Background Information

The Office of the Fire Fighters’ Pension Commissioner (Office) administers the Texas Emergency Services Retirement System (System), which provides retirement, death, and disability benefits to volunteer fire and emergency medical services personnel. As of August 31, 2009, the System had 8,685 members, including 2,065 retirees and beneficiaries.

Retirement benefits paid in fiscal year 2009 totaled $2,892,413, which represented 93 percent of the System’s total expenses.

As of August 31, 2009, the System held $845,880 in cash in the State Treasury and $51,177,396 in total investments. Investment holdings constituted 97 percent of the System’s total assets as of August 31, 2009.

Summary of Objective, Scope, and Methodology

The objective of the audit was to issue an opinion on the Office of the Fire Fighters’ Pension Commissioner’s (Office) fiscal year 2009 financial statements. The audit scope covered the Office’s basic financial statements for fiscal year 2009.

The audit methodology included performing a review of internal controls over financial reporting; conducting interviews; confirming investment balances, contributions received, and benefit payments made; and performing other analytical procedures.

The audit was conducted in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. The following staff of the State Auditor’s Office performed the audit:

- Cesar Saldivar, CGAP (Project Manager)
- Kelley Bellah, CFE (Assistant Project Manager)
- Michael C. Apperley, CPA (Quality Control Reviewer)
- Lisa R. Collier, CPA (Assistant State Auditor)

Pension Plan Financial Highlights

As discussed in the Office’s annual financial report, the pension plans had an investment loss during fiscal year 2009 of $3.4 million due to unfavorable market conditions. This is a slight improvement compared to the pension plans’ investment loss in fiscal year 2008 of $3.7 million. These losses resulted in a negative 6.00 percent overall return for each year. This is less than the 8.00 percent assumed long-term rate of return used for actuarial valuation purposes. As of August 31, 2009, net assets held in trust for pension benefits totaled $53 million.
Changes Made to Enhance Contribution Payment and Pension Payroll Processes

During our audit, we also obtained information on enhancements that the Office made to contribution payment and pension payroll processes. Specifically:

- The Office continues to encourage participating departments to submit their contribution payments electronically. In fiscal year 2009, more than 99 percent of the participating departments used automated clearinghouse (ACH) and wire transfers to electronically submit their contribution payments. Electronically submitted contributions represented more than 99 percent of all contributions received. Processing payments electronically helps reduce the risk of fraud and abuse related to receiving check payments.

- The Office started conducting monthly death audits before finalizing pension payrolls. The Office compares pension payee information to the Social Security Administration’s death master file to reduce the risk of payments being submitted to deceased beneficiaries. This helps to ensure that the Office maintains accurate records for eligible pension payees.

We appreciate the Office’s cooperation during the audit. If you have any questions, please contact Lisa Collier, Assistant State Auditor, or me at (512) 936-9500.

Sincerely,

John Keel, CPA
State Auditor

cc: Members of the Texas Emergency Services Retirement System Board of Trustees
    Mr. Frank Torres, Chairman
    Ms. Gracie G. Flores, Vice Chairman
    Mr. Maxie Patterson, Secretary
    Mr. Kyle A. Donaldson
    Mr. Patrick Hull
    Mr. Dan Key
    Mr. Rex W. Klesel
    Mr. Ron Larson
    Mr. Don Shipman
    Ms. Lisa Ivie Miller, Commissioner, Office of the Fire Fighters’ Pension Commissioner
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