



Memorandum

TO: JOINT AUDIT COMMITTEE

FROM: Elsa Jacobo

SUBJECT: Pensionable Earnings Correction Update

DATE: August 7, 2018

Approved

N. Kucera

Date

8/7/18

INFORMATIONAL

BACKGROUND

The Office of Retirement Services (“ORS”) has been conducting an earnings correction project for several years. The purpose is to correct retirement benefits paid to some retirees, due to errors in the City’s reporting to ORS of pensionable pay information that was then used in the members’ benefit calculation. The correction project includes FLSA, FLSA holiday-in-lieu, Higher Class Pay, 4850 Disability Pay, and PeopleSoft Retro adjustments. The pay corrections affect both the Police and Fire Department Retirement Plan and the Federated City Employees’ Retirement System.

ORS staff conducted the earnings correction project in waves. The first wave included Police and Fire retirees impacted by FLSA and all other pensionable corrections in the Police and Fire Plan. The second wave included Police and Fire retirees that were not impacted by FLSA, but were impacted by the other pensionable pay corrections. Corrections for both waves were completed in February 2018. Federated retirees are in the third and last wave.

ANALYSIS

The Federated retirees impacted by these corrections were further divided into two groups, over and under paid.

The Board approved corrections for the underpaid group at its June 2018 meeting and these will be effective with the August 2018 benefit payment, see below for total disbursement amounts. Please refer to the attached Pensionable Pay Correction Update for Underpaid Group memo for additional details.

Beneficiary count	Underpaid Base	Underpaid COLAs	Underpaid Interest	Total Underpaid Amount
48	\$188,193	\$43,449	\$144,707	\$376,349

Revised benefit estimates and overpayment calculations for the overpaid group are now complete, see below for summary of impacted beneficiaries and estimated overpaid amounts. Please refer to the attached Pensionable Pay Correction Update for Overpaid Group memo for additional details.

Below is an updated statistics table for the overpaid group:

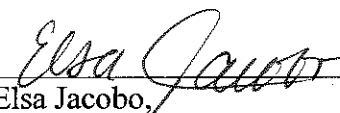
Reason for overpayment	Beneficiary count
Higher class adjustments (HCL)	297
Lump sum retro spreads (RTR)	31
Both HCL & RTR	2
Other	21
Total	351

Overpaid amounts by beneficiary type:

Benefit Type	Number of people	%	Cumulative Overpayment, thru March 31, 2018
Members	264	75.2%	\$1,447,604.06
Survivors/Continuance	31	8.8%	89,980.75
Ex-spouses	14	4.0%	14,868.87
Deceased/Terminated	42	12.0%	153,448.62
Total	351	100.0%	\$1,705,902.30

Please note that the totals above are as of March 31, 2018. The monthly overpayment amount is approximately \$15,350 increasing the cumulative overpayment to approximately \$1,783,000 as of August 31, 2018.

Staff is ready to proceed with overpaid corrections once the Board approves a correction methodology.


Elsa Jacobo,
Senior Internal Auditor