EXECUTIVE SUMMARY
DIVISION OF PENSIONS AND BENEFITS
SELECTED PENSION SERVICES

Our audit found that pension benefit calculations were accurate and controls over the security of personal and confidential information were adequate. In addition, the division has complied with our prior audit recommendations regarding multiple employer pension calculations and post-retirement employment, and has improved the prevention aspect of overpayments made to deceased retirees. However, collection efforts regarding overpayments still need to be improved and the division has not resolved the issue of unpaid loans at retirement. We also made an observation regarding pension reform legislation that allows retirees to exceed the monetary limitations for mandatory re-enrollment.

AUDIT HIGHLIGHTS

- Members of the pension systems who retire with an outstanding pension loan balance have the option of paying the loan in full prior to receiving any pension benefits or continuing their monthly loan payment schedule into retirement. Our analysis revealed that 4,919 members who retired from July 1, 2009 to January 1, 2012 had outstanding loan balances totaling $19.8 million. Based on the results of our testing, it was statistically projected that at least $1.3 million in loans are not being collected.

- Notification from a family member or survivor when a retiree dies, or a match of pension payment files against death files will result in suspension of the retiree’s benefit payment. Our own match identified 445 deceased individuals receiving pension payments as of September 2009. Our review of 45 of these individuals found one died in November 2006 and received pension benefits until June 2011. The improper payments totaled $84,500. The division had identified the remaining 44 deceased retirees, but not until $545,000 was paid after their dates of death. While $241,000 had been recouped as of July 2011, only $23,000 of the remaining $304,000 was part of a collection effort.

- Pension reform legislation effective May 2010 introduced a “minimum number of hours worked” requirement which was found to be beneficial in the enrollment process but may result in an unintended consequence in the re-enrollment process. By working less than the minimum number of hours, it allows retirees to exceed the monetary limitations for mandatory re-enrollment. The retiree can return to a similar or the same position on a part-time basis while still receiving their pension allowance. This may lead to earlier retirements, encourage employing entities to rehire a retiree at less than full-time, and have a detrimental financial impact on the pension systems.

AUDITEE RESPONSE
The department concurs with our findings and recommendations.

For the complete audit report, click here.