



M E M O R A N D U M

SUBJECT: Management Assistance Report
Pension Plan Overpayments
(MAR-22-0001)

DATE: October 28, 2021

FROM: OIG – Geoffrey A. Cherrington



TO: GMGR – Paul J. Wiedefeld

The Office of Inspector General (OIG) initiated a review of Washington Metropolitan Area Transit Authority's (WMATA) five retirement pension plans to determine whether improper payments were continuing after annuitants had died. The five pension plans are funded by payroll contributions from plan participants and by WMATA. OIG conducted interviews, gathered data, and engaged WMATA's Compensation and Benefits Office (CBO). As a result of our review, eight accounts from the Local 689 pension plan were identified as active accounts, when in fact the annuitant was deceased. Those eight active accounts should have been closed. CBO subsequently closed these accounts, and payments were discontinued in 2019.

Since February 2021, Local 689 legal counsel, through correspondence with the surviving family members, has engaged in reclamation efforts for the improper payments to individuals from these accounts in the amount of \$440,219.

The results of the review indicated that WMATA did not have an internal mechanism in place to confirm continued eligibility of annuitants on an annual or recurring basis, or a method to ensure accuracy of the data within the active annuitant records. In addition, CBO does not maintain up to date annuitant records because it relies on an outside source, the annuitant fiduciary institutions (FI), to provide that data to CBO. Currently, CBO only tracks annuitants on Excel spreadsheets and not through an internal centralized electronic database.

The absence of defined roles, responsibilities, and internal controls has contributed to a lack of proper oversight and communication necessary to maintain accurate annuitant data. Another area of concern is the failure of Local 689 officials to provide requested annuitant data to WMATA's Accounting Office which interferes with proper oversight of pension plan funding and creates the potential for overpayments by WMATA. While this review focused

on decedent benefit payments, WMATA should improve its policies and procedures on the overall management of annuitant accounts.

CBO is the primary contact for retirees and communicates annuitant information to the FIs for the five pension plans. There are two FIs – one for Local 689 (Truist Bank - formerly SunTrust Bank), the largest pension plan, and one for Local 2, Local 922, Metro Transit Police Department (MTPD), and Non-represented employees (The Northern Trust Company). These FIs are responsible for facilitating payments to the annuitant either through an Automated ClearingHouse (ACH) deposit or the issuance of a check. The FIs are currently the only sources from which CBO obtains active annuitant account information across all five pension plans.

WMATA's Retirement Planning Manager is the primary contact with the FIs. The FI cannot make changes to the annuitant's account. CBO or the pensioner are the only ones that can update or change the status. In addition, the Transit Employees Health and Welfare Plan (TEHWP) may receive information on annuitant status.

It is important that all the stakeholders have a clear understanding of their responsibilities and that a defined process is in place to ensure timely communication. There needs to be assurance that updates and payments are adjusted or stopped as appropriate upon the death of an annuitant, and that there is a mechanism in place to confirm continued eligibility and accuracy of annuitant payments.

Originally CBO provided OIG with annuitant records for 8,037 "active" retiree accounts in Excel spreadsheet form. When OIG compared these records to Social Security Administration (SSA) death index data, 2,379 were reported as deceased according to SSA. OIG presented the findings of this analysis to CBO who, upon follow-up, advised OIG that they mistakenly had not purged these deceased annuitants (2,379) from the "active" records provided to OIG. Furthermore, CBO advised that the 2,379 retiree accounts were in fact properly closed upon the annuitant's death with no overpayments identified.

As a result of our review, OIG found that eight Local 689 pension plan annuitant accounts continued to make full annuity payments to surviving family members after the retiree died, even though the payments should have been stopped. The improper payments were stopped, and the accounts were closed once OIG identified the payments. The deaths of the eight annuitants occurred in the following years: 2015 (1), 2016 (2), 2017 (3), and 2018 (2). Overpayments to annuitants ranged from \$6,700 to over \$ 95,000. At the conclusion of the review, CBO confirmed overpayments to the eight accounts, which resulted in a loss to the Local 689 pension plan of \$440,219. Based on WMATA's responsibility to contribute three percent annually to the Local 689 pension plan, WMATA's loss is approximately \$13,206. Continued payments would have resulted in annual estimated losses to the pension plan of \$220,990 and approximately \$6,603 to WMATA.

Deceased Annuitant Overpayment / Loss Totals – Stopped April 1, 2019

ANNUITANT	DATE OF DEATH	LOSS
	04/20/2015	\$95,086.66
	06/19/2017	\$29,244.70
	10/02/2016	\$82,842.87
	07/27/2017	\$41,269.57
	09/30/2018	\$6,712.39
	08/30/2018	\$8,769.85

Deceased Annuitant Overpayment / Loss Totals – Stopped August 1, 2019

ANNUITANT	DATE OF DEATH	LOSS
	05/05/2016	\$80,515.94
	08/11/2017	\$95,778.05

TOTAL LOSS*	\$440,219.86
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**Gross Loss due to State or Federal taxes, according to WMATA's Benefits office.*

Amount Saved One Year from Termination of Annuity Payments

ANNUITANT	GROSS FINAL PAYMENT	X 12 MONTHS (SAVINGS)
	\$2,138.41	\$25,660.92
	\$1,499.49	\$17,993.88
	\$3,042.27	\$36,507.24
	\$2,226.33	\$26,715.96
	\$1,306.14	\$15,673.68
	\$1,466.60	\$17,599.2
	\$2,296.49	\$27,557.88
	\$4,440.11	\$53,281.32

TOTAL SAVINGS	\$220,990.08
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OIG identified areas that need improvement to maintain an accurate accounting of eligible annuitants in CBO annuitant records, ensure proper record keeping and payment to annuitants, and develop a defined workflow process among all stakeholders for managing annuitant accounts. WMATA should develop an electronic database similar to PeopleSoft or a subset of PeopleSoft to manage retiree data and annuitants. CBO should maintain an up to date, internal database on active retiree annuitant accounts and not rely on the FIs for this data.

In April 2021, OIG obtained the “current” data on active retirees who were issued Retiree OneBadges (access to bus and rail badges) from the Office of Badging and Credentialing (OBC), which is under the Office of Security and Infrastructure Protection, MTPD. As a

result, OIG received in Excel spreadsheet form a list of 5,901 “active” retirees with a corresponding OneBadge issued to them. However, during a random sampling of the first 100 retirees on this list, seven were identified through open source data as being deceased. When OIG followed up, OBC acknowledged that the spreadsheet was not up to date and advised that there was currently no mechanism in place to regularly check the continued eligibility status of retirees with issued badges.

To better define roles and responsibilities within the process, OIG recommends that WMATA develop consistent standards and processes to ensure: (1) reliable data matching with both internal and external stakeholders; (2) confirmation, on a recurring basis, of the living status of annuitants either through SSA death index data checks or through commercially available data sources; and 3) timely notifications and updates of an annuitant's death to the paying FIs, the pension plan officers, health care providers, TEHWP, and WMATA's Badge and Credentialing Office. CBO should also notify the Office of Accounting when an annuitant dies. This would help ensure that WMATA's contributions to the plans are accurate and mitigate erroneous payments to the plans as well.

OIG is encouraged by the actions being taken by CBO to ensure that future overpayments do not occur, and notifications of an annuitant's death are identified and received timely. In June 2021, CBO advised OIG that steps had been taken to ensure future improper payments do not occur. A “Death Audit Report” will be run through the SSA on a quarterly basis. The FIs will notify CBO when informed of an annuitant's death, and a formal communication agreement has been established between CBO and TEHWP to make monthly reports of annuitant deaths.

However, it is critical that CBO have formal written policies, procedures, and internal controls in place to confirm the eligible status of annuitants. In addition, these internal controls should ensure that payments are stopped or reduced to survivor benefit levels, deceased annuitants are purged from the active records, and that all stakeholders are notified of an annuitant's change in status. By taking these actions, WMATA will ensure that the pension plan funds are being properly administered and protected.

We recommend the General Manager/Chief Executive Officer take the following actions to address the issues identified above and apply these controls to the other pension funds to mitigate erroneous payment contributions made by WMATA for all pension funds:

1. Establish a centralized automated database that will serve as a single source of truth to track retiree data and benefits for all stakeholders that manage aspects of retiree benefits, i.e. CBO, Accounting and MTPD.
2. Establish written policies and procedures for all WMATA stakeholders to enhance collaboration and consistent process in managing the various aspects of retiree benefits including validating WMATA's contribution payments to the union for pensions and validating the badging and credentialing for authorized retirees.

3. Formalize an agreement between WMATA and SSA to obtain SSA quarterly Death Index which allow for quarterly matching to validate WMATA records of retirees.
4. Establish formal sharing agreements with the union pension trustees to obtain retiree data on a regular basis to allow for matching against WMATA, FI, and SSA data as part of an ongoing data validation process.
5. Establish an annual certification process to validate active annuitant records and identify deceased or inactive retiree accounts.
6. Establish a process to certify the accuracy of annuitant data to be used by WMATA's Office of Accounting to mitigate erroneous payment contributions to union pension funds.

In addition to this Management Assistance Report, the Office of Investigations has also issued a Report of Investigation.

M E M O R A N D U M



SUBJECT: Pension Annuitant
Overpayments Reports
(ROI and MAR-22-0001)

DATE: March 14, 2022

FROM: EVP/IBOP – Dianna D. Rosborough

Dianna D. Rosborough
Digitally signed by Dianna

THRU: GM/CEO – Paul J. Wiedefeld

TO: OIG – Rene Febles

Human Capital (HC) has carefully reviewed the Office of Inspector General's (OIG) two related reports on overpayments to pension plan annuitants for the four-year period back from year 2015 to 2018. With regard to the Report of Investigation on Annuitant Overpayments, Human Capital understands that OIG's review identifying eight Local 689 annuitant accounts continuing payment incorrectly post the death of 8 retirees during this period—2015 (1), 2016 (2), 2017 (3), and 2018 (2)—was not the result of criminal intent on behalf of the surviving family members. The Compensation and Benefits Office (CBO) correction actions implemented in 2020 to stop these payments and pending actions to prevent this from happening again are detailed below.

In the HC department, CBO continues to work toward a 100% error free accuracy rate, but management would like to highlight the full scope of risk identified by OIG. The CBO's 2015-2018 error rate was 0.1%, for a total loss to WMATA of \$13,206 during this period, and was very low compared to the overall Social Security Income program overpayment error rate, which ranged from 6.95% in 2015 to 8.23% in 2019. CBO will continue to document processes and implement administrative system changes to maintain the continued effort of accuracy within the department. Regarding the Management Assistance Report on Pension Plan Overpayments (MAR-22-0001), management agrees with OIG's six (6) recommendations and HC plans to complete all the pending corrective actions described below by June 2024.

Please see the response to each recommendation below:

Recommendation 1: Establish a centralized automated database that will serve as a single source of truth to track retiree data and benefits for all stakeholders that manage aspects of retiree benefits, i.e. CBO, Accounting and MTPD.

HC agrees with this recommendation. The current workflow process, which was communicated to OIG during the time of the investigation, is used to mitigate erroneous payments begins with a death notification. The annuitant's benefit payment is stopped and then the retiree is moved to inactive status. Research is

completed to determine if a future benefit is payable. If so, then the beneficiary's benefit is computed according to Plan language and their payments begin.

CBO is in the process of completing a pension administration system assessment because WMATA's existing human resources system (PeopleSoft) does not have the capability to accommodate the complexities of WMATA's pension plans. This project will include the development of a Request for Information (RFI) to conduct a Request for Proposal (RFP) and develop the Scope of Work (SOW) to acquire an administration system to support the retirement process. Pending the implementation of the pension administration system, all records are stored via hard copy file and tracked through an excel spreadsheet. The Office of Procurement has advised it will take 18 to 24 months to fully implement the pension administration system. HC plans to complete this action by June 30, 2024.

CBO is also developing a master database that will replace the Excel spreadsheet to improve record keeping processes that will maintain all retiree data (census information to include beneficiary data). When a retiree dies, the record will be coded as deceased in the database and the beneficiary record will be updated. Annually CBO will match the data by cross referencing/reconciling the data in the database with the custodial banks. HC plans to complete this action by June 30, 2022.

Recommendation 2: Establish written policies and procedures for all WMATA stakeholders to enhance collaboration and consistent process in managing the various aspects of retiree benefits including validating WMATA's contribution payments to the union for pensions and validating the badging and credentialing for authorized retirees.

HC agrees with this recommendation. Standing business practices are established within CBO and these will be captured in written Standard Operating Procedures (SOPs). An SOP will be developed for each of the following four (4) procedures for processing claims: death claims, retirements, refunds, and retirement plan invoices with the assistance of a consultant. The SOPS will identify the roles and responsibilities for:

1. Reliable data matching with both internal and external stakeholders;
2. Confirmation, on a recurring basis, of the living status of annuitants either through SSA death index data checks; and
3. Timely notifications and updates of an annuitant's death to the paying fiduciary institutions, the pension plan officers, health care providers, Transit Employees Health and Welfare Plan, and WMATA's Badge and Credentialing Office.

HC plans to complete this action by June 30, 2022.

Recommendation 3: Formalize an agreement between WMATA and SSA to obtain SSA quarterly Death Index which allow for quarterly matching to validate WMATA records of retirees.

HC agrees with this recommendation and implemented the process to obtain the report in Spring of 2020. CBO worked with the Payroll Office to obtain access to the SSA death index search tool. On a quarterly basis, CBO now completes a full death audit using the SSA death index tool. Deceased annuitants cannot be purged but are moved to an inactive status.

Access is granted to WMATA Retirement Specialists after each specialist registers on the SSA.gov website (<https://www.ssa.gov/bsa/bsowelcome.htm>). Once registered, SSA provides a letter confirming registration to WMATA's Payroll Dept with our activation code. CBO notes that this step has been completed for all Retirement Specialists. Therefore, management does not plan to take any additional corrective actions in response to this recommendation at this time.

Recommendation 4: Establish formal sharing agreements with the union pension trustees to obtain retiree data on a regular basis to allow for matching against WMATA, FI, and SSA data as part of an ongoing data validation process.

HC agrees with this recommendation. However, taking any additional actions in response to OIG's recommendations may require the agreement of the plan's trustees and managing unions officials during the next round of collective bargaining negotiations. The negotiations for the plans are scheduled to take place in 2024. As such, HC will provide OIG's report recommendations to WMATA's Labor Relations department for consideration and prioritization during the next round of negotiations by March 31, 2022. HC leadership will also provide the final report to the appropriate trustees and unions for action and consideration by March 31, 2022.

Recommendation 5: Establish an annual certification process to validate active annuitant records and identify deceased or inactive retiree accounts.

HC agrees with the recommendation and the pension plans currently undergo several audits to validate annuitant records. For example, the custodial banks automatically run the death audit report and CBO has a filing system to access the reports with the custodial banks' system and SSA. In addition to the death audit described in the response to recommendation #3, CBO generates a monthly death

audit report directly from the custodial banking systems and submits all annuitants through the SSA death audit process. CBO also obtains information from the medical insurance carriers for all annuitants that maintain WMATA retiree health coverage who are on Medicare. Furthermore, CBO undergoes annual external audits with the auditors for each plan and the auditors of WMATA's financial statements which includes coverage of WMATA's pension plans.

However, based on Plan Trustee directive the retention schedule is indefinite and therefore HC cannot purge the records without the consent of Local 689 officials pursuant to the established agreements for the pension plan. These officials have not wanted these records purged. Therefore, management does not plan to take any additional corrective actions in response to this recommendation at this time.

Recommendation 6: Establish a process to certify the accuracy of annuitant data to be used by WMATA's Office of Accounting to mitigate erroneous payment contributions to union pension funds.

HC agrees with this recommendation. CBO currently participates in WMATA's annual external financial statement audit to validate the annuitant data, based on an agreed-upon materiality threshold. This includes providing the auditor with the annual valuation census files. The auditor then reviews the valuation reports, census data, and personnel files to ensure the accuracy of the annuitant data. As part of this, external auditors use independent actuaries to validate the reasonableness of the data, assumptions and valuation methods used that informed the actuarially required contribution (ARC) and net pension liability included in the actuarial valuation report and reported in the financial statements. These complex calculations are performed by licensed actuaries governed by actuarial standards of practice. WMATA does not have licensed actuaries or the expertise to recalculate and determine the accuracy of the funding contributions to the plan each year. Therefore, and consistent with industry standards, WMATA will continue to rely upon the ARC estimate to determine what to fund to the pension plans each year. No additional validation on annuitant data for this purpose is deemed necessary and therefore management does not plan to take any additional corrective actions in response to this recommendation at this time.

List of Attachments

1. Retirement specialists SSA registrations (3)
2. Example of quarterly death audit report
3. Example of monthly death audit report

ATTACHMENTS INTENTIONALLY OMITTED