



STATE OF MICHIGAN

DEPARTMENT OF TECHNOLOGY, MANAGEMENT & BUDGET  
LANSING

RICK SNYDER  
GOVERNOR

DAVID L. DEVRIES  
DIRECTOR

April 20, 2018

Rick Lowe, Director  
Office of Internal Audit Services  
State Budget Office  
George W. Romney Building  
111 South Capitol, 6th Floor  
Lansing, Michigan 48913

Dear Mr. Lowe:

In accordance with the State of Michigan, Financial Management Guide, Part VII, attached is a summary table identifying our responses and corrective action plans to address recommendations contained within the Office of the Auditor General's audit report of the Department of Technology, Management and Budget, Michigan Military Retirement System Financial Audit.

Questions regarding the summary table or corrective action plans should be directed to me.

Sincerely,

Signature Redacted

Michael Gilliland, Director  
DTMB-Financial Services

c: Representative Laura Cox, Chair, House Appropriations  
Senator Dave Hildenbrand, Chair, Senate Appropriations  
Mark Freeman, Office of the Auditor General  
Dick Posthumus, Executive Office  
Darin Ackerman, Executive Office  
House Fiscal Agency  
Senate Fiscal Agency  
Brom Stibitz, DTMB  
Kerrie Vanden Bosch, DTMB  
Anthony Estell, DTMB  
Caleb Buhs, DTMB  
Kerri DeBano, DTMB  
Phillip Jeffery, DTMB  
Meg Leonard, DTMB  
John Juarez, SBO  
Mike Williams, SBO

Department of Technology, Management and Budget  
Office of Retirement Services  
Michigan Military Retirement System Financial Audit  
Audit Period: Nine Months Ending September 30, 2016

Summary of Agency Responses to Recommendations

1. Audit recommendations DTMB agrees with and will comply: #1
2. Audit recommendations DTMB fully complied with: None
3. Audit recommendations DTMB disagrees with: None

Agency Responses to Recommendations

Finding #1: Controls necessary to ensure completeness and accuracy of data provided to the actuary.

DTMB agrees with recommendation. Federal law prohibits DTMB-ORS from having access to active military demographic and service records that are currently maintained by the Michigan Department of Military and Veterans Affairs (DMVA) on databases owned by the U.S. Department of Defense. ORS having access to DMVA records would significantly improve ORS' ability to ensure the accuracy of the net pension liability.

Each year, ORS provides member data to the actuary to perform calculations to determine the total pension liability. The actuary compares the current year's demographic and service data to the previous year to determine any discrepancies. ORS relies on DMVA for accurate reporting; any discrepancies are sent back to the DMVA to review and correct. In addition, before any benefits are paid to members, ORS conducts a full review of all retirement information, including demographic information at the point a member applies for retirement. During these reviews, ORS re-analyzes all service credit calculations to ensure that benefits are correctly paid to eligible members.

To help ensure that the member data provided to the actuary for the MMRS net pension liability calculation is as complete and accurate as possible, ORS has executed a memorandum of understanding (MOU) with the Michigan National Guard to obtain complete, accurate, and timely data submission for the actuarial valuation process. The MOU is effective as of March 22, 2017. In addition to the MOU, ORS has identified points of contact from DMVA Air and Army National Guard and is holding regular meetings with the DMVA to prevent this issue from reoccurring in the future. ORS is now receiving and sampling members' enlistment and discharge records to validate service and demographic data. Specific to Air National Guard members, ORS has filed

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a legal justification letter with the U.S Department of Defense, to obtain social security information for validating completeness and accuracy of data for the actuarial valuation process.