

CHESTER PUBLIC UTILITY DISTRICT

Objective and Scope		
CalPERS ID	Job Number	Contract Date
6929609618	1P22-006	January 1, 1991

The objective of the Office of Audit Services (OFAS) review was to determine if public agency employers (employer) reported Holiday Pay for safety-police and safety-fire members in compliance with Government Code (GC) sections 20636 and 7522.34 and Title 2 of the California Code of Regulations (CCR) sections 571 and 571.1.

Holiday Pay is defined in CCR sections 571 and 571.1 as additional compensation for employees who are normally required to work on an approved holiday because they work in positions that require scheduled staffing without regard to holidays. For classic members, GC section 20636 and CCR section 571 specify special compensation includes a payment for special skills, knowledge, abilities, work assignments, workdays or hours, or other work conditions. All special compensation shall be limited to that which is received by a member pursuant to a labor policy or agreement to similarly situated members of a group or class of employment where such labor policy or agreement has been duly approved and adopted by the employer's governing body. Special compensation must be for services rendered during normal work hours, and reported amounts to CalPERS shall identify the pay period in which the special compensation was earned, each item of special compensation separately from payrate, and the category under which that item is listed. Special compensation is reportable as pensionable compensation for Public Employees' Pension Reform Act of 2013 (PEPRA) members if it meets the requirements of GC section 7522.34 and CCR section 571.1. Incorrect reporting of Holiday Pay may result in miscalculation of employer contributions, delays in processing retirement benefits, inaccurate retirement estimates, incorrect payment of benefits, reduction in benefits, and increased employer administrative costs for processing corrections to all impacted employee accounts for the period the misreporting occurred.

OFAS' review was limited to examining a sample of employee records for the period July 1, 2019 through June 30, 2022. Unless otherwise specified, OFAS did not review areas outside of the scope described herein, including, but not limited to, other types of compensation, payrates, and regular earnings, membership enrollment, or employment after retirement.

Results in Brief		
No.	Area	Observations
1	Not Reportable	The Employer reported Holiday Pay for three sampled active employees and one retired employee that was not reportable. Specifically, the Memorandum of Understanding between the Employer and the International Union of Operating Engineers Stationary Local No. 39 (MOU) did not indicate how Holiday Pay was to be calculated and was not approved by the Employer's governing body. For example, for one sampled employee, the Employer reported Holiday Pay of \$1,841.04 for pay period ended

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No.	Area	Observations
		<p>January 4, 2020. However, due to the MOU not indicating the calculation method for Holiday Pay and not being approved by the Employer's governing body, the Holiday Pay was not reportable.</p> <p>CCR section 571 states that items of special compensation must be contained in a written labor policy or agreement that has been duly approved and adopted by the employer's governing body and indicates the conditions for payment including, but not limited to, eligibility for, the amount of the special compensation and which. CCR section 571.1 states that pensionable compensation for PEPRA members paid pursuant to publicly available pay schedules must indicate conditions of payment, including, but not limited to, eligibility for, and amount of each component of pay and that the pay schedule must be duly approved and adopted by the employer's governing body. Conditions of payment for each component of pay are typically enumerated by employers in a labor policy or agreement, and a publicly available pay schedule is one illustration. GC section 20049 provides that a labor policy or agreement is any written policy, agreement, memorandum of understanding, legislative action of the employer's governing body, or any other document used by the employer to specify payrate, compensation other than payrate such as special compensation, and benefits of represented or unrepresented employees. CCR section 571.1 provides that when a pay schedule does not disclose items of pensionable compensation the types of documents outlined in GC section 20049 may be referenced. The Employer was not aware the MOU Holiday Pay provisions should indicate how the pay is to be calculated and explained that it was an oversight their MOU was not approved by their governing body.</p>
2	Not Reportable	<p>The Employer reported Holiday Pay for two sampled active employees noted in Observation 1 that was not reportable. Specifically, in addition to the issues noted in Observation 1, the employees were PEPRA members and the Employer's payment of cash out of accrued holiday credits was reported as Holiday Pay. For example, for one employee, the Employer reported Holiday Pay of \$1,612.08 for pay period ended January 1, 2022. However, the payment was for the cash out of all accrued holiday credits earned for the period January 1, 2021 through December 31, 2021. Cash out of holiday credit is not reportable as Holiday Pay for PEPRA members. As a result, Holiday Pay was not reportable.</p> <p>GC section 7522.34 states pensionable compensation does not include compensation that had previously been provided in kind by the employer which was converted to and received in the form of a</p>

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No.	Area	Observations
		cash payment. CCR section 571.1 states that Holiday Pay is additional compensation for employees who are normally required to work on an approved holiday because they work in positions that require scheduled staffing without regard to holidays and does not specify cash out of accumulated holiday credits is reportable as Holiday Pay for PEPRA members. The Employer stated they were not aware cash out of holiday credits was not reportable as Holiday Pay for PEPRA members and based their reporting on CalPERS training.

Recommendation and Criteria

The Employer should ensure Holiday Pay is reported in compliance with GC sections 20636 and 7522.34, and CCR sections 571 and 571.1. The Employer should work with CalPERS Employer Account Management Division to identify all active and retired members impacted and to determine what adjustments, if any, are needed to correct written labor agreements, and/or improperly reported Holiday Pay amounts. To the extent that any amounts of pay were improperly included in the retirement allowance of retired members, a correction to the retirement allowance should be made pursuant to GC section 20160.

GC: § 20120, § 20121, § 20122, § 20160, § 20636, § 7522.34
 CCR: § 571, § 571.1

Conclusion

OFAS limited this review to the areas specified in the objective and scope section of this report. The review was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions. Sample testing procedures provide reasonable, but not absolute, assurance that the Employer complied with the specified provisions of the Public Employees' Retirement Law. The results outlined in this report are based on information made available or otherwise obtained at the time this report was prepared. This report does not constitute a final determination with regard to the results noted within the report. The appropriate CalPERS divisions will notify the Employer of the final determinations and provide appeal rights, if applicable, at that time.

Summarized Response

The Employer agreed with Observation 1 and disagreed with Observation 2 noted in the report. However, the Employer did not provide additional information. Therefore, Observation 2 will remain as stated.