



CONSENT CALENDAR

Office of the City Auditor

April 11, 2000

TO: Honorable Mayor and  
Members of the City Council

FROM: Ann-Marie Hogan, City Auditor

SUBJECT: SAFETY MEMBERS' PENSION FUND AUDIT FOR THE YEAR ENDED  
JUNE 30, 1999

RECOMMENDATIONS:

1. That Council accept the Safety members' Pension Fund Audit Report for fiscal year ending June 30, 1999
2. That Council request the City Manager to report on implementation of the audit recommendations at the June 20, 2000 Council meeting.

BACKGROUND:

Attached is a copy of the City Auditor's attestation of the Safety Members Pension Fund Financial Statements and our management letter on operational issues for the fiscal year ending June 30, 1999. Our attestation has been submitted to the State Controller as required by Section 7504 of the California Government Code.

The management letter contains some findings related to record keeping and computation, with related recommendations which have been reported cleared. It also contains findings carried over from previous years. These state the need to amend the Berkeley Municipal Code, to re-constitute the Board of Directors, which has not met in fifteen years, and to reconvene the Board in order to address a number of policy issues related to reporting and to pension payments.

The City Manager requested, via a March 14 Council Action item, that Council appoint the two required Board members so that the Board could convene in order to amend its by-laws regarding Board composition. The City Attorney has subsequently determined that amendments to the Berkeley Municipal Code aimed at changing the composition of the Board may be proposed by staff and approved by the full Council, eliminating the necessity of making these interim appointments. Staff is expected to recommend that the Board be composed of directors appointed by the Police Chief, Fire Chief, Finance Director, and City Manager.

Additional findings and recommendations regarding possible underpayments of certain pensioners have been referred to the City Attorney and, in one case, to the Board, at such time as it begins meeting again. It appears likely that some additional payments to some pensioners will be approved once the City Attorney has finalized her opinion. The City Attorney reports that a revision to the relevant statutes, which incorporates three existing Code sections, is in progress.

FINANCIAL IMPLICATIONS:

The fiscal year 1999 shortfall between the Massachusetts Mutual Life Insurance Co. annuity, which provides payments for the Safety Members Pension Fund, and the City's liability to the members was \$1,121,366. This amount was paid from the general fund. The general fund contribution has gradually increased over the years.

This year we identified two areas where one or more pensioners were overpaid as a result of computation errors. In one case, the overpayment, for \$630.85, is reported to be fully collected. In the second case, a determination of the intent of Council must be discussed by the Board, which is advised to consult with the City Attorney. Additionally, there were four areas where pension computation methods were found to be unclear, and pensioners may have been underpaid. In these areas, the Deputy City Auditor for Payroll Management has requested a City Attorney opinion, in order to determine the extent to which repayment should be made for some apparent underpayments to certain pensioners. For this reason, the total possible overpayment was not calculated.

CONTACT PERSON:

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Approved by:

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Ann-Marie Hogan, City Auditor  
Office of the City Auditor