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## **Pension Payment Controls**

### **Scope Statement – November 4, 2009**

#### **Kansas City's retirement systems**

The city has two retirement systems, the Employees' Retirement System and the Firefighters' Pension System, which provide retirement benefits to their members. Both are defined benefit plans in which participation by full-time permanent employees is mandatory. Financing of these systems is provided from employee contributions, city contributions, and investment earnings. Each retirement system has a board of trustees which serves as a policy making body and provides guidance and direction. The Human Resources Department's Retirement Division administers both systems. The boards contract with a third-party vendor to disburse the pension benefit payments.

#### **Why audit pension payment controls?**

Pension benefit payments to retirees and beneficiaries are significant. The Employees' Retirement System and Firefighters' Pension System paid out almost \$40 million and \$25.5 million in benefit payments in fiscal year 2008, respectively. There were over 1,500 retirees and 400 beneficiaries in the Employees' Retirement System and over 650 retirees and 200 beneficiaries in the Firefighters' Pension System as of April 30, 2008. An inherent risk to retirement systems is that controls in place to prevent improper pension payments are inadequate.

#### **Audit objectives**

Our objective is to answer the following questions:

- Are there adequate controls in place to prevent improper pension and beneficiary payments?
- Are the pension and beneficiary payment amounts accurate?

#### **Audit methods**

We will review Retirement Division policies and procedures, city code and ordinances regarding the retirement systems, and retirement files and documentation; interview staff in the city's Retirement Division and Finance Department; and analyze retirement systems data.

#### **Anticipated release date**

We plan to present the audit report to the City Council in April 2010.