

ORS Check Processing**5.3.2****PURPOSE**

To ensure best practices for processing check payments are adhered to for the operations of the Office of Retirement Services (“ORS”).

AUTHORITIES26 U.S.C. § 401(a) – Tax Qualified Status of Retirement Plans

Requirements for qualification. A trust created or organized in the United States and forming part of a stock bonus, pension, or profit-sharing plan of an employer for the exclusive benefit of his employees or their beneficiaries shall constitute a qualified trust under this section—

(1) if contributions are made to the trust by such employer, or employees, or both. . . for the purpose of distributing to such employees or their beneficiaries the corpus and income of the fund accumulated by the trust in accordance with such plan[.]

Cal. Const., Art. XVI § 17(a) – Retirement Boards’ Independent Control over Plan Assets

The retirement board of a public pension or retirement system shall have the sole and exclusive fiduciary responsibility over the assets of the public pension or retirement system. The retirement board shall also have sole and exclusive responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries. The assets of a public pension or retirement system are trust funds and shall be held for the exclusive purposes of providing benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system.

Chapter 1.17 of Title 1 of the San Jose Municipal Code Section 1.17.10

Any person desiring to pay an obligation by check shall provide to the person designated by the Director of the Department to whom the payment is to be made, on or before the due date of such payment, a properly completed and signed check in the amount of the obligation.

SCOPE OF APPLICATION

This policy applies to all City-employees ORS staff responsible for handling and processing checks received by the-CityORS for deposit into the relevant retirement plan’s assets.

POLICY

The City of San José, including -ORS, may accept checks in payment of materials, services, fees, taxes, etc. Checks are to be accepted and deposited in such a manner so as to promote operational efficiency while maintaining the controls necessary to safeguard City-plan assets of the Federated

ORS Check Processing**5.3.2**

City Employees Retirement Plan (“Federated Plan”), and the Police & Fire Department Retirement Plan (“P&F Plan”).

PROCEDURES**Acceptance of Checks**

1. Checks may be received ~~over the counter by an ORS staff, in the field, via bank lockbox,~~ or via mail to the ORS office.
2. Checks must be payable to the City of San José Office of Retirement Services.
3. Checks must be complete with the date, amount, and signature. Written and numerical amounts must agree.
4. Checks payable to other parties (“Second Party” checks) are not to be accepted.
5. All checks must have a Magnetic Ink Character Recognition (MICR) routing code and account number printed on the face.
6. The name, address, and telephone number of the maker should be pre-printed on checks received ~~over the counter or in the field~~.
7. ~~A receipt~~ Documentation confirming receipt of check must be provided by ORS when payment is presented in person. The confirmation of receipt ~~number~~ should be written on the checks and accompanying documentation or invoices.
8. Checks may not be cashed.
9. Checks should be for the amount due. If a person presents a check to ~~the Finance Department’s Treasury Division, cashiering staff, or to a City employee in the field~~ ORS that is written for an amount other than the amount due, the following actions should be taken:
 - ~~a) — Request an alternate form of payment, such as credit or debit card.~~
 - ~~b)a) —~~ Attempt to obtain a new check for the correct amount.
 - ~~c)b) —~~ Attempt to have the writer of the check alter the check to the correct amount, initialing the alteration.
 - ~~d) — Refer to the applicable Department’s process for handling overpayments and refunds.~~
 - ~~e) — Cash refunds should not be issued for overpayments.~~

ORS Check Processing**5.3.2**

~~10. For RevenuePlus (Citywide Accounts Receivable System) refunds, the procedure and refund form can be found at:~~

~~<https://sanjoseca.prod.simpligov.com/prod/portal/ShowWorkFlow/ShowWorkflowDetail/bca93ee4-a648-43e8-a3f6-9f37b4beb88e>.~~

~~11.~~ 10. Some payments ~~for fees and permits~~ require the amount to be determined at a later time when the ~~application and/or~~ documentation ~~are~~ is processed. The customer will be required to wait to make the payment until the proper amount can be determined; ~~the City~~ ORS will not be responsible for holding checks in the interim.

~~12. If there is an operational limitation which necessitates accepting checks for amounts other than the amount due, approval must be obtained from the Director of Finance.~~

Acceptance of Large Checks of \$20,000 or more received without documentation

If a check is received ~~by the Finance Department~~ for an amount of \$20,000 or more, all attempts should be made to have the funds deposited immediately. If there are no accompanying documents or if there are extenuating circumstances related to ~~the applicable Department~~ ORS, this may not be possible. In such a circumstance, the following should be done:

- ~~1. The Finance Department Treasury Division payment processing~~ ORS staff ~~and cashiering staff~~ should make their best effort to determine ~~which City Department is responsible for the revenue and contact them for further information~~ what the check is for by contacting the payee.
 - ~~2. Once a determination is made, the Department must be contacted and will be required to pick up the check as soon as possible. The Department will be responsible for preparing the deposit and entries into the Citywide Financial Management System~~ ORS should deposit the check in the usual manner.
 - ~~3. If it is requested that the check be deposited by the payment processing staff or cashiering staff, it should be done immediately using the Bank's digital deposit system. Once deposited, the payment shall be processed as usual.~~
 - ~~4. If backup documentation is not available, the payment processing staff and cashiering staff may hold on to the check for no more than 24 hours. If documentation is not received within this time, the check will be deposited immediately using Desktop Deposit and will remain un-booked in the accounting system until the documentation is received.~~
- ~~5.4. If the funds are not booked at month end, they will be placed in the Citywide Miscellaneous visible code (001-42-000000-7999) until the documentation is received.~~

Refer to Maker – Insufficient Funds

If a check is returned to the bank unpaid for any reason, the bank will automatically present it for payment a second time. If it is returned to the bank again, the bank will post the image onto the

ORS Check Processing**5.3.2**

banking platform for the Treasury Division cashiering staff to review. Upon receipt, the following should be done:

1. Cashiering staff sends an image of the check to ~~the Department~~ ORS stating the check was returned for insufficient funds ~~or the Payment Processor responsible for the payment.~~
2. ~~The Department or the Payment Processor must reverse the payment from the appropriate system.~~ ORS staff must make an entry into the Citywide Financial Management System to reverse the payment. ~~ORS contacts the payee to inform them of the insufficient funds and to remit a new check.~~
3. ~~2.~~ Cashiering ORS staff must make an entry into the Citywide Financial Management System to chargeback the payment ~~correct the payment, as if necessary.~~
3. ORS contacts the payee to inform them of the insufficient funds and to remit a new check. The ~~customer-payee~~ is charged a service charge on returned checks, which is included in the new check in addition to the amount originally paid. ~~The Department that initiated the receivable is responsible for invoicing the customer the returned check fee.~~ The amount of the fee varies annually, is calculated by the Finance Department, and is the same amount Citywide. ~~The returned check fee is included in the Annual Fees and Charges document produced by the City Manager's Budget Office.~~
4. Upon receipt of the new check, ORS staff deposits the check in the usual manner.