



California Public Employees' Retirement System
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FACT SHEET

City of Vernon Audit

SCOPE OF AUDIT

As part of the audit plan approved by the CalPERS Board in fiscal year 2010-11, the Pension Fund's Office of Audit Services examined the City of Vernon's payroll reporting and member enrollment activities. CalPERS auditors examined a sample of records and processes from July 1, 2002 through June 30, 2010, and expanded the timeframe where necessary. A total of three site visits were conducted in December 2010 and January 2011. CalPERS continued to correspond with the City through October 2011 and released a draft audit to the City in December 2011. The audit was finalized and sent to the City on April 30, 2012.

PURPOSE OF AUDIT

The CalPERS audit was conducted to ensure compliance with appropriate laws and regulations with respect to the payroll reporting and enrollment of City of Vernon employees as CalPERS members. The City of Vernon was selected given the increased attention to issues related to the City's management practices.

KEY FINDINGS AND ACTIONS

CalPERS auditors reviewed more than 20,000 pages of documents, resulting in the following findings and actions:

- Attorneys were erroneously reported under a safety coverage group, resulting in enhanced benefit formulas. CalPERS will reclassify the City's attorneys to the appropriate lower benefit formula, from 3% at 55 to 2.7% at 55;
- Some employees were incorrectly enrolled and received additional years of service credit for which they were not entitled. CalPERS is denying all Additional Retirement Service Credit purchases until membership eligibility is resolved;
- Sufficient information to determine the accuracy of retirement benefits, reportable compensation and membership enrollment was not provided by the City;
- The City over-reported special compensation, including longevity pay for its former City Administrator, and failed to properly report various elements of payroll. CalPERS is

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moving forward with individual determinations that may affect active, inactive and retired members;

- The City did not notify CalPERS that an Elected Officer was convicted of perjury that could result in the forfeiture of years of service.

EMPLOYER RESPONSIBILITIES

During fiscal year 2009-10, CalPERS staff processed 25.6 million payroll records submitted by more than 3,000 contracting public agencies. The “Public Agency and Schools Reference Guide” pamphlet outlines employer responsibilities to ensure retirement benefits are administered correctly. This publication is provided to contracting agencies and is available online at www.calpers.ca.gov in Forms and Publications for Employers. CalPERS staff also conduct regular training workshops for contracting employers. Contracting agencies are responsible for the following:

- Determining membership eligibility in the CalPERS system
- Enrolling employee in the pension fund upon eligibility
- Determining membership category as defined by the Reference Guide
- Enrolling employee in appropriate membership category
- Publishing pay rates in publicly available documents
- Identifying and reporting compensation during the period it was earned
- Ensuring special compensation is properly identified and reported
- Notifying CalPERS when employees meet compensation limits
- Reporting payroll accurately

ADDITIONAL INFORMATION

The City of Vernon has contracted with CalPERS to provide retirement benefits for its employees, police officers and firefighters since 1948. A full copy of the Vernon audit and the City’s response to the findings can be found on CalPERS website at www.calpers.ca.gov.