



California Public Employees' Retirement System
Customer Account Services Division
Retirement Account Services Section
P.O. Box 942709
Sacramento, CA 94229-2709
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May 25, 2012

Joaquin Leon
City of Vernon
4305 Santa Fe Avenue
Vernon, CA 90058

Dear Mr. Leon

The California Public Employees' Retirement System (CalPERS) has recently completed a review of the compensation reported on behalf of Bruce Malkenhorst Sr. by the City of Vernon (City) and discovered compensation that does not appear to meet the definition of compensation earnable in the California Public Employees' Retirement Law (PERL).

This review was conducted because of the recent Public Agency Review (Review) of the City by CalPERS Office of Audit Services (OAS). During the Review CalPERS audit staff reviewed payroll, compensation reported, and other relevant records reported to CalPERS for individuals included in a test sample over the period of July 1, 2002 through June 30, 2010. Mr. Malkenhorst was one of the individuals included in the test sample. Mr. Malkenhorst was cited in Finding Two (2), Eight (8) and Ten (10) of the Review. The findings were as follows:

Finding 2: The City failed to provide documentation in conformance with the PERL and the City's contract with CalPERS. As a result, OAS was unable to determine whether payrates and earnings were accurately reported, including for individuals simultaneously working in multiple positions.

Finding 8: The City incorrectly reported payroll element information to CalPERS.

Finding 10: The City over-reported special compensation to CalPERS.

Please see the enclosed copy of the letter sent to Mr. Malkenhorst, dated May 25, 2012, for further details of CalPERS' preliminary decision. Note, the letter does not address Finding Eight (8) of the Review however, CalPERS will contact the City after compensation determinations have been made to discuss the necessary changes.

Mr. Malkenhorst has been given the opportunity to present any additional argument, information or documentation that would contradict CalPERS' preliminary decision to

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reduce his retirement allowance and CalPERS wishes to give the City the same opportunity.

In closing, if the City has any argument, information or documentation that would contradict the information outlined in the enclosed letter, or that you would like CalPERS to consider relative to the issues described above prior to CalPERS issuing a formal determination in this matter, please provide it to CalPERS no later than June 25, 2012.


Any argument, information and/or documents the City wishes to submit to CalPERS should be directed to:

**Karen DeFrank, Division Chief
Customer Account Services Division
P.O. Box 942709
Sacramento, CA 94229-2709**

CalPERS will review any information provided and then proceed with a formal determination in this matter. CalPERS' formal determination will be communicated to the City and Mr. Malkenhorst by way of letter.

If you have any questions regarding this information please call me directly at (916) 795-0340.

Sincerely,



**TOMI JIMENEZ, Manager
Compensation and Employer Review
Customer Account Services Division**

**cc: Karen DeFrank
Bruce Malkenhorst Sr.**