



SAN DIEGO CITY EMPLOYEES' RETIREMENT SYSTEM

MEMORANDUM

**DATE:** November 27, 2023

**TO:** SDCERS Audit Committee

**FROM:** Sarah Dickson, SDCERS Chief Internal Auditor

**SUBJECT:** Addendum to San Diego Unified Port District Payroll Audit Report for the period July 1, 2020 through June 30, 2021

---

Following the SDCERS Audit Committee's (Committee) review of the San Diego Unified Port District (District) Payroll Audit Report at the March 6, 2022 meeting, an error was found in the District and SDCERS payroll processing rules. Management quickly brought this matter to my attention.

*Internal Auditing Standard 2421* issued by the Institute of Internal Auditors indicates that if a final communication, such as the District Payroll Audit Report, contains an error or omission, the chief audit executive must communicate the correct information to all parties who received the original communication. The purpose of this memorandum is to inform the Committee of a finding and recommendation omission from the District Payroll Audit Report issued to the Committee, of how Management has rectified the underlying error, and that my testing also finds the matter to be appropriately rectified.

**Discussion:**

Most PEPRA plans implemented within the State of California limit the amount of pensionable salary that can be considered when calculating a retirement benefit (PEPRA Cap). The PEPRA Cap limit is established in California State law and adjusted for inflation. However, the District's Miscellaneous PEPRA Plan is unique in that its normal cost is lower than the standard PEPRA plan formulas defined in California State law. As such, SDCERS Actuary opined that since the benefit formula offered in the District's Miscellaneous PEPRA Plan provides a lower benefit factor at normal retirement age and results in a lower normal cost than the State's standard PEPRA plan, District employees participating in the District's Miscellaneous PEPRA plan should NOT be

subject to the PEPRA Cap on pensionable salary. Management discovered the PEPRA Cap was erroneously being applied to 12 Miscellaneous PEPRA Members (approximately 5% of all Miscellaneous PEPRA Members) who therefore had their pensionable salary understated for the period from FY2019 through FY2022.

To ensure the issue was rectified, I conducted the following:

- Reviewed the list of 12 Miscellaneous PEPRA Members versus other data to ensure the list was reasonably complete.
- Selected a sample of impacted Members to determine:
  - the cumulative error amount was accurately calculated.
  - the issue was communicated to the Member.
  - the error amount owed was paid to SDCERS.
  - the PEPRA Cap was removed from SDCERS' pension system for Miscellaneous PEPRA Members.

Based on the testing above, this matter has been rectified.

**CC:** Gregg Rademacher, SDCERS Chief Executive Officer  
Marcelle Voorhies Rossman, SDCERS Deputy Chief Executive Officer  
Johnny Tran, SDCERS Chief Compliance Officer/General Counsel  
Randa Coniglio, San Diego Unified Port District Acting President/Chief Executive Officer  
Elba Gomez, San Diego Unified Port District Vice President of Administration/Chief Administrative Officer  
Mark Yeilding, San Diego Unified Port District Auditor/Chief Audit Officer  
Michelle Corbin, San Diego Unified Port District Human Resources Director  
Eric Lawrence, San Diego Unified Port District Human Resources Manager