	$ -	$ -	$ -	$369	$369
Budgetary Financing Sources:					
Appropriations Received	51,630	16,043	42	226	67,941
Appropriations Transferred	-	-	-	(1)	(1)
Other Adjustments	-	707	-	(3)	704
Appropriations Used	(51,630)	(16,750)	(42)	(257)	(68,679)
Total Budgetary Financing Sources	-	-	-	(35)	(35)
Total Unexpended Appropriations - Ending Balance	$ -	$ -	$ -	$334	$334
CUMULATIVE RESULTS OF OPERATIONS					
Beginning Balance	($1,725,919)	($376,626)	($13,862)	$331	($2,116,076)
Budgetary Financing Sources:					
Appropriations Used	51,630	16,750	42	257	68,679
Transfer-In/Out Without Reimbursement	(222)	(86)	(6)	316	2
Other Financing Sources	(1)	-	-	48	47
Total Financing Sources	51,407	16,664	36	621	68,728
Net Cost of Operations	(88,755)	25,024	(18)	600	(63,149)
Net Change	140,162	(8,360)	54	21	131,877
Cumulative Results of Operations - Ending Balance	($1,585,757)	($384,986)	($13,808)	$352	($1,984,199)
NET POSITION	($1,585,757)	($384,986)	($13,808)	$686	($1,983,865)

The accompanying notes are an integral part of the financial statements.

Required Supplementary Information

U.S. OFFICE OF PERSONNEL MANAGEMENT
COMBINING STATEMENT OF BUDGETARY RESOURCES
For the Fiscal Year Ended September 30, 2026
(In Millions)

	Retirement Program			Health Benefits Program			Life Insurance Program				
	Retirement Benefits	Payment Account	Total Retirement Program	Health Benefits	Payment Account	Total Health Program	Life Insurance Benefits	Payment Account	Total Life Insurance Program	Other Programs	FY 2026
BUDGETARY RESOURCES											
Unobligated Balance from Prior Year Budget Authority, Net	$103	$ -	$103	$20,127	$ -	$20,127	$56,207	$ -	$56,207	$766	$77,203
Appropriations	116,340	48,295	164,635	4,983	18,669	23,652	-	52	52	174	188,513
Spending Authority from Offsetting Collections	-	-	-	76,512	-	76,512	6,715	-	6,715	855	84,082
Total Budgetary Resources	$116,443	$48,295	$164,738	$101,622	$18,669	$120,291	$62,922	$52	$62,974	$1,795	$349,798
STATUS OF BUDGETARY RESOURCES											
New Obligations and Upward Adjustments [Note 11]	$116,443	$ 48,295	$164,738	$82,634	$18,669	$101,303	$3,704	$52	$3,756	$998	$270,795
Unobligated Balance, End of Year:											
Apportioned, Unexpired Accounts	-	-	-	1,020	-	1,020	545	-	545	413	1,978
Exempt from Apportionment, Unexpired Accounts	-	-	-	-	-	-	-	-	-	-	-
Unapportioned, Unexpired Accounts	-	-	-	17,968	-	17,968	58,673	-	58,673	75	76,716
Expired, Unobligated Balance, End of Year	-	-	-	-	-	-	-	-	-	309	309
Total Unobligated Balance, End of Year	-	-	-	18,988	-	18,988	59,218	-	59,218	797	79,003
Total Budgetary Resources	$116,443	$48,295	$164,738	$101,622	$18,669	$120,291	$62,922	$52	$62,974	$1,795	$349,798
OUTLAYS, NET											
Outlays, Net	$115,920	$ 48,295	$164,215	$4,788	$18,381	$23,169	($2,991)	$52	($2,939)	$178	$184,623
Less: Distributed Offsetting Receipts	(48,334)	-	(48,334)	(481)	-	(481)	-	-	-	-	(48,815)
Agency Outlays, Net	$67,586	$ 48,295	$ 115,881	$4,307	$ 18,381	$ 22,688	($2,991)	$52	$ (2,939)	$178	$135,808

The accompanying notes are an integral part of the financial statements.

U.S. OFFICE OF PERSONNEL MANAGEMENT
COMBINING STATEMENT OF BUDGETARY RESOURCES
For the Fiscal Year Ended September 30, 2025
(In Millions)

	Retirement Program			Health Benefits Program			Life Insurance Program				
	Retirement Benefits	Payment Account	Total Retirement Program	Health Benefits	Payment Account	Total Health Program	Life Insurance Benefits	Payment Account	Total Life Insurance Program	Other Programs	FY 2025
BUDGETARY RESOURCES											
Unobligated Balance from Prior Year Budget Authority, Net	$7	$ -	$7	$20,065	$ -	$20,065	$53,326	$ -	$53,326	$821	$74,219
Appropriations	110,393	51,630	162,023	4,700	16,750	21,450	-	42	42	226	183,741
Spending Authority from Offsetting Collections	-	-	-	73,039	-	73,039	6,679	-	6,679	885	80,603
Total Budgetary Resources	$110,400	$51,630	$162,030	$97,804	$16,750	$114,554	$60,005	$42	$60,047	$1,932	$338,563
STATUS OF BUDGETARY RESOURCES											
New Obligations and Upward Adjustments [Note 11]	$110,400	$ 51,630	$162,030	$77,699	$16,750	$94,449	$3,883	$42	$3,925	$1,155	$261,559
Unobligated Balance, End of Year:											
Apportioned, Unexpired Accounts	-	-	-	365	-	365	278	-	278	462	1,105
Unapportioned, Unexpired Accounts	-	-	-	19,740	-	19,740	55,844	-	55,844	34	75,618
Expired, Unobligated Balance, End of Year	-	-	-	-	-	-	-	-	-	281	281
Total Unobligated Balance, End of Year	-	-	-	20,105	-	20,105	56,122	-	56,122	777	77,004
Total Budgetary Resources	$110,400	$51,630	$162,030	$97,804	$16,750	$114,554	$60,005	$42	$60,047	$1,932	$338,563
OUTLAYS, NET											
Outlays, Net	$110,250	$ 51,630	$161,880	$4,990	$16,199	$21,189	($2,979)	$42	($2,937)	$358	$180,490
Less: Distributed Offsetting Receipts	(51,676)	-	(51,676)	(575)	-	(575)	-	-	-	-	(52,251)
Agency Outlays, Net	$58,574	51,630	110,204	$4,415	$16,199	20,614	($2,979)	$42	(2,937)	$358	$128,239

The accompanying notes are an integral part of the financial statements.

Section 3

Other Information

(Unaudited)

OIG Top Management Challenges Report for FY 2027

OFFICE OF THE INSPECTOR GENERAL
U.S. OFFICE OF PERSONNEL MANAGEMENT

MEMORANDUM

Date: October 13, 2026

To: The Honorable Scott Kupor
Director

From: Michael R. Esser
Deputy Inspector General, Performing the Duties of the Inspector General

Subject: Final Report on the U.S. Office of Personnel Management's Top Management Challenges for Fiscal Year 2027

The Reports Consolidation Act of 2000 requires the Inspector General to identify and report annually the top management challenges facing the agency. In addition, the U.S. Office of Personnel Management (OPM) annually documents its performance and accountability measures by preparing the Agency Financial Report (AFR). Attached is our final report on OPM's Top Management Challenges for Fiscal Year 2027, which will be included in OPM's AFR.

We submitted a draft report to OPM on July 31, 2026, which identified four categories of challenges facing OPM: OPM's workforce reduction; financial integrity of the OPM-administered trust funds, which affects OPM's Federal Employees Health Benefits, life insurance, and retirement programs; information technology modernization and transformation; and governmentwide strategic human capital management. OPM's comments on the draft report were considered in preparing this final report.

The final report includes written summaries of each of the challenges mentioned above. These summaries recognize OPM management's efforts to resolve each challenge. This information was obtained through our analysis and updates from senior agency managers so that the most current, complete, and accurate characterization of the challenges is presented.

Please contact me at 202-606-1200 if you have any questions regarding this final report. Additionally, your staff may wish to contact Larry Price, Assistant Inspector General for Audits and Evaluations, at 202-936-2113, or Drew Grimm, Assistant Inspector General for Investigations, at 202-606-4730.

Attachment

1900 E Street NW, Room 6400, Washington D.C. 20415 | 202-606-1200 | oig.opm.gov

The U.S. Office of Personnel Management's Top Management Challenges for Fiscal Year 2027

Office of the Inspector General
U.S. Office of Personnel Management

Office of the Inspector General
U.S. Office of Personnel Management

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Introduction

As required by the Reports Consolidation Act of 2000, the Office of the Inspector General (OIG) prepares this annual report to identify the top management and performance challenges facing the U.S. Office of Personnel Management (OPM) and assess OPM's progress in addressing those challenges.

For fiscal year (FY) 2027, we have organized the top management challenges facing OPM into the following categories:

- OPM's workforce reduction
- financial integrity of the OPM-administered trust funds, which affects OPM's Federal Employees Health Benefits, life insurance, and retirement programs
- information technology modernization and transformation
- governmentwide strategic human capital management

The OIG identified the issues in these categories as top challenges because they meet one or more of the following criteria:

- The issue involves an operation that is critical to an OPM core mission.
- There is a significant risk of fraud, waste, or abuse involving OPM or other government assets.
- The issue involves significant strategic alliances with other agencies, the U.S. Office of Management and Budget (OMB), the Administration, Congress, or the public.
- The issue is related to key initiatives of the President.

These challenges highlight the critical role OPM plays in safeguarding its programs' trust funds, modernizing its operations, managing its workforce, and guiding federal human capital strategy. Success will depend on strong leadership, accountability, and collaboration across government, ensuring OPM can meet its core mission and support the federal workforce in FY 2027 and beyond.

Challenge 1: Delivering OPM's Mission with Fewer Resources

OPM leaders, like those in other federal agencies, must now operate with a smaller workforce. Staffing levels declined rapidly in 2025, driven largely by the Deferred Resignation Program, reductions in force, and the departure of both probationary and experienced employees across OPM program offices. According to the Federal Workforce Data website, OPM processed nearly 1,000 separation actions during 2025. As a result, teams have been expected to sustain mission delivery with fewer resources. As program offices learn to navigate these workforce changes while still delivering OPM's mission, this remains a top management challenge.

Changes in Key Offices

OPM's Office of the Chief Information Officer (OCIO) is operating in an increasingly complex environment characterized by significant workforce reductions, expanded responsibility for managing technology functions in-house, growing reliance on artificial intelligence (AI), and rapidly evolving cybersecurity threats. During the OIG's annual risk assessment, OPM personnel identified several risks affecting OCIO's current operating environment:

- significant workforce reductions while simultaneously managing a growing portfolio of high-priority responsibilities, including information technology (IT) modernization, cybersecurity, data governance, and AI adoption
- greater responsibility for IT operations previously supported by contractors, including expanded internal security operations responsibilities
- capacity to maintain timely cybersecurity remediation
- accelerating AI adoption faster than governance, security, and oversight frameworks can mature
- legacy systems lacking clear paths to modernization

It will be critical to effectively manage these risks to avoid an increase in cybersecurity exposure, disruptions of operations, delays in modernization efforts, or weakened protection of sensitive federal information.

Similar concerns extend to Retirement Services. Despite improvements in processing retirement applications and enhanced customer service features for annuitants, OPM continues to struggle with customer service issues. This has frequently made it difficult for customers to reach representatives and get timely assistance, resulting in long hold times, unanswered calls, and an increase in complaints, with about 30% of retirement-related OIG hotline contacts focused on customer service concerns. Addressing these customer service limitations is crucial for improving the annuitant and survivor annuitant experience during ongoing agency changes.

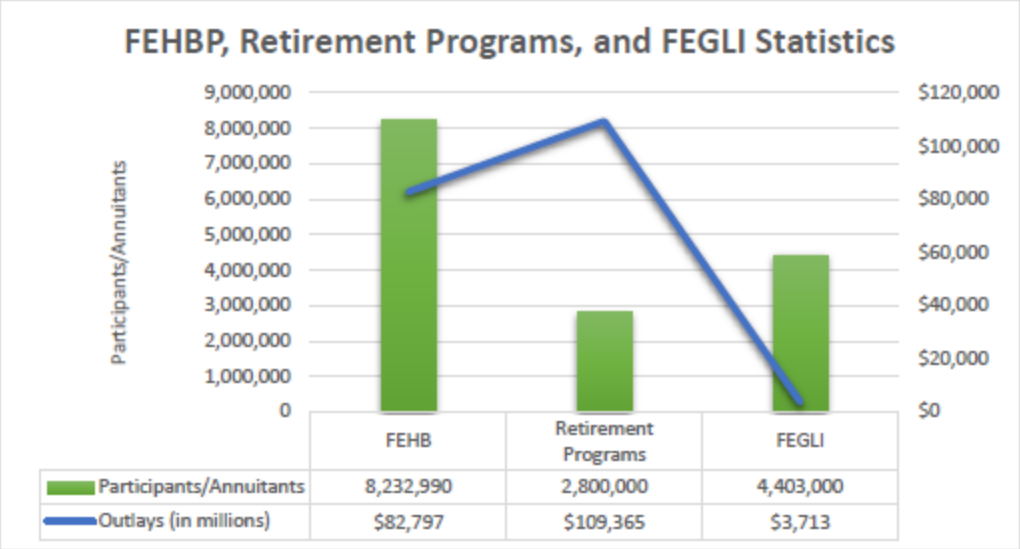
Modernization and Future Outlook

The agency considers these recent workforce changes, together with ongoing technological advancements, as an opportunity to continue fulfilling its mission more efficiently and effectively. OPM's leadership has expressed optimism that modernization efforts—including targeted uses of automation and AI—can improve operational efficiency over time. However, because the agency is still determining which technologies are effective, sustainable, and appropriate for its mission, strategic resource management remains crucial. As the agency adapts to these unprecedented workforce reductions, the long-term success of its programs will depend on the thoughtful deployment of technology, proactive risk mitigation, and realignment of resources with mission priorities.

Challenge 2: Ensuring the Financial Integrity of the OPM-Administered Trust Funds

In addition to its role as the chief human resources and personnel policy manager for the federal government, OPM is responsible for administering governmentwide benefits for federal employees, annuitants, and their eligible family members. The largest of these benefit programs is the Federal Employees Health Benefits Program (FEHBP) (which includes the Postal Service Health Benefits Program [PSHBP]), the Federal Employees' Group Life Insurance Program (FEGLI), and the retirement programs.

OPM manages over $1.3 trillion in total combined net assets, $234 billion in total receipts, and $203 billion in total outlays in the earned benefits trust funds, which support the retirement, health benefits, and life insurance programs. The following chart shows the disbursement and participant/annuitant statistics for the three benefit programs, as of September 2025:



Safeguarding the financial integrity of these three benefit programs and managing them responsibly are vital responsibilities that OPM is legally required to carry out. OPM must oversee these trust funds, provide quality and timely benefits, and ensure cost effectiveness.

Federal Employees Health Benefits Program

OPM, as the administrator of the FEHBP, is responsible for negotiating contracts with health insurance carriers covering the benefits provided and premium rates charged to over 8.2 million federal and Postal employees, annuitants, and their eligible family members. The increasing cost

of health care, especially the cost of prescription drugs, continues to be a challenge for OPM. OPM's previous work to address prescription drug pricing transparency, systematic formulary reviews, and low-value care are examples of the agency's positive efforts in this area, but OPM must continue to improve the FEHBP costs for federal employees, annuitants, and their eligible family members.

Escalating Prescription Drug Costs in the FEHBP

Prescription drug spending remains one of the most significant financial challenges facing the FEHBP. OIG analyses show that pharmacy claims accounted for one third of total healthcare claims in 2025, prior to the offset of drug manufacturer payments (rebates). This reflects a 6.7% increase in drug expenditures from 2024. Although the inclusion of rebates reduces drug costs closer to 25% of healthcare expenditures, the long-term trend is clear. Prescription drug claims are consuming an increasing share of FEHBP resources and are rising faster than medical claims. This continued escalation threatens the affordability and sustainability of the program. Additionally, the exponential increase in drug manufacturer payments as compensation for favorable drug formulary placement highlights the need to ensure that all rebates are returned to the program from PBMs, rebate aggregators, and group purchasing organizations.

The FEHBP's experience reflects broader national prescription drug trends. Specialty drug utilization, therapeutic innovation, and manufacturer pricing strategies continue to drive substantial spending growth. High-cost specialty therapies, including drugs used to treat cancer, autoimmune disorders, and rare diseases, represents approximately 1% of the total number of prescriptions filled but more than 35% of total pharmacy spending in 2025. These products often enter the market at premium prices, creating immediate and significant cost pressures for FEHBP carriers.

Glucagon-like peptide-1 (GLP-1) medications also have emerged as a major cost driver. Although originally developed to treat diabetes, these drugs are now also widely used for weight management, contributing to a rapid increase in demand. Because of their high per-member cost and growing utilization, GLP-1 medications present significant budgetary concerns for FEHBP carriers and the program as a whole. From 2022 through 2025, utilization of GLP-1 medications has increased 165% for the program's largest carrier while its cost per GLP-1 utilizer has increased 43%. More broadly, new drugs frequently enter the market at higher launch prices than existing therapies, adding to long-term spending pressures and contributing to year-over-year increases in FEHBP prescription drug expenditures.

Pharmacy benefit manager (PBM) practices continue to play a central role in the FEHBP's cost environment. OIG oversight work has identified persistent transparency challenges, including variable pricing methodologies, complex rebate arrangements, and opaque Carrier-PBM contracting terms. These practices limit visibility into true drug costs and affect the FEHBP's ability to obtain consistent, equitable pricing across carriers. The OIG's management advisory

report about FEHBP prescription drug costs provides additional historical context on pricing disparities and uneven cost-saving outcomes across the program.[1]

PBM oversight remains an active area of OIG audit work. The OIG's last seven audits[2] of PBM pharmacy operations for FEHBP carriers resulted in questioned costs of over $700 million. Recurring findings have included PBMs failing to pass through discounts negotiated with retail pharmacies, credits received from retail pharmacies, non-specific drug inventory discounts, clawbacks when pass-through pricing exceeds pricing guarantees, and manufacturer payments retained by rebate aggregators and group purchasing organizations. These practices distort health care pricing, reduce transparency, and conceal the actual costs of prescription drugs.

PBM transparency is becoming increasingly difficult as three of the nation's largest PBMs continue to expand vertical integration through parent-subsidiary relationships and develop contracting structures that may circumvent OPM's PBM transparency requirements. These arrangements can make it difficult for OPM and FEHBP carriers to determine whether the program is receiving the full value of negotiated discounts, rebates, and other price concessions.

Consistent with Executive Order 14297,[3] OPM should consider strengthening its PBM Transparency Standards by adding a Most-Favored-Nation pricing clause. Such a clause could help ensure that the FEHBP receives the best available pricing offered to any PBM client and prevent PBMs from excluding the FEHBP from the most favorable rebates, discounts, or drug pricing arrangements.

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[1] OPM OIG, 1H-01-00-18-039, Management Advisory Report on Federal Employees Health Benefits Program Prescription Drug Costs (March 31, 2020).

[2] OPM OIG reports 1H-07-00-19-017, Audit of CareFirst BlueChoice's Federal Employees Health Benefits Program Pharmacy Operations as Administered by CVS Caremark for Contract Years 2014 Through 2017 (July 20, 2020); 1H-02-00-20-033, Audit of the Hawaii Medical Service Association's Federal Employees Health Benefits Program Pharmacy Operations as Administered by Caremark for Contract Years 2016 Through 2019 (November 15, 2021); 1H-08-00-21-015, Audit of Group Health Incorporated's Federal Employees Health Benefits Program Pharmacy Operations as Administered by Express Scripts, Inc. for Contract Years 2015 Through 2019 (February 16, 2023); 2022-SAG-029, Audit of the American Postal Workers Union Health Plan's Pharmacy Operations as Administered by Express Scripts, Inc. for Contract Years 2016 Through 2021 (March 27, 2024); 2023-SAG-019, Audit of Compass Rose Health Plan's Pharmacy Operations as Administered by Express Scripts, Inc. for Contract Years 2017 Through 2022 (November 14, 2024); 2024-SAG-022, Audit of the National Association of Letter Carriers Health Benefit Plan's Pharmacy Operations as Administered by CVS Caremark for Contract Years 2018 Through 2023 (December 8, 2025); 2024-SAG-013, Audit of the Blue Cross Blue Shield Association's Service Benefit Plan's Retail and Mail Order Pharmacy Programs as Administered by CVS Caremark for Contract Years 2018 Through 2021 (March 13, 2026).

[3] Executive Order 14297, Delivering Most-Favored-Nation Prescription Drug Pricing to American Patients (May 12, 2025).

In summary, the FEHBP faces sustained and growing pressure from rising prescription drug costs, driven by specialty drugs, GLP-1 medications, high launch prices for new therapies, and opaque PBM practices. To protect the long-term affordability and sustainability of the program, OPM should pursue strategic reforms that improve PBM transparency, strengthen pricing accountability, promote equity across carriers, and ensure better value for federal employees, retirees, and their families.

FEHBP Enrollment and Eligibility

Ensuring that only eligible family members receive benefits under OPM health care programs remains a long-standing challenge for the agency. Ineligible individuals (such as non-spousal partners, friends, grandchildren, or other persons improperly enrolled) receiving FEHBP benefits was unchecked by the agency's previous self-certification process. This issue has been repeatedly documented by the OIG[4] and most recently highlighted by the U.S. Government Accountability Office (GAO).[5] Despite ongoing efforts, preventing and detecting ineligible enrollments continues to pose significant risks to the integrity and cost-effectiveness of the program.

The FEHB Protection Act of 2025, enacted under Pub. L. 119-21, Title IX § 90101 (2025) mandates that OPM

- complete a comprehensive audit of the eligibility of all FEHBP family members
- issue new regulations establishing a comprehensive dependent eligibility verification process
- disenroll individuals determined to be ineligible
- include ineligible individuals in FEHBP fraud-risk assessments

These statutory requirements are the first governmentwide mandate for a full eligibility audit in the FEHBP's history. Given the decentralization of enrollment processes across hundreds of employing offices, planning and implementing this audit will require extensive coordination, new processes, and significant administrative capacity.

Over the past year, OPM has taken meaningful steps to strengthen program integrity controls and prepare for compliance with the FEHBP Protection Act, such as operationalizing and expanding the PSHBP centralized enrollment portal and verifying new PSHBP dependents.

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[4] OPM OIG, 4A-HI-00-19-007, Audit of the U.S. Office of Personnel Management's Administration of Federal Employee Insurance Programs (October 30, 2020).
[5] GAO, GAO-23-105222, Federal Employees Health Benefits Program: Additional Monitoring Mechanisms and Fraud Risk Assessment Needed to Better Ensure Member Eligibility (December 9, 2022).

Operationalizing and Expanding the PSHBP Centralized Enrollment Portal

A new centralized enrollment system/portal for the PSHBP is now fully operational. It can

- accept uploaded documentation proving dependent eligibility (e.g., birth, adoption, and marriage certificates)
- require supporting documentation for qualifying life events
- maintain documentation for future verification and audit purposes

OPM and other agencies began collecting eligibility documents for new Postal employees and for qualifying life events beginning January 1, 2025. This improved fraud-risk controls for new PSHBP enrollments, while additional controls associated with open season changes are still needed.

Verifying New PSHBP Dependents

Currently, OPM plans to collect documentation and verify eligibility for a sample of new PSHBP dependent enrollments. Additional verification work remains for previously enrolled dependents; however, establishing this initial documentation requirement represents the first systematic eligibility verification process OPM has implemented for a federal health program.

Scalable Foundation for FEHBP-Wide Verification

OPM's implementation of the PSHBP enrollment portal provided a scalable model and foundation that can guide and support efforts to develop an FEHBP-wide dependent verification and centralized enrollment system. Scaling this platform or creating a similar system for the FEHBP's several-million-member population is a central component of OPM's long-term strategy to achieve centralized enrollment, directly aligning with longstanding OIG recommendations.[6]

Program Integrity Planning and Fraud-Risk Integration

Consistent with the FEHB Protection Act, OPM has been integrating eligibility-verification risks into its program integrity and fraud-risk models. The agency acknowledges that unverified dependents, especially the nearly 700,000 FEHBP members transitioned to the PSHBP, poses an elevated fraud-risk area for which the FEHB Protection Act requires full validation.

Strengthened Oversight Through OIG Audits

OIG audits and oversight activities have contributed to shaping OPM's implementation approach, including identifying the absence of a complete plan for verifying previously enrolled PSHBP dependents and the need for a broader, comprehensive eligibility verification framework.

[6] OPM OIG report 4A-HI-00-19-007, recommendation 7.

OPM has used these findings to enhance planning for the future FEHBP-wide audit and verification requirements.

Remaining Work

Despite the progress, significant challenges remain. Most currently enrolled FEHBP and PSHBP dependents remain unverified. OPM lacks the ability and resources to verify these dependents. The decentralized FEHBP enrollment structure creates substantial barriers to data consolidation and verification. Completing the comprehensive FEHBP eligibility audit by July 4, 2029, as required by law, will require major operational, technological, and funding commitments. Removal of ineligible individuals after the audit must be carefully managed to avoid errors and ensure continuity of coverage for eligible enrollees.

OPM has taken meaningful steps within the past year to modernize eligibility verification and enhance program integrity across both the FEHBP and the PSHBP. Through new documentation requirements, a scalable centralized enrollment portal, and expanded risk assessment integration, the agency is better positioned to implement the FEHB Protection Act. We will continue to provide robust oversight as OPM develops and implements the comprehensive eligibility audit and advances the necessary systemwide reforms to ensure only eligible individuals receive federal health insurance benefits.

Health Insurance Carriers' Fraud and Abuse Programs

OPM leans heavily on its contracted health insurance carriers and their subcontractors to perform frontline program integrity efforts for OPM health care programs. This includes carriers' common methods such as edits, prepayment reviews, and special investigation unit efforts. Ensuring that carriers are adequately protecting the program from fraud, waste, and abuse is an ongoing challenge for the agency. OPM must ensure FEHBP carriers comply with contractual requirements and carrier letters governing the prevention, identification, and resolution of fraud, waste, and abuse. OPM's effective oversight of carriers' fraud prevention efforts and recovery of program funds is critical to maintaining the agency's program integrity function.

The emphasis on the contractual requirements of carriers and the responsibilities they (and their subcontractors) have in detecting and preventing fraud, waste, and abuse is a major component of Carrier Letter 2026-11, published June 10, 2026. OPM's stated intent to increase oversight and ensure carriers' fraud, waste, and abuse programs are truly safeguarding the program is a significant development.

Despite this positive development, carrier oversight is an area that remains a challenge for the agency. While it is too soon to fully evaluate the effectiveness of Carrier Letter 2026-11, the OIG anticipates monitoring the agency's evaluation of carriers' fraud, waste, and abuse programs as well as any corrective actions OPM determines are necessary for carriers to address identified deficiencies. The effectiveness with which carriers address identified deficiencies, as well as their

overall cooperation and compliance with the agency's increased program integrity efforts, will affect this challenge. Because carriers' fraud, waste, and abuse detection and resolution activities occur as the carriers administer benefits, they take place outside of the agency's direct control of the program. As such, the agency will need to ensure that the carriers comply with the findings of any Carrier Letter 2026-11 evaluations.

FEHBP carriers must submit an annual fraud, waste, and abuse report in March. These reports can be improved to provide a more valuable measure of how the carriers are protecting OPM's health care programs. Ensuring that carriers are adequately protecting the program and transparently providing the costs and results of their fraud, waste, and abuse efforts will be necessary to improve OPM's own program integrity efforts as well as the effective administration of the health care program contracts.

Identifying and Reducing the Flow of Improper Payments

As in previous years, identifying and reporting improper payments in OPM's largest programs, the FEHBP and the retirement programs (the Civil Service Retirement System and the Federal Employees Retirement System), remains a top management challenge for the agency. OPM faces distinct challenges in identifying and preventing improper payments within each major program.

For FY 2025, the OIG determined that OPM was compliant with Payment Integrity Information Act of 2019 reporting requirements. However, as in prior years, we found numerous issues and areas for improvement with OPM's identification and prevention of improper payments, including the following:

- Healthcare and Insurance incorrectly reporting its 12-month sampling timeframe for improper payment and unknown payment estimates on paymentaccuracy.gov
- Retirement Services not following its Over Age 90 Project standard operating procedures
- Being unable to identify or verify
  - all of the data in Retirement Services' Centenarian Project universe of cases and master spreadsheet
  - that the Retirement Services 2024 Federal Employees Retirement System Annuity Supplement Survey was completed timely
  - whether Retirement Services followed its improper payment and unknown payment reduction target calculation methodology
  - improper payments data in Retirement Services' FY 2025 Do No Pay Scorecard

For FY 2023 and FY 2024, the OIG determined that OPM was not compliant with the Payment Integrity Information Act of 2019.[7] This was largely due to OPM not reporting improper payment estimates for the FEHBP in accordance with OMB Circular A-123, Appendix C—Requirements for Payment Integrity Improvement because, while developing their methodology, OPM determined that the FEHBP should be differentiated into two activities, Experience-Rated and Community-Rated Carriers, for OMB reporting purposes. A subsequent risk assessment conducted by OPM during FY 2023 determined that only the experience-rated carriers were susceptible to significant improper payments and modified its statistically valid sampling and estimation methodology plan to include only experience-rated carriers. In June 2024, the agency submitted an updated sampling and estimation plan to OMB and OPM published its first experience-rated carrier improper payment and unknown payment estimates in FY 2025. Developing a more accurate understanding of improper payments is essential for the agency to reduce improper payments.

Improper Payments in the Retirement Programs

Improper payments from OPM's retirement programs were approximately $363 million in FY 2025, including $265 million in overpayments and $98 million in underpayments.[8] This high-priority program's cost to taxpayers is an area where the agency can continue to make improvements. Leading causes of improper payments in OPM's retirement programs include continued payment to deceased annuitants and/or survivor annuitants, which can occur because of a lack of program controls.

The agency's progress in reducing the use of paper retirement documents and overall improvements to the retirement process will hopefully reduce improper payments in the long term. Efforts to modernize the legacy IT systems that support the retirement program are recognized by both the agency and the OIG as key to providing better program controls. In the meantime, continued use of the U.S. Department of the Treasury's Do Not Pay portal and other methods for detecting deceased annuitants remain important for preventing current improper payments.

We currently receive a low number of fraud referrals from the Retirement Services program office compared to the amount of improperly paid amounts. In the past fiscal year, we opened complaints based on just 15 referrals with a combined loss of approximately $1.09 million from the Retirement Services program office.[9] Improving the detection and referral of fraud cases for

[7] OPM OIG reports 2024-IAG-010, Audit of the U.S. Office of Personnel Management's Compliance with the Payment Integrity Information Act of 2019 (May 29, 2024) and 2025-IAG-003, Audit of the U.S. Office of Personnel Management's Compliance with the Payment Integrity Information Act of 2019 for Fiscal Year 2024 (May 23, 2025).
[8] OPM, PaymentAccuracy.gov website, https://paymentaccuracy.gov/agency/OPM.
[9] Data from the two most recent semiannual reports, April 2025 to September 2025 and October 2025 to March 2026.

investigations will help reduce improper payments and recover taxpayer dollars. Initiatives such as leveraging AI to detect patterns of non-usage of healthcare services, along with efforts like the nonagenarian project, which utilized AI to analyze large datasets for suspicious trends in health care utilization and payments among individuals aged 90 or older, can help the agency identify payments that should be discontinued or that may be the result of fraudulent activity. The OIG and the agency are working together to clarify certain referral criteria to increase the number of referrals the agency provides, with a memorandum of understanding between the parties nearing finalization. The OIG will continue to liaise with the agency about improvements for detecting and preventing fraud, waste, and abuse in the OPM retirement programs.

Improper Payments in the Federal Employees Health Benefits Program

Fraudulent, wasteful, or abusive payments in OPM healthcare programs are in part based on general vulnerabilities in the nation's healthcare ecosystem. However, the agency has a strong opportunity to reduce improper payments by leveraging its access to data and requiring the cooperation of the FEHBP carriers.

Health care utilization changes will continue to challenge OPM's ability to prevent fraudulent payments. U.S. Department of Health and Human Services (HHS) has alleged widespread fraud across home health care, hospice services, and durable medical equipment providers, which are areas where an aging member population may increase the FEHBP's exposure.[10] High spending on certain drugs, such as GLP-1s and immunotherapy drugs, also presents significant risks because fraud involving these high-cost treatments can quickly result in losses totaling millions of dollars. OPM and its partners in protecting the FEHBP, including the OIG, are engaged in an ongoing race against fraudsters, who are increasingly adopting AI to enhance their schemes as the government expands its own use of AI to detect and prevent fraud.

As the agency leverages AI tools to parse the wealth of healthcare data from claims and analyze information such as aberrative providers, suspicious geographic trends, and other indicators of possible fraud schemes, how the agency enforces its contractors attempting to recover funds and protect the program will be important steps the agency takes in reducing improper payments from its healthcare programs. The publication of Carrier Letter 2026-11 may lead to improvements in the agency's program integrity function. However, as this carrier letter was published recently, the full effect of this guidance remains unclear.

[10] U.S. Centers for Medicare & Medicaid Services, CMS Announces Aggressive Nationwide Crackdown on Fraud with Six-Month Hospice and Home Health Agency Enrollment Moratoria, press release (May 13, 2026); HHS, Trump Administration Prioritizes Affordability by Announcing Major Crackdown on Health Care Fraud, press release (February 25, 2026).

OPM's Health Care Program Integrity Initiatives

In past reports, the OIG has strongly advocated that the agency improve the program integrity functions that serve to protect its health care programs from improper payments and prevent fraud, waste, and abuse. Recent OPM initiatives indicate that the agency is making serious commitments to improving these program integrity activities.

The agency's engagement with the OIG on fraud, waste, and abuse concerns and program integrity efforts is an important step in the program integrity development process. The publishing of Carrier Letter 2026-11 is a particularly encouraging step. Participation in the White House Task Force to Eliminate Fraud is another positive step.

While the program integrity function continues to develop, the OIG continues to identify fraud, waste, and abuse in OPM health care programs as major challenges facing the agency. And the development of this program integrity function presents specific challenges that the agency must have the foresight to mitigate and a plan to address, particularly related to member and patient privacy. Complex data analytics of suspicious billing patterns or providers, regional trends, and other telltale markers of fraud will save the program money and protect patients from bad actors. But, as the Director acknowledged in his recent blog post on the topic, these endeavors must also protect the sensitive data of millions of federal employees and their family members.[11] The OIG will continue to provide oversight of the agency's efforts to protect this data.

As discussed above, one effort that is critical in reducing improper payments is OPM's statutorily required audit of the FEHBP membership rolls, and the resulting removal of ineligible individuals from the program. The OIG continues to advocate for the application of long-term solutions that will prevent ineligible individuals and identify on an ongoing basis any that are able to enroll. The new final rule published in June 2026 that improves the verification process for family members is another important program integrity effort. It requires enrollees to provide proof of eligibility any time a family member is added to an enrollment, including during any open season or qualifying life events. While OPM continues to make progress in reducing improper payments, pursuing criminal, civil, and administrative remedies to recoup misspent funds will remain an important component of the agency's program integrity efforts. The partnership among the agency, the carriers, and the OIG remains essential to protecting the program, with each playing a unique role.

[11] Scott Kupor, A Day Late and a Dollar Short, U.S. Office of Personnel Management (June 11, 2026).

Retirement Programs

OPM administers the federal retirement programs, serving approximately 2.8 million active employees—including the Postal Service—and more than 2.7 million annuitants, survivors, and family members. During fiscal year 2024, OPM distributed more than $106 billion in defined benefits to these annuitants, survivors, and eligible family members.

Retirement Services Activity

OPM Retirement Services is responsible for designing and managing retirement benefits programs and services. Its duties include making initial eligibility determinations at retirement; enrolling retirees in health and life insurance; handling federal and state tax deductions; processing other payroll functions; adjudicating annuity benefits based on age, service, disability, or death; and managing post-retirement changes resulting from life events.

Claim Processing Developments

OPM is making progress in reducing the retirement claims backlog that increased amid a surge in retirements and staffing losses within the federal government, including Retirement Services. The backlog increased from 34,587 at the end of October 2025 to 65,237 at the end of February 2026.[12] As of May 2026, the backlog had declined to 38,547—more than 40% from its peak—and has since dropped to 15,427 as of August 2026. OPM also processed more than 138,438 claims during the first 8 months of 2026, demonstrating progress despite historically high workloads.

The transition to electronic retirement applications should further improve OPM's ability to reduce processing times and manage the remaining backlog. Digital claims were completed in an average of 34 to 66 days between January and May 2026, compared with an overall average of 60 to 87 days during the same period. OPM has touted improvements for bettering the retirement process for federal employees, including its "Last Day of Paper" initiative, which ends paper retirement processing for most federal retirement applications. Making the retirement process smoother, more efficient, and more accurate is a significant undertaking and significant opportunity for OPM.

OPM expects these changes to dramatically accelerate the retirement application process by increasing reliance on technology and automation and reducing manual procedures. Progress will be measured by enhanced processing efficiency and a decreased backlog of retirement applications. However, OPM must balance expedited claim processing with maintaining customer service. These efforts are complex. The OIG will continue to use our best efforts to

[12] OPM Retirement Center website, https://www.opm.gov/retirement-center/retirement-statistics/retirement-processing-status.pdf.

provide oversight and recommendations to support the agency's success in these important activities.

Customer Service Challenges

Despite improvements to the retirement application process, OPM continues to face significant customer service issues. This has been identified as a top management challenge for several years, reflecting ongoing difficulties in supporting annuitants, survivor annuitants, and others seeking assistance.

Customer service is especially important when the progress the agency makes in its modernization efforts is inadvertently disruptive. For example, the agency's shift to digital 1099-R forms earlier this year was intended to expedite annuitants and survivor annuitants receiving their tax forms. However, many of the annuitants who had issues with the change had difficulties reaching customer service representatives,[13] and members of Congress raised customer service concerns to OPM's Director.[14]

The OIG has detailed in past reports that we receive many customer service contacts on the OIG hotline each year. In our last two semiannual reports, we reported that approximately 450 contacts were explicitly related to customer service, nearly 30% of all retirement-related hotline contacts we received.[15] Many of these callers reported unsuccessful attempts to reach Retirement Services, including unanswered calls and long hold times.

When individuals who contact the OIG hotline need action from the Retirement Services program office, we refer them to agency liaisons whose primarily responsibilities are program integrity efforts. As a result, much of the interaction between OIG and Retirement Services that should focus on program integrity or concerns like fraud, waste, or abuse is instead occupied with addressing customer service complaints.

Improving customer experience for retirees through better processes and modernization is an area where the agency has dedicated substantial resources, and further improving customer service will help annuitants through the transitionary period of these developments.

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[13] Drew Friedman, After weeks of delay, OPM mails remaining tax forms to federal retirees, Federal News Network (March 11, 2026).
[14] Frank Pallone, Jr., et al, to Scott Kupor, letter (March 2, 2026), https://walkinshaw.house.gov/uploadedfiles/letter-to-opm-on-tax-form-delays-final.pdf.
[15] Data from the two most recent semiannual reports, April 2025 to September 2025 and October 2025 to March 2026.

Challenge 3: Modernizing Information Technology

Modernizing OPM's IT security and operations continues to be an area of focus for the agency. While OPM has made significant progress toward improving and modernizing its technology environment and its organizational structure, challenges remain.

The Federal HR 2.0 Initiative

On June 10, 2026, OPM awarded the Core Human Capital Management (Core HCM) contract—the centerpiece of the Federal HR 2.0 (FHR 2.0) initiative—to Oracle, a 10-year, single-award, indefinite delivery, indefinite quantity contract valued at $395.8 million. The award is intended to consolidate more than 100 duplicative Core HCM systems currently costing the government an estimated $1 billion annually into a single FedRAMP-authorized platform that will serve approximately 2 million federal employees. While the award is a significant milestone, OPM entered a compressed and heavily sequenced implementation period. Several foundational risks identified during the pre-award phase remain unresolved, and new risks tied to schedule, security architecture, and oversight have emerged.

Schedule Risk and Inconsistent Completion Targets

OPM intends to reach platform readiness (Authorization to Operate [ATO], fit-gap testing, and initial agency readiness activities) within 120 days of vendor start, followed by a staggered Wave 1/Wave 2 rollout. OPM's target completion date has shifted across recent communications, from July 4, 2027, to "2027" more broadly, to as late as March 2028. OPM attributes this shift primarily to an approximately 100-day pre-award bid protest period. Per-agency rollout times add uncertainty and could range from roughly 6 months for a small agency to a year for an extra-large one. The Wave 2 timeline has not yet been set—OPM states it will be informed by readiness indicators and lessons learned from Wave 1. OPM has stated that it prioritizes agency readiness over adherence to a fixed date and will adjust the implementation schedule as needed, which leaves limited schedule buffer to absorb further delays given the number of dependencies still unresolved. A previously identified risk from a potential post-award bid protest, which could have taken up to 100 days to resolve, is no longer active. OPM has confirmed the filing window for a post-award protest has closed.

Concentrated Security and Authorization Risk

Under OPM's implementation model, Core HCM will use a centralized authorization approach for participating agencies. This design streamlines onboarding but also means that security or authorization delays could affect broader rollout across the entire federal government. Key security and privacy documentation remained under development until vendor selection was finalized. OPM should now move quickly to complete and independently validate these artifacts given the compressed schedule described above.

Vendor-Dependent Data Migration

Migrating personnel data from more than 100 legacy systems remains dependent on a migration strategy that, by OPM's own account, cannot be finalized until the vendor is engaged. OPM has developed an internal migration playbook and stood up a Data Migration Working Group, but as of early June 2026, OPM was still awaiting Oracle's proposed approach, including its plan for handling historical data. Agencies have raised data migration and integration as top areas of concern, and the compressed 120-day readiness window leaves limited time to validate a vendor-specific migration approach before Wave 1 cutover.

Persistent Workforce Staffing Gaps

OPM approved staffing plans for both the Core HCM program office and the HR Shared Service Center, but actual staffing continues to lag well behind approved targets across program management, business analysis, data science, and IT security roles. These gaps predate the award and, without acceleration, could constrain OPM's capacity to manage vendor performance, change management, and cybersecurity oversight during the critical first 120 days of implementation.

OPM has responded by restructuring technical hiring around two pipelines: Tech Force, a pooled, SME-validated hiring pathway for IT, cybersecurity, and data science roles that produces shared certificates usable across OPM offices and other agencies (leveraging direct-hire authority and special salary rates to shorten time-to-fill), and a rebuilt early-career pipeline routing interns, recent graduates, and fellows into Core HCM implementation work as a hedge against succession risk.

OPM has identified three risks that remain unresolved: compensation ceilings limiting competitiveness, reduced HR capacity constraining how many hiring cycles can run concurrently, and dependence on government-wide hiring authorities outside OPM's control. OPM states it is mitigating through consolidated announcements, prioritization of Core HCM-critical roles, and standing time-to-hire metrics. Still, the agency has not represented that the staffing gap has closed.

Conclusion

OPM has made genuine progress by reaching contract award and should be recognized for sustaining program momentum through a protracted pre-award protest. However, the program's success now hinges on resolving several unresolved risks within an unusually compressed and inflexible schedule. The OIG has begun using its FHR 2.0 Risk Assessment Questionnaire responses to inform a forthcoming audit of the program and will continue to monitor schedule, security, and staffing risks as implementation proceeds.

Artificial Intelligence Implementation: Opportunities, Risks, and Potential Compliance Challenges for OPM

Executive Order 14179, Removing Barriers to American Leadership in Artificial Intelligence (January 23, 2025), established the accelerated adoption of AI as a national policy priority, directing federal agencies to reduce regulatory friction and expand AI use across government operations. Subsequent OMB memorandums M-25-21 and M-25-22 translated that mandate into specific, time-bound agency obligations covering AI governance, risk management, acquisition policy, privacy protections, and workforce readiness.

Most recently, Executive Order 14409, Promoting Advanced AI Innovation and Security (June 2, 2026) introduced a cybersecurity-focused overlay to the existing AI governance framework, establishing voluntary pre-release review mechanisms for frontier AI models, a new AI Cybersecurity Clearinghouse, classified benchmarking standards for advanced AI capabilities, and binding operational directives for critical infrastructure hardening. While primarily aimed at frontier model developers and national security infrastructure, the June 2026 Executive Order's requirements for agency cybersecurity posture, workforce expansion, and critical infrastructure protections carry direct implications for agencies like OPM that manage sensitive, high-impact data systems.

Together, these directives have empowered agencies to place significant emphasis on AI adoption. For OPM, that mandate carries particular weight. OPM administers federal workforce policies, retirement services (including the Civil Service Retirement System and Federal Employees Retirement System, covering approximately 2.7 million active federal employees and nearly 2.8 million retirees), health care and insurance programs (including the FEHBP), and other critical programs that touch the entire federal workforce. The scale, sensitivity, and complexity of these responsibilities mean that both the opportunities and the risks associated with adoption of AI are magnified at OPM relative to most other agencies.

OPM has taken steps to plan for and has incorporated various types of AI solutions to improve OPM's mission delivery. Across its core program areas, benefits include the following:

- **Retirement services.** AI-assisted processing of retirement claims to help reduce a backlog that recently spiked, improving timeliness for retiring federal employees.
- **Health benefits administration.** Incorporating predictive analytics and AI-driven program integrity tools could detect improper payments and fraud in the FEHBP, one of the largest employer-sponsored health insurance programs in the world.
- **Workforce policy and talent management.** AI tools to enhance OPM's ability to conduct workforce planning, identify skills gaps across the federal enterprise, and modernize hiring processes, including USA Staffing and USAJOBS.

- **Customer service.** Conversational AI and automated case management to improve responsiveness to the millions of federal employees and retirees who interact with OPM annually.

Specific current OPM AI efforts include the following:

- **Enterprise AI assistants in production.** OPM-approved enterprise AI assistants, including Claude, ChatGPT, Microsoft Copilot, Gemini, and Grok are available to employees accessed with official credentials under enterprise agreements.
- **Developer and coding tools.** Approved AI-assisted development tools are in use for software development within OCIO.
- **Mission systems.** USAClass, an AI-assisted position classification capability, is in production in support of OPM's governmentwide human capital role.

These opportunities and current AI efforts are consistent with the innovation-first posture articulated in Executive Order 14179 and the operational AI adoption framework established by OMB M-25-21 and M-25-22.

The same characteristics that make OPM a high-value candidate for AI adoption—the volume, sensitivity, and criticality of its data and decisions—also make unsecured or prematurely deployed AI a significant risk. OPM's data holdings include Social Security numbers, health records, financial information, security clearance data, and other personally identifiable information for millions of current and former federal employees and their families. The following risk categories are of particular concern:

Data exfiltration and unauthorized access. AI systems that are not configured with appropriate access controls and data-handling agreements could expose sensitive personnel and benefits data to unauthorized parties, including through the use of commercial AI tools without approved data pipelines. A comparable exposure occurred in the private sector when employees routed proprietary information through commercial AI tools without adequate oversight, resulting in data being incorporated into third-party training pipelines.

Supply chain and vendor risk. OPM, like most agencies, will procure AI capabilities from commercial vendors. Without rigorous security review of those vendors' models, application programming interfaces, and infrastructure, OPM faces the risk of a compromised AI system serving as a vector into sensitive federal networks, analogous to the 2020 SolarWinds supply chain attack, which affected multiple federal departments.

Algorithmic bias in high-stakes decisions. OPM's programs directly affect the livelihoods of federal employees and retirees. AI used to inform benefits eligibility determinations, hiring recommendations, or workforce decisions without adequate validation and bias testing could

produce discriminatory outcomes at scale with limited transparency or recourse for affected individuals.

Automation bias and inadequate human oversight. When AI outputs are accepted without sufficient human review, errors can propagate undetected across large populations of decisions. In the context of retirement claims adjudication or health benefits determinations, systematic AI errors could result in widespread incorrect or delayed benefits, causing significant human and financial cost.

Adversarial and cybersecurity threats. OPM's history makes its cybersecurity posture a matter of national concern. The 2015 OPM data breach, one of the most damaging cyberattacks on the federal government, compromised the personnel records of approximately 21.5 million individuals. Advanced AI tools have been demonstrated to dramatically accelerate adversaries' ability to discover system vulnerabilities and develop exploits. Deploying AI systems without hardened security architecture and continuous monitoring creates new attack surfaces in an environment that has already proven to be a high-value target.

Although we have not conducted any AI-specific audits to date, we strongly encourage OPM to follow OMB's guidance on implementing AI, and assess Executive Order 14409 obligations , including the agency's responsibilities under the forthcoming Cybersecurity and Infrastructure Security Agency's Binding Operational Directives for critical infrastructure hardening, participation in the AI Cybersecurity Clearinghouse, and the Executive Order's AI and cybersecurity workforce expansion mandate, which is particularly relevant given OPM's governmentwide human capital role, and to treat governance and risk management not as a compliance checkbox but as a prerequisite for responsible AI adoption.

Challenge 4: Improving Federal Human Capital Management

Federal human capital management is undergoing significant transformation due to recent executive orders and strategic directives. The current administration has set priorities focused on merit-based hiring, workforce performance, AI readiness, human resources IT modernization, and employee development. OPM plays a central governmentwide role in guiding policies, leading implementation, and supporting agencies.

Key initiatives emphasize transforming federal hiring and improving workforce performance to attract and retain top talent. Executive Order 14170, Reforming the Federal Hiring Process and Restoring Merit to Government Service, issued January 20, 2025, directs agencies to reduce time-to-hire to under 80 days. OPM's FY 2026–2027 Agency Priority Goals also focus on merit-based hiring, classification modernization, and improved performance management.

GAO High-Risk and Priority Recommendations

OPM has oversight responsibility for strategic human capital management, which GAO continues to identify as vulnerable to serious management challenges and in need of transformation. In its February 2025 High-Risk Series report, GAO identified 38 high-risk areas across the federal government, including 20 related to strategic human capital.[16] In its July 2026 priority open recommendations letter to OPM, GAO highlighted three priority areas, including managing the federal workforce.[17]

Strategic human capital management remains a high-risk issue for federal agencies and the broader workforce. Governmentwide skills gaps can limit agencies' ability to serve the public effectively and achieve mission results. OPM agrees that continued attention to open GAO recommendations is appropriate and has established a governance and management framework to address workforce capacity, succession planning, skills gaps, technology modernization, and data quality. While OPM is making progress in this area, GAO continues to identify strategic human capital management as a high-risk area and has recommended that OPM establish an action plan to address skills gaps identified through its workforce assessment. Fully implementing this recommendation would strengthen OPM's ability to support agencies and provide effective human capital guidance.

Key Reports and Studies

GAO and the National Academy of Public Administration (NAPA) have issued reports highlighting OPM's responsibilities and areas for improvement. In February 2024, GAO reviewed OPM's USA Staffing system and found that OPM provides customer support through account

[16] GAO, GAO-25-107743, High-Risk Series: Heightened Attention Could Save Billions More and Improve Government Efficiency and Effectiveness (February 25, 2025).
[17] GAO, GAO-26-108989, Priority Open Recommendations: Office of Personnel Management (July 22, 2026).

management, a help desk, surveys, and system enhancement processes.[18] However, GAO also found that OPM had not fully documented procedures for updating manual records and managing interagency agreement data. GAO made three recommendations, which OPM agreed to implement.

The National Defense Authorization Act for FY 2020 required OPM to contract with NAPA to assess OPM's functions and challenges. NAPA's March 2021 report, Elevating Human Capital: Reframing the U.S. Office of Personnel Management's Leadership Imperative, included 23 recommendations: 16 for OPM and 7 for Congress. OPM incorporated the 16 agency-directed recommendations into its FYs 2022–2026 Strategic Plan and Annual Performance Plans, but all 16 remain open. OPM recognizes the continuing relevance of prior GAO and NAPA recommendations, and identified its FY 2026-2030 strategic framework, as one point of reference, for current context in addressing these recommendations.

OPM Progress and Initiatives

During FY 2026, OPM continued efforts to close skills gaps and strengthen human capital management through early recruitment; enhanced talent pipelines; upskilling and reskilling programs; SkillBridge initiatives for veteran hiring and skills-gap mitigation; technology-enabled learning; AI-focused internal workforce planning; governmentwide human capital leadership and data initiatives; and internal capability-building.

Remaining Work

While OPM has taken significant steps, additional work remains. OPM plans a FY 2027 skills-gap analysis to align the post-reorganization workforce with its FY 2026-2030 Strategic Plan and the agency's future-state operating model. The analysis is intended to determine whether OPM has the skills, competencies, staffing mix, and organizational capacity necessary to perform statutory and mission-critical functions and to identify targeted mitigation strategies where gaps remain. OPM's remaining work also will center on executing the FY 2027 Annual Staffing Plan cycle established under Executive Order 14356 and OPM's July 2026 guidance. Agency plans and detailed hiring forecasts are due to OPM and OMB by September 30, 2026, and OPM plans to review quarterly updates and conduct Annual Staffing Reviews to track agency performance against the FY 2027 hiring targets. OPM's continued efforts to improve federal human capital management, including working to fully implement open recommendations related to strategic human capital management, is critical in to improve OPM's ability to lead governmentwide workforce transformation, address mission-critical skill gaps, and help agencies build the workforce capacity needed to meet current and future mission demands.

[18] GAO, GAO-24-105738, Federal Hiring: USA Staffing System Supports Hiring Needs, but Actions Are Needed to Strengthen Training and Program Management (February 6, 2024).

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October 2026

Agency Response to the OIG Top Management Challenges

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

The Director

MEMORANDUM FOR: MICHAEL R. ESSER
Deputy Inspector General Performing the Duties of the Inspector General

FROM: SCOTT A. KUPOR
Director

SUBJECT: Agency Comments on the OIG Report Titled "Final Report on the U.S. Office of Personnel Management's Top Management Challenges for Fiscal Year 2027"

I appreciate OIG's assessment of OPM's FY 2027 Top Management Challenges and its consideration of the agency's input during the draft review. The discussion below highlights our measurable accomplishments and the ongoing work to address remaining risks through enterprise risk management, internal controls, modernization, and program-specific oversight.

Challenge 1: Delivering OPM's Mission with Fewer Resources

OPM believes recent workforce reductions should be considered in the context of the agency's 2025 reorganization and modernization strategy. OPM's Phase 1 and Phase 2 Agency RIF and Reorganization Plans were designed to eliminate redundancies, reinforce mission-critical functions, improve operational efficiency, and align resources with current priorities. Core statutory and direct-service functions – including Retirement Services, Healthcare and Insurance, Human Resources Solutions, Suitability Executive Agent Programs, and OCIO's statutory IT and cybersecurity responsibilities – were preserved or realigned rather than discontinued.

The goal was – and remains – to ensure that OPM is a good steward of taxpayer dollars, directing resources to activities critical to the agency's mission and incorporating process, organizational, and technological changes to improve efficiency. The reorganization helped align resources with modernization investments intended to improve customer service. OPM has not materially reduced its FY 2027 and FY 2028 spending plans from the levels established in FY 2026 and is investing available funds in technology projects intended to improve service delivery.

OPM recognizes that change requires continued attention and is actively managing any potential issues through workforce planning, cross-training, documentation of critical processes, knowledge transfer, and modernization. The Director's FY 2026 risk assessment similarly identified workforce capacity and technology modernization as interconnected risks that require continued leadership attention, while noting that the reorganization is expected to improve long-term resilience, accountability, and service delivery.

OPM's Office of the Chief Human Capital Officer (OCHCO) has sustained all services to OPM program and support offices while operating in the reduced-staffing environment. OCHCO manages the Strategic Hiring Committee (SHC), which oversees the agency's annual staffing plan and reviews requests for new positions and essential backfills so that hiring decisions are aligned to mission priorities and available resources. The SHC also coordinates position requests with reviews of organizational structure to support workforce realignment and reduce duplication of effort.

OCHCO is also using multiple talent and productivity tools to sustain mission delivery, including the Tech Force program, shared certificates, early-career hiring, and support for program-office reorganizations. Internally, OCHCO has leveraged Super Intelligence (SI), Power BI, and Power Automate to support policy drafting, position descriptions, job announcements, and implementation of major workforce initiatives such as deferred resignation, return to office, and management-directed reassignments.

Challenge 2: Ensuring the Financial Integrity of the OPM-Administered Trust Funds

OPM agrees that the scale and complexity of the benefit programs are material. OPM's FY 2026 enterprise risk assessment identifies Healthcare and Insurance and Retirement Services as areas warranting heightened attention precisely because of their size and transaction volume, while documenting active mitigation through eligibility verification, data analytics, carrier oversight, fraud-risk assessment, modernization, and strengthened payment controls.

OPM has made substantial progress toward a more integrated fraud, waste, and abuse (FWA) capability across the FEHB and PSHB Programs. Current implementation spans claims-data infrastructure and deidentification, carrier oversight and corrective action, provider suspension and debarment processes, beneficiary eligibility verification, Do Not Pay and death-file matching, and expansion of the Insurance Integrity Unit and supporting analytics capacity. These activities are already in progress and provide context for assessing the maturity and breadth of OPM's healthcare program-integrity efforts.

Federal Employees Health Benefits Program

Escalating Prescription Drug Costs in the FEHBP

Prescription drug costs are increasing across the FEHB Program, reflecting higher utilization and rising prices, particularly for specialty drugs and GLP-1 medications. Managing these costs requires attention not only to drug prices but also to the pricing, rebates, and fees associated with pharmacy benefit manager (PBM) arrangements. Moreover, complex rebate structures and limited contract transparency can make it difficult to verify whether negotiated discounts are fully credited to the program.

To address this concern, OPM relies on PBM transparency standards that require pass-through pricing, disclosure of revenue related to FEHB contracts, and crediting carriers with manufacturer payments attributable to the program. Potential updates to the standards, including provisions on rebates and affiliated entities, are under review; audit work is also supported to verify that required payments reach carriers. These requirements serve as a means of improving visibility into the flow of funds and ensuring that negotiated savings are reflected in program costs.

Cost-conscious purchasing and benefit arrangements form another part of the agency's approach. Medicare Part D employer group waiver plans can provide eligible members with Medicare coordination and access to Medicare-negotiated prices while reducing costs for the program. For Medicare-eligible Postal Service Health Benefits members, prescription coverage through a Part D plan is required. Under OPM's 2027 guidance, carriers must describe how they will increase biosimilar use based on lowest net cost, pursue value-based purchasing, improve rebate transparency, use competitive PBM contracts, and reduce administrative and markup costs (see Carrier Letter 2026-07 (March 31, 2026)). These measures help address avoidable spending while supporting accountable purchasing.

For high-cost medicines such as GLP-1s, the agency pairs coverage requirements with utilization management and financial oversight. Carriers must cover a range of FDA-approved anti-obesity medications, including at least one GLP-1 option for weight loss, and apply utilization management consistent with clinical guidance and participation in behavioral and lifestyle interventions. They must also report utilization and outcomes (see Carrier

Letter 2026-07 (March 31, 2026)). These requirements support appropriate treatment and help monitor spending. Further discussions with carriers are anticipated on aligning cost-sharing and behavioral requirements, which may help manage utilization and reduce total outlays.

Prescription spending should also be considered in the context of overall healthcare costs. Appropriate and effective drug therapy may prevent complications and the need for more costly services, including emergency care, hospitalizations, and long-term treatment. OPM's objective is to manage drug costs while preserving clinically appropriate access to treatment.

FEHBP Enrollment and Eligibility

OPM views the enrollment of ineligible family members as a risk to the integrity and cost-effectiveness of both the FEHB and PSHB Programs. For the agency, unresolved eligibility gaps raise the risk of avoidable benefit and administrative costs and weaken assurance that enrollment controls are effective. To address these risks to program integrity and cost-effectiveness, OPM is combining longstanding eligibility rules with strengthened documentation requirements, data verification, and a broader audit effort.

The agency's eligibility work predates its current initiatives. Since 2018, regulations have allowed employing offices, FEHB carriers, and OPM to request proof of family-member eligibility and establish a process for removing individuals whose eligibility is not adequately documented. OPM has also issued Benefits Administration Letters over several years, as well as Carrier Letters in 2020, 2021, and 2025, to communicate eligibility-verification requirements. These rules and guidance provide a foundation for preventing ineligible enrollments and addressing cases where eligibility has not been established.

More recently, OPM has focused on verifying family members when they are added to coverage. Beginning with Open Season 2026 for Plan Year 2027, employing agencies are required to verify the eligibility of family members added during Open Season. OPM also began a data exchange with the Social Security Administration on June 15, 2026, to help verify dependents. The agency plans to collect documentation and verify eligibility for all newly added dependents. Together, these measures are intended to identify eligibility issues closer to the point of enrollment and reduce the risk that unsupported enrollments continue without review.

Detection of existing enrollment issues is also part of OPM's efforts. The FEHB Protection Act requires a comprehensive audit of FEHB dependents over the three-year period from July 4, 2026, through July 4, 2029. To support that work, OPM is developing a portal for the audit requirements. As of August 2026, the team had built early versions of core system services in a development environment; applicant sign-in through Login.gov was working there, while secure staff sign-in remained in progress. The portal will also be used to support verification of previously enrolled PSHB dependents.

OPM recognizes that its current PSHB System records do not yet provide a complete picture of verified family members. Reports can identify individuals whose documentation was submitted and reviewed through the system, but they may not capture cases where documents were reviewed or retained elsewhere. Consequently, criteria for a "verified" status must be established before system reports can support audit conclusions, and generating and validating those reports will take time. This qualification underscores why the agency's planned audit, portal development, and coordination with employing agencies are important parts of its broader effort.

Together, these actions form a developing framework for protecting program integrity. Eligibility rules and guidance establish documentation expectations; verification when family members are added is intended to prevent unsupported enrollments; and audits, data exchange, and system development are intended to identify eligibility issues among enrolled dependents. This work remains ongoing, particularly the expansion and validation of systemwide records; the agency is building on established eligibility controls rather than starting from scratch.

Program Integrity Planning and Fraud-Risk Integration

OPM recognizes that eligibility verification and fraud-risk integration require continued attention across the FEHB and PSHB Programs. Its FY 2026 enterprise risk assessment identifies Healthcare and Insurance as a heightened-risk area, citing the programs' scale and complexity. The assessment also connects that risk to active mitigation efforts, including eligibility verification, enhanced data analytics, carrier oversight, fraud-risk assessment, and modernization. Enterprise risk planning helps OPM coordinate these activities to strengthen program integrity.

That coordination is being developed through several connected workstreams. Work with the OIG on a claims-data pipeline and necessary redactions is continuing, while OPM has completed a draft deconfliction memorandum of understanding for OIG review. Within Healthcare and Insurance, the Insurance Integrity Unit has advanced a standard operating procedure for moving from post-deconfliction review to possible provider suspension or debarment action. Hiring for the broader fraud, waste, and abuse infrastructure is also progressing. While production claims data are not yet available, the team is using synthetic data to identify priority analytics rules, reference-data sources, and engineering needs. OPM has also briefed congressional staff on claims-data security, deidentification, and intended uses, supporting the governance needed to use that information responsibly.

Payment integrity reporting provides another foundation for this work. OIG confirmed that OPM met all 10 applicable FY 2025 Payment Integrity Information Act compliance requirements, and Healthcare and Insurance is on track to meet reporting requirements. In 2026, it updated its sampling and estimation methodology plan to improve reporting precision. Carriers continue to provide statistically valid data on improper and unknown payments, along with root-cause analyses and corrective action plans. Using those inputs, Healthcare and Insurance is evaluating results, developing trend analysis, establishing a baseline, and working to identify a reduction target. These steps can help connect reported payment issues to their causes and inform targeted corrective action.

Beginning in FY 2027, OPM will add quarterly carrier overpayment reporting. Carrier Letter 2026-16, issued in August 2026, requires carriers to report identified overpayments, how they were detected, their causes, and information about compliance with contractual requirements for prompt and diligent recovery. OPM expects regular access to this information to provide greater insight into the amount and causes of overpayments and carrier recovery practices. This reporting is intended to strengthen oversight by making relevant information available on a continuing basis.

Identifying and Reducing the Flow of Improper Payments

In FY 2026, OPM Retirement Services strengthened payment controls by improving verification of information relevant to payment decisions, increasing oversight of benefit administration, and sharpening the response to potential fraud. This work builds on a FY 2025 improper-payment rate of 0.33 percent, among the lowest for federal programs, while addressing risks that require continued oversight.

Better information helped prevent payments from continuing when circumstances may have changed. The U.S. Treasury's Death Record Confidence Scoring Tool strengthened OPM's ability to assess death-record information relevant to payment decisions. Transitioning annuity supplement surveys online improved the process for collecting information needed to administer those benefits. Together, these steps supported more reliable payment decisions and reduced the opportunity for errors.

Stewardship also depends on oversight of how benefits are administered. The Representative Payee Database gave Retirement Services a resource for tracking representative-payee arrangements and supporting review of

payments managed on behalf of beneficiaries. OPM's ongoing onboarding of Do Not Pay systems added another layer of payment-integrity controls. These initiatives extended the information and tools available to identify potential payment risks and respond before they result in sustained losses.

OPM has also addressed a gap in the handling of suspected fraud. Revised referral guidelines and new dollar thresholds are intended to make referral decisions clearer and more consistent, while monthly meetings with the OIG provide a regular forum to coordinate oversight. In combination, these changes are designed to help potential fraud concerns receive appropriate review and follow-up.

Retirement Programs

During FY 2026, OPM Retirement Services advanced its efforts to reduce the claims backlog and modernize retirement processing. After the backlog rose from 34,587 at the end of October 2025 to 65,237 in February 2026 amid high retirement volume and staffing losses, it declined to 38,547 by May—more than 40 percent below its peak. Processing more than 92,000 claims during the first five months of 2026 demonstrates the scale of the effort behind that recovery.

The shift to digital processing helped Retirement Services handle this workload more efficiently. Digital claims were completed in an average of 34 to 66 days between January and May 2026, compared with an overall average of 60 to 87 days during the same period. Digital adoption also rose from 30 percent of cases received in October 2025 to 80 percent in July 2026. The "Last Day of Paper" initiative, which ended paper processing for most retirement applications, supported this transition by reducing reliance on manual procedures. OPM expects continued use of technology and automation to improve processing times and manage the remaining inventory.

Modernization has also expanded access to retirement services. Many annuitants and survivor annuitants downloaded their 1099-R tax forms through Retirement Services Online, avoiding a wait for mailed forms or a call to the agency. OPM acknowledges, however, that the transition created difficulties for some customers who were unable to reach a representative. Continued attention to customer service will be important as more services move online, so that efficiency gains are matched by accessible support.

Finally, the award of the Core HCM contract provides a foundation for future modernization; a centralized benefits self-service platform is anticipated as part of that implementation. While this capability is not yet a realized service improvement, it could support a more integrated customer experience as the work proceeds.

In FY 2026, OPM delivered significant, measurable improvements by reducing the claims backlog, increasing digital application use, and shortening processing times for digital claims. Maintaining that momentum will require continued attention to the remaining inventory and to customer service, ensuring that modernization delivers a more efficient and accessible retirement process.

Challenge 3: Modernizing Information Technology

OPM is engaged in modernizing the federal human capital infrastructure through initiatives such as Federal HR 2.0, Core HCM platforms, and the integration of SI technologies. This strategic shift is designed to systematically reduce legacy system dependencies, fragmented data, manual processes, and single points of failure. In managing these modernization efforts, OPM has established robust governance structures, phased frameworks, and active operational controls to address temporary execution risks associated with the transformation, specifically focusing on schedule, security, data migration, and staffing.

In managing scheduling risks, OPM utilizes a structured, phased implementation strategy that prioritizes operational readiness over rigid dates. The agency distinguishes between initial platform readiness—targeted for a 120-day window to complete crucial foundation steps including an Authorization to Operate (ATO), fit-gap

testing, and initial agency preparation—and the subsequent rollout to participating agencies. Rather than executing a simultaneous government-wide deployment, OPM structures agency transitions sequentially, allowing subsequent phases to be planned dynamically using lessons learned and empirical readiness indicators from earlier waves. This measured sequencing, combined with the fact that predicted post-award protest risks did not materialize, has helped manage critical-path delays, although implementation milestones remain subject to readiness testing and operational risk.

To address security and authorization risks, OPM integrates protective measures directly into its modern system architectures. Centralized enterprise authorizations are guided by a governance framework and rigorous security reviews that align with rolling system deployments. For emerging technological areas, OPM has instituted updated SI Rules of Behavior (issued in June 2026), mandatory pre-deployment assessments overseen by its SI Governance Board, and formal security reviews of all system integrations, extensions, and automated agents. Through shared-service authorization protocols, modern identity provider access controls, and closely monitored vendor data pipelines, OPM manages supply-chain vulnerabilities, protects sensitive data from being used in third-party model training, and prevents unauthorized data exposure.

Regarding data-migration risks, OPM manages complex information transfers through structured, secure pipelines rather than static administrative tasks. Under the governance of a dedicated Data Migration Working Group and a standardized migration playbook, OPM implements data quality and security validations prior to system cutovers. The agency is actively reviewing vendor-specific strategies and historical data patterns, testing migration routines across sequential waves to address integration concerns and maintain the integrity of personnel records.

Finally, to address staffing and recruitment constraints, OPM leverages several specialized talent acquisition pipelines. Through the Tech Force program, OPM uses pooled, expert-reviewed hiring practices to onboard technical and SI personnel, producing shared certificates that can be used by multiple program offices. To support long-term workforce requirements, the agency is developing early-career talent pipelines using internships, the Recent Graduates Program, and technical fellowship placements. By tracking hiring times, prioritizing Core HCM-critical roles, and consolidating announcements, OPM actively manages resource gaps within standard federal hiring and compensation parameters.

Challenge 4: Improving Federal Human Capital Management

OPM addresses human-capital risk through an integrated approach that links workforce planning, hiring, accountability, and ongoing risk review. Its 2025–2026 reorganization and FY 2026–2030 strategic framework are intended to align resources with mission needs while preserving core governmentwide responsibilities, including workforce policy, classification, hiring, and leadership development. By consolidating or reallocating support functions while retaining these mission-critical capabilities, OPM aims to make better use of available staff and reduce operational redundancies.

Risk oversight is built into the agency's management structure. The FY 2026 enterprise assessment identified workforce capacity, succession planning, skills gaps, technology modernization, and data quality as recurring risks. Office risk committees and the Risk Management Council review these issues, with significant concerns elevated through quarterly performance reviews and leadership briefings. This process gives senior leaders recurring visibility into mitigation efforts and resource needs, helping connect risk identification to management decisions.

OPM also uses measurable hiring practices to identify delays and strengthen workforce capability. The agency-wide average time to hire is 54.5 days, below the 80-day target, and the measure is reviewed by Talent Acquisition leadership and the Strategic Hiring Committee. This regular review can help pinpoint where a hiring action is delayed and support targeted intervention. Pooled hiring and shared certificates are intended to shorten recruitment cycles, while skills-based assessments developed and validated by subject-matter experts help ensure

selections reflect the competencies required for each position. Training, standardized templates, and periodic reviews of completed hiring actions reinforce consistent application of these practices.

Specialized talent pipelines further support workforce resilience. Tech Force recruits for technical occupations such as information technology, cybersecurity, data science, and cloud engineering through pooled, competency-based hiring. Internships, the Recent Graduates Program, and technical fellowships are intended to build early-career capacity and support succession planning. For governmentwide hiring, OPM's Annual Staffing Plan establishes targets for use of shared certificates, early-career recruitment, and validated assessments; quarterly updates and annual reviews provide a way to monitor agencies' progress against those goals.

These actions are complemented by reforms to performance management and classification. OPM has updated appraisal and accountability policies and is promoting USA Class, an SI-enabled classification tool that can help draft and evaluate position descriptions. Final classification decisions remain subject to review and sign-off by qualified classifiers, preserving professional oversight while supporting more efficient hiring processes.

I appreciate OIG's independent oversight and constructive engagement as we address the challenges facing OPM. I am particularly proud of the progress our employees have achieved in reducing the retirement claims backlog, expanding digital services, strengthening program integrity, and advancing modernization. While important work remains, these accomplishments demonstrate that OPM is making meaningful progress in addressing the challenges identified in the report. I look forward to continuing our productive relationship with OIG as we build on these results and further improve efficiency, accountability, and service to the federal community.

FY 2026 Summary of Financial Statement Audit and Management Assurances

OPM's Summary of Financial Statement Audit and Management Assurances are shown in the tables below.

Table 26 – Summary of Financial Statement Audit

Financial Statement Audit Opinion and Material Weaknesses					
Audit Opinion	**Unmodified**				
Restatement	**No**				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Financial Reporting	1	0	1	0	0
Total Material Weaknesses	**1**	**0**	**1**	**0**	**0**

Table 27A – Summary of Management Assurances Financial Reporting

Effectiveness of Internal Control Over Financial Reporting (FMFIA § 2)						
Statement of Assurance	**Unmodified**					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Financial Reporting	1	0	1	0	0	0
Total Material Weaknesses	**1**	**0**	**1**	**0**	**0**	**0**

Table 27B – Summary of Management Assurances Operations

Effectiveness of Internal Control Over Operations (FMFIA § 2)						
Statement of Assurance	**Unmodified**					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	**0**	**0**	**0**	**0**	**0**	**0**

Table 27C – Summary of Management Assurances Federal Financial Management System Requirements

Conformance with Federal Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance	**Federal Systems conform**					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Non-Conformances	**0**	**0**	**0**	**0**	**0**	**0**

Table 27D – Summary of Management Assurances Federal Financial Management Improvement Act

Compliance with Section 803(a) of the Federal Financial Management Improvement Act (FFMIA)		
	Agency	**Auditor**
Federal Financial Management System Requirements	No lack of compliance noted	No lack of compliance noted
Applicable Federal Accounting Standards	No lack of compliance noted	No lack of compliance noted
USSGL at Transaction Level	No lack of compliance noted	No lack of compliance noted

Payment Integrity

The FY 2026 Payment Integrity section includes a discussion of the following information:

- Summary of Payment Integrity Activities and Results
- Use of Do Not Pay (DNP)
- List of Agency Reports on PaymentAccuracy.gov

For detailed information on improper payments in FY 2026, visit the **PaymentAccuracy.gov website**. This site includes frequently asked questions about improper payments, annual improper payment datasets, and program scorecards.

Summary of Payment Integrity Activities and Results

OPM is committed to advancing a transparent, accountable, and collaborative financial management environment to fulfill its federal requirements and provide stakeholders with accessible and actionable financial information. An essential part of this commitment is the continuous improvement of payment accuracy in OPM's programs and robust internal controls. OPM continues to implement solutions to prevent, detect, and reduce improper payments while reducing its stakeholders' unnecessary administrative burden.

OPM's Inspector General concluded that the agency was compliant with the Payment Integrity Information Act of 2019 (PIIA) in the most recent compliance audit. PIIA requires the agency to review and assess all programs and activities with annual outlays greater than $10,000,000 for improper payment risk at least once every three years to identify those susceptible to significant improper payments. OPM conducts improper payment risk assessments on a three-year cycle, or more often if there are significant changes in the program. In FY 2026 OPM conducted improper payments risk assessments for two programs. All programs analyzed this FY remained Phase I programs. OPM continues to only have two Phase II programs: Retirement Services and Federal Employee Health Benefits Experience Rated Carriers.

Retirement Services

OPM Retirement Services' improper payment rate is 0.33%. The improper payment rate after including the unknown rate also is 0.33% – the unknown rate is small enough that it does not increase the improper payment rate. Retirement Services is under the tolerable improper payment rate, which is 0.38%. Retirement Services is aware of the improper payment drivers; however, systemic limitations prevent RS from providing the OIG survey's requested level of specificity. OPM's systems were not designed or built to perform analysis of vast quantities of data. Additionally, some overpayments result from family members and other sources failing to report annuitant deaths.

That said, as a part of our on-going internal control activities, OPM: (1) conducts surveys and matches to mitigate potential improper payments resulting from these events, (2) conducts a match to identify discrepancies that may exist between the OPM annuity roll and the Social Security Administration's (SSA) pay system, (3) compares the Death Match (DM) with OPM's annuity roll weekly to identify annuitants who are reported as deceased by SSA, (4) using the Validated Agency Match System, processes the death information and terminates Federal benefits thereby preventing subsequent improper payments, and (5) utilizes Treasury's Do Not Pay Portal to identify annuitants that should have been reported as deceased. Collection actions are initiated for any overpayments that are discovered.

Healthcare and Insurance

Maintain Payment Integrity: The structure of the benefits administered by Healthcare and Insurance is one that incentivizes contracted Carriers to minimize improper payments. Ultimately, it is the Carrier, not the federal government, that manages daily claims activities. In addition to the structural safeguards of audit and investigative authority vested in the Office of Inspector General, HI maintains payment integrity through oversight of Carriers in the form of plan performance assessments, improper payment reporting, and the audit resolution process. Through structural safeguards and this oversight, HI has maintained a proper payment rate of over 99% for its Phase 2 program for each year that program has produced statistically valid estimates.

Phase 1 Programs: HI has 2 Phase 1 activities and performed 2 risk assessments in 2026. HI's Community-Rated Activity is a Phase 1 Activity. This Activity last had a risk assessment in 2026, which found the Activity is not susceptible to significant improper payments. The time frame for the risk assessment was 2025. This Activity is monitored in off-cycle years through contract compliance audits by the OIG, annual plan performance assessments, and rate development reconciliations.

Federal Employees Group Life Insurance (FEGLI) is a Phase 1 Activity. This Activity last had a risk assessment in 2026, which found the Activity is not susceptible to significant improper payments. The time frame for the risk assessment was 2025. This Activity is monitored in off-cycle years through contract compliance audits by the OIG and annual performance assessments.

Phase 2 Programs: HI has 1 Phase 2 Activity. HI's Experience-Rated (ER) Activity is a Phase 2 Activity. This Activity is reporting a statistically valid improper payment estimate for the second consecutive year and is working to establish a baseline. The ER Activity's estimated improper payment (IP) and unknown payment (UP) amount is $303,792,643 which results in an estimated IP and UP rate of 0.43%. This is an increase of $208,961,723 and 0.29% from the estimates reported for FY 2025. HI has only two years of statistically valid IP data for the ER Activity and is working to establish a baseline. However, even in the absence of baseline data, HI has been able to identify a number of factors that contributed to the increase of improper payments reported for the ER Activity.

One significant factor was the inability of one Carrier to complete the required sampling and testing. HI treated the entire value of the Carrier's outlays as unknown payments, thereby increasing the total combined IP and UP amount by $96,247,931 and rate by 0.14%. The Carrier's failure to report as required will be considered as part of the evaluation of the Carrier's Plan Performance Assessment. If the Carrier cannot come into compliance in future years, HI may take additional remedial actions with respect to this Carrier.

In addition to the individual Carrier's impact on HI's rate, HI reported an increase in improper payments due to a variety of carrier specific issues experienced during the year. These include implementation of the Postal Service Health Benefits (PSHB) Program which affected enrollment, eligibility, pharmacy processing and administrative expense allocations. In some instances, Carriers' increases were due to platform migration issues, and other non-recurring events. The primary causes of IPs identified are human errors, system errors and recordkeeping errors. Primary corrective actions include training and process changes to eliminate primary root causes of the identified improper and unknown payments.

There were no significant changes to the mitigation strategies or corrective action plans during the reporting period. HI updated its payment integrity methodology during the reporting period to improve the precision of its reporting and explicitly identify that the Experience-Rated Activity includes Experience-Rated Carriers in the FEHB and PSHB. HI updated the ER Activity Sampling and Estimation Methodology Plan to remove from its calculations the results of testing transactions that were not related to payments but were related to other areas of contract compliance, and an area that may include payments but created a risk of double counting with other areas already tested. This update was submitted to OMB on May 22, 2026. HI is also implementing enrollment and provider integrity work through the exchange of data from the Death Record Confidence Scoring Tool (DRCST) and DNP.

Use of Do Not Pay (DNP)

OPM's RS uses the DNP initiative, in conjunction with other methods, monthly to detect, prevent, and reduce improper payments. OPM's RS Fraud Analysts access the DNP portal monthly, pulling nationally reported deaths of annuitants through the following death data sources: Department of State; Department of War; American Infosource – Probate, American Infosource - Obituary; and the full Death Master File (DMF). There were over 40,000 hits/names/payments reviewed in FY 2026. All hits/names/payments were verified by Fraud Analysts through open and closed source investigative tools. In FY 2026, over 6,700 names were confirmed deceased and dropped for death, preventing over $14,700,000 in improper annuity payments from being issued.

FEHB uses the DNP portal once a year, in February / March, to check new carrier applicants in the FEHB Program. Healthcare and Insurance, specifically for the FEHB and PSHB Programs use the DNP portal once a year, in February / March, to check new carrier applicants. There were no new carrier applicants in FY 2026, so neither the FEHB nor PSHB used DNP to check new carrier applicants in 2026. OPM's review is not based on individual

transactions with specific dollar amounts. OPM neither prevented nor recovered any improper payments by using DNP.

Beginning September 2026, HI's use of DNP expanded to include: Use of the DRCST: To support fraud, waste, and abuse (FWA) efforts, HI uses DRCST, accessed through the DNP portal, to identify potentially deceased members and providers whose records may still be generating premium withholdings, enrollment, or claims activity. DRCST matches are treated as leads, not conclusive findings. Use of the DNP Portal for Provider integrity: HI uses the DNP portal to check for provider matches or participating providers in the FEHB/PSHB plans. Carriers are required to maintain FWA programs that include screening providers for exclusion or debarment, and the OPM OIG investigates provider fraud and administers debarments and suspensions of providers from the FEHB and PSHB Programs. HI is using the DNP to verify that providers associated with the program are not on the exclusion lists. These new uses started in September of 2026 and thus have not yielded cost savings as of this time.

List of Agency Reports on PaymentAccuracy.gov

The reports listed below are available for the agency and can be accessed by navigating from the Resources page on the **PaymentAccuracy.gov** to the Congressional Reports page and then selecting the relevant report from the dropdown list for the relevant agency and fiscal year.

- Annual Risk Assessment Report required under 31 U.S.C. § 3352(a)(3)(C);
- Agency Annual High-Priority Program Report required under 31 U.S.C. § 3352(b)(2)(A)-(D);
- Annual Improper Payment Estimation Report required as accompanying materials under 31 U.S.C. § 3352(c) incorporated by reference in the OPM Agency Financial Report; and
- Annual Report on Actions to Reduce Improper Payments required as accompanying materials under 31 U.S.C. § 3352(d) incorporated by reference in the OPM Agency Financial Report.





OPM Director Scott Kupor spoke with students from Stanford University about building a career in service at a time when America needs talented early-career leaders

Compliance with Other Key Legal and Regulatory Requirements

Financial Reporting-Related Legislation

An act of legislation was passed into law that directly impact OPM's current and future financial reporting:

The Consolidated Appropriations Act, 2026, P.L. 119-75 was signed into law in February 2026. A provision under Section 416 requires each agency to provide a monthly report on funds that are allotted and available for obligation and on obligations as of the end of the month, by program, project, and activity. Also, a provision under Section 633 directs that no later than 45 days after the last day of each quarter, each agency shall submit an obligation report to the Senate Committee on Appropriations that includes total obligations of the agency for that quarter for each appropriation and a personnel report that includes the gross number of hires and separations.



OPM hosted a delegation from Japan's Cabinet Bureau of Personnel Affairs to exchange best practices on federal workforce modernization

Civil Monetary Penalty Adjustment for Inflation

On November 2, 2015, the President signed the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015 ("the 2015 Act"), which was included as Section 701 of the Bipartisan Budget Act of 2015. The 2015 Act amended the Federal Civil Penalties Inflation Adjustment of 1990 to improve the effectiveness of civil monetary penalties and to maintain their deterrent effect.

Statutory Authority	5 CFR 185.103(a) and 5 CFR 185.103(f)(2)
Penalty Name & Description	Civil Penalty for False Claims & Statements
Year Enacted	2015
Latest Year of Adjustment (via Statute/Regulation)	2025
Current Penalty (Dollar Amount/Range)	$14,308
Bureau Name	Not Applicable
Location for Penalty Update Details	Federal Register, 90 FR 21687 (5/21/2025)

Appendices

Appendix A – Acronyms and Abbreviations

(Unaudited)

Acronym	Definition
AIOS	Administrative Integrated Oracle Solution
ALIL	Actuarial Life Insurance Liability
AFR	Agency Financial Report
APP	Annual Performance Plan
BFS	Bureau of the Fiscal Service
CFO	Chief Financial Officer
CFO Act	Chief Financial Officers Act of 1990
CHCO	Chief Human Capital Officer
COLA	Cost-of-Living Adjustment
CRC	Community-Rated Carrier
CSRDF	Civil Service Retirement and Disability Fund
CSRS	Civil Service Retirement System
DISP	Debt Issuance Suspension Period
DOJ	Department of Justice
DOT	Department of Transportation
DQP	Data Quality Plan
EEO	Equal Employment Opportunity
EGWP	Employer Group Waiver Plans
EPV	Expected Present Value
ERC	Experience-Rated Carriers
ESC	Enterprise Service Center
FAA	Federal Aviation Administration
FASAB	Federal Accounting Standards Advisory Board
FBWT	Fund Balance With Treasury
FEDVIP	Federal Employees Dental and Vision Insurance Program
FEGLI	Federal Employees Group Life Insurance

Acronym	Definition
FEHB	Federal Employees Health Benefits
FEHBP	Federal Employees Health Benefits Program
FEIO	Federal Employees Insurance Operations
FERS	Federal Employees Retirement System
FERS-FRAE	Federal Employees Retirement System - Further Revised Annuity Employees
FERS-RAE	Federal Employees Retirement System - Revised Annuity Employees
FFB	Federal Financing Bank
FFMIA	Federal Financial Management Improvement Act
FISMA	Federal Information Security Modernization Act of 2014
FLTCIP	Federal Long-Term Care Insurance Program
FMFIA	Federal Managers' Financial Integrity Act
FPA	Federal Program Agencies
FR	Financial Report of the U.S. Government
FSAFEDS	Federal Flexible Spending Account Program
FSEM	Facilities, Security & Emergency Management
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GAS	Government Account Series
GSA	General Services Administration
HI	Healthcare and Insurance
HMO	Health Maintenance Organizations
HR	Human Resources
HRS	Human Resources Solutions

Acronym	Definition
IAAs	Interagency Agreements
ICC	Internal Control and Compliance
IT	Information Technology
MSAC	Merit System Accountability and Compliance
OCFO	Office of the Chief Financial Officer
OCIO	Office of the Chief Information Officer
OD	Office of the Director
OGC	Office of the General Counsel
OGE	Office of Government Ethics
OIG	Office of the Inspector General
OMB	U.S. Office of Management and Budget
OPEB	Other Post-employment Benefits
OPM	U.S. Office of Personnel Management
ORB	Other Retirement Benefits
PIIA	Payment Integrity Information Act
P.L.	Public Law
PRHB	Postretirement Health Benefits
PSHBP	Postal Service Health Benefits Program
PSRA	Postal Service Reform Act
PSRHBF	Postal Service Retiree Health Benefits Fund
RS	Retirement Services
SBR	Statement of Budgetary Resources
S&E	Salaries and Expenses
SFFAS	Statement of Federal Financial Accounting Standards

Acronym	Definition
SI	Super Intelligence
SSA	Social Security Administration
SSLOB	Security, Suitability and Credentialing Line of Business
SuitEA	Suitability Executive Agent
TOP	Treasury Offset Program
Treasury	Department of the Treasury
USC	United States Code
USPS	United States Postal Service
USSGL	United States Standard General Ledger
WPI	Workforce Policy and Innovation

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