

Office of Audit Services



Public Agency Review

Northern California Power Agency

CalPERS ID: 5023339837
Employer Code: 1821
Job Number: FR12-010

May 2013



California Public Employees' Retirement System
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May 30, 2013

Employer Code: 1821
CalPERS ID: 5023339837
Job Number: FR12-010

Northern California Power Agency
Lynn Bianchi-Rossi, HR Director
651 Commerce Drive
Sacramento, CA 95678

Dear Ms. Bianchi-Rossi:

The Office of Audit Services previously issued a report dated May 22, 2013 on the Northern California Power Agency's payroll reporting and member enrollment compliance with the California Public Employees' Retirement System contract (P12-010). As a separate review, we have enclosed the final report on your agency's compliance with Government Code Section 20303 of the Public Employees' Retirement Law as it pertained to the simultaneous enrollment of a member in supplemental retirement benefit plans. We determined the Northern California Power Agency was in compliance with Government Code Section 20303 with respect to the member reviewed. 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
Anthony Suine, Chief, BNSD, CalPERS
James H. Pope, General Manager, NCPA
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NORTHERN CALIFORNIA POWER AGENCY

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RESULTS

The California Public Employees' Retirement System (CalPERS) Office of Audit Services (OAS) previously issued its review of the Northern California Power Agency's (Agency) payroll reporting and member enrollment compliance with CalPERS (P12-010) dated May 22, 2013. This report addresses the simultaneous enrollment of a member in supplemental retirement benefit plans. OAS reviewed the Agency to determine compliance with Government Code Section 20303 of the Public Employees' Retirement Law. The review did not include a determination as to whether the Agency is a "public agency" (as that term is used in the California Public Employees' Retirement Law), and OAS therefore expresses no opinion or finding with respect to whether the Agency is a public agency or whether its employees are employed by a public agency.

OAS reviewed the written labor agreement for the only Agency employee provided with supplemental retirement plans during the period reviewed, January 5, 2004 through June 30, 2012. OAS also reviewed the Agency's Public Agency Retirement Services (PARS) Retirement Enhancement Plan documents. Additionally, OAS consulted with CalPERS program areas regarding the supplemental retirement plans. Based on a review of these records and information, OAS determined the Agency was in compliance with Government Code Section 20303 with respect to the member reviewed.

AGENCY BACKGROUND

The Agency is a joint powers agency formed by member public entities under the laws of the State of California. The Agency is responsible for purchasing, generating, transmitting, and selling electrical energy and for providing other related services to its members as each may require. The Agency is governed by a Commission comprised of one representative for each member. The Commission is responsible for the general management of the affairs, property, and business of the Agency. Memoranda of Understanding (MOU), policies and procedures, and employment agreements outline Agency's employees' salaries and benefits and state the terms of employment agreed upon between the Agency and its employees. The Agency contracted with CalPERS effective April 7, 2002 to provide retirement benefits for local miscellaneous employees.

All contracting public agencies, including the Agency, are responsible for the following:

- Determining CalPERS membership eligibility for its employees.
- Enrolling employees into CalPERS upon meeting membership eligibility criteria.

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- Enrolling employees in the appropriate membership category.
- Establishing the payrates for its employees.
- Approving and adopting all compensation through its governing body in accordance with requirements of applicable public meeting laws.
- Publishing all employees' payrates in a publicly available pay schedule.
- Identifying and reporting compensation during the period it was earned.
- Ensuring special compensation is properly identified and reported.
- Reporting payroll accurately.
- Notifying CalPERS when employees meet Internal Revenue Code annual compensation limits.
- Ensuring the employment of a retired annuitant is lawful and reinstating retired annuitants that work more than 960 hours in a fiscal year.

SCOPE

As part of the Board approved plan for fiscal year 2012/2013, the OAS reviewed the Agency's compliance with the PERL as it pertains to Government Code Section 20303, Members of Other Retirement Systems, and the Agency's retirement contract with CalPERS. The review was limited to the examination of one sampled employee's records from January 5, 2004 through June 30, 2012. The on-site fieldwork for this review was conducted from August 27 through August 31, 2012. The review objective was to ensure that the Agency is in compliance with Government Code Section 20303 as it pertains to providing CalPERS members' additional retirement benefits, including PARS Trust accounts. This review did not include a determination as to whether the Agency is a "public agency", and expresses no opinion or finding with respect to whether the Agency is a public agency or whether its employees are employed by a public agency.

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CONCLUSION

OAS limited this review to the area specified in the scope section of this report. OAS limited testing to one sampled employee selected from the Agency's records. Sample testing procedures provide reasonable, but not absolute, assurance that these transactions complied with California Government Code 20303. The 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: May 2013

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APPENDIX

BACKGROUND

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BACKGROUND

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. In addition, 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. 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.

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 employer's 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.