

# STATE ATHLETIC COMMISSION

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## ***The Current Boxers' Pension Plan Benefits Only a Few and Is Poorly Administered***

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### ***Audit Highlights . . .***

*Our review of the State Athletic Commission (commission) and the boxers' pension plan revealed that:*

- Under the current plan only four boxers per year are vesting.*
- The current plan will likely give an average 55-year-old vested boxer a pension benefit of \$170 per month, while the original plan would have paid \$98 per month.*
- During the four-year period from 2001 through 2004, payments for pension plan administration costs were six times greater than the amount of benefits paid to boxers.*
- Since the inception of the current plan, the commission met the minimum funding requirement in only one out of nine years.*
- Poor administration of the pension plan resulted in untimely recording of pension contributions, inaccurate reporting of boxers' eligibility status, and incorrect account balances.*

### **REPORT NUMBER 2004-134, JULY 2005**

#### **State Athletic Commission's response as of September 2005**

The Joint Legislative Audit Committee (audit committee) requested that the Bureau of State Audits review the State Athletic commission's (commission) pension plan operations. Specifically, the audit committee was interested in the condition of the current plan, the best course of action to ensure its long-term viability, how much is being spent on administrative expenses, and whether the statutory requirements for pension contributions and benefit distributions are being met. In doing so, we noted the following findings:

#### **Finding #1: Although potentially more generous than the original plan, the current pension plan benefits even fewer boxers.**

Combining both the defined benefit plan (original plan) and the defined contribution plan (current plan), only 14 percent of licensed boxers have vested as of December 31, 2003, and account balances for most vested boxers are small. Under the current plan, which began in May 1996, only four boxers per year are vesting compared to 37 boxers per year vesting under the original plan. If the current vesting trend continues, the remaining number of vested boxers will plateau at below 80 in 2036. Although vested boxers currently approaching retirement age are likely to receive more benefits than the original plan guaranteed, pension amounts will still be minimal. The current plan will likely give an average 55-year-old vested boxer a pension benefit of \$170 per month, while the original plan would have paid \$98 per month. From 2001 to 2004, benefit payments to boxers totaled \$36,000 while the payments to administer the plan were six times higher.

We recommended that the Legislature may want to reconsider the need for a pension plan for retired professional boxers since so few boxers annually meet the current criteria of a professional

boxer. If the Legislature decides to continue the boxers' pension plan, we recommended that the commission could consider eliminating the break in service requirement and/or reducing from four to three the number of calendar years that a boxer must fight, if it believes the current vesting criteria is excluding professional boxers for which the pension plan was intended. Further, the commission should mail an annual pension statement to all vested boxers to increase the likelihood that vested boxers are locatable for benefit distribution after they turn age 55.

***Commission's Action: Partial corrective action taken.***

In order to ensure that the pension plan provides benefits to the professional boxers that were intended, by December 2005, the executive officer expected to complete his review of alternative vesting criteria that would give consideration to a boxer's age (i.e., actual age, number of years boxing, total actual number of rounds fought, number of times knocked out, number of times suspended, etc.). To increase the likelihood that vested boxers are locatable after they turn age 55, the commission plans to send each boxer an annual statement regardless of activity status. For any annual statements that are returned as undeliverable, it will re-send the statement to any secondary address that may be available.

**Finding #2: The commission has many problems with its day-to-day administration of the boxers' pension plan.**

The boxers' account balances of \$3.39 million could have been higher had the commission fully exercised its legal authority to maximize contributions to the current plan. Although the commission increased the ticket assessment to 88 cents per ticket in July 1999, it only met the target in one of nine years and has undercollected by a total of \$300,000. Additionally, the commission performs its administrative duties related to the boxers' pension fund slowly and inaccurately. We found problems with untimely depositing of incoming checks to the Department of Consumer Affairs' (Consumer Affairs) bank account, remittances of pension contributions to the boxers' pension fund, and production of accurate eligible round and purse information; missing boxing contest documents needed to support contribution allocations to boxers; and various errors in determining boxers' eligibility and allocation of amounts to boxers' accounts. As a result, the recording of pension contributions were delayed, boxers' eligibility status were inaccurate and their respective account balances were incorrect. Moreover, the commission needs to periodically review boxers' eligibility status and account balances to ensure that the pension plan administrator correctly determines boxers' eligibility and account balances.

To maximize pension fund assets, we recommended that the commission should raise the ticket assessment to meet targeted pension contributions as required by law and promptly remit pension contributions from Consumer Affairs' bank account to the boxers' pension fund. To ensure receipts are deposited in a timely manner, we recommended the commission should implement the corrective action proposed by the acting executive officer to Consumer Affairs related to ensuring timely deposit

of checks. Additionally, the commission should require promoters to remit pension fund contributions on checks separate from other boxing show fees so that deposits of checks and subsequent remittances to the boxers' pension fund are not delayed. To ensure boxers' information concerning eligibility status and pension account balances are accurate, the commission should retain all official documents from each boxing contest. Further, the commission should immediately work with the pension plan administrator to correct errors related to boxers' eligibility status and account balances. Lastly, the commission should periodically review a sample of newly vested and pending boxers, and verify their eligibility status and pension account balances.

***Commission's Action: Partial corrective action taken.***

The commission is considering various alternatives to meet the funding target, including negotiating with tribal governments to collect contributions from fights on tribal lands, redirecting some broadcast revenues to the pension fund, and raising the per ticket assessment to \$1.25. The commission has taken steps to ensure that previously collected pension contributions have been deposited in the pension fund and that future collections are deposited in the pension fund in a timely manner. One of these steps is directing promoters to remit checks for pension contributions separate from checks related to show fees. In order to ensure eligibility information is being retained, the commission is creating a checklist of all documents that are required to be retained in its files. The commission is in the process of completing its research related to correcting errors in boxers' eligibility status and account balances and anticipated it would finish this review by October 2005.

