

#1 (Rev. 1/93) SINGLE PAGE COMMUNICATION TO THE COMMON COUNCIL

FILE

TO: THE COMMON COUNCIL: DATE: September 16, 2004

FROM: DEPARTMENT: Audit and Control

DIVISION: Audit

SUBJECT: [: **Police & Fire Retirement Pension**
 [: **(PFRS) vs. Employee Retirement**
 [: **System (ERS)**
 [:

PRIOR COUNCIL REFERENCE: (IF ANY)

TEXT: (TYPE SINGLE SPACE BELOW)

AUDIT FINDING

Overall

We reviewed all retirements within the PFRS population that occurred within the last twelve months from our audit date. We considered only the overtime and court time factors, so we eliminated the salaried employees.

For all of the retirements over the last twelve months, we calculated their final average salary (FAS) overtime only taking into consideration those employees in tiers 1 or 2. We compared these results with the Employee Retirement System (ERS) which uses a three-year average within the twenty- percent increase rule.

The overtime that will be included in FAS for the 43 individuals tested is \$444,899. This is 168 percent higher than the \$277,247 under the ERS calculation.
(see Schedule D)

The list includes 30 tier #1 retirees and 13 tier #2 retirees.

I. Titles determining pension fund

The Office of State Comptroller has informed us that certain titles which we provided to them with the job descriptions were not classified as public safety (police in their cases and fire in their cases) and hence did not need to be included in the PFRS system.

This information was made available to the administration as early as 1997 and was not acted upon.

There are supervisory titles that do not qualify as police officers or firefighters by their nature. These include the commissioners, deputies, chiefs, etc. (see partial listing in Schedule A).

The pension cost savings for these titles amounts to at least a 10% savings for each title and total salary for their time in those positions. As a example, a Fire or Police Commissioner earning \$90,000 on average for an eleven year period would save the City \$99,000.

There are administrative titles that involve duties which are not included in fire and police duties. These include dispatchers, photographers, mechanics, etc. (see partial listing in Schedule B).

RECOMMENDATIONS

Excessive overtime earned in final year versus prior two years affecting FAS pension calculation

1. There appears to be a pattern of higher overtime costs in the final year of tier 1 employees which has a serious impact on the cost of the retirement. The yearly total overtime figures for the 43 individuals were as follows: final year \$709,383, first prior year \$353,277 and second prior year was \$328,686.

We are not suggesting that there is any purposeful activity, but certainly there is some management responsibility to monitor the granting of overtime.

Individuals included in the more expensive pension system (PFRS) without regard for duties performed (ERS)

1. The City needs to verify this schedule by reviewing the job descriptions in each case (or any additional ones).

2. We recommend that the City notify the Office of State Comptroller of any misstatements found as a result of this review of the payroll expenses or a reduced pension expense.

The department should be accountable for insuring that the system is operating as designed. A formal policy should be in place to handle any abuses of the system.

TYPE DEPARTMENT HEAD NAME: ANDREW SANFILIPPO

TYPE TITLE: COMPTROLLER

SIGNATURE OF DEPARTMENT HEAD

