California Public Employees' Retirement System
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April 13, 2012

CalPERS ID: 4633577005
Employer Code: 1138
Job Number: P10-023

City of Industry
Kevin Radecki, City Manager
15625 E. Stafford Street
City of Industry, CA 91744-0366

Dear Mr. Radecki:

Enclosed is our final report on the results of the public agency review completed for the City of Industry. Your agency's written response, included as an appendix to the report, indicates agreement with the issues noted in the report except for Finding #3. We reviewed your agency's response and the information provided. Based on the information contained in your agency's response pertaining to Finding #3, our recommendations remain as stated in the report. In accordance with our resolution policy, we have referred the issues identified in the report to the appropriate divisions at CalPERS. Please work with these divisions to address the recommendations specified in our report. It was our pleasure to work with your agency and we appreciate the time and assistance of you and your staff during this review.

Sincerely,

Original Signed by Margaret Junker
MARGARET JUNKER, Chief
Office of Audit Services

Enclosure

cc: Risk and Audit Committee Members, CalPERS
Peter Mixon, General Counsel, CalPERS
Karen DeFrank, Chief, CASD, CalPERS
Mary Lynn Fisher, Chief, BNSD, CalPERS
Honorable Board Members, City of Industry
Linda Pollock, Finance Director, City of Industry
Daphne Anneet, Attorney, City of Industry

Office of Audit Services

Public Agency Review

City of Industry

Employer Code: 1138
Job Number: P10-023

April 2012

CITY OF INDUSTRY

TABLE OF CONTENTS

SUBJECT PAGE

Results in Brief 1

City Background 1

Scope 2

Office of Audit Services Review Results 3

- Finding 1: Non-Reportable Compensation 3
- Finding 2: Publicly Available Pay Schedules 5
- Finding 3: Payrate and Earnings 6
- Finding 4: Contribution Reporting 8
- Finding 5: Unused Sick Leave 10

Conclusion 11

CalPERS Background ..... Appendix A

Objectives ..... Appendix B

Criteria ..... Appendix C

City's Written Response ..... Appendix D

CITY OF INDUSTRY

RESULTS IN BRIEF

The Office of Audit Services (OAS) reviewed the City of Industry's (City) enrolled individuals, member compensation, required retirement documentation and other documentation for individuals included in test samples. A detail of the findings is noted in the Results section beginning on page three of this report. Specifically, the following findings were noted during the review:

- Overtime pay was incorrectly reported.
- Publicly available pay schedules were not provided.
- Payrate and earnings were incorrectly reported for one employee.
- Employer-paid member contributions (EPMC) and the value of EPMC were incorrectly reported.
- Unused sick leave was incorrectly reported for one retiree.

The pertinent sections of the California Government Code and California Code of Regulations for each finding are described in greater detail in Appendix C.

CITY BACKGROUND

The City of Industry is a municipal corporation governed by an elected five-member council. The city council appoints one of its members as mayor. The City provides services including general government, community development, public safety, public works, and community services.

The City of Industry Employee Handbook outlines the City employees' benefits and states the terms of employment agreed upon between the City and its employees.

The City contracted with CalPERS effective May 1, 1977, to provide retirement benefits for local miscellaneous employees. The City's current contract amendment identifies the length of the final compensation period as twelve months.

CITY OF INDUSTRY

SCOPE

As part of the Board approved plan for fiscal year 2010/2011, the OAS reviewed the City's payroll reporting, compensation and member enrollment processes as these processes relate to the City's retirement contract with CalPERS. The review period was limited to the examination of sampled records and processes from October 1, 2007, through September 30, 2010. The on-site fieldwork for this review was conducted on December 13, 2010, through December 17, 2010. The review objectives and a summary of the procedures performed, sample sizes, sample periods and findings are listed in Appendix B.

CITY OF INDUSTRY

OFFICE OF AUDIT SERVICES REVIEW RESULTS

Finding 1: The City incorrectly reported overtime pay to CalPERS.

Recommendations:

The City should discontinue reporting overtime pay to CalPERS.

The City should work with CalPERS CASD to assess the impact of this non-reportable compensation issue and determine what adjustments are needed.

Condition:

The Government Code provides optional membership rights for certain public officers and employees. Those eligible optional members are excluded from membership unless, and until, a written election for membership is filed with CalPERS. Elected or appointed officials who elect to be covered by CalPERS must receive full-time service credit during their term of office. A person serving in the office shall be deemed to be serving on a full-time rather than part-time basis.

The City offered optional membership to council members and reported the payrate and earnings to CalPERS; however, the City reported non-reportable compensation for council members that would be considered overtime pay. Effective January 11, 2007, the City passed an ordinance establishing City council member base salaries at $1,931.44 per month. The City also paid a $245.67 Public Utilities Commission (PUC) stipend per month to council members serving on the PUC. However, since the PUC stipend was not for City council specific duties, it would be considered overtime pay and not reportable to CalPERS. We identified four council members in our test sample who received this stipend in both service periods tested (9/09-0 and 9/10-0) and the City paid and reported the stipend in payrate and earnings.

Further, the City incorrectly reported one council member's payrate and earnings for another full-time position in addition to the member's City council pay. Specifically, one of the council members serving as the mayor pro tem was also a full-time employee with the City, working in the classification of Project Coordinator. Although we were unable to conclusively determine the authorized payrate for the Project Coordinator classification (see Finding 2), the City reported $6,534.38 in the 9/09-0 service period and $7,403.68 in the 9/10-0 service period. The City reported the council member's Project Coordinator full-

time payrate and earnings, along with the individual's council member payrate. Since both positions are permanent and full-time, the City should only report the position with the highest payrate or base pay. Therefore, the payrate and earnings for the council member position, reported by the City at $2,177.11 (including the base pay of $1,931.44 and PUC stipend of $245.67) should not have been reported to CalPERS.

Criteria:

Government Code: § 20322, § 20630(a), § 20635, § 20636(a) and (b)(1), § 20899

CITY OF INDUSTRY

Finding 2: The City did not have publicly available pay schedules.

Recommendations:

The City should list all employee payrates on a pay schedule and disclose the information pursuant to publicly available pay schedules.

The City should work with CalPERS CASD to determine the impact of this nondisclosure and determine what adjustments are needed.

Condition:

OAS was unable to conclusively determine that the payrates reported to CalPERS were authorized and correctly reported to CalPERS. The City did not have payrates listed in a pay schedule and did not disclose the information pursuant to publicly available pay schedules. The City adopted payrates through the City's annual budget process. OAS reviewed the adopted budgets for fiscal years 2007/2008, 2008/2009, 2009/2010 and 2010/2011, and was unable to determine the base payrate for each classification. OAS also reviewed the personnel files and the personnel action record forms, and was unable to conclusively determine the authorized payrate for each classification.

Criteria:

Government Code: § 20636(b)(1) and (d)

California Code of Regulations: § 570.5

CITY OF INDUSTRY

Finding 3: The City incorrectly reported payrate and earnings to CalPERS for one employee.

Recommendations:

The City should report correct payrate and earning amounts to CalPERS.

The City should work with CalPERS CASD to determine the impact of this incorrect reporting and determine what adjustments are needed.

Condition:

Payrates and earnings reported to CalPERS are important factors in computing a member's retirement allowance. Service credit and final compensation are directly related to the payrate and earnings reported for a member. Payrate is the amount of compensation a member is paid for a unit of time. Specifically, a monthly payrate for a full-time employee is that amount of compensation to which a full-time employee is entitled. Reportable earnings is compensation earnable that a member received pursuant to publically available pay schedules for services rendered on a full-time basis during normal working hours.

As detailed earlier in Finding 2, generally, the City did not have publicly available schedules specifying its employees' payrates. OAS was only able to obtain one document that included classification salary information. Specifically, OAS obtained a copy of a May 8, 2008 adopted resolution establishing the position of City Controller with a salary range of $85,000 to $120,000 a year, which would equate to a maximum full-time payrate of $10,000 per month. Upon review of the City Controller's personnel file, OAS found that the City appointed the individual to the City Controller position, effective June 2, 2008, with a full-time payrate of $10,000 per month. In addition, we found another appointment document that appointed this individual to a second position, the Industry Urban Development Agency (IUDA) Controller, effective June 2, 2008, with a full-time payrate of $10,000 per month. As a result, OAS found that the City Controller's payrate was at least twice that of the payrate specified in the May 8, 2008 resolution. Specifically, the City reported a monthly payrate of $20,000 from June 2008 (upon hire) through December 2009, $20,600 from January 2010 through June 2010, and $21,218 from July 2010 through September 2010 (upon retirement).

Compensation received for services rendered beyond which is identified as full-time is considered overtime and not reportable to CalPERS. Overtime is defined as the aggregate services performed by an individual in all categories of employment in excess of the hours of worked that's considered normal for

employees on a full-time basis. If an individual concurrently renders services in two or more full-time positions, then only one position shall be reportable to CalPERS. If an individual concurrently renders services in two or more part-time positions, then the part-time earnings must be reported separately using the full-time base payrate.

Criteria:

Government Code: § 20630(a), § 20635, § 20636(a) and (b)(1)

California Code of Regulations: § 570.5

CITY OF INDUSTRY

Finding 4: The City incorrectly reported employer-paid member contributions (EPMC) and the value of EPMC to CalPERS.

Recommendations:

The City should pay and report the correct amounts of EPMC to CalPERS.

The City should work with CalPERS CASD to determine the impact of this incorrect reporting and determine what adjustments are needed.

Condition:

A contracting public agency may pay and report all or a portion of the normal contributions required to be paid by members of a group or class. This is called EPMC. An employer may also implement a cumulative time-in-grade exception for newly-hired employees to pay and report the value of EPMC.

The City filed a resolution with CalPERS, effective July 1, 1995, to pay and report the value of EPMC at seven percent. The City later amended its contract with CalPERS on March 27, 2003, which increased the member contribution rate from seven percent to eight percent. The City then filed a resolution with CalPERS, effective May 1, 2003, to pay and report the value of EPMC at eight percent for employees hired prior to May 1, 2003, and seven percent for employees hired thereafter. After a time-in-grade period of five years, the City would then pay and report the employee's full EPMC of eight percent. The City's Employee Handbook identified that the City would pay the member contribution of eight percent and seven percent respectively as EPMC, and also stated that the City would report the same as value of EPMC.

OAS identified six sampled employees, hired subsequent to May 1, 2003, whose member contributions were incorrectly reported to CalPERS. The six employees had not reached five years of service as of sampled service period 9/09-0, and five of the six employees had not reached five years of service as of sampled service period 9/10-0. OAS found that the City properly paid and reported seven percent EPMC for the six employees in service period 9/09-0 and for five of the six employees in service period 9/10-0. However, the City did not report the additional one percent member contribution the employees were required to pay for the total of eight percent due to CalPERS.

In addition, the City incorrectly paid and reported seven percent EPMC for the one sampled employee who met the criteria for the five year time-in-grade

exception prior to the 09/10-0 service period. The City should have paid and reported the full eight percent EPMC.

Criteria:

Government Code: § 20636(a) and (c)(4), § 20691

California Code of Regulations: § 569(a) and (e), § 571(a)

CITY OF INDUSTRY

Finding 5: The City reported an inaccurate amount of unused sick leave for one retired member.

Recommendation:

The City should report the correct amount of unused sick leave for additional service credit for retiring members.

The City should work with CalPERS BNSD to determine the impact of this incorrect reporting and determine what adjustments are needed.

Condition:

When an employee retires, the employee's accumulated unused sick leave may be converted to additional service credit. The City reports to CalPERS the number of days of unused sick leave by dividing the total hours of unused sick leave by eight. The employer must report only those days of unused sick leave that were accrued by the member during the normal course of employment.

OAS identified one retired member whose unused sick leave was incorrectly reported to CalPERS. OAS determined that the retiree had 80.563 days of unused sick leave upon retirement. However, the City reported 88.563 days, thus over-reporting the member's unused sick leave by eight days.

Criteria:

Government Code: § 20965

CONCLUSION

OAS limited this review to the areas specified in the scope section of this report and in the objectives as outlined in Appendix B. OAS limited the test of transactions to employee samples selected from the City's payroll records. Sample testing procedures provide reasonable, but not absolute, assurance that these transactions complied with the California Government Code except as noted.

The findings and conclusions outlined in this report are based on information made available or otherwise obtained at the time this report was prepared.

Respectfully submitted,

Original Signed by Margaret Junker
MARGARET JUNKER, CPA, CIA, CIDA
Chief, Office of Audit Services

Date: April 2012
Staff: Michael Dutil, CIA, Senior Manager
Alan Feblowitz, Manager
Diana Thomas, CIDA, Manager
Adeeb Alzanoon
Jodi Epperson

APPENDIX A

BACKGROUND

CITY OF INDUSTRY

BACKGROUND

California Public Employees' Retirement System

The California Public Employees' Retirement System (CalPERS) provides a variety of programs serving members employed by more than 2,500 local public agencies as well as state agencies and state universities. The agencies contract with CalPERS for retirement benefits, with CalPERS providing actuarial services necessary for the agencies to fund their benefit structure. In addition, CalPERS provides services which facilitate the retirement process.

CalPERS Customer Account Services Division (CASD) manages contract coverage for public agencies and receives, processes, and posts payroll information. In addition, CASD provides services for eligible members who apply for service or disability retirement. CalPERS' Benefit Services Division (BNSD) sets up retirees' accounts, processes applications, calculates retirement allowances, prepares monthly retirement benefit payment rolls, and makes adjustments to retirement benefits. The Health Account Services (HAS) section, as part of the CASD, provides eligibility and enrollment services to the members and employers that participate in the CalPERS Health Benefits Program, including state agencies, public agencies, and school districts.

Retirement allowances are computed using three factors: years of service, age at retirement and final compensation. Final compensation is defined as the highest average annual compensation earnable by a member during the last one or three consecutive years of employment, unless the member elects a different period with a higher average. State and school members use the one-year period. Local public agency members' final compensation period is three years unless the agency contracts with CalPERS for a one-year period.

The employers' knowledge of the laws relating to membership and payroll reporting facilitates the employer in providing CalPERS with appropriate employee information. Appropriately enrolling eligible employees and correctly reporting payroll information is necessary to accurately compute a member's retirement allowance.

APPENDIX B

OBJECTIVES

CITY OF INDUSTRY

OBJECTIVES

The objectives of this review were limited to the determination of:

- Whether the City complied with applicable sections of the California Government Code (Sections 20000 et seq.) and Title 2 of the California Code of Regulations.
- Whether prescribed reporting and enrollment procedures as they relate to the City's retirement contract with CalPERS were followed.

This review covers the period of October 1, 2007, through September 30, 2010.

SUMMARY

Procedures, Sample Sizes, Sample Periods, and Findings

To accomplish the review objectives, OAS interviewed key staff members to obtain an understanding of the City's personnel and payroll procedures, reviewed documents, and performed the following procedures. Related sample sizes, sample periods and findings are listed.

- ✓ Reviewed:
  - o Provisions of the Contract and contract amendments between the City and CalPERS
  - o Correspondence files maintained at CalPERS
  - o City Council minutes and City Council resolutions
  - o City written labor policies and agreements
  - o City salary, wage and benefit agreements including applicable resolutions
  - o City personnel records and employee hours worked records
  - o City payroll information including Summary Reports and PERS listings
  - o Other documents used to specify payrate, special compensation and benefits for all employees
  - o City ordinances as necessary
  - o Various other documents as necessary

- ✓ Reviewed City payroll records and compared the records to data reported to CalPERS to determine whether the City correctly reported compensation and earnings to CalPERS.

CITY OF INDUSTRY

Sample Size and Period: Reviewed 19 employees covering two sampled service periods - the service period in September 2009 (9/09-0), and the service period in September 2010 (9/10-0).

See Finding 1: Overtime pay was incorrectly reported to CalPERS.

✓ Reviewed payrates reported to CalPERS and reconciled the payrates to City public salary records to determine whether base payrates reported were accurate, pursuant to publicly available pay schedules that identify the position title, payrate and time base for each position, and duly approved by the City's governing body in accordance with requirements of applicable public meeting laws.

See Finding 2: The City did not have publicly available pay schedules.

See Finding 3: The City incorrectly reported payrate and earnings for one employee.

✓ Reviewed PERS listing reports to determine whether the following payroll reporting elements were reported correctly: contribution code, pay code, work schedule code, service period, member contributions.

Sample Size and Period: Reviewed 19 employees covering two sampled service periods - the service period in September 2009 (9/09-0), and the service period in September 2010 (9/10-0).

See Finding 4: The City incorrectly reported employer-paid member contributions (EPMC) and the value of EPMC to CalPERS.

✓ Reviewed the City's practice for advising elected/appointed officials of their optional membership rights.

No Finding

CITY OF INDUSTRY

- ✓ Reviewed the City's enrollment practices for temporary and part-time employees to determine whether individuals met CalPERS membership requirements.

  Sample Size and Period: Reviewed 16 temporary/part-time employees in fiscal years 2008/2009 and 2009/2010.

  No Finding

- ✓ Reviewed the City's enrollment practices for retired annuitants to determine if retirees were reinstated when 960 or more hours were worked in a fiscal year.

  Sample Size and Period: One retired annuitant in review period.

  No Finding

- ✓ Reviewed the City's enrollment practices pertaining to independent contractors to determine whether the individuals met CalPERS membership requirements.

  Sample Size and Period: Six independent contractors in review period.

  No Finding

- ✓ Reviewed the City's enrollment practices pertaining to affiliated parties to determine whether the individuals met CalPERS membership requirements.

  No Finding

- ✓ Reviewed the City's calculation and reporting of unused sick leave.

  Sample Size and Period: Seven retiring members covering the review period.

  See Finding 5: The City incorrectly reported the balance of unused sick leave for one retiring member.

APPENDIX C

CRITERIA

CITY OF INDUSTRY

CRITERIA

Government Code § 20322, subdivision (a), states:

> An elective officer is excluded from membership in this system unless the officer files with the board an election in writing to become a member. Upon electing to become a member, the officer may further elect at any time prior to retirement to receive service credit for his or her prior, excluded service by making the contributions as specified in Sections 21050 and 21051.

Government Code § 20630, subdivision (a), states, in part:

> Compensation means the remuneration paid out of funds controlled by the employer in payment for the member's services performed during normal working hours.

Government Code § 20635, states, in part:

> When the compensation of a member is a factor in any computation to be made under this part, there shall be excluded from those computations any compensation based on overtime put in by a member…For the purposes of this part, overtime is the aggregate service performed by an employee as a member for all employers and in all categories of employment in excess of the hours of work considered normal for employees on a full-time basis, and for which monetary compensation is paid.
>
> If a member concurrently renders service in two or more positions, one or more of which is full-time, service in the part-time position shall constitute overtime. If two or more positions are permanent and full-time, the position with the highest payrate or base pay shall be reported to this system.

Government Code § 20636, subdivision (a), defines compensation earnable by a member as the payrate and special compensation of the member.

Government Code § 20636, subdivision (b)(1), states, in part:

> Payrate means the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members of the same group or class of employment for services rendered on a full-time basis during normal working hours, pursuant to publicly available pay schedules.

Government Code § 20636, subdivision (c)(4), states:

> Special compensation may include the full monetary value of normal contributions paid to the board by the employer, on behalf of the member and pursuant to Section 20691, if the employer's labor policy or agreement specifically provides for the inclusion of the normal contribution payment in compensation earnable.

CITY OF INDUSTRY

Government Code § 20636, subdivision (d), states:

> Notwithstanding any other provision of law, payrate and special compensation schedules, ordinances, or similar documents shall be public records available for public scrutiny.

Government Code § 20691 states, in part:

> Notwithstanding any other provision of law, a contracting agency or school employer may pay all or a portion of the normal contributions required to be paid by a member. Where the member is included in a group or class of employment, the payment shall be for all members in the group or class of employment.

Government Code § 20899 states:

> In computing the amount of service to be credited to a member who is entitled to credit under this part for service as an elective officer, a year of service shall be credited for each year of tenure in the office. A person serving in the office shall be deemed to be serving on a full-time rather than a part-time basis for all purposes of this part.

Government Code § 20965 states, in part:

> A local miscellaneous member and a local safety member, whose effective date of retirement is within four months of separation from employment with the employer which granted the sick leave credit, shall be credited at his or her retirement with 0.004 year of service credit for each unused day of sick leave certified to the board by his or her employer…Reports of unused days of sick leave shall be subject to audit and retirement benefits may be adjusted where improper reporting is found.

California Code of Regulations § 569 states, in part:

> A contracting agency or school employer that pays all or a portion of normal member contributions based on compensation earnable, as Employer Paid Member Contributions (EPMC), must conform to the “group or class” requirements in Section 20691 of the Government Code and these regulations.
> (a) Specifically, the payment of EPMC must be:
> (1) Authorized in a written labor agreement;
> (2) Based on earnings for normally-required duties;
> (3) Based on earnings for normal hours of employment;
> (4) Paid periodically, along with the earnings on which it is based;
> (5) Based on earnings that are historically consistent; and
> (6) Not final settlement pay.
> However, the employer may qualify its payment of EPMC, by electing a cumulative “time-in-grade exception” which shall only apply to persons newly-hired into the pertinent group or class of employment.

(e) Once a newly-hired employee has satisfied the time-in-grade exception, he or she shall be entitled to payment of EPMC on the same terms that apply to all other employees in the pertinent group or class.
The exception from paying EPMC pursuant to this Section 579 is separate and apart from the exception from paying and reporting the value of EPMC as an item of special compensation pursuant to Section 571(a).

California Code of Regulations § 570.5, subdivision (a), states:

For purposes of determining the amount of compensation earnable pursuant to Government Code Sections 20630, 20636, and 20636.1, payrate shall be limited to the amount listed on a pay schedule that meets all of the following requirements:

(1) Has been duly approved and adopted by the employer's governing body in accordance with requirements of applicable public meetings laws;
(2) Identifies the position title for every employee position;
(3) Shows the payrate for each identified position, which may be stated as a single amount or as multiple amounts within a range;
(4) Indicates the time base, including, but not limited to, whether the time base is hourly, daily, bi-weekly, monthly, bi-monthly, or annually;
(5) Is posted at the office of the employer or immediately accessible and available for public review from the employer during normal business hours or posted on the employer's internet website;
(6) Indicates an effective date and date of any revisions;
(7) Is retained by the employer and available for public inspection for not less than five years; and
(8) Does not reference another document in lieu of disclosing the payrate.

California Code of Regulations § 571, subdivision (a)(1) defines the value of employer-paid member contributions (EPMC) as:

The full monetary value of EPMC paid to CalPERS and reported as an item of special compensation on behalf of all members in a group or class…

(A) A resolution or ordinance of the governing body must be provided to CalPERS indicating the group or class, effective date, and the percent or amount of EPMC being paid and reported as an item of special compensation. The resolution or ordinance must be formally adopted by the employer's governing body, and submitted to CalPERS for review and approval.
(B) The resolution or ordinance must specify that the value of EPMC will be reported as an item of special compensation consistently, for all members in the affected group or class of employment – except that the employer's governing body may elect a "time-in-grade exception" which shall only apply to persons newly-hired into the pertinent group or class of employment.

APPENDIX D

CITY'S WRITTEN RESPONSE

CITY OF INDUSTRY

Incorporated June 18, 1957

March 5, 2012

Margaret Junker, Chief
Office of Audit Services
California Public Employees' Retirement System
P.O. Box 942701
Sacramento, CA 94229-2701

Re: City of Industry's Response to Draft Audit Findings

Dear Ms. Junker,

Thank you for the opportunity to comment on the draft report of the Office of Audit Services' (OAS) compliance review of the City of Industry's contract with California Public Employees' Retirement System (CalPERS). After receiving an extension to March 5, 2012, the City has reviewed your letter of January 17, 2012 and the draft report attached to it. The following is the City's response to the findings and recommendations set forth in the draft report.

Finding # 1: The City incorrectly reported overtime pay to CalPERS

The City concurs with the recommendation. Effective December 2010, the City corrected its method of reporting the stipend the City pays to council members who also serve on the Public Utilities Commission. (PUC). The City requests guidance from OAS as to whether the City is entitled to a credit for any over-reporting of salaries in prior years.

Finding #2: The City did not have publicly available pay schedules

The City concurs with the recommendation to list all employee payrates on a pay schedule and to disclose the information pursuant to publicly available pay schedules. The City will modify its reporting process to comply with the new reporting requirements specified in California Code of Regulations §§ 570.5 and 571(b) and will work with CalPERS CASD to determine what adjustments, if any, are needed.

Finding #3: The City incorrectly reported payrate and earnings to CalPERS for one employee

The City respectfully disputes CalPERS' preliminary finding that the City incorrectly reported payrate and earnings for one employee. The City reported the employee's compensation from the City and the IUDA as compensation earnable. The City and the employee made CalPERS contributions on his total compensation. The City did not consider the

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work the employee performed for IUDA as a separate "position" for purposes of reporting compensation because CalPERS has historically treated the City and IUDA as one entity. The City seeks the assistance of CASD to resolve this issue in a manner that reflects the intent of the City and the employee to have the total compensation the employee received for providing controller services to the City and IUDA accepted as "compensation earnable."

Finding #4: The City incorrectly reported employer-paid member contributions (EPMC) and the value of EPMC to CalPERS.

The City concurs with CalPERS' recommendation. The City has already corrected its method of reporting EPMC and the value of EPMC to CalPERS. The City has also already paid amounts owing for the period of July 2010 through June 2011. The City will work with CalPERS CASD to determine whether any additional adjustments are needed.

Finding #5: The City reported an incorrect amount of unused sick leave for one retired member.

The City has been unable to locate any records to dispute CalPERS' finding. The City will work with CalPERS BNSD to determine whether any adjustments are needed.

Thank you for the opportunity to provide a response to the draft report. If you have any questions or require further clarification of the comments provided in this response, please contact Linda Pollack, Contract Finance Director, at 626.330.0606.

Sincerely,

Kevin Radecki

City Manager