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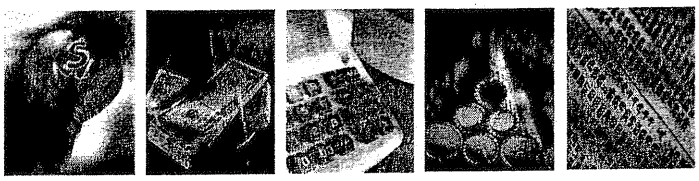
San Diego City Employees' Retirement System

SAN DIEGO CITY EMPLOYEES' RETIREMENT SYSTEM



Report to the Government Efficiency & Openness Committee

February 14, 2005

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Purpose of Today's Meeting

I. The Government Efficiency and Openness Committee was formed to make certain City government was efficient and open.

II. SDCERS will show that its current procedures for handling the death of retirees is both efficient and open.

III. Diann Shipione has made unproven allegations in a memo dated February 10, 2005. SDCERS will respond to these allegations.

Focus on Efficiencies Today

- SDCERS, like any institution who sends monthly checks to retirees, experiences deaths during the course of the monthly pension payroll.
- SDCERS has strong procedures to identify and stop pension checks from continuing to be sent to the deceased.
- SDCERS' procedures to identify and reconcile the deceased member's account are as good or better than the industry norm.

Focus on Today's Procedures

- Retirement Board Rule 7.50 (a): "The Retirement Administrator will notify the Board of the pending investigation of any overpayment that exceeds $5,000 at the first Board meeting after the overpayment is discovered."
- Retirement Board Rule 7.50 (b): "The Administrator may resolve any overpayment less than $5,000, subject to the procedures of this rule. But, the final resolution must be reported back to the Board."

The Shipione Allegations

- "Since at least 1988, SDCERS has been making monthly pension payments to deceased beneficiaries, not just for a few months, but also for years after these people have passed away."
- FACT: In 2004, 87% of that year's deaths were suspended within 60 days; quarterly death match audits ensure the maximum overpayment period will be no more than 120 days.
- FACT: Since 1988, based on average annual deaths of 125, 2,125 deaths have occurred. There are currently 114 accounts in suspense awaiting final reconciliation.

The Shipione Allegations

- "The Feb 4, 2005 City of San Diego Report Does Not Respond at all the SDCERS & City Auditor's False Claims Re Audit was Performed Annually."
- FACT: Procedures in the past reflected past realities; prior to 1999, most retirees received paper checks, so deaths were more easily determined because signatures for deposit were necessary. Therefore, SDCERS did not perform death match audits annually; the first one was performed in 1996, the second one in 2000, the third one in 2002, the fourth one in 2003, and quarterly ever since (responsive procedures and audits given the change in 1999 requiring automatic direct deposit).

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The Shipione Allegations

- "The Feb 4, 2005 City of San Diego Report Contains No Information About SDCERS & City Auditor's Intentional Withholding of Material Information."
- FACT: Any Overpayment in excess of $5,000 presented immediately at a public Retirement Board meeting; Annually, all overpayments less than $5,000 are presented in detail at a public Retirement Board meeting.
- FACT: On December 17, 2003, Diann Shipione received a letter in response to her request of all death match audits, the responses to those audits, a list of all suspended accounts being researched at that time and specific details on the death match procedures and the frequency of past audits.

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The Shipione Allegations

- "The Feb 4, 2005 City of San Diego Report Contains No Information About the Lack of Procedures or Internal Controls Prior to November 2003."
- FACT: SDCERS Board Rule 7.50 governing the reporting of all overpayments has been in existence for years, and was last amended in 2001.
- FACT: SDCERS Operations Procedure Manual contains a 103 page detailed procedure titled "How to Process Retiree Deaths."
- FACT: SDCERS has had an independent outside audit of its internal controls and procedures each and every year. No exception regarding a lack of procedures to monitor and quickly reconcile retiree deaths has ever been made. In addition, in 2004, SDCERS hired Mercer to conduct a comprehensive audit; no exceptions regarding the timely notification and processing of retiree deaths was made.

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Conclusion

- Government Efficiency: SDCERS efficiently monitors the passing of retirees; nearly all pension checks are stopped within 60 days from the date of death. Those deaths for which we receive no notification are discovered through quarterly death match audits to ensure suspense within a maximum of 120 days.
- Government Efficiency: SDCERS efficiently reconciles over or under payments occurring after deaths. The instances of these over or under payments as a percentage of the System's total pension payroll is infinitesimal.
- Openness: SDCERS discloses all overpayments promptly in public Board meetings. Outside and internal auditors regularly review internal controls and procedures.