

# Preparing Employees for Retirement

Scope Statement – August 5, 2019

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## Background

The Human Resources Department's Retirement Division administers the city's Employees' Retirement System and Firefighters' Pension System plans. These plans provide retirement benefits to all full-time city employees and firefighters who have met years of service and age requirements. As of May 1, 2018, there were 3,218 members in the Employees' Retirement System and 981 members in the Firefighters' Pension System.

The Human Resources Department contracts with Nationwide to administer the city's 457 deferred-compensation plan. About 48 percent of full-time city employees and firefighters participate in the 457 plan.

During 2019, 541 members in the Employees' Retirement System and 142 members in the Firefighters' Pension System will be eligible to retire without a reduction in benefits.

## Why audit how the city prepares employees for retirement?

A recent study from Northwestern Mutual, which explores adults' attitudes and behaviors towards money and finances, found Americans:

- Don't know how much they'll need to retire comfortably (56%)
- Think there is a 45 percent chance they will outlive their savings

Retirement is a major decision that has ongoing financial consequences. Some city retirees told us they were shocked by healthcare expenses after retirement. Another retiree was surprised when she discovered the tax consequences of a city payout of sick leave and vacation.

## Audit objective

Our objective is to answer the following question:

- Is the city educating employees to help them make informed decisions about retirement?

## Audit methods

We will interview staff from Human Resources and the city's 457 plan provider and review information on educational sessions provided to city employees to understand how employees are currently being prepared for retirement; interview a few recent retirees to identify and understand their concerns and what they wish they had known before retirement; and review literature related to preparing for retirement to identify recommended practices.

## Anticipated release date

We plan to issue the audit report in December 2019.