CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY
Office of Retirement Services

JAC Internal Audit Status Report
August 20, 2026

bakertilly

Ref#	Recommendation Summary	Status	Original Response	Updates	Priority	Date Closed
E1.F3.R1	3.1 Discuss with the Board and management the next steps that can be taken to reasonably make an effort in retrieving the overpaid amounts with the consideration of costs and benefits.	In Process	Agree: ORS will work with counsel to establish approaches and legal considerations. Whereas Benefits staff currently work on recovering such overpayments, assistance from resources skilled in this area would be welcomed, such as a collection agency. Education in probate would also be beneficial for Benefits staff.	**August 2026:** ORS has obtained documentation from Benefits team. Work so far that has been done to remediate finding (1) contracted with death notification vendor to improve timeliness of death reporting (2) addressed vacancies in Benefits team that impact operational capacity (3) established a probate recovery process with legal counsel when estate information is available. An analysis was done to determine impact of potential recoupment - from preliminary findings based on 2023-2026 YTD - the average is $3K for unrecovered overpayment. Next step -ORS staff will research collection agencies to evaluate the feasibility of pursuing collections and determine the process and requirements. **May 2026:** ORS staff currently working on determining the full impact of potential recoupment (# of individuals, total dollar value of recoupment). Also assessing the cost to the fund associated with pursuing the recoupment process. **February 2026:** We have reached out to other pension funds to discuss their process for recouping overpayments. We have reached out to the City to inquire about their collection programs and the guidelines governing them. Our next steps are to review the overpayment policies approved by the board and develop a proposal to integrate a recoupment and write-off program. **February 2025:** Staff makes every reasonable effort to retrieve overpaid amounts from estates. If there is an eligible survivor, overpayments are deducted from survivors' benefit. If there is no survivor, benefits are inactivated and direct deposits are terminated as soon as death notification is received. In addition, staff recovers overpayments from the estate to the extent possible. In 2024, for deaths without survivors, about 24 of 136 deaths had overpayments that were not recovered, totaling approximately $45k. About $26k in overpayments were recovered from estates. About $49k unclaimed benefits owed to estates (underpayments) remain in the plans. Staff is not processing estate claim forms (DE172) due to the complexity of the form, challenge obtaining required information from estates, and cost necessary for legal support to ensure the documents are properly completed and to properly serve legal documents to the estate. Expected Completion Date: TBD	2	
E3.F1.R2	1.2 After implementing Recommendation 1.1, in coordination with the ORS's legal counsel, the Office of Employee Relations, and the HRD, decide whether to send inactive plan members a corrected Return of Contributions Packet, with an explanation of the corrections (e.g., that unless a member has 20 or more years of Federated Plan service credit, the Municipal Code requires that the ORS terminate the member's account if he or she does not submit a completed Distribution Election Form within 90 days of notice from the ORS and that the funds will be rolled over into an appropriate retirement plan) and an extended timeline for the impacted members' elections.	In Process	Agree: ORS is working on this issue. Target Date: December 2023	**August 2026**: ORS staff worked with City-Finance to initiate a requisition for a financial institution that can facilitate the return of employee contributions. The procurement process remains in progress as insurance requirements are being finalized before the solicitation can be released. **May 2026:** ORS staff currently in process of evaluating a handful of financial institutions that can provide automatic rollover services for inactive member funds. Staff is looking to conduct a RFQ in the next quarter to identify and select a qualified provider that can efficiently and cost effectively provide this support. **February 2026** - ORS will need to confer with General Counsel and possibly tax counsel on implementation. **May 2025** - Internal ownership was reassigned and will receive focus during the next quarter. **January 2023** Update: None Expected Completion Date: December 2023	2	
E3.F1.R3	1.3 After implementing Recommendation 1.2, review and verify the service credit and account balances of the 605 accounts shown in Exhibit 3. Unless updated information from the member or corrected information in PensionGold indicates otherwise, terminate the ineligible member accounts in PensionGold, and refund or rollover, in accordance with the Municipal Code, the estimated $5.4 million in member contributions and accumulated interest. To accomplish this in a timely manner, the ORS should consider contracting for specialized consultant services (i.e., contracting with a third party that specializes in the direct rollover of contributions of unresponsive or missing plan members into an appropriate, Board-approved retirement plan, in accordance with Section 401(a)(31)(B) of the Internal Revenue Code and IRS Notice 2005-05).	In Process	Agree: ORS is working on this issue. Target Date: June 2024	**August 2026:** In Process **-** see update for E3.F1.R2 **May 2026: In process -** in process - see update for E3.F1.R2 **February 2026** - see update for E3.F1.R2 **May 2025** - Internal ownership was reassigned and will receive focus during the next quarter. **January 2023 -** None Expected Completion Date: June 2024	2	
E3.F1.R6e	e. Implement a process, using PensionGold preferably, to efficiently track and terminate the membership of missing and/or unresponsive plan members who have separated from City service without meeting minimum eligibility requirements stated in the Municipal Code. To design the process, refer to the Municipal Code, IRS Notice 2005-5, Department of Labor regulations and guidance under 29 CFR § 2550.404a–2, and the U.S. Department of Labor guidance regarding missing participants (Appendix 6).	In Process	Agree: ORS is working on developing a process. Target Date: December 2023	**August 2026:** In process - see update for E3.F1.R2. **May 2026**: reliant on E3.F1.R2 to move forward to next steps **October 2025** - ORS has worked with ReedSmith to identify applicable laws. ORS to develop a new process and document with internal procedures to support it. **April 2025** - Members are inactivated in PG, however, at this time, ORS does not process an ROC or transfer contributions out of the system. Skip Trace was implemented in Dec 2024 to help find missing members. Management to confirm with legal that these laws/regulations apply to ORS and what the next steps are to implement a policy/process **January 2023** Update: None Expected Completion Date: December 2023	1	

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E4.F1.R2.a	a. Creation of policies and procedures and assignment of roles and responsibilities to: • Define the ORS's measurable business goals and objectives for posting plan members' pensionable salaries and pensionable hours worked in their PensionGold accounts (e.g., only pensionable salaries and hours, consistent with the OER list may be included in PensionGold accounts; pensionable salaries and hours worked must be recorded in the same period as shown in PeopleSoft). • Specify the specific circumstances that require spreading the City's and pension plan members' plan contributions in members' PensionGold accounts (i.e., whether and when such contributions are to be spread when there are retroactive changes in PeopleSoft to corresponding, pensionable salaries and pensionable hours worked that must be spread). • Periodically monitor member accounts in PensionGold to identify and timely correct any errors in the posting of pensionable salaries and pensionable hours worked. This should include specific steps (i.e., data analytic procedures) to identify and correct errors and address underlying process deficiencies.	In Process	Agree: Prior to implementing recommendation 1 fully, ORS has started working with Finance to identify and correct past erroneous records. ORS is working on developing a formal plan to identify, prioritize, and correct past and future erroneous records of pensionable salaries and pensionable hours worked in plan members' PensionGold accounts. Target Date: December 2022	**August 2026:** In process - draft is being finalized and will be ready for BT to validate for closure later this month. **May 2026:** In process - ORS staff is currently drafting procedures to address finding holistically **February 2026 -** ORS worked with the PAS vendor to spread the most recent lump sum retro payments into the appropriate pay periods. The PIR to address the permanent fix is scheduled for the April release, which is before the next scheduled retro process. **October 2025** - PIR has been prioritized for the Feb 2026 deployment for testing. **May 2025** - PIR 128494 has been created to create a function in PG to process a retro pay file (prior pay period adjustments) to ensure Pensionable salaries are spread to the appropriate pay period. ORS IT verifies that the transmittal file has been posted to each plan for every pay period and confirms that the number of records processed is within a reasonable range. ORS Accounting also has a process to reconcile contributions for each pay period between PeopleSoft and PensionGold. **January 2023** Update: Not provided Expected Completion Date: TBD	3	
E6.F1.R5	1.5 Request that the Police and Fire Plan Board update and authorize the policy titled "Governing the Overpayment or Underpayment of Member Contributions." Locate the Federated Plan policy on overpaid/underpaid contributions and post it online together with other "standard operating procedures" shown on the ORS's web pages. Upon locating the corresponding Federated Plan policy, determine if it needs to be updated and if so, request that the Federated Plan Board update and authorize the policy.	In Process		**August 2026:** ORS staff has incorporated a review of this policy into the Governance Review Roadmap. The policy will be presented at the September Governance Committee meeting for discussion, including consideration of required revisions and opportunities for further policy enhancements. Policy will be redlined and presented at December Governance Committee for approval. **May 2026: F**ED policy and procedures are in process of being revised and finalized - a draft will be shared with legal counsel. Will further need to review PF policy and procedures to ensure alignment and discuss with governance consultant on timing to publish finalized policy documents. **February 2026** - Final review of the policies raised a new question regarding 457 rollovers as a possibility. ORS will request input from IceMiller. **October 2025** - Policies have been drafted and updated since the first draft. These will be shared with Aon shortly, to discuss at the December Joint Governance Committee Meeting. **April 2025** - PF adopted this policy in June 2015. FED asked tax counsel to review. Minor updates were made, but were never adopted by FED or updated into the PF adopted version. ORS will review both versions of the policies. The purpose will be to synchronize the policies, if applicable, and incorporate any staff feedback. Per the MOU, the updated policies will be reviewed with the CMO. A final draft will be brought to the Governance Committee for recommendation to the boards.	1	
E7.F2.R2	2.2 Create and communicate, as appropriate, a risk management policy for the ORS	In Process		**August 2026:** Per discussions internally and with BT & Governance Committee, will focus on insurance risk management to close out observation. ORS staff has reached out to City-Finance (Risk Management Team) to assess if ORS has the appropriate insurance coverages, and if there are any duplications or gaps in coverages. Further discussions are needed to align. **May 2026:** per discussions, an Enterprise Risk Management program and associated Risk Management Policy is part of a broader effort that needs to be assessed separately. To close out this recommendation focused on insurance coverage and risk, staff is coordinating with internal audit consultant, Baker Tilly, see whether a policy or a procedure document is needed, based on best practices. Remains in process. **February 2026** - Risk Management Policy and priority will be discussed at the Governance Committee in March, along with the Governance Framework. **October 2025** - Once the Strategic Planning Process is complete, ORS will work with Aon and the Governance Committee to deliver a work plan for 2026. **April 2025** - Part of the new Governance Consultant's scope of work is to develop a formal Risk Management Policy	1	