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| BEFORE THE BOARD OF ADMINISTRATION |
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| CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM |
| STATE OF CALIFORNIA |
| HUMBERTO FLORES, ADMINISTRATIVE LAW JUDGE |
| In the Matter of the Calculation) of Final Compensation of:) |
|) CASE NO. 2014-0681 |
| CHRISTINE F. LONDO,) Respondent,) OAH NO. 2014070904 and) |
| CITY OF WALNUT, Respondent.) RECEIVED |
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| TRANSCRIPT OF PROCEEDINGS |

Glendale, California

Wednesday, November 5, 2014

Reported by:

CLAUDETTE A. HENRY Hearing Reporter

Job No: 32290AH



Court Reporters, /Inc. 920 West 17th Street Second Floor Santa Ana, California 92706

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BEFORE THE BOARD OF ADMINISTRATION 1 CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM 2 STATE OF CALIFORNIA 3 HUMBERTO FLORES, ADMINISTRATIVE LAW JUDGE 4 5 6 In the Matter of the Calculation) of Final Compensation of:)) CASE NO. 2014-0681 7 8 CHRISTINE F. LONDO,)) OAH NO. 2014070904 Respondent, 9 and) 10 CITY OF WALNUT, ۱ Respondent.) 11 12 13 14 15 16 17 TRANSCRIPT OF PROCEEDINGS, taken at 655 North 18 Central Avenue, Suite 1400, Glendale, California, 19 20 commencing at 9:00 a.m. on Wednesday, November 5, 2014, heard before HUMBERTO FLORES, Administrative Law Judge, 21 reported by CLAUDETTE A. HENRY, Hearing Reporter. 22 23 24 25 2

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1 **APPEARANCES:** 2 For the BOARD: RORY J. COFFEY SENIOR STAFF COUNSEL LEGAL OFFICE 3 400 Q STREET, ROOM 3340 4 SACRAMENTO, CALIFORNIA 95811 5 STEPHEN H. SILVER 6 For the RESPONDENT: ATTORNEY AT LAW 7 SILVER, HADDEN, SILVER & LEVINE 1428 SECOND STREET, #200 SANTA MONICA, CALIFORNIA 90401 8 9 MICHAEL MONTGOMERY 10 CITY ATTORNEY CITY OF WALNUT 11 21201 LA PUENTE ROAD 12 WALNUT, CALIFORNIA 91789 13 14 15 16 17 18 19 20 21 22 23 24 25 3

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Glendale, California, Wednesday, November 5, 2014 1 2 9:00 a.m. 3 4 THE COURT: I now call the Matter of the Calculation 5 in the Final Compensation in the Matter of Christine F. 6 7 Londo as Respondent and City of Walnut as Respondent. 8 This Matter is before the California Public Employees' My name is Humberto Flores. 9 Retirement System. I am an 10 administrative law judge assigned to hear this Matter. 11 Would you state your appearances for the 12 record. MR. COFFEY: Thank you. Good morning, your Honor, 13 Rory Coffey; R-O-R-Y, C-O-F-F-E-Y, appearing on behalf 14 of California Public Employees' Retirement System, 15 CalPERS, and with me today is Karin Zimmerman from 16 17 CalPERS. THE COURT: Okay. 18 MR. SILVER: Stephen Silver; Silver, Hadden, Silver 19 20 & Levine representing the Respondent Christine Londo. THE COURT: All right. And Mr. Montgomery, will you 21 22 state your appearance. MR. MONTGOMERY: Michael Montgomery, I am the city 23 attorney with the City of Walnut. I also -- I guess we 24 25 will put it on the record. I am also CalPERS recipient

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1 and happy to be. And in discussing the Matter with the 2 former mayor a moment ago, I don't believe that I have 3 any attorney/client problem at all. Understanding that the City will go on whatever 4 5 the decision is and any conversations that I had with the Applicant is between the two of us and not in any 6 7 counsel setting. I want to put that on the Matter. 8 THE COURT: All right. MR. MONTGOMERY: But I think Chris would allow me. 9 MR. SILVER: Absolutely. She will. 10 11 MS. LONDO: Yes. 12 THE COURT: All right. 13 MR. MONTGOMERY: Okay. THE COURT: Mr. Coffey, are you ready to proceed? 14 MR. COFFEY: I am, your Honor. 15 16 THE COURT: All right. Is there an opening 17 statement? MR. COFFEY: I will waive opening remarks, your 18 19 Honor. 20 THE COURT: Mr. Silver, is there an opening 21 statement? 22 MR. SILVER: I will defer or I will waive. Right 23 now I will defer. 24 THE COURT: Mr. Montgomery, is there an opening 25 statement?

MR. MONTGOMERY: I suggest Chris wins and we could 1 2 leave. 3 THE COURT: Would you call your first witness or 4 present your documents? 5 MR. COFFEY: Yes, your Honor. At this time I'd offer what has been previously marked as the CalPERS 6 7 Exhibits 1 through 7 for jurisdictional purposes. Those are the documents that I believe set forth the nature of 8 9 the dispute and gives your Honor the authority to hear 10 and determine the Matter of this morning. 11 THE COURT: All right. They include statement of issues, notice of hearing, proof of service, various 12 letters to and from CalPERS and a letter from Mr. Silver 13 and a letter from the City of Walnut. 14 15 Any objections to these document? MR. SILVER: No objections. 16 17 THE COURT: All right. Any objection, Mr. Montgomery? 18 19 MR. MONTGOMERY: No. 20 THE COURT: All right. They are admitted for 21 jurisdiction. 22 (Complainant's Exhibits 1 through 7 were received into evidence by the Court.) 23 MR. COFFEY: I'd like to call Karin Zimmerman. 24 25 THE COURT: All right. And for the record would you

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1 state and spell your full name. 2 THE WITNESS: Karin, K-A-R-I-N; Zimmerman, 3 Z-I-M-M-E-R-M-A-N. 4 5 KARIN ZIMMERMAN, 6 called as a witness by the Complainant, was sworn by the 7 court reporter, and testified as follows: 8 THE WITNESS: I do. 9 THE COURT: Mr. Coffey. 10 MR. COFFEY: Thank you, your Honor. 11 DIRECT EXAMINATION 12 BY MR. COFFEY: 13 Good morning, Karin. 14 Q 15 А Good morning. By whom are you employed? 16 0 CalPERS, California Public Employees' 17 А 18 Retirement System. 19 0 How long have been a CalPERS employee? Approximately seven and a half years. 20 Α 21 Q And what is your current job title? I'm a retirement program specialist II. 22 А 23 How long have you held the retirement program Q 24 specialist II title? 25 А Approximately three and a half years.

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| 1 | Q Were you a retirement program specialist I |
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| 2 | prior to that? |
| 3 | A Yes, I was. |
| 4 | Q Have you had different assignments within |
| 5 | CalPERS over the seven and a half years? |
| 6 | A I have worked in one unit only which is the |
| 7 | compensation review unit. |
| 8 | Q What does the compensation review unit of the |
| 9 | CalPERS do? |
| 10 | A We review payroll that has been reported to |
| 11 | CalPERS for retirement purposes to ensure that it |
| 12 | complies with the Public Employees' Retirement Law so |
| 13 | that employees can be paid appropriately. |
| 14 | Q Let me back up a little bit. What does CalPERS |
| 15 | do? |
| 16 | A CalPERS administers retirement benefits for |
| 17 | their members. |
| 18 | Q Service retirement, disability retirement? |
| 19 | A Correct. |
| 20 | Q Is the compensation review unit focused on one |
| 21 | type of benefit as opposed to another? |
| 22 | A No. Just anything that would need our review |
| 23 | that would come up to us we would review it. |
| 24 | Q Now, CalPERS obviously has state agencies that |
| 25 | have employees that are members of CalPERS, correct? |
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| 1 | A Correct. |
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| 2 | Q Are there members of CalPERS other public |
| 3 | agencies other than state agencies? |
| 4 | A Yes. |
| 5 | Q What are those agencies called? |
| 6 | A Public employers or public agencies. |
| 7 | Q Does the compensation review unit review |
| 8 | compensation paid to employees of state agencies? |
| 9 | A Yes. |
| 10 | Q Does the compensation review unit review |
| 11 | compensation or any compensation paid to employees of |
| 12 | public agencies or local public agencies? |
| 13 | A Yes. |
| 14 | Q When you first joined CalPERS and you started |
| 15 | in the compensation review unit, were you given any |
| 16 | training? |
| 17 | A Yes. |
| 18 | Q Tell us what kind of training you received? |
| 19 | A It was mostly hands-on training with the senior |
| 20 | analyst that had been there years longer than me. And |
| 21 | it was it would be we would review the payroll and |
| 22 | they walked me through the step by step process of how |
| 23 | to review and make the determination. |
| 24 | Q How long a period of time did that training |
| 25 | last? |
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1 Α Oh, gosh. I don't remember the length of time. 2 Probably a few months. 3 Q Were you at some point given a case load, if 4 you will, for lack of a better term? 5 Α Yes, I was. 6 How are retirement program specialists in the 0 7 compensation review unit given a case load or 8 assignment? 9 Α Our management will review the amount of review 10 that comes in for different agencies throughout the 11 state and is usually based on county. So I -- so 12 currently I'm assigned to Los Angeles County. But because it is so large some of those agencies are broken 13 14 out by different analysts. So it is really based on the 15 amount of work that comes in for the different agencies. 16 0 Currently then your case load assignments 17 start out based on a geographical factor? 18 А Yes. And how long have you had your case load come 19 0 20 from public agencies from LA County? 21 Α I believe it's been about three years now. 22 0 In the past let's say year, can you estimate 23 for us or give us an approximation of how many 24 individual compensation reviews you performed in a week, 25 a month?

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Reviews, I'm constantly reviewing payroll every 1 Α 2 So I would probably say about 15 to 20 a week day. 3 that I review. When you make 15 to 20 reviews per week on 0 4 5 average, do you always come up with some kind of decision or determination? 6 It may not be that day or that week 7 Α Yes. because a lot of times we need to receive information 8 9 from the employer that is -- that have the retiring member that we are reviewing. But we will come to some 10 kind of determination. 11 12 If in a particular case involving a CalPERS Q member and employee of a local public agency in LA 13 County if you make your review assessment and 14 determination, is there anyone above you that then 15 16 reviews your determination? In the case where I would deem that the Yes. 17 Α compensation does not comply with our law then my 18 management -- first in line manager would review my 19 20 case. What if your determination was that the 21 Q compensation under review did comply with PERL? 22 23 Α We do have quality assurance reviews as well 24 that our management does review a percentage for the 25 case that we complete?

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Are you familiar with the Matter that brings us 1 Q 2 here today compensation paid to Ms. Londo by the City of Walnut? 3 Α Yes, I am. 4 5 And how -- what is the basis of your 0 6 familiarity? 7 А I reviewed the case. 8 Q Are -- when or how was it that the compensation 9 paid by the City to Ms. Londo came to you for review? 10 Well, we have some -- there is different А processes set in place for when payroll may -- there are 11 different triggers for when payroll may like a certain 12 amount or there may be a fluctuation of payroll then 13 those reviews will come to my unit just so that we can 14 ensure that it complies with our law. 15 That is what happens in this case. There was a 16 fluctuation in pay rate back in 2000 -- from 2005 it 17 went -- the pay rate went up. And then back in 2006 it 18 19 dropped down again. So our computer system recognized 20 the fluctuation and called for a compensation review 21 case. What do you recall doing as part your 22 Q Okay. 23 review of the compensation reported for Ms. Londo? А Well, I had requested a pay schedule from the 24 25 City and the title of her position as well. And that is

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basically in the initial request. 1 2 You say you requested a pay schedule from the Q 3 City why would you do that? That's typically the first -- that's when we --4 Α after we look at the payroll, we check the publicly 5 6 available pay schedule to make sure that the pay rate 7 complies with the pay schedule. So that's typically the 8 first step in any review that I would do after printing out the payroll looking at what has been reported. 9 10 Q Was the City able to provide you with what you 11 requested? They provided a pay schedule for Ms. Londo's 12 Α position of finance director slash city treasurer but 13 not for what they said that the position was she was 14 working in during that fluctuation which was interim 15 city manager. There was no pay schedule for that. 16 Okay. Could you take a look at the CalPERS' 17 0 exhibit packet. Beginning with what's marked as 18 19 Exhibit 8. Do you recognize that document? 20 А Yes. What is Exhibit 8? 21 Q 22 That is the management salary schedule that was Α 23 effective July 2, 2005. Was this provided to you by the City? 24 Q 25 Α Yes.

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1 What, if anything, does this document Exhibit 8 0 2 tell us concerning Ms. Londo's position? 3 MR. SILVER: Objection. The document speaks for 4 itself. 5 THE COURT: Overruled. THE WITNESS: So -- so it tells me that her position 6 7 of director of finance that the maximum amount that she 8 -- would have been reportable to CalPERS at that time 9 for that position was \$10,000.60 a month. 10 Q Did you receive any other pay schedules from 11 the City that would apply to Ms. Londo? Number -- Exhibit Number 9 is a similar А 12 Yes. 13 -- similar type document. It was just for the following fiscal year state director or finance slash city 14 15 treasurer maximum was \$10,362 plus 250 a month stipend. Q You also said that you asked the City for a 16 description of Ms. Londo's position? 17 А 18 Yes. 19 0 Why would you do that? 20 Α Because the -- I don't recall what the retirement application stated. Basically when we review 21 22 a case the position title that we are assuming is the position title at retirement is the one that list the --23 that the member list on the retirement application. 24 In 25 this case I don't recall what position title -- if she

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wrote director of finance city treasurer or if she wrote 1 2 city manager at that time. 3 But I know there was a discrepancy with --4 somehow I found out she was the interim city manager 5 working in that -- working as that capacity, and so it conflicted with the management salary schedule that they 6 7 gave me. Could you turn to what has been marked as 8 0 9 Exhibit 10. Do you recognize that document? 10 А Yes. 11 Q Was Exhibit 10 provided to you by the City? 12 Ά Yes. Did you consider the information contained in 13 Q 14 or on Exhibit 10 as part of your review and analysis in this Matter? 15 I did. 16 Α And what use, if any, did you use with the 17 Q 18 information contained on Exhibit 10 in your ultimate determination in this Matter? 19 Well, based on this information, I was able to 20 Α reconcile the payroll that had been reported because it 21 22 was \$5,000 a month over the maximum on the management salary schedule we had previously discussed in Exhibits 23 24 9 and 10. I was able to reconcile why there was a 25 \$5,000 difference. And then when reading what the

difference was for, I was able to determine then that it 1 2 was not reportable to CalPERS. 3 Q Do you know if Ms. Londo continued to work for the City at any time after the 2005-2006 year? 4 She continued -- she continued 5 А Yes, she did. 6 to work as the director of finance. And then I believe 7 she went to West Covina to assist the city manager at 8 the very end. So the only matter in dispute for CalPERS 9 0 10 purposes is that the \$5,000 per month paid to Ms. Londo 11 during the period 2005 to 2006 for her additional duty serving as interim city manager? 12 Α That is correct. 13 From your review were you able to confirm or 14 0 ascertain whether the City during that time frame 2005 15 to 2006 continued to report a salary or compensation for 16 17 Ms. Londo in her position as treasurer? So the documents that I received stated 18 Α Yes. that the treasurer is actually -- I don't know how 19 exactly to explain this. But the finance director also 20 does the duties of city treasurer. So it is one --21 basically one position that was approved by the City. 22 Okay. Ms. Zimmerman, are you familiar with 23 Q CalPERS circular letters? 24 25 Α Some of them, yes. Yes.

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1 Q What is a Calipers circular letter? 2 This is a clarification explanation of some Α 3 questionable -- some -- not questionable -- some issues that may come up that employers have questions on. 4 It's kind of a blanket newsletter, if you will, to all of our 5 6 employers to let us -- to let them know that this is, 7 you know, this law was approved, and so this is what 8 that mean to us. 9 0 Okay. Your Honor, can I have this next 10 four-page document marked as CalPERS next. I think that 11 is 15. 12 THE COURT: It's been so marked. (Complainant's Exhibit 15 marked for 13 14 identification by the Court.) MR. SILVER: Can I get a copy, please? 15 16 MR. COFFEY: Sure. THE COURT: Just marked for identification. 17 And 18 copy for Mr. Montgomery since he's representing the 19 City. MR. COFFEY: If we can take a five-minute break, I 20 21 will get one, two --22 THE COURT: Sure. You can get it afterwards. Well, maybe you we should get it now. We are off the record. 23 (Off the record.) 24 THE COURT: We are back on the record. 25

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1 BY MR. COFFEY: 2 Q Ms. Zimmerman, I'm going to ask you to take a 3 look at what's now marked as Exhibit 15. Do you 4 recognize that document? 5 А I do. 6 And is that a recent circular letter 0 7 distributed by CalPERS? 8 А It is, yes. 9 Q Can you turn to page 3 of Exhibit 15. There is 10 heading at the top of the page, "Temporary" --"Upgrade pay." 11 А 12 Q Are you familiar with the CalPERS statute and 13 regulation that pertains to temporary upgrade pay? А 14 Yes. 15 0 Would you read the material under that heading 16 to yourself. 17 Α Yes. 18 0 Finished? 19 Α Yes. 20 Okay. Not that I will suspect you will Q 21 contradict the authors of Exhibit 15 but to your own 22 experience applying the regulations, does what we find 23 in that heading under temporary upgrade pay, correct? 24 Α Yes. 25 Q In your review and your analysis and

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1 determination regarding the \$5,000 per month paid by the 2 City to Ms. Londo for her service as the interim city 3 manager, would that compensation be acceptable to 4 CalPERS as temporary upgrade pay? 5 Α No. 6 Q Why? 7 А Because she did not leave her position of 8 finance director city treasurer and work solely as a 9 city manager. She did -- took on additional duties as 10 the interim city manager and continued to work full time 11 for finance -- finance director treasurer position. For a CalPERS members service retirement 12 Q benefit, can CalPERS use or does CalPERS use 13 compensation that would be considered overtime pay? 14 15 Α No. 16 0 Why not? It is clearly defined as being excluded by our 17 Α 18 law by Government Code 20635 I believe. 19 Q You made a determination in this Matter, correct? 20 21 Α Yes. 22 Q And part of the determination was to disallow 23 the \$5,000 per month, correct? 24 Α Correct. 25 Q Did you have your own determination reviewed by

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1 anyone in your management structure? 2 Α Yes. And who is that? 3 Q 4 А My manager Mary Peterson. And did your -- did that first line review 5 Q 6 result in any change in your determination? 7 А No. Then what happened? When you made your 8 0 Okay. determination there is a first line management review, 9 10 there is no change, what happens then? Then I proceed to write the determination 11 Α 12 letter. Okay. Could we turn to let's say Exhibit 4. 13 Q Do you recognize that exhibit? 14 А 15 Yes. Did you create the original of which Exhibit 4 16 Q 17 is a copy? 18 Α I did, yes. The letter is signed by Tomi Jimenez. Who is 19 Q 20 Ms. Jimenez? At the time Tomi was the second in command --21 А well, she was my first level manager's manager at that 22 time, the staff services manager 2. 23 24 Q Would -- typically would a determination letter such as Exhibit 4 be signed by a compensation review 25

unit manager rather than someone at your level the 1 2 retirement program specialist II level? 3 Α Yes. It is always signed by the manager at the 4 staff services manager II level as long as they are 5 available to sign this, yes. But the document this is a document you 6 0 7 created? 8 Α Correct. 9 Q Following all of your review, analysis, determination? 10 That's correct. 11 А Okay. So Exhibit 4 would set forth in essence 12 Q your rationale in making the determination? 13 Α Yes. 14 Thank you, Ms. Zimmerman. 15 MR. COFFEY: THE COURT: Cross-exam? 16 17 MR. SILVER: Thank you. 18 CROSS-EXAMINATION 19 20 BY MR. SILVER: 21 Q Ms. Zimmerman, let's talk about that circular What is the date of the circular letter? 22 letter. 23 October 27, 2014. Α 24 So it was written about a week ago, right? Q 25 Α Something like that. Couple -- well, it was

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1 distributed about a week and a half ago. 2 And did I hear you correctly when you said the 0 purpose of circular letter is to essentially communicate 3 information and clarify confusion to contracting 4 5 agencies they -- you made sure they are complying with the law? 6 That's correct. 7 Ά 8 So evidently at the time this was written in Q 9 2014, would it be fair to say that CalPERS -- that there was some confusion about what constituted temporary 10 upgrade pay? 11 12 А There was not confusion about what constituted 13 it but that employers were attempting to report temporary -- compensation coded as temporary upgrade pay 14 that was not temporary upgrade pay. 15 0 Now, what information did you have about the 16 duties that Ms. Londo actually performed during 17 2005-2006 at the time you made your determination? 18 I don't know that I had a duty statement or any 19 А -- I think that all I had was the exhibit -- exhibit 20 basically Exhibit 10 which states she's willing to 21 retain her current finance director position, title, 22 23 duty, and salary. And in addition she will agree to be compensated in the additional sum of \$5,000 a month with 24 25 a commensurate benefit of performing the duties of city

1 manager. So that was the only information you relied 2 0 3 upon; is that correct? I believe so. 4 Ά 5 Directing your attention to Exhibit 4 page 3 0 6 the very end of first paragraph starting with the word 7 furthermore. Could you read that to yourself? Exhibit 4 page 3. And the end of the first paragraph. 8 9 Again, you testified that you authored this letter; is that correct? 10 11 А Correct. What information did you have to base your 12 0 assertion in this letter that she did not assume the 13 14 upgraded position of city manager? The approved agenda item as I already -- that 15 Α we just talked about whatever exhibit that was. 16 That says she's going to be interim city 17 0 18 manager? That said she was going to continue to be the 19 Α 20 finance director and perform additional duties of city 21 manager. What document are you talking about? 22 0 Exhibit 10. 23 Α 24 Q Okay. Let's see. 25 It is item 12 from Michael Montgomery. А

Well, doesn't that say she will be performing 1 0 2 the additional duties of city manager? Not some additional duties? 3 4 А I so -- so you are asking about the word 5 "some"? 0 I'm asking you what it says. Doesn't it say 6 7 that she will be compensated an additional amount of \$5,000 commensurate benefits for performing the 8 9 additional duty of city manager. It does say the addition duty as city manager. 10 А Now, your -- you have been doing this for a 11 Q 12 while and you are familiar with the definition of compensation earnable, right? And you have referenced 13 certain sections. Are you familiar with the provisions 14 of Section 20635 of California Government Code? 15 16 А That is the overtime provision I believe. 17 Q Well, I'm asking if you are familiar with the Section 20635? 18 19 А Yes, I believe that's the overtime provision. 20 And are you familiar with the sentence in Q 21 Section 203 -- just to refresh your recollection if you 22 have the book in front you. Go to page 4 of Exhibit 1 23 that may help. Α 24 I'm there. 25 Okay. Could you read just read the second to Q

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last sentence out loud, please? 1 2 "If two or more" -- wait a minute. "Two or Α more positions of permanent and full-time positions with 3 the highest pay rate or base pay shall be reported to 4 5 the system. This provision shall apply only to service rendered on or after July 1, 1994." 6 So if Ms. -- and would it be fair to say that 7 0 the previous sentence says that if somebody has two 8 9 positions one of which is part time you only consider the full-time position pay; is that correct? 10 Α 11 Yes. So based upon a one small paragraph 12 0 Okav. letter without doing any investigation as to what Ms. 13 14 Londo actually performed and what she did, you concluded she was not occupying two full-time positions; is that 15 16 correct? 17 А Correct. Okay. And you had no another information upon 18 Q 19 which you based your conclusion on the memo you 20 described before, correct? 21 Α I don't believe so. It is possible there was 22 some e-mails, but I don't recall for sure about that. 23 Did you ever talk to any representative at the Q 24 City of Walnut such as Mr. Montgomery or anybody else to 25 find out what Ms. Londo actually did during that

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one-year period? 1 I don't recall. Again, it is possible that 2 А there were e-mails. 3 But you don't recall talking to anybody? 4 0 I know that I talked to somebody in payroll at 5 А least payroll and/or the HR department. We normally 6 7 contact the payroll technicians or supervisors and 8 someone -- an HR technician. That's normally who we 9 would --Did you talk to anybody about --10 Q THE COURT: Wait a minute. Let her finish her 11 12 answer before you ask your subsequent question. THE WITNESS: Normally we do not talk to higher 13 level people at the agency. So I -- normally I probably 14 would not have talked to the city attorney. And in this 15 16 case I did not talk to the city attorney. BY MR. SILVER: 17 Would you have talked to anybody in the City of 18 0 Walnut who was there in 2000 -- between November 2005 19 20 and November 2006 to find out exactly what Ms. Londo was 21 doing at that time? The only person that I talked to that I believe 22 А was there at that time that I know for sure was there at 23 that time was Ms. Londo herself over the phone. 24 Did she tell you she was only working part time 25 Q

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1 as city manager? I don't know that that came up. 2 Α So if, in fact, she was working as a full-time 3 Q 4 city manager and a full-time director of finance, 5 etcetera, would it be fair to say that under the sentence that you read in Section 20635 it would be 6 7 appropriate to include the highest pay rate, which would have been the pay rate of city manager? 8 9 MR. COFFEY: Objection. Lacks foundation. 10 Incomplete hypothetical. THE COURT: Overruled. 11 THE WITNESS: If the -- if they are actually -12 another part of the problem that we had with this there 13 wasn't a pay schedule for the city manager at all for 14 15 the previous. MR. SILVER: Move to strike as nonresponsive. 16 THE COURT: Ask your question again. 17 BY MR. SILVER: 18 The question is if, in fact, Ms. Londo was Q 19 performing the full-time position of city manager and 20 the full-time position of the director of finance, would 21 that have been consistent with the sentence -- the 22 second to last sentence of 20635? 23 It is possible if that position was an actual 24 Α position listed on a publicly available pay schedule. 25

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Now CalPERS doesn't perform audits on a regular 1 0 2 basis on contracting agencies like the City of Walnut, do they not? Does it or not? 3 4 А Yes, they do. Which section of CalPERS does the audits? 5 0 The office of audit services I believe. Α 6 7 And what is the purpose of an audit? 0 8 А The purpose of an audit is to make sure that the -- our public agencies or employers are reporting 9 compensation properly, that complies with our law, that 10 11 are enrolling members timely, that everything that they are -- every piece that they would have in CalPERS would 12 13 comply with our CalPERS law. How frequently does -- is a local agency 14 0 15 audited, roughly? I don't know. 16 Α Would it be fair to say that during let's say a 17 0 25-year period it would have been audited at least once? 18 19 Α It's possible. Well, is it likely that it would have been 20 Q audited during at least once in a 25-year period? 21 22 Α I don't work in the audit. I have never worked in audit services so I don't know what their ratio is or 23 what the probability of somebody being audited would be. 24 25 Q To your knowledge did anybody in the audit

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section ever communicate that the pay schedules used by 1 2 the City of Walnut were not appropriate for the city manager, were not appropriate? 3 I don't know that that conversation has ever Α 4 5 come up with me. So I don't -- I'm -- to my knowledge that is never --6 Would it be fair to say that had PERS audited 7 0 the City of Walnut and determined or found that the pay 8 or pay rate of a city manager was not properly or 9 publicly disclosed it would have informed the City of 10 Walnut and the City or Walnut would have then corrected 11 12 it? Would that -- would that be what you expect? That would be a typical outcome. 13 А Now, directing your attention to Exhibit 12. 14 Q I'm sorry. I may have the wrong exhibit here. Can you 15 take a look at page -- I lost my page. Bear with me for 16 a moment. Okay. Could you take a look at schedule A of 17 Exhibit 12. It is not numbered. Okay. 18 And this would be the salary schedule effective 19 July 1st, 1988, correct? 20 А Correct. 21 THE COURT: Let's see. Exhibit 12 you said. What 22 23 page is it? MR. SILVER: It is schedule A. It doesn't have a 24 25 page number. It is near the end. It is about the third

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1 or fourth page from the end. Fourth page from the end. 2 THE COURT: All right. 3 BY MR. SILVER: 4 Q Does this purport to be a pay -- a salary 5 schedule for management position in the City of Walnut 6 or just positions in the City of Walnut? 7 Α Yes. 8 Q Do you see any description of the position for 9 city manager on that -- on that salary -- on the pay 10 schedule? 11 А No. 12 0 And that's consistent with what you observed in 2005 and in 2006, correct? 13 14 Α Correct. 15 Q And to your knowledge has the City of Walnut 16 ever included the position of city manager on any salary schedule? 17 18 А Well, I have looked at three possibly four throughout the lifetime of the City. So on those I 19 20 don't believe the city manager was included. But I 21 can't speak to any others. 22 Q So the omission of when Ms. Londo was the city 23 manager was not something that was unique to her, would 24 that be a fair statement? 25 Α Yes.

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1 0 Okay. And, in fact, the salary that or the pay 2 rate that was reported by the City of Walnut to CalPERS 3 during Ms. Londo's tenure as city manager reflected her actual salary of \$15,060, the \$10,060 plus the \$5,000; 4 5 is that correct? That is what was reported to us. 6 А 7 Q So nobody was hiding anything from CalPERS were 8 they? Correct. 9 А And contributions were paid on that; is that 10 Q 11 correct? Α Of course, yes. 12 Now, when did this file come to your attention? 13 Q Soon after she applied for her retirement I 14 Α believe. I'm not sure -- looks like she applied for 15 16 service on -- service retirement on June 18, 2013, within a service effective retirement date of 17 September 14, 2013. 18 And when was the first time CalPERS Q 19 communicated to Ms. Londo that it would not allow the 20 salary she received as city manager to be counted as her 21 final compensation? 22 I don't remember the exact date. 23 Α Isn't it true it was after she retired? 24 0 I don't -- I don't remember. 25 А

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1 0 You don't remember? 2 Α I don't remember. 3 0 Now, let me show you a document I have. I'd 4 like to have this marked. I guess this is our exhibit. 5 We probably should use letters. I got Exhibit A and 6 show you this. For the record this is a letter from the 7 member services division of CalPERS to Ms. Londo dated 8 January 13, 2010. 9 Isn't it true that one of these services 10 CalPERS provides to its members is estimate of what 11 their pensionable income would be and their retirement 12 allowance would be if they were to retire at a 13 particular time? А That's correct. 14 15 0 And directing your attention to Exhibit A, 16 would that appear to be an estimate as to -- from 17 CalPERS as to what Ms. Londo's final compensation would 18 be if she were to retire at that time? 19 А Yes. 20 And based upon your knowledge of the situation, Q just trying to save some time, would it be fair to say 21 22 that CalPERS was telling Ms. Londo at that time it would 23 use the final compensation that was reported while she 24 was city manager? 25 I don't know that this would constitute a А

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1 But it says that we have calculated a guarantee. 2 12-month final compensation of \$15,568.90. 3 0 All I really wanted to know is the compensation 4 that is contained in this letter. The letter will speak 5 for itself as to what it does. Is that consistent with 6 the salary she earned as city manager between November 7 2005 and November 2006? 8 Α It is specific with what the City reported in 9 the payroll system, yes. 10 0 And this is what CalPERS had determined as of 11 January 2010, correct? 12 А Yes. 13 THE COURT: Excuse me. Your question asked whether 14 the \$15,568 was for her services as city manager. Am I 15 correct in assuming it was for both city manager and 16 finance? 17 MR. SILVER: For both city manager and finance. 18 THE COURT: I just want the record to be clear. 19 MR. SILVER: Thank you, your Honor. BY MR. SILVER: 20 21 0 But it was the salary she earned during that 22 time period where she occupied those two positions, 23 correct? 24 Α Correct. 25 Q Let me should you another document. This is a

1 -- I think is six-page document. I am going to change these from numbers to letters. I will offer this 2 3 This is a six-page document. It purports to Exhibit B. be a written communication to Ms. Londo from CalPERS 4 5 dated January 18th, 2013. And I would like to have that marked as Exhibit 6 7 Have you seen, Ms. Zimmerman, documents like this в. 8 before? I have seen documents like this before. Α 9 Would it be fair to say this is more 10 Q descriptive and specific communication from CalPERS 11 notifying Ms. Londo what her financial compensation and 12 her retirement allowance would be if she were to retire 13 around the time of the date of the letter? 14 15 Α Yes. 16 Q Okay. Now again does this shows that CalPERS 17 is telling her that it would -- it would regard her final compensation, I'm directing your attention to page 18 19 2, as being \$15,586.47 a month? MR. COFFEY: Objection. Argumentative. 20 THE COURT: Overruled. 21 THE WITNESS: The letter states that the final 22 23 compensation amount was \$15,586.47. BY MR. SILVER: 24 This is what CalPERS is telling her it is 25 Q

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1 determined. Directing your attention to page 3. Does 2 that communicate to her what her actually allowance 3 would be depending upon which various options she selected? 4 5 А Yes. 6 And the same with page 4, correct? Q 7 Α Correct. 8 Q Okay. Now, I believe you said before that you 9 don't remember communicating to Ms. Londo before she 10 retired that the information being provided by -- to her 11 by CalPERS would be the actual information that CalPERS 12 would use; is that correct? 13 А I -- correct, yes. 14 Okay. Now, is it your experience that, if you Q 15 have any knowledge, that when people are making a 16 decision as to whether or not to retire they -- one of 17 the things they rely upon is what their anticipated 18 allowance would be and whether that would enable them to 19 maintain a desired standard of living? 20 MR. COFFEY: Objection. Lacks foundation. 21 Incomplete hypothetical. 22 THE COURT: Would you rephrase, please. 23 BY MR. SILVER: 24 In your experience in dealing with individuals Q 25 who are members of CalPERS, is it your understanding

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1 that one of the critical factors people rely upon to 2 determine whether or not they should retire at a particular time is what they believe their retirement 3 allowance would be? 4 5 Α Yes. And I assume one of the reason for that is to 6 0 7 make sure they can have sufficient income to enable them 8 to maintain their desired standard of living, would that be a fair statement? 9 I would assume so. А 10 Okay. Now, had Ms. Londo known that CalPERS 11 Q was going to change its determination of what her final 12 compensation had she been given that information before 13 she retired she could have among other choices decided 14 to not retire and take certain actions that could allow 15 16 her to achieve the desired pension; is that correct? 17 MR. COFFEY: No question pending. And it is argumentative. 18 THE COURT: I will sustain. 19 BY MR. SILVER: 20 Had Ms. Londo known before she retired that 21 0 CalPERS was going to use a different final compensation 22 23 period she could have chosen not to retire and continue 24 her employment; is that correct? 25 MR. COFFEY: Objection. Calls for speculation.

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1 THE COURT: Sustained. 2 BY MR. SILVER: 3 In your letter you rely quite a bit upon this Q regulation propounded by CalPERS Section 570.5 of the 4 California Code of Regulation; is that correct? 5 THE COURT: Are we talking about Exhibit 15 or are 6 7 we talking about another? MR. SILVER: No, we are talking about -- if you look 8 at the letter that she authored which is Exhibit 4. 9 THE COURT: Exhibit 4. All right. 10 MR. SILVER: You will see on page 1 -- she's --11 12 Section 570.5 is quoted at length. BY MR. SILVER: 13 My question is: isn't it true that Section 14 Q 570.5 was enacted well after Ms. Londo served as city 15 16 manager? 17 А It was not enacted after. It was a clarifying regulation. 18 When was the regulation written and adopted by 19 Q CalPERS? 20 The clarifying regulation I believe was adopted А 21 in 2012, 2011, 2012. 22 23 0 Somewhere around that time; is that correct? 24 А Yes. And that is five, six years after Ms. Londo 25 Q

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served as city manager; is that correct? 1 2 Α Yes. 3 Okav. Now, just out of curiosity you seem to 0 be concerned that the salary of city manager was not 4 5 contained on a particular salary schedule that -- that you have referenced in these exhibits; is that correct? 6 7 Α Yes. 8 Isn't it true that the retirement Q Okay. 9 contribution paid by both employee and employer are 10 based upon the definition of compensation earnable or 11 their percentage of compensation earnable; is that 12 correct? 13 А They are a percentage -- what we receive as 14 contribution are a percentage of what employees have 15 reported to us. 16 0 As compensation earnable? 17 Α It does not necessarily mean that that would 18 comply with the compensation earnable law. The law says that the percent -- forget about 19 0 20 what the employees did. The law basically says that 21 retirement contributions are calculated as a percentage 22 of compensation earnable, correct? 23 Α Correct. 24 Q And I assume that if you are concerned about 25 Ms. Londo's salary as city manager not being on a

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publicly available pay schedule wouldn't that apply to 1 2 every city manager in Walnut from 1988 on as far as you 3 know? I would assume so. 4 А Now, with respect to those other city managers, 5 0 6 she was the only city manager for one year at that time. 7 Has CalPERS taken any action to communicate to them that 8 retirement contributions were paid on an inappropriate 9 amount of income because it was not on a publicly 10 available pay schedule, and therefore they should be 11 refunded the retirement contributions that were 12 improperly paid? 13 MR. COFFEY: Objection. Relevance. 14 MR. SILVER: I think it is very relevant. 15 THE COURT: Overruled. I didn't ask for argument. 16 MR. SILVER: I'm sorry, your Honor. 17 THE WITNESS: Can you repeat the question a little bit shorter this time? 18 BY MR. SILVER: 19 20 0 With respect to other people who served as city 21 manager from 1988 until the present because their 22 salaries were not on the pay schedule that you have 23 talked about, did CalPERS determine that their 24 compensation earnable was improperly calculated and 25 therefore they paid contributions on an inappropriate

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amount of money? 1 I do not know if we've ever --2 Α I do not know. 3 if my unit has ever reviewed another city manager from 4 the City of Walnut or this has ever come up. Did you ever review to find out whether people 5 Q have overpaid instead of over reported instead of under? 6 7 Α I'm sorry. Did you ever -- did you ever review to see if, 8 Q 9 in fact, a retiree's pension is too low or is -- or a 10 retiree's contributions are too high or do you only go 11 after the other result? I review what is submitted to my unit for me to 12 А 13 If a member were to call in and say that they review. 14 think that they are being underpaid, then I would If a member were to call in and say they think 15 review. they are being overpaid, then I would review that. I 16 17 review anything that comes up that could be a 18 discrepancy whether over or under. Would this have brought to your attention the 19 Q 20 fact that city managers from 1988 forward were reporting 21 and paying contributions on an inappropriate amount of 22 compensation earnable? I --23 Α 24 Would that have a green light, red flag, Q 25 whatever you call that?

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That would have been something my management 1 Α would have had to make a call on. 2 So you didn't bring it to anybody's attention? 3 0 That is not something -- you know, I had two 4 Α 5 levels of management plus review of this case, so. You didn't bring that fact to anybody's 6 0 7 attention, did you? 8 Α I don't recall if I did. 9 MR. SILVER: I have no further questions. 10 THE COURT: Redirect? 11 MR. COFFEY: Thank you, your Honor. 12 THE COURT: I'm sorry. Mr. Montgomery. 13 MR. MONTGOMERY: Thank you. 14 15 BY MR. MONTGOMERY: 16 I want to turn to your memo of October 27, Q 17 2014, and ask you is this -- when you get to page 2 is 18 that a statement of then existing policy within the department -- pardon me, I'm guess I'm on page 3. Page 19 20 3 temporary upgrade pay. 21 MR. COFFEY: You are talking about the circular 22 letter? 23 MR. MONTGOMERY: Yes. Pardon me. 24 Repeat your question? THE WITNESS: I'm sorry. 25 111

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| 1 | BY MR. MONTGOMERY: |
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| 2 | Q The statement on temporary upgrade pay in the |
| 3 | October 27, 2014, last week's circular letter. Is that |
| 4 | a statement of preexisting policy or is that a new |
| 5 | policy? |
| 6 | A It is preexisting. |
| 7 | Q Is what? |
| 8 | A It is preexisting. |
| 9 | Q Preexisting. So why was there a need to state |
| 10 | it in writing then at this time? |
| 11 | A I'm not sure. I did not compose this letter. |
| 12 | And I that is something that my management would need |
| 13 | to be asked. I don't know. |
| 14 | Q Okay. If it is if you say this statement is |
| 15 | preexisting condition, take a look at the fourth |
| 16 | sentence in the paragraph, "Compensation to employees |
| 17 | were required by their employer to work in an ungraded |
| 18 | position." |
| 19 | Do you have a definition anywhere that she |
| 20 | used for required? |
| 21 | A No. |
| 22 | Q In other words would you find it to be |
| 23 | different for an employee who volunteers in a position |
| 24 | and not required. I want to know how strong this word |
| 25 | "required" is in your department? |
| | |

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1 Α I don't know if it ever even come across as one that volunteers. But I would think that it would be --2 3 there would be a difference -- there could be a difference in our review. 4 5 0 If you were to learn that Ms. Londo was asked to act as acting city manager was not ordered to do so, 6 7 was asked if she would be willing to do it. Would that make a difference in determination of the circular? 8 In the determination of my letter. 9 Α No, no. The circular? 10 Q So if she was asked, would the circular letter 11 А 12 change my determination, is that what you are saying? Would you find that she was not required and 13 Q 14 this paragraph might not apply? I would think then that it really wouldn't be 15 Α 16 available to her. I mean if we were going to have me 17 guess I --I want you to go on your experience in 18 Q No, no. 19 department? 20 Α My thought would be then if it was voluntary, 21 then this entire regulation would not apply to her at 22 all because it was voluntary. 23 Q So if you find that she voluntarily took a 24 position, this regulation is not going to apply? 25 Α It is possible. I would need to run it by

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I really can't make that call. 1 management. 2 Then also I need you to define limited Q Okay. duration for me? What is limited duration? Is there a 3 definition for that? 4 5 А It is a case by case basis. We like to see about a year or less if possible, but it depends on 6 7 every circumstance. So a year would not be a limited duration? 8 Q A year would be a limited duration. It is case 9 А 10 by case. What is it? A year and a day, do you know? 11 Q I don't know. 12 А 13 0 So there is no definition in the department for limited duration? 14 Α No, it is case by case. 15 All right. A little vague is it? 16 Q MR. COFFEY: Objection. Argumentative. 17 THE COURT: Sustained. 18 BY MR. MONTGOMERY: 19 Now, I want you to go to page 4 the end of the 20 Q first paragraph where it says the pay schedule excluded 21 when calculated a member's retirement benefit if it 22 23 doesn't meet the eight test, which they listed above; is that correct? 24 25 А Correct.

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1 0 Isn't it the department's position that if there is not a public pay schedule you are not going to 2 3 pay it? 4 А If there is not a publicly available pay schedule, we will determine the pay amount reported. 5 Whenever the agency doesn't provide a publicly available 6 7 pay schedule as defined in CCR 570.5 CalPERS will 8 determine that the pay amount reported fail to meet the definition of pay rate as provided and in GC Section -9 10 Government Code Section 20636-B-1, 20636.1B-1, and 11 7522.4A and will therefore be excluded when calculating 12 a member's retirement benefit. So that -- the way that's written says that the 13 -- to me it says that the -- if an amount that is in 14 15 question does not -- or a pay rate that's in question does not comply with the publicly available pay 16 17 schedule, then it wouldn't be allowed to be included in a retirement benefit. 18 19 Q But my question was what if the retiree has no control over the publication of the pay schedule? 20 Well --21 А 22 Let me give you example. I was in a city this Q 23 weekend that has 5,000 population and the city manager 24 makes 244,000 a year. They don't publish that. It has 25 become a political issue in the election. So suppose

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I'm city attorney and considered that a political thing. 1 2 I tell payroll don't publish the city manager's salary. 3 It is too political. Does that mean that Ms. Londo is going to lose 4 5 her retirement benefit because I prevented it from being 6 public? 7 MR. COFFEY: Objection. Lacks foundation. 8 Incomplete hypothetical. Calls for speculation. Argumentative. And irrelevant. 9 10 THE COURT: I think that it does call for speculation here. Would please rephrase your question. 11 MR. MONTGOMERY: All right. 12 BY MR. MONTGOMERY. 13 Where you say, "Will therefore be excluded when 14 Q calculating a member's retirement that", do you know of 15 any examples where that clause has not been enforced? 16 Where it has not been enforced? 17 А Yes. 18 Q 19 Α Meaning that we will allow a pay rate that is 20 not on a pay schedule then? 21 Q Yep. I don't know off the top of my head. 22 Α 23 Q All right. What would be, if you know, Ms. Londo's avenue of relief of what, in fact, did occur 24 25 where there was a pay schedule for the city manager for

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1 the City of Walnut what is her position to recover the salary she was actually paid? 2 3 MR. COFFEY: Objection. Improper cross-examination. 4 THE COURT: I will sustain. 5 BY MR. MONTGOMERY : In other words, there is not provision then for 6 Q 7 appeal? There is no question pending. 8 MR. COFFEY: MR. MONTGOMERY: That was a question. 9 10 MR. COFFEY: Same objection. THE COURT: Sustained. Would you ask a question, 11 12 please. BY MR. MONTGOMERY: 13 Do you know of any appeal from a finding that 14 0 the employee would be denied compensation because the 15 16 city didn't publish the title in its pay schedule? 17 MR. COFFEY: To the extent it calls for a legal opinion I object on that basis. 18 19 THE COURT: Overruled. 20 THE WITNESS: Off the top my head, I don't know. 21 I'm not the -- there are 20 something analysts in my 22 I don't know what everybody is work on. unit. 23 BY MR. MONTGOMERY: Has anybody in your department told you that 24 0 25 Ms. Londo is to be denied her retirement benefits

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because the City didn't publish the pay schedule? 1 That was a factor of our determination. That 2 А not that -- that the portion that is in question is not 3 4 to be used. That is what I wrote in my letter. 5 Q That is what is perceived. MR. MONTGOMERY: That's all I have on that point. 6 7 THE COURT: I have some questions before anyone else. If you look at that last page on that circular 8 letter that is Exhibit 15. And it is the paragraph, 9 "Whenever an agency does not provide a publicly 10 available pay schedule as defined in the CCR 570.5." 11 Okay. Is there in -- if there is not a 12 publicly available pay schedule as opposed to a city not 13 providing a publicly available pay schedule. Do you see 14 15 the difference there? 16 THE WITNESS: Yes. 17 THE COURT: What is the difference? THE WITNESS: So the difference would be if they are 18 19 not providing, they are not giving it to me. And the 20 other options would be it does not exist at all. Is there is a difference as to 21 THE COURT: Okay. how CalPERS would deal with a situation where there is 22 23 no publicly available pay schedule as opposed to one 24 where there it was not provided but it exists? 25 MR. SILVER: Excuse me. For the record, with all

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1 due respect, your Honor, I am going to object. Only because these questions refer to a quote from a 2 regulation that was adopted seven years or six years 3 after the incident in question. 4 So what is in that regulation today in my 5 6 opinion has nothing to do with the state of affairs in 7 2005-2006. If you go to page 3, you will see that there 8 is a quote from that regulation. THE COURT: Let's see. Now, I'm going to overrule 9 10 your objection. I think it is relevant. I just want to 11 know. MR. SILVER: Well, I just want to make it clear. 12 Ι 13 don't see how something that was enacted six or seven 14 years after the fact can possibly determine what was 15 appropriate six or seven years earlier. I just wanted that for the record. 16 17 THE COURT: It may not determine it all. 18 MR. SILVER: I just want to make my record. 19 THE COURT: All right. In answering 20 Mr. Montgomery's previous question that certain sections of this document call for an interpretation of 21 22 preexisting rules. I'm just following up on that. 23 MR. SILVER: Fair enough. 24 THE COURT: You may answer that question. 25 THE WITNESS: So if an agency does not provide a

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1 publicly available pay schedule to us, then we would --2 we would typically write some kind of letter demanding 3 that they provide us with that information. If the --4 if the employer does not provide, we don't have a -- we still need to follow the law. 5 6 And if there is no -- even if they are -- if 7 there wasn't a publicly available pay schedule that 8 existed, then we would assume that they -- the employee 9 would provide it to us if they are not providing it to 10 We rarely come across the fact that they don't us. 11 provide it to us. There isn't one that exist, so. 12 THE COURT: So but this section here says that a 13 particular salary will be excluded when calculating a 14 member's retirement benefit if an agency doesn't provide 15 a preexisting publicly available pay schedule. It does 16 say that it will exclude it if there isn't one. Am I 17 correct in reading this circular? 18 THE WITNESS: I can see that -- why that would 19 appear that way, yes. I -- again, I didn't write the 20 circular letter, so. 21 THE COURT: Okay. Redirect? 22 MR. COFFEY: Yes, your Honor. 23 111 24 111 25 111

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| 1 | REDIRECT EXAMINATION |
|----|---|
| 2 | BY MR. COFFEY: |
| 3 | Q Ms. Zimmerman, as you were making your review |
| 4 | of the compensation reported by the City for Ms. Londo |
| 5 | and focused in on the particular year in question the |
| 6 | 2005-2006 time frame is was the compensation reported |
| 7 | in a manner that anyone looking at it at PERS could |
| 8 | identify X amount of dollars for position A? |
| 9 | A No. It was the before the MyCalPERS |
| 10 | automated system went live it was basically just lines |
| 11 | of numbers so we saw I saw that there is a pay rate |
| 12 | of such and such \$10,000 with earnings and |
| 13 | contributions. And then the next month there is pay |
| 14 | rate of \$15,000 earnings and contributions. |
| 15 | And there is no when we are just looking at |
| 16 | the payroll line, there is no position title associated |
| 17 | with it. |
| 18 | Q So the initial flag, if you will, or trigger |
| 19 | for some possible review was a spike not meant |
| 20 | pejoratively an increase of \$5,000 per month in |
| 21 | Ms. Londo's reported compensation? |
| 22 | A That's correct. |
| 23 | Q But as you continued your review and looking |
| 24 | into the matter, was there ever any documentation from |
| 25 | the City showing that for this 2005-2006 time frame the |
| | |

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1 compensation paid to Ms. Londo was in essence \$10,000 for city treasurer position and \$5,000 dollars on top 2 3 for the interim city manager position? 4 А The -- the only document that showed -actually there was that one document which Exhibit 10 5 6 that states that she is to receive an additional sum of 7 \$5,000 a month for performing the additional duties of 8 city manager. But it doesn't say what her previous amount of 9 10 finance director, which she was working the finance 11 director city treasurer solely that sole position what 12 that amount was. That was just based on the pay 13 schedule that was given to me. 14 But you were able to reconcile that? Q 15 А Yes. 16 Q Okay. Now looking at Exhibit 10, was -- let's 17 put it this way. In the first sentence on Exhibit 10 18 there is reference to the position as quote, "interim 19 city manager" end quote. Do you see that? Α 20 Yes. 21 What significance, if anything, did you place Q 22 on that descriptive title interim? 23 Α That it was temporary and that she would then 24 resume, you know, her current duty of finance director 25 once it was over.

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| 1 | Q And is that, in fact, what apparently happened? | | |
|----|--|--|--|
| 2 | A Yes. | | |
| 3 | Q And so as you did your review and analysis | | |
| 4 | there was was there any information that you had | | |
| 5 | available to you from the City indicating or suggesting | | |
| 6 | that Ms. Londo's service as city manager was intended to | | |
| 7 | be permanent? | | |
| 8 | A No. | | |
| 9 | Q Nothing no support for that? | | |
| 10 | A No. Typically if that were to happen we would | | |
| 11 | see some kind of personnel action form where you can see | | |
| 12 | the previous position moving to the newer or upgraded | | |
| 13 | position typically. And there would be another | | |
| 14 | personnel action form moving her back into the finance | | |
| 15 | director position. | | |
| 16 | Q Okay. And briefly, Ms. Zimmerman, looking at | | |
| 17 | Ms. Londo's Exhibit B on page 2, do you find any | | |
| 18 | language in there advising Ms. Londo that there could be | | |
| 19 | changes in the estimate calculations? | | |
| 20 | A Yes. | | |
| 21 | Q And where do you find that? | | |
| 22 | A That's at the bottom half. Do you want me to | | |
| 23 | read? | | |
| 24 | Q No, the document speaks for itself, but. | | |
| 25 | THE COURT: Which document is this, please? | | |
| | | | |

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|----|---|
| 1 | MR. COFFEY: Exhibit B page 2, your Honor. |
| 2 | BY MR. COFFEY: |
| 3 | Q Now, you told us sometimes you have |
| 4 | conversation with individual CalPERS members where they |
| 5 | have questions about their estimated or anticipated |
| 6 | service retirement benefit; is that correct? |
| 7 | A Correct. |
| 8 | Q Just very briefly. What are the nature of |
| 9 | those conversations? |
| 10 | A A member will call call into the call center |
| 11 | and ask they want to ensure that their employer has |
| 12 | been reporting their payroll appropriately. So we then |
| 13 | assign it to a staff in my unit. We |
| 14 | Q Let's slow down. What is the call center? |
| 15 | A So we have a member call center. And it is an |
| 16 | 888 number that is available to all CalPERS members to |
| 17 | call in and request all kinds of CalPERS related issues |
| 18 | to be taken care of. |
| 19 | Q So if I'm an individual CalPERS member and |
| 20 | thinking about retiring, service retirement and I have |
| 21 | got some question, I don't know who to talk to, but I |
| 22 | call an 800 number or 888 number for CalPERS, and that |
| 23 | call goes to the call center? Yes? |
| 24 | A Yes. |
| 25 | Q And then what happens? |
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1 Α So then the call center would -- would attempt 2 to answer themselves. But usually if it is something 3 that involve compensation, it is transferred to my unit, the compensation review unit. 4 5 0 Is anybody documenting these conversations? 6 А Yes. 7 Q How do you know that? 8 А They are -- they are interaction -- we -- it is 9 a system. We report it in the system and we take notes. 10 And we put the notes in our system -- in our CalPERS 11 And they are in there for everyone to see that system. works at CalPERS. 12 13 Q Do these used to be called the customer touch point or CTP notes? 14 15 А Yes. 16 So the person at the call center that has the 0 initial conversation with the CalPERS member they make 17 18 an entry about the nature of the call and that they 19 refer the call to compensation review? 20 Α Correct. 21 And then someone from compensation review calls 0 22 the individual member back and that CalPERS employee in 23 compensation review might make an entry of what the 24 conversation was about? 25 Α Yes.

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Did you review the CTP notes if they existed 1 Q 2 regarding Ms. Londo? А I don't recall. 3 4 Q Okay. You recall having your own conversation 5 with Ms. Londo? Correct. After I reviewed -- I believe it was А 6 7 my initial review we weren't finalize with the determination yet. But I believe after my initial 8 review I called her to let her know. Cause I think she 9 may have call to inquire about her service retirement. 10 Then I returned the call to tell her that we were 11 12 working on determination. In your review of materials whether related 13 Q specifically to Ms. Londo or the City as the employer, 14 15 did you find anything to indicate that in the 2005-2006 16 time frame Ms. Londo made any effort to contact anyone 17 at CalPERS and see how or if the \$5,000 additional compensation was being properly reported? 18 19 MR. SILVER: Objection. It is irrelevant. This was eight years before she retired. She wasn't even 20 thinking about retirement back in 2005. 21 It is 22 completely irrelevant. THE COURT: What would be the relevance of this when 23 she retired in 2013? 24 25 MR. COFFEY: Your Honor, I'm trying to give equal

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1 measure. Counsel inquired of CalPERS' witness about 2 audit results and whether CalPERS audit resulted in 3 educating the City in any way or directed the City in 4 any way to certain reporting matters. I'm just trying 5 to equal the scales there to see if the City -- if there 6 is any evidence that the City or Ms. Londo made 7 inquiries. 8 MR. SILVER: We will stipulate that Ms. Londo made 9 no inquiry in 2005-2006 about her retirement as to 10 whether her income was pensionable or not. She wasn't 11 even thinking about retirement. I will stipulate --12 THE COURT: It is unnecessary to put argument into 13 it. If you stipulate, you stipulate. 14 MR. SILVER: I'm trying. 15 MR. MONTGOMERY: Arguing is his way of stipulation. 16 MR. COFFEY: Thank you, Ms. Zimmerman. 17 MR. SILVER: I just have a brief question in 18 relation to what Mr. Montgomery was asking that has to 19 do with temporary upgrade pay. 20 21 RECROSS-EXAMINATION BY MR. SILVER: 22 23 Q Let's say, for example, if somebody was 24 working as a police officer and there is a vacant 25 position in the next highest classification let's say

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1 police sergeant, okay, and they haven't conducted a promotion exam to enable them to fill the position on a 2 3 permanent basis and if a police officer and the City 4 agree that that person will be temporarily serving as a 5 police sergeant with a higher rate of pay, would that 6 satisfy the definition of temporary upgraded pay? 7 So long as all the rest of the regulations are Α It would have to be in the MOU, it would 8 satisfied. 9 have to be available to others in a group or class of 10 employment. I mean typically that's the more standard way that -- that we see it. 11 Okay. Basically as long it is an agreement 12 0 between the employer and the employee and it is done --13 14 it is documented correctly, etcetera, than it would be 15 properly regarded as temporary upgrade pay, correct? 16 Α We don't typically see how the decisions Yes. 17 comes to be. 18 0 Okay. MR. SILVER: I have no further questions. 19 20 THE COURT: Mr. Montgomery. Nothing further at this time. 21 MR. MONTGOMERY: No. 22 THE COURT: All right. Thank you very much. And 23 will take a five-minute break. 24 (Off the record.) 25 THE COURT: All right. We are back on the record.

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| 1 | Wait. | | | |
|----|--|--|--|--|
| 2 | MR. COFFEY: My exhibits. I'd offer Exhibits 8, 9, | | | |
| 3 | 10, and 15. | | | |
| 4 | MR. SILVER: I have no objection except for 15. 8, | | | |
| 5 | 9, 10, I have no objection to. 15 is irrelevant. It is | | | |
| 6 | an after the fact. No, actually I let 15 go on. I will | | | |
| 7 | have 15 go on. | | | |
| 8 | THE COURT: Exhibit 15 is admitted as well as 8, 9, | | | |
| 9 | and 10. Is there anything else from PERS? | | | |
| 10 | MR. SILVER: Let me make sure. 8, 9, and 15. 8, 9, | | | |
| 11 | 12, and 15. | | | |
| 12 | THE COURT: I have 8, 9, 10, and 15. | | | |
| 13 | MR. SILVER: I thought it was 12. | | | |
| 14 | MR. COFFEY: 8, 9, 10, and 15. | | | |
| 15 | MR. SILVER: I have no objection to 12 going in too, | | | |
| 16 | if you want. | | | |
| 17 | MR. MONTGOMERY: You introduce it. | | | |
| 18 | MR. SILVER: I will soon or later. I'm just asking | | | |
| 19 | you want to introduce 12? | | | |
| 20 | MR. COFFEY: Sure. | | | |
| 21 | MR. SILVER: So 8, 9, 10, 12, but I have no | | | |
| 22 | objection to all of these going in if you want to make | | | |
| 23 | it simple. | | | |
| 24 | MR. COFFEY: That's fine. | | | |
| 25 | MR. SILVER: They are all in then. | | | |
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| 1 | THE CONPT. Exhibits 1 through 15 and admitted | | | |
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| 1 | THE COURT: Exhibits 1 through 15 are admitted. | | | |
| 2 | That was easy. You rest your case? | | | |
| 3 | (Complainant's Exhibits 1 through 15 | | | |
| 4 | were received by the Court.) | | | |
| 5 | MR. COFFEY: Yes, your Honor. | | | |
| 6 | MR. SILVER: I would like to call Christine Londo. | | | |
| 7 | THE COURT: For the record would you state and spell | | | |
| 8 | your full name. | | | |
| 9 | THE WITNESS: Christine Francis Londo; | | | |
| 10 | C-H-R-I-S-T-I-N-E, F-R-A-N-C-I-S, L-O-N-D-O. | | | |
| 11 | | | | |
| 12 | CHRISTINE LONDO, | | | |
| 13 | called as a witness by the Respondent, was sworn by the | | | |
| 14 | court reporter, and testified as follows: | | | |
| 15 | THE WITNESS: Yes. | | | |
| 16 | | | | |
| 17 | DIRECT EXAMINATION | | | |
| 18 | BY MR. SILVER: | | | |
| 19 | Q Ms. Londo, are you one of the Respondents in | | | |
| 20 | this case? | | | |
| 21 | A I am. | | | |
| 22 | Q And did you recently retire from the City of | | | |
| 23 | Walnut? | | | |
| 24 | A Yes, I did. | | | |
| 25 | Q What was the effective date of your retirement? | | | |
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| 1 | А | September 14th, 2013. |
| 2 | Q | And does the City of Walnut contract with |
| 3 | - | for retirement benefits for its employees? |
| | | |
| 4 | A | Yes, they did. |
| 5 | Q | Did they throughout your entire employment with |
| 6 | the City | of Walnut? |
| 7 | А | Yes. |
| 8 | Q | And when did you commence employment with the |
| 9 | City of | Walnut? |
| 10 | А | In 1988. |
| 11 | Q | And in what capacity did you serve at that |
| 12 | time? | |
| 13 | А | Financial director. |
| 14 | Q | And prior to that time, had you worked with any |
| 15 | other pu | blic agency that contracted with CalPERS for |
| 16 | retireme | nt benefits? |
| 17 | А | Yes. |
| 18 | Q | And what city was that? |
| 19 | А | West Covina. |
| 20 | Q | How long did you work there? |
| 21 | A | Approximately 11 years. |
| 22 | Q | And what capacity did you serve in West Covina? |
| 23 | А | I start as junior accountant, and I was |
| 24 | promoted | to administrative accountant and then DP |
| 25 | manager. | |
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| 1 | Q Now, in summer of 2005 let's say July of 2005, |
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| 2 | what was your position with the City of Walnut? |
| 3 | A Finance director. |
| 4 | Q And who was the city manager at that time? |
| 5 | A Jeffery Parker. |
| 6 | Q At some point during 2005, did it come to your |
| 7 | attention that Mr. Parker would be terminating his |
| 8 | employment with the City of Walnut? |
| 9 | A Yes. |
| 10 | Q And did you have any discussion with any city |
| 11 | official about the possibility of your replacing him and |
| 12 | assuming the duty of city manager? |
| 13 | A Yes. |
| 14 | Q And with whom did you have that discussion? |
| 15 | A Mr. Montgomery the city attorney. |
| 16 | Q And could describe the contents of the |
| 17 | conversation? |
| 18 | A He had called and asked had mentioned Jeff |
| 19 | Mr. Parker was leaving and asked if I would be |
| 20 | willing to serve as city manager acting city manager |
| 21 | under the same terms as I had done in the past. |
| 22 | Q Now, you said that you had served as acting |
| 23 | city manager in the past. When was that? |
| 24 | A It was in 1995. |
| 25 | Q And what were the terms on which you served on |
| | |
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that occasion for how long and under what condition? 1 2 А For approximately five months I received an additional 15 percent compensation and my role was to 3 4 just keep things flowing and to coordinate the 5 recruitment of the city manager position. And am I correct you said that you told Mr. 6 0 7 Montgomery you did not want to assume the role as city manager under those conditions in 2005? 8 9 А Correct. And what did Mr. Montgomery say in response? 10 Q 11 Α I had said I wanted -- I would be willing to serve as city manager. But I wanted full city manager 12 13 and he said that he would be reporting back to the city 14 council. We did not address any more specifics at that 15 time. So at that time you didn't discuss what the pay 16 Q would be or how long you would serve? 17 Α No. 18 Did you later find out the city council had 19 Q 20 supported Mr. Montgomery's recommendation that you be 21 hired as city manager? 22 А Yes. And how did you acquire that information? 23 0 24 Α There was a closed session in which the city 25 manager replacement personnel issue was discussed and

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1 afterwards it was announced that I would be acting city 2 manager. Let me address your attention if you could take 3 0 a look to Exhibit 11. 4 Yes. 5 А What is that document represent to you? 6 0 7 These are the minutes of the regular council Α 8 meeting on October 26, 2005. Do you see anything in those minutes that 9 Q 10 related to or informed you about what was going on with your discussion with Mr. Montgomery about becoming city 11 manager? 12 А The item on page 7 item B addresses that. The 13 item was agendized and the action that was taken. 14 And that -- that information basically said 15 Q that you were appointed as acting city manager? 16 А Correct. 17 18 Q So after you acquired that information -- by the way, is that document a public record? 19 20 Yes, it is. А 21 Q That is available? It was a public meeting and a public document. 22 Α That would be available to any member or do you 23 Q 24 know? 25 А Yes.

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1 Did you commence serving as city manager right Q 2 away? 3 Yes, I did. А 4 Q But at that time the details regarding your pay 5 and your tenure had not been worked out yet; is that correct? 6 7 А Correct. Did you later discuss those details and try to 8 0 9 work them out with the city attorney? I did. And we were able to agree that I would 10 А 11 serve as city manager for a year. And that the 12 compensation would be comparable to the outgoing city 13 manager. And that I would retain the finance director 14 duties. And I think that the total package in effect 15 16 would allow me to see if that was the direction that I 17 wanted to go and at the same time allow the city to realize the same thing. 18 And did you -- was the understanding you would 19 Q 20 be the full-time city manager for that one-year period? 21 А Yes. THE COURT: If you could wait until he finishes his 22 question before you answer. It makes it very difficult 23 24 for the court reporter. That's fine. But, you know, I mentioned that earlier with the previous witness. And 25

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1 then I can also take notes at a better rate. 2 THE WITNESS: Yes. THE COURT: Thank you. 3 4 BY MR. SILVER: 5 You said that the added \$5,000 over and above Q your preexisting pay as the finance director would be 6 7 close to what the previous city manager had been 8 earning; is that correct? 9 Α Correct. 10 How close was that? Was it within a couple Q 11 hundred dollars a month of what --12 Α Yes. Now, would you be occupying either the finance 13 Q 14 director position or the city manager position on a 15 part-time basis during that year? 16 А No. 17 Did you during that year occupy either those Q 18 positions on a part-time basis? 19 А No. 20 How were you able to do two jobs? Let me ask Q 21 this. Did your hours of work increase as a result of 22 having this extra job? 23 А Not, no -- not. 24 0 How were you able to do two jobs within the 25 same time frame that you did one?

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1 А I had been finance director for several years, 2 and I had -- the department was running very smoothly. 3 The staff in the department was long term staff. They 4 knew their jobs. They worked well together. I had a 5 very good accounting manager. And she assumed the 6 supervisory function of the department. 7 And I only was available for the higher level 8 decision making as finance director. And that would 9 allow me to spend the time doing city manager function. 10 0 So it would be fair to say that the majority of 11 time during that one-year period was spent performing 12 duty as a city manager? Α Yes. 13 14 0 Now, was the city agreeable to this approach 15 when you discussed it after you resumed -- assumed those 16 duties? 17 Α Yes. 18 And let me show you -- let me direct your 0 19 attention to Exhibit 10. Can you tell us what that 20 document represented to you? This was the result of our negotiation between 21 А 22 myself and the city attorney. And this went as an 23 agenda item at the November 30, 2005, city council 24 meeting for approval to increase my salary comparable to 25 the city manager, and.

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1 Q Was this document a public record available to 2 any member of the public? 3 А Yes, it was. 4 0 Let me show you -- and let me have marked as exhibit trying to remember what my next exhibit -- is it 5 D or is it C? Hold on. I think it is C. Yeah. Let me 6 7 show you a document. It appears to be an 11-page 8 document. 9 It is entitled adjourned meetings of the City 10 Council Walnut Housing Authority and Walnut Improvement Agency. And it bears the date of November 30th, 2005. 11 And I would like to have this marked as Exhibit C. And 12 13 again, can you tell us what this document represents to 14 you? 15 These are the minutes from the November 30th, Α 2005, city council meeting. 16 17 Q And can you direct our attention to which 18 portion of the document relates to your becoming city 19 manager or interim city manager? 20 А On page 6 item 12 that identifies the 21 additional compensation to bring me up to the salary. 22 Q Was this document a public record available to 23 any member of the public? 24 А Yes, it was. 25 If I were a citizen of Walnut and I wanted to Q

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1 find out how much you were being paid, could I ascertain 2 that compensation through publicly available information? 3 А Yes, public record request. 4 5 0 How would I do it? 6 Α Through the city clerk. Right. And would I have to take two documents 7 Q 8 and combine them to determine your total compensation? 9 А Yes. And those two documents would be the pay for 10 0 the finance director position plus the added \$5,000 you 11 12 received as interim city manager? 13 Α Correct. Would the total of those two items be what was 14 0 15 reported by the City to Calipers after you began 16 assuming the duties of city manager? А 17 Yes. Is one of the powers and duty of city manager 18 Q 19 to serve in as also in addition as the head of a 20 department within a city government? 21 А Based on Walnut Municipal Code. Yes. Let me show you -- I will have marked as 22 0 23 Exhibit D a document two pages that purports to be a 24 portion of the Walnut City Code and Section 2.23. And 25 could you point out where in that document it says that

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1 the city manager also can act as the department head? 2 Α On the first page P as in Paul. That it is at the very bottom of the page? 3 Q 4 А Yes. 5 Q What does that say if you could read it for the 6 record? 7 А "To serve in any appointed office or the head 8 of department within the city government to which he may 9 qualified when appointed thereto by the city council and 10 to hold and perform the duties thereof at the pleasure 11 of city council." Now, directing your attention to CalPERS' 12 0 13 Exhibit Number 8 I believe. Is that the actual salary schedule that existed as of July 2nd, 2005? 14 А Yes. 15 For the City of Walnut. And that was before 16 0 17 you became city manager, correct? А 18 Correct. But this was not the only bit of information 19 0 that was available to the public that concerns salaries 20 21 of city employees; is that correct? 22 Α Correct. 23 Now, would it be fair to say that this document Q 24 was prepared before you had any idea you would be 25 assuming the role of city manager?

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Yes. 1 А 2 Q Did you know of any reason why the position of 3 city manager was not listed on this schedule? Ά The schedule here shows the management 4 5 employees of the City. There is another schedule that 6 shows the classified employees. There is another 7 schedule that shows the part-time employees. Each of those are a group that negotiate as a whole. 8 The city manager negotiates separately with the city council. 9 10 And it was never included on as part of these other 11 group. And well, as far as you know during your 12 0 employment when you commenced employment, was the city 13 manager salary included on the management salary 14 schedule of the City of Walnut? But it was publicly 15 available was it not? 16 17 Α Yes. To your knowledge had the City ever included 18 0 the salary of the city manager on a management salary 19 schedule? 20 21 Α Effective July 1, 2014, the city manager has 22 been added. Do you know what motivated or precipitated that 23 0 24 act? 25 А I believe that was my situation.

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So in other words, because of what happened to 1 Q you, they want to avoid that happening to someone else? 2 3 Α Yes. Again, I'm just concerned about your state of 4 0 During 2005 and 2006 during that time frame, were mind. 5 6 you personally aware of any requirement that for the 7 city manager's salary to be regarded as pensionable income it had to be included on a formal salary schedule 8 9 that was attached to formal city document? 10 Α No. Did anybody from the city ever tell you that 11 0 12 they understood that to be the case? 13 А No. During the time you served as city manager, was 14 0 your salary of \$15,060 or whatever increased? Was that 15 always reported to CalPERS as pensionable income? 16 17 Α Yes. So there was no intent to hide anything from 18 0 19 CalPERS? 20 А No. Okay. Were employer and employee contributions 21 0 paid on that \$15,000 plus amount? 22 23 А Yes. 24 0 So again, there was no desire to shortchange 25 CalPERS?

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Α No. 1 2 Again, I may have asked you this before. Let's Q say prior to 2014 when the city manager's position was 3 added to the management salary schedule, was the salary 4 of a city manager in Walnut publicly available? 5 Α Yes. 6 7 Were there any desire on your part when you 0 were serving as city manager to hide your salary? 8 А 9 No. 10 Q In other words, kind of like a situation 11 Mr. Montgomery was talking about when he was trying to 12 ask a question where somebody thought it was politically improper. That wasn't your situation at all? 13 No, I was -- it was a comparable salary to the 14 А 15 city manager. And it was saving the City money so, no. So after the one-year period was up, were 16 Q offered an opportunity to extend your tenure as city 17 18 manager? Yes, I was asked and I did not. I said no. 19 А It was your choice not to continue? 20 0 21 Α Yes. And what happened at that time? Did you 22 0 maintain your employment with the City of Walnut? 23 24 А Yes, I did. 25 Q In what capacity?

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I returned to finance director with the 1 Α 2 understanding assistant city manager. I would be made 3 assistant city manager when the next budget came around 4 on July 1st, so that it could be accountable, funded in 5 the budget. So in June 2010, did you request from CalPERS 6 0 7 that it provide you with an estimate of your retirement 8 allowance? 9 А Yes. 10 Should you retire at that time? 0 11 А Right. 12 Now, I don't know if you have Exhibit A in Q 13 front of you. If you could see if you could find that. And I will see if I find mine. 14 15 Α Yes. 16 Did you receive a response from CalPERS as to 0 17 what CalPERS thought your financial compensation would 18 be were you to retire at that time? 19 Α Yes, I did. 20 Q That information was -- came from CalPERS not 21 from you; is that correct? 22 Α Correct. 23 Now -- but you decided not to retire at that Q 24 time; is that correct? 25 А Correct.

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1 Did you -- and was the time period that CalPERS Q selected as your final compensation measurement period 2 3 and the attendant salary that was when you served as 4 city manager? 5 А Yes, it is. In January of 2013, did you request CalPERS 6 Q 7 provide you another estimate of your -- what your retirement allowance would be? 8 9 А Yes. And do you have Exhibit B in front of you? 10 Q I believe so. It doesn't say E on it. 11 Α в. 12 0 13 Α B? It is the January 2013 letter from 14 0 Yes. Is that the document you received from CalPERS CalPERS. 15 16 in response to your request for an estimate? 17 А Yes. And did this document tell you what your 18 Q pension would be were you to retire shortly after that 19 time depending on what option you selected? 20 Α 21 Yes. And did you determine at that time that the 22 0 23 amount of pension that would be available to you under scenario presented in Exhibit B would be something that 24 maintain the lifestyle you wanted to maintain were you 25

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1 to retire? 2 Α Yes. Now, did you retire at that particular time? 3 0 4 Ά No. 5 0 And you said you retired a few months later in September; is that correct? 6 7 Α This request I had used a retirement date Yes. of May 15th, 2013. However the City asked me to stay 8 until September so I did stay a few more months. 9 10 Q Until September, right? '14. 11 Α 12 Staying on would only slightly increase your 0 13 retirement allowance? 14 А Yes. Now, your understanding let's just talk about 15 0 16 that for a second to make sure everybody understands. 17 Is it your understanding your retirement allowance is a percentage of your final compensation? 18 19 А Correct. And percentage is dependent upon how many years 20 Q 21 of service you have and which formula the City has 22 elected? 23 Α Correct. 24 So the more -- would it be fair to say that it Q 25 is your understanding that the greater number of years

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1 served the higher the allowance? 2 Α Yes. 3 Because the percentage would be higher, 0 4 correct? 5 Ά Correct. So when was the first time -- did you rely upon 6 0 7 that communication from CalPERS when you made your decision to retire? 8 9 А Yes. 10 0 And to what degree? 11 А Well, to make my decision to retire at that 12 time at the time selected in September. And you assumed you would be getting the 13 0 14 allowances that are -- something very close to 15 allowances that are set forth in that letter, correct? 16 А Correct. 17 Now, at any time prior to retirement, okay, did Q 18 CalPERS inform you that it would not utilize the final 19 compensation figure that was set forth in that particular exhibit? 20 21 Α No. Did you subsequently learn that CalPERS was not 22 0 23 using that final compensation reported in that document? 24 А Yes. 25 And you learned this after retirement, correct? 0

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| 1 | A Correct. |
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| 2 | Q And had you known before retirement that |
| 3 | CalPERS would insist that you use a lower financial |
| 4 | compensation figure, could you have taken action to |
| 5 | cause you to receive the desired retirement allowance |
| 6 | that would enable you to maintain your desired standard |
| 7 | of living? |
| 8 | A Yes. If I had worked another few years, the |
| 9 | percentage would have gone up and therefore would have |
| 10 | and any salary increase that may have happened I |
| 11 | would have been able to reach that. |
| 12 | Q So you could have adjusted your course and not |
| 13 | retired and when you got enough salary increases and |
| 14 | enough added years of service you could get to your |
| 15 | desired allowance; is that correct? |
| 16 | A Correct. |
| 17 | Q But when you learned about it after retirement, |
| 18 | were you able to make that adjustment? |
| 19 | A Well, my position had already been filled so I |
| 20 | was not able to. |
| 21 | MR. SILVER: I have no further questions. |
| 22 | THE COURT: All right. Mr. Montgomery, do you have |
| 23 | any questions? |
| 24 | MR. MONTGOMERY: I have none at this time. |
| 25 | THE COURT: Mr. Coffey. |
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1 MR. COFFEY: Thank you, your Honor. 2 CROSS-EXAMINATION 3 BY MR. COFFEY: 4 Good morning, Ms. Londo. 5 0 6 А Good morning. So in 1995 on one previous occasion, you worked 7 0 for five months again in either -- do you prefer the 8 9 term acting city manager or interim city manager? In my opinion they are different. I don't know 10 Α there is a legal reason, but in my opinion I look at 11 them differently. 12 In 1995 what were you called acting? 13 0 А Acting. 14 So as you went into that period -- I'll say 15 Q wearing two hats. You were then hat of -- was it 16 finance director in '95? 17 А Yes. 18 So in 1995 as you started this, you had one hat 19 0 finance director, and then you also had acting city 20 21 manager's hat, correct? Α 22 Yes. As you went did you know at the front end that 23 Q 24 it was only going to be five months? 25 Α Exactly, no. It was anticipated to be about

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that because it was during the recruitment process. 1 So 2 it would take about that time frame. In that first instance in 1995, both the 3 Q employer, the City, and you, the employee, had if not an 4 5 understanding of thought that your service would be about six months or so? 6 7 They were looking to get a city manager Α Right. on board, and so I was coordinating that activity. 8 So the next time ten years later 2005 based on 9 Q 10 your testimony on direct, it sounds to me like you were able to negotiate some of the terms if you accepted and 11 agreed to serve as the interim city manager; is that 12 correct? 13 14 Α Yes. And when you negotiated terms in 2005, one of 15 Q them was I want a salary commensurate with what the full 16 salary for the city manager position is and that's about 17 \$15,000 a month? 18 А 19 Yes. Was another term that you negotiated the length 20 0 of service that this time wasn't going to be six months 21 it was going to be a year? 22 That was not presented by me, but it was 23 А 24 negotiated, yes. So the City came back to you with look if your 25 Q

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1 going do this for us we want you there for at least a 2 year? 3 А Yes. That was okay with you? 4 Q 5 Α Yes. 6 Q Now again, during this time frame 2005-2006, 7 you never resigned your position as finance director? 8 А No. That's a correct statement? 9 0 10 Α I was still finance director. 11 Q Okay. I served as function of finance director. 12 А So if a vendor, if a contractor, if a citizen 13 Q -- strike that. Does the City of Walnut have a city 14 hall, city office, physically? 15 16 А Yes. All right. And people would know that's the 17 0 18 city hall of the City of Walnut? Correct. 19 Α Again, if a vendor or citizen came in and said 20 Q I want to -- I have a question or I have a complaint. I 21 want to talk to the finance director. They would be 22 23 directed to you? They would have been normally directed to the 24 А 25 city manager.

Well, it may start there. But if somebody 1 Q 2 walked in, in 2005-2006 to the City of Walnut and they said I want to talk to the city manager or the city 3 finance director if it couldn't be handled at lower 4 levels, that person would talk to you? 5 А Correct. 6 7 All right. Turn to our Exhibit B on page 2. Q Do you see that same language I referenced earlier about 8 9 this being an estimate? Second paragraph which begins 10 any change -- any change final compensation will result 11 in a different benefit calculation. Do you understand 12 when you received Exhibit B it was an estimate? 13 Α I understood it was an estimate. I in no way understood that compensation would be disallowed. 14 Estimate meaning with a few hundred dollars or something 15 16 depending on the exact time they retired. 0 Let's take a look at Exhibit B. This is an 17 excerpt from the Walnut City Code? 18 19 Α Correct. And was this --20 Q MR. SILVER: That is not Exhibit B. That is 21 22 different. MR. COFFEY: Is this C? 23 24 THE COURT: D. 25 MR. COFFEY: D. I'm sorry. Okay.

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1 BY MR. COFFEY: 2 0 So you have Exhibit D? 3 А D. 4 Q Were - was this a part of the Walnut City Code 5 in 2005-2006? 6 Α Yes. 7 Q Now, it starts with the city manager shall be 8 administrative head of city government continues on. 9 Item B it begins with to a point come up promote and 10 goes on, but it notes except the city clerk, the city 11 attorney, and city treasurer. 12 So apparently 2005-2006 when you wore both the 13 interim city manager hat and finance director hat if you 14 had cause as city manager to discipline yourself you 15 couldn't do it, could you? 16 Α Well, I imagine you are correct. But I could have technically. I could have. 17 18 It would be tortuous. Q 19 Α I don't see the purpose. But I could have. 20 Q Looking at Exhibit B which is prepared in 21 January 2013, on page 1. So with your birthday being 22 July you turned 63 in the summer of 2013, correct? 23 Α Yes. 24 MR. SILVER: Don't rub in it. 25 MR. COFFEY: I'm 61. I'm in the same boomer group.

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1 Don't worry. 2 BY MR. COFFEY: At that time the estimate was prepared you were 3 Q 4 showing 35.7 years of service credit, correct? Α Yes. 5 So if this -- if either those two numbers, your 6 0 7 age of retirement or the year of service credit, if either of those are increased, that is what you are 8 9 saying you would have anticipated increase in your service retirement benefit? 10 11 Α Correct. And have you asked for the calculation of how 12 0 many more years of service credit you would need to 13 14 have equal out what you say is the estimated service retirement benefit contained in Exhibit B? 15 MR. SILVER: I'm going to object because there is 16 another factor included in that and that would be 17 additional pay rate that she might have received if she 18 stayed. If you want to include and make it more 19 complete. 20 21 THE COURT: Well, if you include that that would be 22 speculation. MR. SILVER: Well, everything is speculative. 23 24 THE COURT: Overruled. 25 111

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1 BY MR. COFFEY: 2 0 I just want to ask. Ms. Londo, you have looked 3 at the graph, the chart graph that shows as your age 4 increases and your service retirement increases the percentage increases? 5 6 Α Correct. 7 And is there a point on that graph or chart 0 where you are kind of maxed out that it doesn't? 8 Α According to PERS it does go over a hundred 9 10 percent. Have you asked PERS to calculate for you how 11 0 12 many more years you would have had to work using the same pay rate as an assistant manager? 13 MR. SILVER: Is there any time frame on that? Did 14 she ask before or after? 15 MR. COFFEY: No, after. 16 BY MR. COFFEY: 17 After you were told the determination is we are 18 0 not going to use the full \$15,000 occurring 2005-2006 19 time frame and knowing you had the estimate figures as 20 shown in Exhibit B, did you ask anyone at PERS if you 21 use my last salary with the City as assistant city 22 manager how many more years would I have to work to get 23 24 close to the estimate figures shown in Exhibit B? I did my own estimate. But I did incorporate 25 Α

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1 the possibility of the salary increases. So in doing 2 that increase, it is three to four years. 3 Okay. 0 And there have been some increases, known 4 Α 5 increases already taken place. THE COURT: Okay. May I ask a question right now 6 7 before I forget. When were you actually informed by PERS that they were not going to count that extra 8 9 \$5,000? THE WITNESS: Five days after I retired September 10 the 19th. And I need to clarify that that was really a 11 12 possibility. That was the phone conversation with Karin that was not the formal notification. That did not come 13 until November, end of November. 14 MR. SILVER: The formal notification just for the 15 16 record would have been Exhibit 4, correct? THE COURT: Well, you will have an opportunity to 17 recross. Right now --18 MR. SILVER: I just want to clarify. 19 20 THE COURT: You can do that on redirect. I'm sorry. 21 Back to you. MR. COFFEY: I think that is sufficient. Thank you, 22 23 Ms. Londo. MR. SILVER: Nothing further. 24 THE COURT: Let me take -- let me take five minutes 25

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1 just to go over my notes and then see if I have any 2 questions. 3 (Off the record.) 4 THE COURT: All right. We are back on the record. 5 Now, when did you inform the City that you were 6 going to retire, do you recall? 7 THE WITNESS: It would have been probably April, March, April. I spoke with the city attorney -- with 8 9 the city manager. THE COURT: Okay. I think you testified that they 10 asked you to stay a little bit longer until September? 11 THE WITNESS: Correct. 12 THE COURT: And what was the reason? 13 THE WITNESS: Finish up some of the budget and the 14 financial statements before I left. 15 16 THE COURT: Now, do you know if they hired another finance director at the time that you left in September? 17 THE WITNESS: They hired the person -- yes. Yes, 18 the new person was already hired when I retired. 19 20 THE COURT: I see. THE WITNESS: They had done the recruitment while I 21 22 was still there. THE COURT: Had the new person actually started? 23 THE WITNESS: No, she may have been starting the 24 Monday after I left. I'm not sure of the exact start 25

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1 date.

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THE COURT: Okay.

3 THE WITNESS: She did not start before I left, so. 4 THE COURT: And this five-day period that elapsed 5 before you -- after you retired and before you were 6 notified by PERS that it was still early that part of 7 your compensation might not be recognized for purposes of retirement benefits -- let's see. Do you know if 8 9 that person started -- the new person started within 10 that five-day period? THE WITNESS: I don't recall what the start was if 11 it was a Monday which would have been before this, but 12 13 between -- the Monday between my retirement was my last 14 day a Friday. And I got called on the Wednesday.

15 THE COURT: Yeah. Do you remember the sum and 16 substance of the statement made by the representative 17 from PERS to you about this issue?

18 THE WITNESS: That it looked like -- the person is 19 here.

THE COURT: Well, I don't know who you talked with. THE WITNESS: I talked to Karin on that day. She called and I believe that it was -- that she was going over the compensation and was not finding a publicly available salary table and quoted the 570.5 showing requirement. And that I -- I was caught totally off

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guard and I said that -- how do I appeal this or what do 1 2 I do now. And she said she would be taking it to her supervisor to see and that she would call me back. 3 THE COURT: Okay. All right. I have nothing else. 4 5 So I'm leaving the door open to other counsel if there 6 is any follow up. 7 MR. SILVER: I have no further questions. 8 MR. COFFEY: No further questions. 9 THE COURT: Mr. Montgomery. MR. MONTGOMERY: Nothing further. 10 THE COURT: All right. Thank you very much. 11 12 MR. SILVER: At this time I'd like to mark for 13 identification as Exhibit E the actual provisions of the this regulation 570.5 that we have been talking about. 14 Again, my sole purpose in doing it is to make it 15 16 abundantly clear. As you can tell from page that it became operative in 2011, August 10th of 2011. 17 THE COURT: I take official notice of all 18 regulations and statutes. 19 20 MR. SILVER: If you can do that I will give you a 21 copy. THE COURT: It doesn't have be to marked for 22 23 identification. Is there anything else? 24 MR. SILVER: I have one more witness to call. 25 THE COURT: All right.

1 MR. SILVER: I'd like to call Thomas King. 2 THE COURT: Sir, would you state and spell your name 3 for the record. THE WITNESS: Thomas King; T-H-O-M-A-S, K-I-N-G. 4 5 THOMAS KING, 6 called as a witness by the Respondent, was sworn by the 7 8 court reporter and testified as follows: THE WITNESS: I do. 9 10 DIRECT EXAMINATION 11 BY MR. SILVER: 12 Mr. King, what was your occupation and 13 Q profession before you retired? 14 I had multiple -- I was mayor for the City of 15 А Walnut. And I am a retired Los Angeles police 16 detective. 17 How long were you a police detective with the 18 Q City of Los Angeles? 19 Α 30 years. 20 When did you serve as mayor of the City of 21 0 22 Walnut? I served multiple times, four times under 23 А 24 various periods of time -- of this -- during this period of this transaction the mayor. When I retired I was the 25

1 mayor again. 2 0 Were you the mayor between November 2005 and 3 November 2006? 4 А Yes. And do you know when your term began roughly? 5 0 No, I don't. 6 Α 7 0 How long of a term would it have been? Normally it would have been a year. But I 8 А 9 think one the prior mayor died, and I served the next 10 six months. I think I served 18 months during one of 11 those periods. When you weren't mayor were you a city council 12 Q 13 member? А That's correct. 14 So mayor is just one of the city council who 15 Q has been determined to be the mayor for a particular 16 17 time period? А That's correct. 18 Just real briefly. Well again, you were 19 Q Okay. the mayor when Ms. Londo served as city manager between 20 21 November 2005 through November 2006? Α 22 Yes, sir. Did she serve in that capacity on a full time 23 Q 24 or part time basis? Α Full time. 25

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1 Was the amount of money she was paid roughly Q 2 \$15,000 per month available to the public? 3 Absolutely. Α 4 MR. SILVER: I have no further questions. 5 THE COURT: Mr. Coffey. 6 CROSS-EXAMINATION 7 BY MR. COFFEY: 8 Mr. King, Rory Coffey from CalPERS. You have 9 0 been present throughout the testimony of the witnesses 10 11 here this morning? 12 Α Yes, sir. And you recall part of Ms. Londo's testimony 13 Q 14 was that she served full time in both the city manager and finance director positions? 15 А Yes, sir. 16 We know from exhibits that the finance director 17 Q position was included in a salary schedule, and it 18 showed a compensation of about \$10,000 per month. Do go 19 20 agree with that? 21 Α Yes, sir. So if Ms. Londo was, in fact, employed by the 22 0 City of Walnut in a full-time capacity as finance 23 director in 2005-2006, she would have been paid 24 approximately \$10,000 a month, correct? 25

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1 А Yes, sir. And if Ms. Londo was employed by the City of 2 0 3 Walnut in 2005-2006 as city manager on a full-time basis, she would have received approximately \$15,000 a 4 5 month, correct? 6 А Yes, sir. 7 For a total of approximately of \$25,000, Q 8 correct? 9 Α No. If you have two positions one is 15 and one is 10 0 10. That adds up to 25, doesn't it? 11 А But that's not what happened. 12 We know that. But if she was indeed full time 13 0 in both positions, the City as her employer has an 14 obligation to pay the full-time salary? 15 16 MR. SILVER: I'm going to object. Assumes facts not in evidence. It assumes that she was getting 17 compensated separately for both positions. Ms. Londo 18 testified at length her salary for assuming those two 19 20 positions would be \$15,000 roughly a month not the total of 15,000 and 10,000. 21 And there is no fact in evidence that says she 22 23 could enforce the City to pay both salaries. That is ridiculous. 24 25 THE COURT: You want to respond to that?

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1 MR. COFFEY: If the claim is being made that Ms. Londo was legally a full-time position employee of 2 the City in both the director of finance and city 3 4 manager positions, then I think my questions to Ms. King 5 -- Mr. King about whether commensurate salaries were paid is appropriate and relevant. 6 7 MR. SILVER: I don't see how it is relevant. If Ms. Londo now has learned she may have been underpaid that's 8 9 between her and the City of Walnut. It has nothing to do whatsoever with this case. 10 11 THE COURT: All right. I'm going to overrule. You 12 may answer. THE WITNESS: The answer needs to be qualified. 13 Because as a manager in a government, I could select her 14 to be the city manager and police chief and handle those 15 two duties full time and come up with a salary 16 commensurate with these duties. In this case she 17 handled both duties, which is not unusual for a 18 19 negotiated price. 20 BY MR. COFFEY: Negotiated? 21 0 22 Α That's correct. And one of the elements of that negotiated 23 0 24 compensation was the \$10,000 per month salary on a publicly available pay schedule, correct? 25

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| 1 | A Correct. |
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| 2 | Q And the other element the \$5,000 to push the |
| 3 | total to \$15,000 that \$5,000 doesn't show up on a |
| 4 | publicly available pay schedule, does it? |
| 5 | MR. SILVER: Again, I will object on terms of what I |
| 6 | think there is uncertainty as to whether there is a |
| 7 | publicly available pay schedule. He's already testified |
| 8 | that it was available to the public. |
| 9 | THE COURT: What is the nature of your objection |
| 10 | without making |
| 11 | MR. SILVER: Assumes facts not in evidence. |
| 12 | THE COURT: Overruled. |
| 13 | THE WITNESS: I don't know. I don't know if it was |
| 14 | publicly available. It wasn't my concern. |
| 15 | BY MR. COFFEY: |
| 16 | Q Okay. Would agree with me, Mr. King, that in |
| 17 | this particular year 2005-2006 the City didn't have a |
| 18 | document where it would say left hand column interim |
| 19 | city manager, and in right hand column \$15,000 a month? |
| 20 | A I haven't looked at the documentation so I |
| 21 | can't answer that. I know we had a public hearing, a |
| 22 | public city council meeting, and there were minutes |
| 23 | published. And we followed the rules as we clearly |
| 24 | thought they should be followed. |
| 25 | MR. COFFEY: Nothing further. |

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1 THE COURT: All right. Anything else? 2 Mr. Montgomery. MR. MONTGOMERY: Nothing further. 3 4 THE COURT: Thank you, sir. Any other witness? MR. SILVER: No other witness. 5 THE COURT: Let's deal with your documentary 6 7 evidence. Any objection to A through D? MR. COFFEY: No, your Honor. 8 9 THE COURT: All right. They are all admitted. So that means -- is there any testimony or documents in 10 11 rebuttal? (Respondent's Exhibits A through D 12 13 were received by the Court.) MR. COFFEY: No, your Honor. 14 THE COURT: If that's the case then, closing 15 16 statement. MR. COFFEY: Your Honor --17 I would like oral argument. And if Mr. 18 MR. SILVER: Coffey would like to have written argument, I'd like to 19 20 have the chance to reply and submit in writing. THE COURT: Let's -- first of all if the parties 21 agree to oral argument, we'll do that right now. And 22 that will be the end of it. If the parties prefer to 23 24 file written briefs, closing arguments, then that will 25 be the end of it.

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MR. SILVER: It is one or the other. 1 2 THE COURT: One or the other. 3 MR. SILVER: Mr. Coffey and I have discussed this. 4 Let's go out in the hall for one minute. 5 THE COURT: I won't stand in the way whatever the 6 parties agree. We are off the record. 7 (Off the record.) 8 THE COURT: We are back on the record. MR. SILVER: Your Honor, we've agreed on -- we have 9 10 to pick one or the other. We pick written argument. 11 THE COURT: I think that is a wise choice. Because, 12 you know, this would require greater thought than just 13 right now orally. Give me some dates. 14 MR. SILVER: Well, let me ask you this, your Honor, 15 would you prefer that CalPERS goes first and then we go 16 second and they respond or would you prefer simultaneous 17 briefs? 18 THE COURT: I have no preference. If the parties 19 agree a particular way, that's how we'll do it. If the 20 parties disagree, then I will state what my preference 21 will be. 22 MR. SILVER: How about simultaneous? 23 MR. COFFEY: I think simultaneous is okay. Because 24 I believe that Respondent has the burden of proof. Ι 25 wouldn't want to go first if I was correct in that

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| 7 | |
| 6 | (Hearing adjourned at 11:50 a.m.) |
| 5 | while we discuss this. |
| 4 | discuss that off the record? We are off the record |
| 3 | THE COURT: What would that date be? Did you |
| 2 | going to be. So having simultaneous date is fine. |
| 1 | assumption. I think we understand what our issues are |
| | |

REPORTER'S CERTIFICATE

I, Claudette Henry, Hearing Reporter, do hereby certify:

That the foregoing transcript of proceedings was taken before me on November 5, 2014, at the time and place therein set forth, was taken down by me in shorthand, and thereafter transcribed into typewriting under my direction and supervision.

I hereby certify that the foregoing transcript of proceedings is a full, true, and correct transcript of my shorthand notes so taken.

I further certify that I am neither counsel for nor related to any party to said action, nor in anywise interested in the outcome thereof.

In witness thereof, I have hereunto subscribed my name this 18th day of June, 2015.

Claudette Henry, Hearing Reporter

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