

7.

Pension Plan Staff

Overview

Your pension plan staff is there to make your job as a trustee easier. One of the best ways to ensure that this happens is to clearly understand the role that staff members and consultants play – the areas where they have decision-making responsibility and the areas where they don't.

Nearly every plan has an executive officer who is the plan's chief administrator. This person ensures that things run efficiently by answering the following types of questions:

- Are there enough resources to ensure that retirement applications are processed timely and that retirement benefits are determined correctly?
- Are the pensions being paid on time?
- Are plan contributions from employers collected when due?
- Are the collected funds handled properly?
- What other benefits are being provided – death, disability, health?
- Are all benefit types provided in a timely and accurate manner to those who are eligible?

Overview

Your executive officer's job is to see that the answer to all of these questions is **yes**.

If it is not, then this person must explain to the board what will be done to correct these problems. This person will have the most contact with the board members. He or she is the main link between you and the rest of the staff members, consultants, and plan participants. Remember that the executive officer was hired by, works for, and reports to the board.

7.1-3 Pension Plan Staff

One of your first tasks as a new trustee is meeting with your plan's executive officer and other executive staff, all of who should be excellent resources.

This is the time for them to brief you on the aspects of your retirement plan. To help you prepare for your role as a trustee, have the staff members address the following topics.

7.1-4 Pension Plan Staff

Board Basics – How many board members are there? How long do they serve? How are they selected? How often does the board meet? Are materials provided to the board before the meeting? What are the board meeting rules and procedures?

Board Policies/Bylaws – Staff should provide you with your board’s current policies or bylaws. How often are these policies reviewed? What is the process for recommending and executing changes?

Staff Statistics – How many staff members are there, and what are their responsibilities? How many consultants are there, and what are their areas of expertise? What are the guidelines for selecting consultants?

Benefits Summary and Recipients – How many active and retired participants are in your plan? How does the defined benefit formula work? What are the vesting requirements? What are the benefit eligibility criteria? Does the plan provide disability, survivor, and death benefits? Does the plan administer health benefits?

Investments – Are the investments managed in house, by external money managers, or in combination? What are the total plan assets, and what do you need to know about how they are invested? How involved is the board with investment-related decisions?

Disclosure – Are you required to file annual disclosure reports? You may be required to file disclosure reports on meals, travel, or any activities.

Executive Officer of the System

The executive officer (Administrator, Director, Executive Director, Executive Secretary, etc.) is responsible for the internal administration of the retirement system. The executive officer's role also involves external contact with the membership, employee organizations, the governmental employer, civic and taxpayer organizations the legislative body and the public at large. In relationships with these entities, the executive officer serves as the board's representative.

The executive officer is responsible for the implementation of the provisions of the retirement statutes in accordance with the policies and other duties as prescribed by the board. A mutual understanding between the board members and the executive officer of their individual responsibilities results in the efficient and effective operation of the retirement system. Experienced administrators recommend that their powers and responsibilities not be minutely defined; however, the board should decide and adopt a resolution regarding the administrator's functions and responsibilities to prevent friction and misunderstanding.

Executive Officer of the System

Generally, the responsibilities of the executive officer of a retirement system include:

- a. Determining the accuracy and timeliness of all payments due the retirement system.
- b. Accounting for and depositing all payments made to the retirement System
- c. Making payment and distribution of moneys as authorized by the board.
- d. Answering all correspondence on the rights and benefits of members and employers.
- e. Certifying applications for benefits to the board for approval or confirmation.
- f. Assisting the committees of the board in the discharge of their functions.
- g. Compiling information on investments for presentation to the board.
- h. Keeping records, files, and documents belonging to the board.
- i. Maintaining proper communication and relations with other departments and organizations.
- j. Representing the board before the legislative body.
- k. Liaison with legal, medical, investment, and actuarial professionals

Executive Officer of the System

The executive officer is generally given the authority to employ office personnel and to fix their salaries within the limits for each job classification. The board usually approves any revisions to the schedule and any positions added to the staff.

The executive officer must be able to detect and report any unfavorable conditions, problems or trends affecting the system and to take or recommend proper remedial action.

The executive officer must also keep informed regarding any significant national and local trends influencing pension policies, all federal and state legislation impacting retirement systems, and their contributors and pensioners, the sentiment of civic and taxpayer organizations, the interest and activities of employee organizations, and the fiscal and personnel policies of governmental units covered by the retirement system. Any significant changes in these areas should be reported promptly to the board.

Executive Officer of the System

The executive officer must make known the policies and standards of the board to the various organizations concerned with the operation of the system. Constant contact must be maintained with these organizations. The importance of communicating effectively in this area must not be underestimated.

In order to perform the duties of the office, the executive officer must have training and experience in the management of a retirement system. Retirement administration requires specialized knowledge and training in accounting, investment administration, actuarial science, and legal compliance requirements. The executive officer must also be skilled in communications and public relations. To these general qualifications must be added an increasingly important requirement, that of experience in the administrative phase of a retirement program. The progress and development of a retirement system will be limited if its executive officer is not familiar with the operations of the program and with the intricate mechanisms which make the system function.

Assistant Executive Officer

In a small system, an assistant executive officer may be given the responsibility for the routine internal operations of the program. As the system increases in size, the duties given to the assistant executive officer may narrow and become more specialized resulting in several assistant executive officers with specialized areas of responsibility or the position may continue its broad function with assistants being appointed to direct specialized functions.

The assistant executive officer also serves as an understudy to the chief executive officer, allowing the assistant the opportunity to grow in understanding of the total functioning of the administration of the retirement system. The assistant executive officer must support and assist the executive officer and also provide the staff with the support necessary to fulfill their responsibilities.

Member Services - *Membership*

The plan document specifies the employees of the governmental unit (County and other Participating Employers) eligible for coverage in the retirement system. The member section of the office is responsible for enrolling such employees covered by the system and maintaining appropriate individual records. The staff of the section must work closely with the contact person for each employer covered by the system to be sure that all employer staff are well-informed regarding the technical requirements for coverage by the retirement system. Each employer included in the retirement system is responsible for seeing that only eligible employees are reported as members of the system and that members no longer eligible for credit for their current employment are removed from the retirement reports.

The membership section must maintain accurate records of members currently working in positions covered by the retirement system. Reports required from the employer in order to maintain individual member records may include financial reports of salary and/or contributions, continued coverage by the retirement system, and employment termination. The accuracy of the employer reports is vital for the system to be able to rely on the data in the system records for calculating liabilities, forecasting cash flows and providing accurate information to individual members.

Member Services - *Membership*

This section is responsible for providing needed information to members prior to retirement. Most retirement systems periodically update the membership on the credited service and/or contributions reported by the employer to the retirement system. Such a disclosure statement allows each member to audit the information provided by his or her employer. Any errors that may have occurred can be promptly corrected.

Members leaving employment covered by the retirement system should be fully informed of the benefits to which they are entitled. It is the responsibility of the retirement system staff to inform terminating members of any future benefits they may be forfeiting by electing lump-sum refunds.

Those members approaching retirement will also need detailed information on the benefits they can expect once they have terminated their employment. Staff assigned to benefits counseling should be well trained and experienced. The issues that must be addressed may be complicated - for example, retirement benefits may be integrated with social security or workers' compensation plans. Changes in federal and state tax laws have added to the complexity of issues that must be faced at retirement.

Member Services - *Membership*

Information provided to members planning for retirement must be accurate. In some instances - especially in the areas of legal and complex tax matters - the member should be referred to professionals qualified in those areas in order to avoid any liability for incorrect information provided by the retirement system.

Some retirement systems have expanded from providing benefit information prior to retirement to include other areas of preretirement counseling. Financial planning, estate planning, taxes, aging, and lifestyle adjustment counseling in addition to benefit counseling are made available to members several years before actual retirement in order to smooth the transition from active employment to retirement.

Providing services to active members requires a group of expert staff at the retirement office. The personnel must work in close cooperation with all segments of the retirement office, but especially with the membership and member services section. Services such as benefit counseling and advising participating units on deductions, financial reporting and the eligibility and enrollment of employees require in-depth knowledge of those areas.

Member Services - *Claims and Retired Payroll Section*

The amount of the benefit paid because of retirement, death, or refund may be calculated by a claims or retiree payroll division. The volume of payments and the total expenditures authorized by this section require competent, well trained employees. Staff must be fully cognizant of the laws, rules and regulations affecting all payments. Accuracy in all of these calculations is vital.

The design of the systems used by this division must separate:

- 1) Preparation and calculation of any payment,**
- 2) Verification and approval of the payment, and**
- 3) The disbursement function.**

Staff in larger systems will have specialized jobs to perform allowing for tight internal control over each function. In smaller systems, however, the work may be performed by a few people, each receiving help when necessary to meet a deadline. Greater care must be taken in these smaller systems to assure adequate segregation of duties within this section.

Member Services - *Program Services Divisions*

The reason for the existence of a retirement system is to pay retirement benefits and to accumulate data and funds to fulfill that purpose. The system may be assigned other responsibilities such as health insurance programs, which it must administer. Each program area will require staff with specialized knowledge of the laws and regulations governing that particular program.

Fiscal Services***Accounting and Financial Reporting***

The accounting system must be designed to effectively identify and record valid transactions on a timely basis so that proper disclosure of the transaction can be presented in the financial statements. The integrity and validity of the fiscal data compiled by this section are dependent upon the development and design of the accounting system and upon the competence and accuracy of the employees who work in this section.

The person in charge of the accounting division (sometimes called the controller) must be a well-trained and qualified accountant. Other staff must have adequate training in accounting to assure that accounting data is accumulated in accordance with the system design and that accounting reports are prepared correctly and accurately.

The accounting division is responsible for recording all receipts and disbursements, and for maintaining financial records and retirement system accounts. The division prepares interim reports on a periodic basis.

These reports should include Summary of receipts, disbursements, retirements, changes in membership and any other reports needed by the retirement system administration and board members

Fiscal Services

Budgeting

The design of the budgeting system must provide for both planning and control. Mature retirement systems must plan for cash flow. All systems need to synchronize cash flow and investment strategies. The majority of retirement system expenditures - the benefit payments - are fixed charges over which management has little control. Administrative expenses, however, need to be authorized and controlled through the budgetary process.

Fiscal Services

Internal Auditor

The internal auditor is responsible directly to management (and not to the controller) to insure that the administration's objectives and the control systems are being carried out properly. The primary objective of the internal auditor is to assist the executive officer. The internal auditor recommends to management changes in procedure that will improve the efficiency and control of the system.

However, the internal auditor is expected to be objective in appraising the effectiveness of the accounting and other operating controls within the retirement system which have been developed and maintained by management. The objectivity of the internal auditor is enhanced when he or she has direct access to the audit committee of the board of trustees.

Member Services - Fiscal Services

Investment Section

Retirement systems may manage all or part of the investment portfolio using employees of the system. This is called "in-house" investing. In-house investing requires staff similar to that of an outside investment manager.

Retirement systems that have all or part of the investment portfolio managed externally will need to employ staff to oversee investment activities. The investment section assists the executive officer in the formulation of investment recommendations made to the investment committee or the board. The investment staff then implements the approved portfolio strategy. The staff coordinates communication between the system and the investment managers and investment consultants. The investment section is charged with maintaining accurate current and historical investment records. This section also serves as an internal liaison with the accounting section and with other operating groups within the retirement system.

Member Services - Fiscal Services

Investment Section

The investment staff may prepare quarterly performance reports on investment managers for the executive officer and the board, particularly highlighting unsatisfactory performance results. If such a report is prepared by an investment consultant, the investment staff reviews and analyzes the report. The section monitors trade clearing activities of the investment managers for compliance with any board brokerage policies. It will also work with the master custodian to monitor performance of any securities lending program and any repurchase agreements, on tax reclaims, on foreign investments and on the management of cash and short-term investments.

Retirement systems with real estate, venture capital and/or private placement will need to employ investment staff or consultants to monitor the market value of the properties to verify commission invoices, and to review budgets, lease proposals and cash flow. Such a staff serves as a liaison with the accounting department of the managers of these investments. This section also provides technical assistance to the executive officer and the board on proposed additions to the investments of the system.

Member Services - Fiscal Services

Computer Operations

Manual procedures are adequate to handle accounts and benefit checks in only the smallest systems. The number of transactions becomes overwhelming as membership, retirement rolls and investments increase in size.

The data processing function is important to virtually all areas of retirement system activities and should be set up in the system's structure as a service unit for the whole organization. Data processing is extremely valuable in reducing the accounting and record-keeping job to manageable proportions. It is equally important in the areas of investment, actuarial studies and management reports. Correspondence in today's office is almost entirely prepared utilizing the computers word processing capabilities. Frequently, representatives from all sections using the data processing function form a user group or steering committee to enhance the management of the computer information systems.

Member Services - Fiscal Services

Computer Operations

Some retirement systems participate satisfactorily with the central computer system of the county that services numerous agencies and departments. Other systems hire computer service bureaus to perform the necessary data processing functions. In both instances, the retirement system can take advantage of data processing expertise that would not otherwise be available without excessive costs, and will also have a system available that has the capacity to handle peak data entry and processing demands. This type of computer system works best when the data processing operation consists mainly of repetitive programs used regularly with little modification.

Larger retirement systems have found it both feasible and cost effective to bring the data processing function "in-house". This allows the greatest flexibility for scheduling system processing needs. Specialized programs can be developed for system and management needs and modifications of existing programs can be more easily made.

Member Services - Fiscal Services

Computer Operations

The area of computer operations has grown to include management information systems, incorporating specialized reports and statistics. Record management systems are now using the computer to track and retrieve physical records and original documents needed by several different sections of the retirement system staff.

Document imaging technology stores information from paper records directly on the computer allowing users to directly access the information through computer terminals.

The purchase of computer hardware and the development, installation and implementation of computer systems require a substantial commitment of the system's resources, both in personnel and money. Therefore, a strategic plan must be developed that outlines the retirement system's information technology goals, develops a tactical long-range budget, and provides detailed operational planning for undertaking a particular action. Such a plan will provide better access to information that is available in a format best suited to the users and a better use of system funds. Planning will result in smoother meshing of components, avoidance of costly corrective maintenance, and an effective proactive response to unexpected events that affect the system.

Member Services - Fiscal Services

Management Support Services

The management support services section provides services that allow system managers to perform their assigned duties or specialized functions efficiently. The services support section may provide administrative, clerical, and transcription services for the entire office. Statistics, research, and special projects done by this section provide managers with information needed to make high-level decisions concerning the system's operations. The management support services group can include human resources (personnel) staff and building administration, which may oversee security and management of the physical facilities. Purchasing and supply management functions will also be found in this group if they are not already part of the fiscal services section.

Records management is an integral part of the management support services. This group is charged with maintaining the membership files either physically or on a record management information system.

The communications, publications, and public relations section must work closely with all segments of the retirement office. This group keeps all employers abreast of the retirement system's requirements for deductions, financial reporting, eligibility, and enrollment of employees, etc. The membership and employers must be fully informed of rights and benefits available to the retirement system.