



Benefits Audit: Member Enrollment

May 20, 2021

Office of Retirement Services – Internal Audit

Houman Boussina, Senior Auditor

Page intentionally left blank



OFFICE OF RETIREMENT SERVICES – INTERNAL AUDIT

EXECUTIVE SUMMARY

Benefits Audit: Member Enrollment

May 20, 2021

PURPOSE OF THE AUDIT:

The audit objective was to determine if ORS has reliable (i.e., accurate, complete, and consistent) enrollment data for members of San José's Federated and Police and Fire retirement plans.

REPORT HIGHLIGHTS

Finding 1: Most pension plan member data are accurate and complete (Page 13)

Most personnel data, such as last name, first name, social security number, and birth date, are accurate for the 5,547 active pension plan members shown in PensionGold.

Key Recommendations to ORS Management:

- Update member addresses before large-scale printing and mailing jobs. Inform plan members that they can opt for paperless correspondence.
- Implement PensionGold's account lock feature to protect against inadvertent or potentially fraudulent changes to PensionGold accounts of deceased members.
- Assess the cost versus benefit of implementing an automated process in PensionGold to notify management of changes to key, high-risk member data.

Finding 2: Duplicate member accounts in PensionGold cause operational inefficiencies and errors (Page 19)

There are confirmed duplicate accounts for some pension plan members in PensionGold, some of which contain partial information for the member.

Key Recommendations to ORS Management:

- Merge verified duplicate member accounts in PensionGold.
- Identify and correct potential configuration deficiencies in PensionGold that might have failed to identify and prevent the creation of duplicate member accounts.
- Periodically notify all plan members (including active, inactive, deferred, and retired members) with accounts in both City pension plans that they must separately inform ORS of beneficiaries for each account.

Finding 3: Most members were enrolled in the correct pension plan and tier (Page 25)

Some employees were enrolled in an incorrect pension plan tier. Some enrollment errors persist in PensionGold, despite ORS staff's corrective actions.

Key Recommendations to ORS Management:

- Incorporate the existing, manual process and forms used to enroll Tier 1 Classic members into the City's existing online job application system.
- Correct inconsistencies in policies and procedures at the ORS, Office of Employee Relations, and the Human Resources Department to reflect the updated process to identify, track, and enroll eligible Tier 1 Classic members.

TABLE OF CONTENTS

OBJECTIVE.....	5
BACKGROUND.....	5
SCOPE	8
METHODOLOGY	10
FINDING 1:	
Most pension plan member data are accurate and complete.....	13
Finding 1 Recommendations	17
FINDING 2:	
Duplicate member accounts in PensionGold cause operational inefficiencies and errors.....	19
Finding 2 Recommendations	24
FINDING 3:	
Most members were enrolled in the correct pension plan and tier	25
Finding 3 Recommendations	30
APPENDIX 1: Beneficiary Designation Active Members Form	31
APPENDIX 2: Agreement between San Jose and its 11 labor unions	32
APPENDIX 3: CalPERS “Classic” Eligibility Form & Reciprocity Election Form	34
APPENDIX 4: ORS Management’s Response and Action Plan	36

ABBREVIATIONS

CalPERS	California Public Employees' Retirement System
DRO	Domestic Relations Order
HRD	Human Resources Department
IAD	Internal Audit Division
LRS	Levi, Ray & Shoup (PensionGold Vendor)
OER	Office of Employee Relations
ORS	Office of Retirement Services

INTRODUCTION

Objective

The audit objective was to determine if ORS has accurate and complete enrollment information for members of San José's retirement plans. The Office of Retirement Services (ORS) Internal Audit Division (IAD) conducted this audit in accordance with the IAD's Fiscal Year 2020 audit plan.

Background

San José's Federated City Employees' Retirement Plan (Federated Plan)¹ and Police and Fire Department Retirement Plan (Police and Fire Plan) were established in 1941 and 1961, respectively, to provide retirement benefits for eligible City employees. The ORS's published financial records show that as of June 30, 2020, there were 9,797 members of the Federated Plan and 4,424 members of the Police and Fire Plan. Membership eligibility criteria, contribution rates, and benefits under the pension plans are stated in the City's Municipal Code and the ORS's financial documents.²

Member Enrollment

The City's Human Resources Department (HRD) uses a PeopleSoft human resources and payroll software system (PeopleSoft) to record new hires' personal and job-related information, including the HRD's preliminary determination of each new hire's pension plan and tier based on its written procedures. The ORS is subsequently responsible for ensuring that eligible new hires are accurately and timely enrolled in the appropriate pension plan and tier, and for tracking their plan contributions and service credit. ORS uses PensionGold Version 3 (PensionGold), a web-based pension and benefits administration system, to record enrollment information and administer the City's plan benefits.³

The cross-departmental, biweekly process to enroll new hires into the correct pension plan and tier and to record members' biweekly pension contributions and service credit is summarized in Exhibit 1.

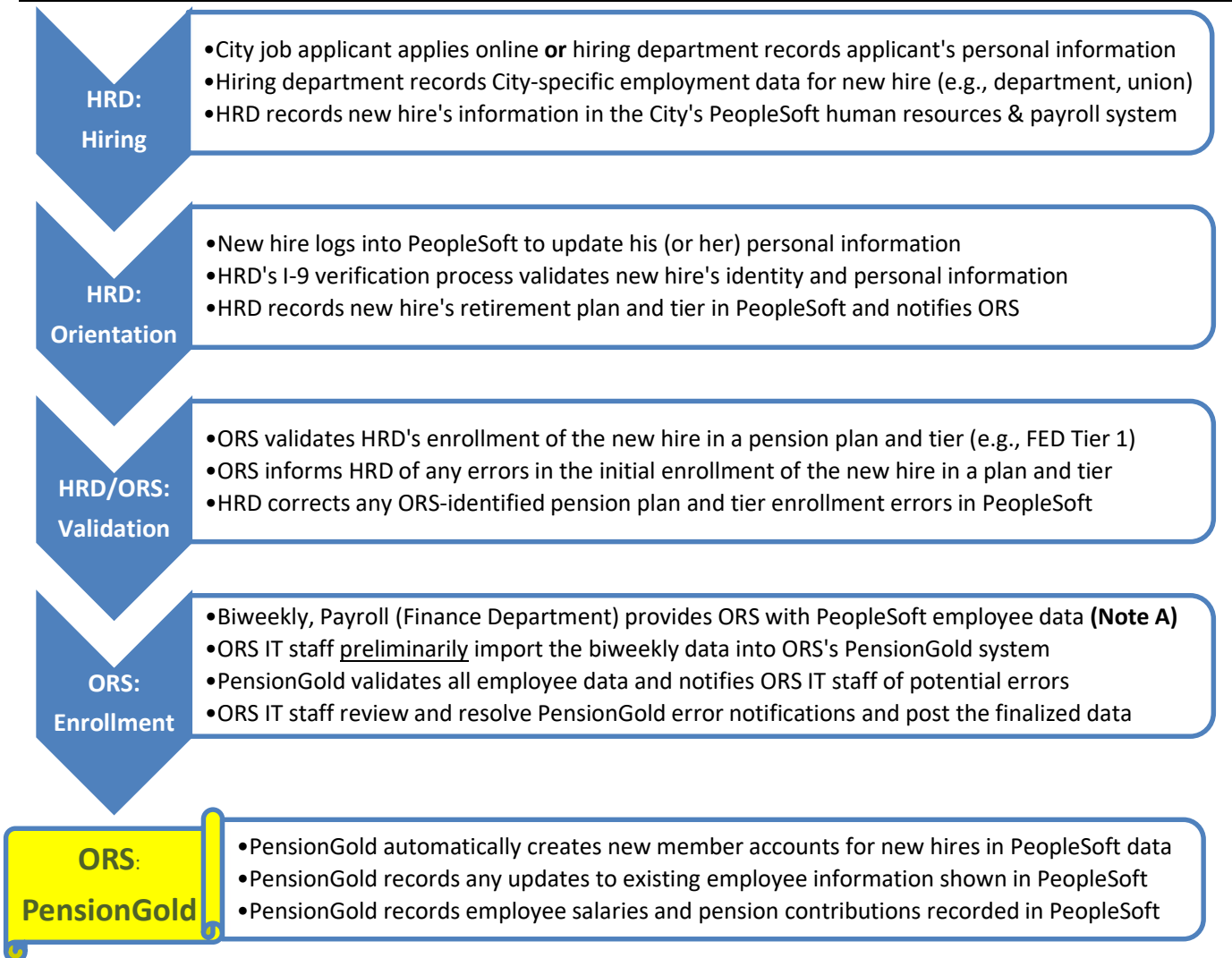
¹ The City's Municipal Code uses the terms Federated System and Federated Plan synonymously. The ORS's financial documents mostly use the term Federated Employees Retirement System. In this report, the IAD uses the term Federated Plan.

² See ORS's financial documents at <http://www.sjretirement.com/> and San José's Municipal Code at https://library.municode.com/ca/san_josé.

³ In March 2015, ORS entered a \$7 million contract with Levi, Ray & Shoup (LRS) to provide, implement, and support PensionGold Version 3, a web-based pension and benefits administration system. The system went live on February 4, 2019.

Exhibit 1

Pension Plan Member Enrollment Process



Notes: **A)** Payroll's biweekly update data files restate or update personal data (e.g., social security number, birth date), job related data (e.g., job title) as well as salary-related data (e.g., pension plan contributions, service credit).

B) Periodic ORS statements to active members request that they update their personal information in PeopleSoft or by contacting the HRD and that they should notify the ORS of any errors in the statement, which shows the member's personal, job, and salary data that is recorded in PensionGold.

C) Employee data flows from PeopleSoft to PensionGold only. Any ORS updates in PensionGold will not flow back into PeopleSoft (e.g., retired members may provide updates to ORS that are entered into PensionGold and not reflected in PeopleSoft).

Sources: ORS and HRD policies and procedures and interviews of ORS and HRD staff

Data Quality Risks Data quality is synonymous with information quality since poor data quality results in inaccurate information and poor business performance. Data that is unreliable due to inaccuracies, incompleteness, or duplications can result in operational difficulties (e.g., difficult to find information) or more serious vulnerabilities, such as pension payment errors and inaccurate reports used to make important decisions and provide public transparency. Inaccurate data can be locked away in complex system data structures that cause corrective actions to be technically challenging and tedious. Unreliable data in a pension system can lower confidence in system capabilities and reliability, impede the design and implementation of business processes, and ultimately diminish the return on investment in the system.

Master data Master data uniquely provides information and context about key business elements that do not often change (e.g., pension plan members' personal information). Business transactions (e.g., updates to plan members' contributions and service credit records, retiree pension payments) require accurate, consistent, and complete master data. Pension administration systems contain master data that provide information and context about key business elements, such as pension plan members and beneficiaries.

Continuous monitoring and data analytics Monitoring is one of five components of an effective internal control system.⁴ Monitoring involves evaluating results so management can take corrective action as necessary and in a timely manner to achieve organizational goals and objectives. Although effective internal controls should prevent inaccuracies in critical business data, periodic monitoring activities can help identify errors that slipped through the prevention controls. Continuous monitoring involves management's proactive review of data at regular intervals, often through an automated process, to identify errors or erroneous or incomplete data, such as a pension member who is enrolled in an incorrect plan tier. The results help management identify areas where its procedures can be strengthened. Data analysis software is often used to efficiently access business data and to develop and automate monitoring processes.

⁴ Internal control is the system of processes that an entity's oversight body, management, and other personnel implement to provide reasonable assurance that the organization will achieve its operational, reporting, and compliance objectives. The five components are control environment, risk assessment, control activities, information and communication, and monitoring. See U.S. Government Accountability Office, "Standards for Internal Control in the Federal Government," Washington, D.C., 2014, p. 9, available at <http://www.gao.gov/products/GAO-14-704G>.

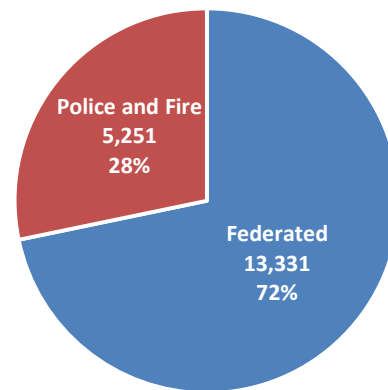
Scope

The IAD used data analytic and sampling methodologies to identify inaccurate personal and pension plan enrollment data for 5,547 active pension plan members shown in PensionGold as of January 6, 2021. This is a subset of the 18,582 total PensionGold accounts (shown in Exhibit 2) for active, inactive, deferred, retired, and deceased members. The IAD assessed the completeness and consistency of member enrollment data for all 18,582 members.

Exhibit 2**PensionGold Accounts (18,582) by Pension Plan**

As of January 6, 2021, there were 18,582 member accounts shown in PensionGold. Of these 18,582 accounts, 5,547 were associated with active members (i.e., active City employees who make ongoing contributions to the plans through paycheck deductions and accrue plan service credit).

Source: PensionGold “Advanced Search – Person” report



The ORS uses a different process to update personal information for deceased, retired, deferred, terminated, and inactive member accounts, which will be covered in future audits. The audit scope (and Exhibit 2) excluded 2,368 non-member accounts in PensionGold associated with beneficiaries and domestic relations orders or DROs (i.e., court orders that give a spouse or dependent the right to receive all or a portion of a member’s pension benefits).

Data reliability

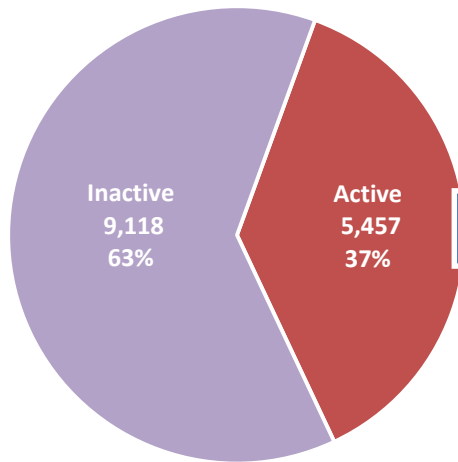
The IAD primarily used data in PeopleSoft to assess the accuracy and completeness of plan member enrollment data in PensionGold. The HRD has policies and procedures to validate employees’ personal data as part of the City’s hiring process. The IAD assumed that job-related information in PeopleSoft, such as hire date, is accurate based on an understanding gained from interviews with HRD staff and reviews of the HRD’s policies and procedures. Further review and assessment of the HRD’s data or processes is beyond the scope and authority of the IAD.

Exhibit 3 shows City employees in the PeopleSoft system who were identified as members of the City’s retirement plans and the biweekly transfer of active employees’ information, including personal, job-related, wage, and pension contribution data, to the PensionGold system.

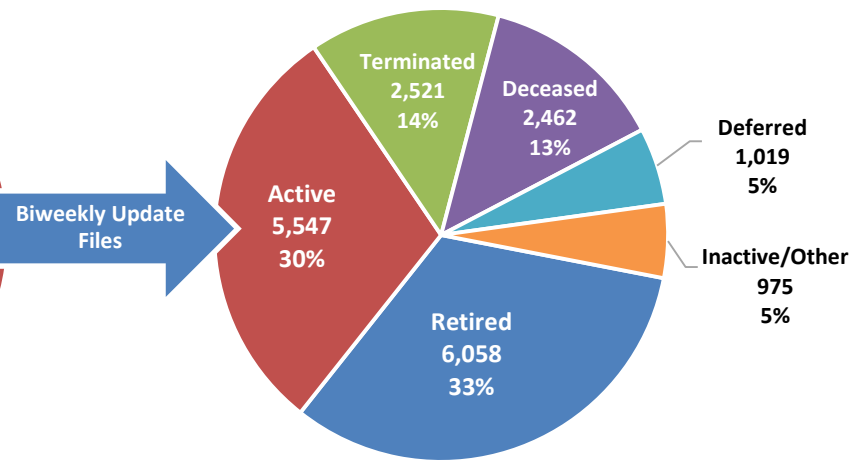
Exhibit 3

PeopleSoft and PensionGold Member Account Records

PeopleSoft (14,575 plan members)



PensionGold (18,582 plan members)



Biweekly Update Files

- Notes:** A) The difference between PensionGold's 18,582 member accounts and PeopleSoft records that show 14,575 employees who were eligible for pension plans is in part due to employee data in legacy City systems that were not migrated to PeopleSoft, PensionGold records that erroneously classify some individuals as members, and duplicate records for some members in PensionGold (See Finding 2).
- B) The difference between PensionGold's 5,547 "Active" member accounts and 5,457 shown in PeopleSoft is due, at least in part, to some duplicate accounts in PensionGold (Finding 2) and some "Active" PensionGold accounts that match "Inactive" accounts in PeopleSoft. The latter is a concern that will be discussed in another audit.
- C) "Active" members are current City employees who make plan contributions and earn service credit. "Deferred" members are inactive, eligible members who choose to leave their retirement contributions in the retirement fund until they are eligible to receive their lifetime retirement allowance. "Terminated" members have lost rights and privileges to the retirement plan(s) and have only the right to a return of contributions. "Inactive" members have separated from City employment, have not received a return of contributions, and their long-term status has not been determined.

Sources: A) PeopleSoft "Jobs" report as of January 14, 2021

B) PensionGold "Advanced Search – Person" report as of January 6, 2021

C) ORS Policies and Procedures

Data variances from published ORS financial reports

To ensure that the PensionGold data that the IAD used provided a reasonably complete representation of plan members, we compared the information with published ORS financial reports and deemed that it was reasonable to use, with the following disclosures:

- Published ORS financial reports combine deferred (1,019) and inactive (975) members in providing an aggregate count of deferred plan members.
- Published ORS financial reports include beneficiaries and individuals who receive benefits under court order (domestic relations orders) in the count of retirees, so the number of retired members (6,058) in Exhibit 3 appears understated in comparison. The business process to enroll beneficiaries and

individuals associated with domestic relations order in the PensionGold system differs from the active member enrollment process and is outside the audit scope.

- PensionGold reports that the IAD used erroneously classified some domestic relations order accounts as active member accounts, so the active member count (5,547) shown in Exhibit 3 is overstated compared to published ORS financial reports.

Methodology

To accomplish our audit objective, we:

- Reviewed ORS's financial statements and the City's Municipal Code to gain an understanding of the City's pension plans and member enrollment and eligibility requirements.
- Interviewed ORS Benefits and Information Technology division staff responsible for administering and maintaining pension plan member accounts in PensionGold to gain an understanding of the relevant data, system configuration, policies, and procedures.
- Reviewed San José's Office of Employee Relations and Human Resources Department policies and procedures for hiring City employees, enrolling eligible pension plan members, and administering their data using the City's PeopleSoft system, which is the source for active member data in PensionGold.
- Conducted a risk assessment to identify and prioritize member data risks (e.g., inaccurate member personal data, incorrect pension plan tier enrollment). We also assessed the risk of pension fraud in coordination with ORS management.
- Extracted PeopleSoft employee data, including hire date, to serve as the primary source of evidence in assessing the accuracy and completeness of members' personal and plan enrollment data in PensionGold.
- Extracted PensionGold member data and used data analytic software to identify potentially inaccurate, incomplete, inconsistent, or unreliable data.
- Met with ORS Benefits staff and ORS Information Technology staff to validate the data analytic results and to understand underlying causes for false positives, or accurate data that our methodology flagged as anomalous or erroneous.
- Identified areas for improvement in the City's policies and procedures that could improve the accuracy of member enrollment data and the effectiveness of enrollment processes (e.g., ensuring that members are

enrolled in the correct pension plan tier). Exhibit 4 summarizes the enrollment criteria included in the audit scope.

Exhibit 4 Plan Enrollment Requirements in Audit Scope

Ineligible Employees: Part-time Employees, Recruits, Trainees

Federated Tier 1	Police Tier 1	Fire Tier 1
•Eligible employees hired prior to 9/30/2012	•Eligible Police Dep't employees hired prior to 8/4/2013	•Eligible Fire Dep't employees hired prior to 1/2/2015
Federated Tier 2	Police Tier 2	Fire Tier 2
•Eligible employees hired on or after 9/30/2012, without prior Tier 1 membership & service contributions at the City	•Eligible Police Dep't employees hired on or after 8/4/2013, without prior Tier 1 membership & contributions at the City	•Eligible Fire Dep't employees hired on or after 1/2/2015, without prior Tier 1 membership & contributions at the City

Tier 1 Rehires (Federated, Police, Fire)

- Subsequent to Tier 1 cut-off dates, rehired employees who had terminated prior Tier 1 service at the City without taking a return of prior contributions to the City's pension plan(s)

Tier 1 Classic (Federated, Police, Fire)

- Subsequent to Tier 1 cut-off dates, employees who had first established membership with a CalPERS or other reciprocal agency's pension plan prior to 1/1/2013, were hired by San José with a break in service of less than six (6) months, and chose to apply for Tier 1 Classic membership at San José

- Notes:**
- A)** City of San José's Municipal Code specifies the positions that are eligible for enrollment in the Police and Fire Plan and positions that are ineligible for the Federated Plan. The audit scope included those requirements.
 - B)** This is a subset of San José terms and requirements for enrollment prioritized for the audit. The official City pension plan rules and regulations are available on the ORS website and in the City's Municipal Code.²
 - C)** The audit scope did not include assessing whether Tier 1 Classic member and Tier 1 Rehires had met prior employment and contribution requirements.
 - D)** The audit scope did not include the prior enrollment(s) of members (for active members who were enrolled in multiple plans and/or plan tiers because of the terms and conditions of their past City employment).

Source ORS published financial documents and City of San José's Municipal Code

The IAD would like to thank ORS management and staff for their time, cooperation, and assistance during the audit process.

Finding 1**Most pension plan member data are accurate and complete****Summary**

Most personnel data, such as last name, first name, social security number, and birth date, are reliable for the 5,547 active pension plan members in PensionGold. Reliable (i.e., accurate, complete, and consistent) pension plan member data is necessary to pay accurate pension benefits to eligible retirees and their beneficiaries and to ensure that the ORS prepares and efficiently delivers accurate member statements/correspondence and public reports (e.g., actuarial reports).

Name, birth date, and gender are accurate for active members

The names, last four social security number digits, and birth dates in PensionGold for 5,542 (over 99 percent) of 5,547 active members were accurate based on an exact match with PeopleSoft records. Of the 5 active member accounts that did not match source PeopleSoft records:

- 4 had erroneous social security numbers. These 4 active members also had a second account in PensionGold with social security numbers that were consistent with PeopleSoft. Finding 2 discusses operational risks associated with duplicate member accounts.
- 1 had an erroneous birth date.

The genders of the 5,542 active members were accurate. There were 18 retired, deferred, or deceased plan members whose gender did not match PeopleSoft records for inactive City employees, who were outside the scope of this audit.

Most active member addresses are accurate

The ORS primarily uses regular postal service (snail mail) to send hard copy official notices, annual statements, and other correspondence to about 14,000 active, deferred, and retired pension plan members. There is no initiative to encourage a paperless option, which is available. Addresses in PensionGold for 5,482 (about 99 percent) of 5,547 active members are consistent with PeopleSoft. Of the 65 address discrepancies:

- 10 were associated with employees shown as inactive in PeopleSoft, contrary to their active status in PensionGold. The biweekly data from PeopleSoft (Exhibit 3) will not provide updates to PensionGold for terminated employees or those on unpaid leave, so their personal information, including address, may not be up to date. Terminations and leaves of absences are often associated with address changes.
- 55 were associated with employees shown as active in PeopleSoft. Most of these discrepancies were due to the delay inherent to the process to update active member accounts using PeopleSoft data, as shown in Exhibit 3. Although these errors appeared corrected once the biweekly data from

PeopleSoft was eventually posted to PensionGold, there is a risk that such timing differences may have an operational impact. For example, if the ORS were to send important information to all active members as of the point in time when there were 55 incorrect addresses, there could be a significant amount of returned mail, follow-up work for ORS staff, and potentially missed deadlines (e.g., tax return deadlines) for active members.

ORS management is not aware of a significant problem or inefficiency associated with returned mail due to inaccurate addresses.

Updates in PeopleSoft for inactive and deferred members may not be reflected in PensionGold

The ORS sends annual statements to members of the City's retirement plans with an attachment that requests that members provide updates to their personal information either in PeopleSoft or by contacting HRD staff, who will presumably update the information in PeopleSoft. However, because there is no data included in the biweekly data files for inactive or deferred members, the updates will not be reflected in PensionGold. This may result in misdelivered statements and inability of ORS staff to efficiently contact members.

Improved data consistency and accuracy will help prevent enrollment errors

Member information in PensionGold is inconsistently formatted and sometimes missing. Consistently formatted and complete member data is important to ensure that PensionGold's built-in error detection and notification processes work,⁵ enable the data monitoring work that is required of management and the IAD (e.g., comparing member addresses in PensionGold with PeopleSoft to ensure accuracy), and ensure that ORS staff can efficiently contact members. In addition, missing or incomplete information can cause PensionGold to display erroneous search results and create erroneous reports. For example, missing or inconsistent employee identification numbers will cause PensionGold to produce false search results showing nonexistent, duplicate member accounts (Finding 2).

Member names and addresses are inconsistently formatted

Capitalization, punctuation, and abbreviations are inconsistent for member names and addresses (e.g., John Smith, JOHN SMITH, Main Street, MAIN ST.). Consistency of data, including use of a uniform convention for capitalization and abbreviations is important to ensure that PensionGold users can readily find information, gain confidence in the reliability of the information, and perform various analytical tasks that require consistent formatting, such as reconciling data sets or searching for duplicate member accounts. PensionGold has the capability to perform address verification and standardization; however, the ORS uses the feature to validate addresses for new accounts and not the addresses in

⁵ PensionGold requires a match on member social security number, birth date, address, and gender with information in PeopleSoft to ensure that biweekly PeopleSoft transmittal data, which includes service credit and salary information, is entered for the correct member in PensionGold and to avoid creation of a duplicate member account.

accounts that were migrated to the current version of PensionGold from prior systems and/or older PensionGold versions.

***PensionGold “home”
phone numbers listed
for members are not
members’ preferred
numbers***

The default phone number listed for about 2,202 (40 percent) of 5,547 active members in PensionGold was not the “preferred” phone number provided by the City employee, as shown in PeopleSoft. This can cause inefficiencies in ORS staff members’ attempts to contact members. The periodic member statements that the ORS sends active members do not list the member’s phone number(s), so members would not necessarily know that the ORS is using an incorrect or unpreferred phone number. Of the 2,202 member home phone numbers in PensionGold’s “Advanced Search – Person” search results and report, 234 (11 percent) did not match any phone number in PeopleSoft for active employees. A judgmental sample of the 2,202 member home phone numbers showed the following concerns:

- When an employee removes his (or her) “home” phone number from his employment record in PeopleSoft, PensionGold will not delete the number from the member’s file, which may explain why at least some of the 234 home phone numbers did not match any number for the employee in PeopleSoft.
- Reports generated as Microsoft Excel files using the PensionGold “Advanced Search – Person” function only list home phone numbers, leaving blank phone numbers for members who may have provided a different type of number, as shown within the member’s PensionGold electronic file that can be manually accessed. The “Advanced Search – Person” report does not provide any option of what fields to include, such as the type of phone number, email address, or the complete social security number, requiring manual gathering of the information from each member’s account. Moreover, the report does not specify that it is only listing “home” numbers, leaving blank the phone number if a member had only provided a cell phone number for example.
- Some home phone numbers are invalid, shown as (999) 999-9999 – a number that is listed as the home number for 63 members in PensionGold (this includes some members outside of the 5,547 active members principally in the audit scope). One active member that we reviewed had the phone number 999-999-9999 listed as both the default, home number and a secondary, cell number shown in his electronic PensionGold file. Other invalid phone numbers in PensionGold include those with area codes starting with a 1. Some retired members have the phone number (111) 111-1111. PensionGold is designed to ensure that domestic phone numbers include three-digit area codes that do not start with a 0 or 1 and that they are 7 digits.

There is no validation process in PensionGold to prevent other erroneous phone numbers. Erroneous phone numbers may have been migrated to the current version of PensionGold from prior systems and/or older PensionGold versions.

Missing data for mostly deceased members

There were 443 deceased member accounts that did not include address, phone number, or gender and appear to state other erroneous information.⁶ Of the 443, 49 stated that the member's birth date was January 1, 1901. We reviewed a sample of the accounts and found:

- None of the accounts were locked and, in all instances, PensionGold stated that there was no filed death certificate. PensionGold's account locking feature prevents the creation of new benefits as well as distribution of payments for existing benefits (refund, retirement, rollover, etc.). Currently, there is no ORS requirement to use this protective feature.
- "Hire" date and "Termination" date were generally the same or the termination date was one day later than the hire date. In one instance, the termination date appeared to correspond to the member's date of death although scanned hard-copy documents in the member's file showed that the member had retired decades earlier.
- The level of scanned documentation (i.e., paper documents that ORS staff scanned and stored in the member's account) in PensionGold varied, from extensive to none.

Further review of these accounts was beyond the audit scope. However, accounts with incomplete information may degrade user confidence in PensionGold data and interfere with management and the IAD's ability to monitor and audit the accounts. They will perpetually be flagged in data analytics commonly used to identify erroneous, high-risk, and/or fraudulent member accounts.

The ORS records retention policy has not been updated since 2007

The ORS has a records retention policy that could help clarify what information must be included in member files and records in PensionGold; however, the document has not been updated since 2007. Changes in laws, rules, regulations, and the ORS's systems (e.g., PensionGold) require periodic review and updates to the records retention policy to ensure that it remains relevant and useful.

⁶ In addition, there are 9 non-deceased member accounts without this information. 8 of the 9 accounts are for terminated or inactive members, and 1 is an erroneous duplicate member account (see Finding 2).

Automated notifications of critical data changes can help prevent errors and fraud

This audit did not identify any instances of fraud, within its scope.⁷ The audit did identify, however, that the PensionGold system is not configured to notify ORS management of changes to high-risk account data that should rarely, if ever occur (e.g., changes to a member's pension plan tier enrollment, social security number, birth date). Configuring PensionGold to provide automated notifications of any changes to high-risk account data to management will help reduce the risk of undetected, inadvertent errors and potential fraud. Such automated notifications may be especially valuable to the ORS, which has experienced high turnover in its benefits division and could benefit from further automation of key business processes.

Recommendations

To help ensure that PensionGold member enrollment data accurate and complete, we recommend that the ORS:

- 1.1 Inform plan members that they can opt out of hard-copy correspondence from the ORS. For members who opt out, send automated email notifications with information regarding how to access their statements online, when there is an update or important information that would previously have been sent in hard copy.
- 1.2 Assess whether it is economically viable and feasible to update PensionGold address data with current addresses from PeopleSoft immediately prior to any large-scale printing and mailing jobs (e.g., mailing of annual member statements). Depending on the assessment, decide whether to update existing policies and procedures for large-scale printing and mailing jobs.
- 1.3 On a one-time basis, use the PensionGold address verification and correction tool to detect and correct errors and inconsistencies in addresses of accounts that were migrated to PensionGold from older, legacy systems or prior versions of PensionGold.
- 1.4 In coordination with the PensionGold vendor (LRS), configure PensionGold to:
 - Show members' "preferred" phone numbers as their default contact number, instead of members' "home" phone numbers (or no phone number in some instances) in the "Advanced Search – Person" search results and Excel report downloads.
 - Remove or archive phone numbers that were eliminated for employees in PeopleSoft.

⁷ The audit scope focused on master data for active plan members and did not include transactional data, such as plan members' contributions and service credit records or retiree pension payments. Transactional data and relevant fraud risks will be assessed in future audits.

- 1.5 Implement PensionGold's account lock feature to protect against inadvertent or potentially fraudulent changes to PensionGold accounts that should rarely, if ever, be changed. Create policies and procedures (e.g., document who will have the authority to lock and/or unlock member accounts, document which accounts should be locked) and train staff on the use of the feature.
- 1.6 In coordination with the ORS's legal counsel, update the current records retention policy to ensure it is consistent with current laws, rules, and regulations and that it is also sufficiently specific for information in PensionGold. Identify and update PensionGold accounts that may not comply with the updated records retention policy.
- 1.7 Assess the cost versus benefit of implementing an automated process in PensionGold to notify management of changes to key, high-risk data that should rarely, if ever occur (e.g., changes to a member's pension plan tier enrollment, social security number, birth date). If the assessment indicates that the benefits outweigh the costs, coordinate the implementation with the PensionGold vendor (LRS), update relevant ORS policies and procedures, and provide training to staff to ensure that the new process realizes the intended benefits.

Finding 2**Duplicate member accounts in PensionGold cause operational inefficiencies and errors****Summary**

There are confirmed duplicate accounts for some pension plan members in PensionGold, some of which contain partial information for the member (e.g., partial information about the member's contributions and service credit). For some members, PensionGold shows duplicate accounts that do not exist (i.e., a single member account is shown twice in PensionGold's "Advanced Search – Person" search results and report, either with different Employee ID numbers or one with and one without an Employee ID number). Master data best practices require the existence of only one account for pension plan members with accurate, complete information for each member (e.g., personal data, beneficiary data). Duplicate accounts can lead to operational errors and inefficiencies including:

- Miscalculation of retiree benefits based on incomplete or erroneous account information.
- Misinformation provided to members (e.g., erroneous tax forms and member statements).
- Misdelivery of account information electronically or by snail mail if an erroneous address from an outdated duplicate account is used.
- Reduced ORS staff confidence in the accuracy of PensionGold information.
- Misstatements in ORS and citywide actuarial and financial reports (e.g., an overstatement of the member count).
- Time-consuming procedures to accurately merge and/or delete duplicate accounts.

141 members have two accounts shown in PensionGold, including erroneous duplicates and some that do not exist

PensionGold shows 141 members (0.8 percent of 18,582 member accounts) with two accounts. Of the 141 accounts:

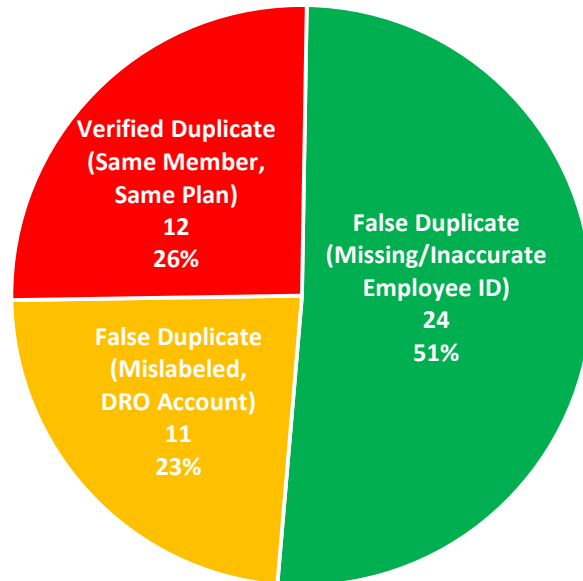
- 94 members are shown with a second account in a different pension plan. ORS procedures do require a second member account for employees with membership in both the Federated and Police and Fire Plans. These second accounts, while necessary, cause operational challenges (discussed below).
- 47 members are shown with a second account in the same pension plan. There is no business reason for the existence of two member accounts in the same pension plan. Exhibit 5 summarizes the status of the 47 duplicate accounts shown in the "Advanced Search – Person" search results and report.

Exhibit 5

47 Duplicate Member Accounts in PensionGold

Of the 47 apparent duplicate member accounts, 12 were verified duplicates for members in PensionGold. Some of the 12 had partial information about the member's service credit and contributions to the plan.

False duplicate member accounts are instances where PensionGold erroneously shows two accounts for a member in the same plan (24 instances) or erroneously labels nonmember accounts that were created pursuant to a DRO or domestic relations order as an existing member's second account (11 instances). PensionGold's "Advanced Search – Person" report shows these members as having two accounts; however, the underlying accounts and data are, in fact, unique.



Source: PensionGold "Advanced Search – Person" report

Duplicate accounts for some members cause account errors

Some of the 12 verified duplicate accounts had conflicting information for the affected members, including different demographic information (e.g., social security number), plan contributions, and service credit. The ORS's process to continually update information in members' accounts in PensionGold requires that members have unique accounts in each plan (i.e., a member can only have up to one account in the Federated Plan and one in the Police and Fire Plan). If a duplicate account is created, presumably with different demographic information, PensionGold will only post PeopleSoft data updates for the member to the account with matching demographic information (e.g., the same social security number), abandoning the other, duplicate member account. Both accounts will have erroneous, partial member contribution and service credit information, which could result in erroneous member statements, erroneous member data for the ORS's actuarial calculations and reports, and if undetected, erroneous pension payments to the future retiree.

Exhibit 6 shows the search results for a City employee who should have a single account in PensionGold but has two.

Exhibit 6**A verified duplicate account in PensionGold (one has an erroneous SSN, one has no Emp. ID)*******EXHIBIT DELETED IN PUBLIC REPORT – GOVERNMENT AUDITING STANDARDS SEC. 9.61 – 9.67*****

PensionGold shows two search results for some employees with only one account

There were 24 false duplicate accounts shown by PensionGold that reference a single, unique member account. PensionGold’s “Advanced Search – Person” search results and Excel report erroneously display duplicate accounts that do not exist for these plan members. There are variations to the erroneous search results:

- PensionGold sometimes reports two separate accounts, one with and one without an Employee ID number.⁸ Exhibit 7 shows an instance where PensionGold shows two accounts for a member in the sample plan; however, when a system user clicks on either of the member search results, PensionGold opens the same, unique electronic member file. ORS staff has communicated this issue to LRS; however, it has not been resolved. The examples reviewed in the audit show that this issue appears to be caused, in part, by inadvertent ORS staff omissions of members’ Employee ID numbers in employment records for members who have had membership in more than one pension plan tier within the same plan.

Exhibit 7**PensionGold shows a nonexistent duplicate account (one has no Employee ID)*******EXHIBIT DELETED IN PUBLIC REPORT – GOVERNMENT AUDITING STANDARDS SEC. 9.61 – 9.67*****

- PensionGold sometimes shows two separate accounts where only one exists but differentiates between the two accounts by showing a different Employee ID number (Exhibit 8). A limited sample of these accounts shows that PensionGold displays these false duplicates when the member has had multiple employment periods and/or pension plan tiers and there is a discrepancy between the Employee ID number that was entered for each employment period. A City-issued identification number (i.e., Employee ID number) should uniquely identify each City employee.

⁸ There are 3,499 member accounts shown in PensionGold without an Employee ID number, which is not required data. Of the 3,499 accounts, 36 are associated with active employees.

Exhibit 8
PensionGold shows a nonexistent duplicate account (with different Employee IDs)

EXHIBIT DELETED IN PUBLIC REPORT – GOVERNMENT AUDITING STANDARDS SEC. 9.61 – 9.67

In either example above (Exhibits 7 and 8), downloading the data to Excel from PensionGold (i.e., clicking on the lower Excel right icon shown in the Exhibits) will produce two records for the member, without any indication that one is a false duplicate. The inaccurate Excel report will cause errors in calculations (e.g., count of plan members) and interfere with management's monitoring tasks and the IAD's audit activities (e.g., detection of true duplicate accounts).

PensionGold's search tool produces erroneous results and limited data

There were 11 user accounts shown as apparent duplicates because a pension plan member, who also was the spouse of another plan member, had a domestic relations order (DRO) account in PensionGold that was erroneously shown as a second member account. In Exhibit 9, PensionGold erroneously shows a member account (that should be shown as a DRO account) in the Police and Fire Plan for a former City employee who is correctly shown as a deferred member of the Federated Plan.⁹ An ORS staff member's notes in the member's account in the Federated Plan show that the staff member was unable to update the member's account because there was also a DRO file for the member and PensionGold stated that the member is "not a member of the plan."

Exhibit 9
Inaccurate member record in the Police and Fire Plan for a domestic relations order (DRO)

EXHIBIT DELETED IN PUBLIC REPORT – GOVERNMENT AUDITING STANDARDS SEC. 9.61 – 9.67

Beneficiary information missing or not up to date for members with accounts in both Federated and Police & Fire Plans

There were 94 plan members who had an account in both the Federated and Police and Fire Plan. For business reasons, ORS creates separate accounts in PensionGold for employees who have membership in both plans. In such instances, PensionGold is configured to update the master data (e.g., personal data) for both member accounts based on information from the PeopleSoft biweekly transmittal file (e.g., name, address, phone number). However, ORS separately tracks beneficiaries for the accounts, which requires that members with an account in both the Federated and Police and Fire Plan provide separate beneficiary information to ORS for each of their accounts, even if they intend for both accounts to have the same beneficiaries.

⁹ The domestic relations order (DRO) is associated with the Police and Fire Plan based on the spouse's membership in the Police and Fire Plan.

Our selection of 10 of the 94 accounts for review showed:

- 5 members did not have a listed beneficiary in either of their two accounts.
- 5 members had beneficiaries but only in one of their two accounts. Of these 5 members, 4 had beneficiaries only in their more recently created account, possibly showing that the member did not know to update their account beneficiaries in their other plan/account.

City's forms and instructions do not clarify the need to separately enroll beneficiaries

ORS's membership forms and instructions do not explicitly inform members that the beneficiaries that they select for one account do not apply to the other. For example, for new City hires who enroll as active members, the City's new employee orientation provides new hires a form to list beneficiaries (Appendix 1). The form has a check box for the employee to select the Federated or Police and Fire Plan and states that the beneficiary designation supersedes all previous beneficiary designations. The form does not clarify that the beneficiaries selected would be specific to the selected plan. Similarly, for retirees, ORS's website provides separate forms for members to register beneficiaries for members of the Federated and Police and Fire Plan. These forms do not clarify that the beneficiary selections of retirees with membership in both the Federated and Police & Fire Plan are specific and limited to each plan.

Recommendations

To help reduce inefficiencies and errors associated with duplicate member accounts and erroneous PensionGold search results, the IAD recommends that the ORS:

- 2.1 Merge verified duplicate member accounts in PensionGold. The merging process should track the before and after status of each account to ensure that no employment data is lost or duplicated in the merged account.
- 2.2 In coordination with LRS, identify and correct the configuration or software errors in PensionGold that might have failed to identify and prevent the creation of real duplicate member accounts.
- 2.3 Request that the PensionGold vendor (LRS) properly configure PensionGold to eliminate erroneous results in the PensionGold "Advanced Search – Person" report that show duplicate member accounts that do not exist. Ensure that the corrective action applies to the report's Excel downloads as well as the search results.
- 2.4 In coordination with the implementation of recommendation 2.3, identify and correct employee accounts in PensionGold that erroneously omit

employee identification numbers or have multiple employee identification numbers for the same member.

- 2.5 Request that the PensionGold vendor (LRS) properly configure PensionGold to eliminate erroneous results in the PensionGold “Advanced Search – Person” report that show domestic relations order (DRO) accounts as member accounts. Ensure that the corrective action applies to the report’s Excel downloads as well as the search results.
- 2.6 Periodically notify all plan members (including active, inactive, deferred, and retired members) with accounts in both City pension plans that their account beneficiary selections are separate and independent and that they must separately inform the ORS of beneficiaries for each account. The ORS should identify the best method to notify these members (e.g., in periodic retiree newsletters, active member statements).
- 2.7 Revise the active employee and retiree beneficiary selection forms to clarify that the selection of beneficiaries is specific to each plan, that members of both plans need to separately register their beneficiaries with each plan, and that changes in beneficiaries for one plan do not supersede the selection, if any, in another plan.

Finding 3**Most members were enrolled in the correct pension plan and tier¹⁰****Summary**

Some employees were enrolled in an incorrect pension plan tier, and some enrollment errors persist in PensionGold, despite ORS staff's corrective actions. Accurate enrollment of new hires in the City's pension plan tiers on the correct date ensures that the ORS accurately calculates the following:

- Members' pension plan contributions (i.e., paycheck deductions) and service credit.
- The City's pension plan contributions for each member.
- Pension plan tier membership counts and associated information that is reported in the ORS's public actuarial and financial reports, as well as the City's financial statements.
- Retiree pension benefits, at the right time based on the member's age and pension tier.

New hires are mostly enrolled in the correct pension plan and tier

Built-in, automated controls in the City's PeopleSoft and PensionGold systems, in coordination with HRD and ORS policies and procedures, have mostly ensured that new hires are enrolled in the correct pension plan and tier, based on the new hire's start date and employees' departments and job descriptions.¹¹ The following are enrollment errors that the IAD detected based on inconsistencies in enrollment data between PeopleSoft, which is administered by the HRD, and PensionGold, which is administered by the ORS:

- PeopleSoft shows that the HRD enrolled an employee in a Tier 2 plan tier. PensionGold shows that the ORS upgraded the employee to a Tier 1 Classic plan tier in August 2017 despite scanned, hard copy documentation in PensionGold showing that the member was not eligible for Tier 1 Classic membership.
- PeopleSoft shows that the HRD enrolled two employees in Tier 1 Classic plan tiers. PensionGold shows that both members were enrolled in a Tier 2 plan tier despite scanned hard copy documentation in PensionGold showing that the members had applied and were approved for Tier 1 Classic membership in 2017.

¹⁰ For details on the City's pension plans and tiers, see ORS's financial documents at <http://www.sjretirement.com/> and San José's Municipal Code at https://library.municode.com/ca/san_jose. The City's pension plans are also shown in the citywide financial documents at: <https://www.sanJoseca.gov/your-government/departments/finance/reports/-folder-447>

¹¹ The audit scope was not sufficient to confidently provide a specific accuracy rate for enrollment given the complexity and extensiveness of enrollment rules and regulations (see Audit Methodology). These examples provide specific instances of confirmed enrollment errors and opportunities to improve ORS and citywide enrollment processes.

Some Tier 1 Classic members were not enrolled in the correct plan tier

Eligible City of San José new hires with prior service at a CalPERS or reciprocal agency are provided an opportunity to enroll as Tier 1 Classic members and receive an enhanced pension benefit upon retirement, at an earlier age.¹² A 2017 agreement between the City of San José and its 11 labor unions (Appendix 2) requires that all new hires complete a CalPERS “Classic” Eligibility Form (Appendix 3) and states that employees claiming Tier 1 Classic eligibility will be placed into the applicable Tier 1 Classic plan tier “on a temporary status until the verification of reciprocal service through CalPERS.”¹³

7 (37%) of 19 Tier 1 Classic members were not correctly enrolled

PensionGold includes scanned, supporting documentation (e.g., the CalPERS “Classic” Eligibility Form) for the enrollment of 11 (58 percent) of 19 City hires who the ORS enrolled in a Tier 1 Classic plan tier in 2019 and 2020. Document retention and completeness of scanned, supporting documentation was not within the audit scope. Based on available information, of the 19 hires:

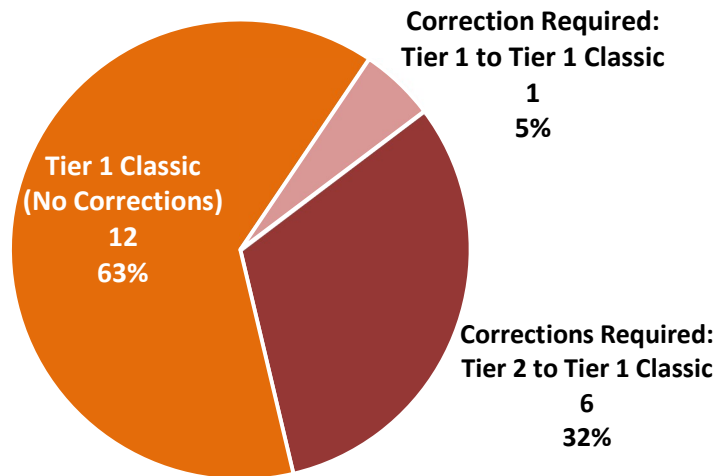
- 12 hires (63 percent) were directly enrolled in a Tier 1 Classic plan tier, which is consistent with the City’s union agreement (Appendix 2). PensionGold records show that 1 of the 12 members was later deemed ineligible for Tier 1 Classic membership, and that the ORS notified the member that they would be enrolled in the appropriate tier. However, the correction was not made, the member continued to accrue Tier 1 Classic service credit, and the member and City continued to make contributions required of Tier 1 Classic members.
- 6 hires (32 percent) were first enrolled into a Tier 2 plan tier before being enrolled in the (presumably) appropriate Tier 1 Classic plan tier, contrary to the City’s union agreement. In all 6 of these examples, PensionGold shows that the member still has a residual, erroneous record of membership and contributions in the Tier 2 plan tier in which they were initially enrolled.
- 1 hire (5 percent) was first enrolled in a Tier 1 plan tier as opposed to a Tier 1 Classic plan tier. There are no notes or records in PensionGold to explain the initial enrollment, which was presumably in error. The PeopleSoft system, contrary to PensionGold, only shows that the member had been enrolled in a Tier 1 Classic plan.

Exhibit 10 summarizes Tier 1 Classic enrollments that did and did not require corrections for 19 new hires in 2019 and 2020.

¹² In addition to new hires, some existing employees (e.g., employees promoted to positions eligible for plan membership) may also be eligible for Tier 1 Classic membership. The audit scope did not include the process to enroll these employees.

¹³ Some language that is used in the form (such as its title) and the agreement appear to inadvertently exclude mention of the option for reciprocal service and Tier 1 Classic membership based on prior service with a non-CalPERS reciprocal agency.

Exhibit 10
Summary of 19 new hire Tier 1 Classic enrollments (in 2019 and 2020)



Notes: PensionGold records show that ORS staff deemed 1 of the 19 Tier 1 Classic members shown above as ineligible for Tier 1 Classic membership; however, there is no record of corrective actions.

Source: PeopleSoft Human Resources System and PensionGold

Streamlining and clarifying the Tier 1 Classic enrollment process can reduce work, errors, and enrollment delays

During employee orientation,¹⁴ new hires at the City of San José are instructed to complete a CalPERS Reciprocity Form and email it to the City's Human Resources Department "by the end of their first day" (Exhibit 11). The hyperlinked document, however, leads new hires to a PDF document that consists of two different, but related, forms: the CalPERS "Classic" Eligibility Form (Appendix 3 - page 1) and a Reciprocity Election Form (Appendix 3 - page 2). The two forms provide the following inconsistent and erroneous information:

- The CalPERS "Classic" Eligibility Form (Appendix 3 - page 1) suggests that a new hire who attests to meeting eligibility requirements would by default be enrolled in the appropriate Tier 1 Classic pension tier, subject to verification. While this appears consistent with the City's agreement with the 11 labor unions (Appendix 2), in actuality, the HRD's internal written procedures show that the HRD will classify and enroll all full-time new hires as Tier 2 members in the PeopleSoft system, by default. Even if a prospective new hire informs the City that he (or she) is eligible for Tier 1 Classic membership, City job offer letters may state that the new hire will be enrolled in a Tier 2 pension plan. The HRD provides the new hire's completed CalPERS Reciprocity Form (Appendix 3, page 1) to the ORS and waits for ORS benefits

¹⁴ See San José's new employee webpage with information and a link to the CalPERS Reciprocity form at: <https://www.sanJoseca.gov/your-government/departments-offices/human-resources/new-employee>

staff to complete an eligibility verification process, which may take several months, and notify the HRD to retroactively enroll eligible employees as Tier 1 Classic members. Then, in accordance with the City's enrollment process, the enrollment data from PeopleSoft will eventually update the member's enrollment in PensionGold (see Exhibit 1).

- The City's employee orientation webpage requires new hires to email the CalPERS Reciprocity Form to the HRD by the employee's first day (Exhibit 11). However, the CalPERS "Classic" eligibility form states that it needs to be submitted within 30 days (Appendix 3 - page 1), and the Reciprocity Election Form (Appendix 3 - page 2) states: "You can claim Reciprocity any time prior to your retirement." There is no clarification provided to distinguish between the Tier 1 Classic and reciprocity benefits or to explain the need for the two different, but apparently related forms.
- Although the new employee orientation website states to submit the CalPERS Reciprocity Form to the Human Resources Department via email (Exhibit 11), the document itself (Appendix 3 - page 2) requires that the new hire complete and **mail** the form to the Office of Retirement Services.

Exhibit 11

Instructions to new hires for completing the CalPERS Reciprocity Form

- [CalPERS Reciprocity Form](#) (Benefits Only)

If you meet the requirements outlined in this form, you may qualify for reciprocity with your previous retirement plan. Please review, complete and scan/email back to Human.Resources@sanjoseca.gov by the end of your first day.

Source: Human Resources Department's new employee orientation webpage¹⁴

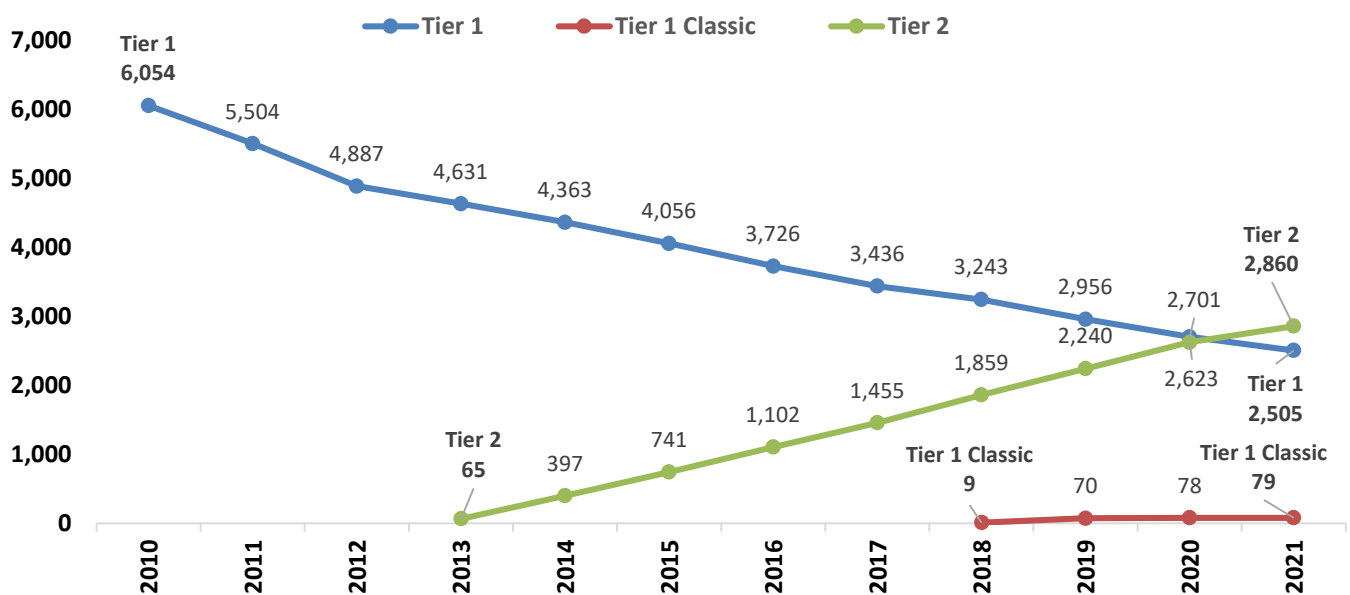
The ORS does not have a reliable process to ensure Tier 1 Classic-eligible new hires are identified and correctly enrolled

The City's current enrollment practice for Tier 1 Classic members relies on the HRD to provide ORS Benefits division staff the CalPERS "Classic" Eligibility Form completed by new hires and for the ORS to inform the HRD to enroll eligible new hires into the appropriate Tier 1 Classic plan in the PeopleSoft system. The HRD provides the ORS lists of new, rehired, or promoted employees; however, ORS staff do not reconcile those lists with PeopleSoft to ensure that they are complete and accurate. The ORS uses those lists to track missing CalPERS "Classic" Eligibility Forms; however, there is no formal process for the ORS to directly communicate with employees or follow up on the status of missing forms. As of January 2021, ORS records show that the ORS was anticipating 146 additional CalPERS "Classic" Eligibility Forms from the HRD for new City hires in 2020. Separately, the IAD, in coordination with the HRD, identified 442

employees in PeopleSoft who were hired, rehired, or promoted in 2020. The ORS did not have a CalPERS “Classic” Eligibility Form for 354 of the 442 employees, who probably should have submitted a form.

Exhibit 12 shows the enrollment of Tier 1 Classic members has grown at a much lower rate than Tier 2 members. There was no readily available and reliable source of data for the IAD to validate that the Tier 1 Classic level of membership is accurate.

Exhibit 12
Federated and Police and Fire Plans: Tier 1, Tier 1 Classic, and Tier 2 Active Members



Note: Enrollment totals by tier were calculated for Active employees as of January 1 of each year shown in the chart.

Source: PeopleSoft Human Resources System as of January 2021

Corrections to enrollment errors are costly

Corrections to erroneous enrollments require a series of steps and corrective actions from the HRD and the ORS, including notifications to the ORS director, a letter to the member, changes to enrollment in PeopleSoft, changes in enrollment in PensionGold, calculations and adjustments of prior payroll contributions for the employee, and various other internal communications.

Recommendations

To streamline and improve the City's Tier 1 Classic member enrollment process, the ORS should address the following recommendations in coordination with the HRD, the Office of Employee Relations, the Finance Department (i.e., Payroll), and the City's 11 labor unions:

- 3.1 For new hires, incorporate the questions from the CalPERS "Classic" Eligibility Form into the City's existing online job application system and eliminate the manual, cross-departmental process to identify, track, and retroactively enroll eligible Tier 1 Classic members. Ensure that the process change is in alignment with the City's agreement with the 11 labor unions (Appendix 2).
- 3.2 After implementing recommendation 3.1, align internal City policies and procedures to enroll Tier 1 Class new hires with the City's agreement with the 11 labor unions (Appendix 2) and correct inconsistencies in the City's Tier 1 Classic enrollment policies and procedures among the ORS, Office of Employee Relations, and the HRD to reflect the updated process to identify, track, and enroll eligible Tier 1 Classic members.
- 3.3 Ensure that provisional job offers to eligible new employees correctly reflect their eligibility for the City's Tier 1 Classic pension plan tiers, subject to verification, based on the information that they provide about past service in a CalPERS or other reciprocal agency.
- 3.4 Identify and implement a process to identify and correct any potential past errors where employees eligible for Tier 1 Classic membership were enrolled in a Tier 2 plan tier. This includes correcting erroneous member contribution and service credit records in PensionGold. The ORS, in coordination with the HRD, Office of Employee Relations, and the City's 11 labor unions, should also consider sending a notice to all existing Tier 2 City employees about eligibility requirements for Tier 1 Classic membership, how to identify their current plan and tier membership, how to check on the status of their CalPERS "Classic" Eligibility Forms, and how to apply for a potential correction to their current plan tier enrollment, if required.
- 3.5 Implement any applicable parts of recommendations 3.1 through 3.4 for employees who are not new hires but may become eligible for Tier 1 Classic membership (e.g., eligible employees who receive promotions).

APPENDIX 1 – Active Members' Beneficiary Designation Form

BEN 100

	Title BENEFICIARY DESIGNATION ACTIVE MEMBERS	Document No. Form RP-4	Rev. 08/07/2015	Page 1 of 1
---	---	---	--------------------------------------	----------------------------------

RETURN THE FORM USING ONE OF THE FOLLOWING METHODS:

a. MAIL TO: **CITY OF SAN JOSÉ**
OFFICE OF RETIREMENT SERVICES
1737 NORTH FIRST STREET, SUITE 600
SAN JOSÉ, CA 95112-4505

b. FAX TO: **(408) 392-6732**

Name: _____

Social Security Number: _____

Employee ID Number: _____

E-Mail Address: _____

- ☐ Federated City Employees' Retirement System
☐ Police and Fire Department Retirement Plan

Name	Social Security Number	Date of Birth	Relationship	Primary	Contingent
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>

Deferred Compensation Accounts in either the 457 Voluntary Plan or PTC Plan may view or change their beneficiaries online through Voya's website at www.voyaretirementplans.com. First time users can set up an ID and password for account access. (Note: The default PIN is the two-digit month and two-digit year of the participant's date of birth, MMY). Call Voya at 1-800-584-6001 for help with accessing the account.

PLEASE NOTE: This beneficiary designation supersedes all previous beneficiary designations. Primary beneficiaries share equally. Secondary beneficiaries are paid only if no primary beneficiaries are living. Secondary beneficiaries share equally.

Member's Signature: _____ Date: _____

Spouse/Domestic
Partner's Signature: _____ Date: _____

Witness Signature: _____ Date: _____

APPENDIX 2 – Agreement between San José and its 11 labor unions (Page 1 of 3)**SIDE LETTER AGREEMENT**

BETWEEN
THE CITY OF SAN JOSE
AND

The Association of Building, Mechanical and Electrical Inspectors (ABMEI)
The Association of Engineers and Architects, IFPTE Local 21 (AEA)
The Association of Legal Professionals (ALP)
The Association of Maintenance Supervisory Personnel, IFPTE Local 21 (AMSP)
The City Association of Management Personnel, IFPTE Local 21 (CAMP)
The Confidential Employees' Organization, AFSCME Local 101 (CEO)
The San Jose Fire Fighters, IAFF Local 230 (IAFF)
The International Brotherhood of Electrical Workers, Local No. 332 (IBEW)
The Municipal Employees' Federation, AFSCME Local 101 (MEF)
The International Union of Operating Engineers, Local No. 3 (OE#3)
and
The San Jose Police Officers' Association (POA)

CALPERS "CLASSIC" EMPLOYEES HIRED ON OR AFTER JUNE 18, 2017**The parties agree to the following:**

Employees eligible for Tier 1 benefits because of their eligibility as CalPERS "Classic" members at a CalPERS agency or reciprocal agency will follow the process below to establish CalPERS Reciprocity. An individual may be qualified for CalPERS "Classic" membership if they were employed at a CalPERS or reciprocal agency before January 1, 2013 and were hired by the City of San Jose with less than a six (6) month break in service and did NOT have concurrent service (overlapping service). This will apply to new employees hired after June 18, 2017.

- (1) All new employees to the City will be required to complete the CalPERS "Classic" Eligibility Form regardless of their previous employment at a CalPERS or reciprocal agency. This form will be provided during the benefits enrollment portion of the New Employee Welcome and should be completed and provided to the Office of Retirement Services staff member during the New Employee Welcome. New employees will also be provided with the Reciprocity Election Form to be returned to Retirement Services. Retirement Services will begin the process to verify reciprocity at the time when all forms have been received.*
- (2) Employees will only have thirty (30) calendar days from their entry date into a classification that qualifies for retirement benefits to submit the verification documentation to Retirement Services. If an employee fails to submit the required documentation within that timeframe, they will not be eligible for the Tier 1 benefit and they waive their right to go into the Tier 1 Retirement System.*
- (3) Employees claiming Tier 1 eligibility will be placed into Tier 1 retirement plan for either the Police and Fire Department Retirement Plan or the Federated City Employees' Retirement System on a temporary status until the verification of reciprocal service through CalPERS. At this time, the employee will be informed that this process may take several months.*
- (4) In the event that it is found that the employee does not have CalPERS "Classic" Membership and is not eligible for Tier 1 benefits at the City of San Jose, Retirement Services will make an adjustment to move the employee into the Tier 2 retirement plan for either the Police and Fire Department Retirement Plan or the Federated City Employees' Retirement System effective on the first day of the following pay period. The employee will be responsible for any adjustments to contribution rates, including any unfunded liability, as a result of this change.*

APPENDIX 2 (cont'd)– Agreement between San José and its labor unions (Pages 2-3 of 3)

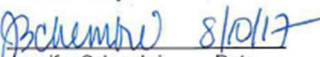
Side Letter Agreement – CalPERS "Classic" Members
June 15, 2017
Page 2 of 3

- (5) Retirement Services will calculate the difference in employee and employer contribution rates from Tier 1 to Tier 2 from date of hire to date of adjustment, if necessary. Retirement Services will create an invoice for the employer contribution and submit this to Finance for remittance.
- (6) Retirement Services will send a notice to the employee confirming CalPERS Reciprocity. If the employee needs to be moved from Tier 1 to Tier 2, this notice will include the calculation of contribution due, including any unfunded liability as a result of this change. Retirement Services will notify payroll to deduct the contribution amount in increments over a six-month period from the employee's paycheck. If an employee wishes to pay in a lump sum or over a different time period, they may contact the Finance Department to contract for a payment plan.
- (7) At such time that the Tier 2 Contribution Rate becomes lower than the Tier 1 Contribution Rate, the same process as outlined above will be followed with the exception that the employee will be placed into Tier 2 while awaiting CalPERS Reciprocity verification.
- (8) CalPERS "Classic" members will not be eligible for the Retiree Healthcare Defined Benefit plan. CalPERS "Classic" members will be placed into the VEBA once implemented.

Side Letter Agreement – CalPERS "Classic" Members
June 15, 2017
Page 3 of 3

This Side Letter Agreement shall become effective when signed by all the parties below.

For the City:

 8/10/17
Jennifer Schembri Date
Director of Employee Relations

 8-10-17
Cheryl Parkman Date
Senior Executive Analyst

For the Unions:

 6-15-17
Gregg Adam Date
Legal Counsel, POA

 6-15-17
Charles Allen Date
AFSCME Local 101

 6/28/17
Mary Blanco Date
OE#3

 6-16-17
Kara Capaldo Date
President, CAMP

 6/21/17
Steve Contreras Date
President, AMSP


 6-21-17
Frank Crusco Date
Chief Steward, IBEW

 6/15/17
Robyn Zamora Date
President, MEF

 6/21/17
Peter Fenerin Date
President, ABMEI

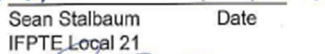
 6/15/17
Sean Kaldor Date
President, IAFF

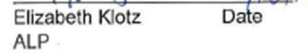
 6/19/17
Paul Kelly Date
President, POA


 6-21-17
Steve Pagan Date
President, AEA

 6/21/17
Christopher Platten Date
Legal Counsel

 6/16/17
Tom Saggau Date
Labor Consultant

 6/16/2017
Sean Stalbaum Date
IFPTE Local 21

 6/16/17
Elizabeth Klotz Date
ALP

 6/16/17
Sal Ventura Date
IBEW

 6/21/17
LaVerne Washington Date
President, CEO

APPENDIX 3 (Page 1 of 2) – City of San José's CalPERS "Classic" Eligibility Form



CalPERS "Classic" Eligibility Form

REC100

For new hires into the Police and Fire Department Retirement Plan as of March 31, 2017 and into the Federated City Employees' Retirement System as of June 16, 2017. Please indicate if you are eligible for the CalPERS "Classic" benefit because of your previous service with a CalPERS or a reciprocal agency, please read below and mark the CalPERS "Classic" box. If you do not have eligible service in CalPERS or a reciprocal agency, please mark the City of San Jose Non CalPERS "Classic" box.

Member Name (Last, First, Middle Initial)		Employer Section
Mailing Address		
City, State, Zip	Phone: Home or Cell ()	Department
Social Security Number		Employee ID

Please read the following information and choose the option that reflects your situation:

- ☐ **CalPERS "Classic":** I have previously been a member of a CalPERS or reciprocal agency and qualify for the CalPERS "Classic" benefit. I understand that this means that I was employed by a CalPERS or other reciprocal agency before January 1, 2013, and I do not have a break in service of more than six (6) months and do NOT have concurrent service (overlapping service). I understand that I will be placed in the Tier 1 "Classic" pension benefit and that the accrual rate is 2.5% per year of City service multiplied by final compensation with a maximum of 75%. I understand that I must attain the required age of retirement and vested service to qualify for service retirement under the applicable City retirement plan, i.e., 1975 Federated Employees' Retirement Plan or 1961 Police and Fire Department Retirement Plan. I understand that I nor my spouse or dependents will be eligible for retiree health benefits. I also understand that this means that at my previous agency I was in a position that received retirement benefits. I acknowledge that my previous service must be verified, and in the event that I am found to not be eligible for the CalPERS "Classic" benefit, I will be placed into Tier 2. I understand that I have thirty (30) days to submit any eligibility documentation including the CalPERS Reciprocity Election Form attached to this form.

- ☐ **Non CalPERS "Classic":** I do not qualify for the CalPERS "Classic" benefit due to one or more of the following reasons:
- I have never been employed by a CalPERS or reciprocal agency
 - I was hired after January 1, 2013 into a CalPERS or reciprocal agency
 - I had a break in service of more than six (6) months from my CalPERS or reciprocal agency
 - I had concurrent (overlapping) service with my CalPERS or reciprocal agency employment and my employment with the City of San Jose
 - I was previously employed by the City of San Jose in Tier 1 and did not take a return of contributions

I understand that I do not qualify for the CalPERS "Classic" benefit and that I will be placed into Tier 1 (if I am a qualified rehire) or Tier 2.

I acknowledge that this form has been filled out based on my individual circumstances. I understand that if I marked the CalPERS "Classic" box, my retirement tier may change based on the verification received by the City's Office of Retirement Services and that it may differ from what I have chosen above. I understand that if I am moved into a different retirement tier based on the verification of my previous service that I will be responsible for any differences in the employee contribution rate that may result from that move, including any unfunded liability created as a result of this change. If I do not claim and retire with reciprocity thereby breaking reciprocity before retirement, I acknowledge that my retirement benefit will be calculated only on my service with the City of San Jose. I authorize a payroll deduction in the full amount I owe due to any adjustment made to my benefit level. This amount will be deducted in increments, over a period of time of up to a six months, beginning the first pay period following the adjustment. With these understandings, I voluntarily sign this form.


Signed:

Received by:

Employee _____ Date _____

Name _____ Date _____

APPENDIX 3 (Page 2 of 2) – City of San José's Reciprocity Election Form

 <p>CITY OF SAN JOSE CAPITAL OF SILICON VALLEY OFFICE OF RETIREMENT SERVICES</p>	<p>Title</p> <p>RECIPROCITY ELECTION FORM – CITY OF SAN JOSE</p>	<p>Document No.</p> <p>Form RP- 8</p>	<p>Rev.</p> <p>4/22/15</p>	<p>Page</p> <p>1 of 1</p>
--	---	--	-----------------------------------	----------------------------------

You can claim Reciprocity any time prior to your retirement. Please note that to be eligible for reciprocal benefits you must retire concurrently. Many systems now have new Retirement Tiers with varying age requirements. Please consider this before claiming Reciprocity. Also, note that the election to leave money on deposit due to Reciprocity is irrevocable while membership in the reciprocal system continues.

I hereby request Reciprocity between the following agency and the City of San José.

PERS/Reciprocal

Agency: _____

Address: _____

Police member _____ Fire member _____ Federated member _____

Please note that in order to establish Reciprocity, you must not have concurrent service in two reciprocal retirement systems. In addition, your transfer between systems must have occurred within 6 months. If your transfer was before January 1, 1976, then the transfer must have occurred within 90 days.

At this point, eligibility for Reciprocity is preliminary. Final eligibility is determined at time of retirement. Note that once Reciprocity is claimed, you may not withdraw your retirement contributions.

Please complete and return this form to:

Office of Retirement Services
1737 N. First St. Suite 600
San José, CA. 95112-4505

Print Name: _____ Phone#: _____

Social

Social Security#: _____

E-mail address: _____

Signature: _____

Date: _____

APPENDIX 4 – ORS Management’s Response

ORS management has agreed to take the following actions in response to the audit recommendations in this report. The IAD will report progress on implementation of these audit recommendations annually, until all recommendations have been implemented or dropped (i.e., if management disagrees with the recommendation and assumes the risk of taking no action).

Recommendation	Responsible Division(s)	Agree, Partially Agree, or Do Not Agree and Target Date and Corrective Action Plan	Status
Finding 1: Most pension plan member data are accurate and complete			
1.1. Inform plan members that they can opt out of hard-copy correspondence from the ORS. For members who opt out, send automated email notifications with information regarding how to access their statements online, when there is an update or important information that would previously have been sent in hard copy.	Benefits	Concurrence: Agree Target Date: May 2022 Action Plan: ORS will plan on notifying members of their ability to opt out of hard copy.	
1.2. Assess whether it is economically viable and feasible to update PensionGold address data with current addresses from PeopleSoft immediately prior to any large-scale printing and mailing jobs (e.g., mailing of annual member statements). Depending on the assessment, decide whether to update existing policies and procedures for large-scale printing and mailing jobs.	Benefits	Concurrence: Agree Target Date: July 2022 (after implementation of 1.1) Action Plan: ORS will work the City and PensionGold software vendor to determine the cost of implementing a solution to update addresses for Actives.	
1.3. On a one-time basis, use the PensionGold address verification and correction tool to detect and correct errors and inconsistencies in addresses of accounts that were migrated to PensionGold from older, legacy systems or prior versions of PensionGold.	Benefits	Concurrence: Agree Target Date: December 2021 Action Plan: ORS will use the PensionGold address verification and correction tool to detect and correct errors and inconsistencies in addresses.	

Recommendation	Responsible Division(s)	Agree, Partially Agree, or Do Not Agree and Target Date and Corrective Action Plan	Status
<p>1.4. In coordination with the PensionGold vendor (LRS), configure PensionGold to:</p> <ul style="list-style-type: none"> Show members' "preferred" phone numbers as their default contact number, instead of members' "home" phone numbers (or no phone number in some instances) in the "Advanced Search – Person" search results and Excel report downloads. Remove or archive phone numbers that were eliminated for employees in PeopleSoft. 	Benefits	<p>Concurrence: Agree</p> <p>Target Date: December 2022</p> <p>Action Plan:</p> <p>ORS will explore options to include or indicate in PensionGold a member's preferred number to show when using the Advanced Search.</p> <p>In addition, ORS will explore options to remove or archive phone numbers that were eliminated for employees in PeopleSoft.</p>	
<p>1.5. Implement PensionGold's account lock feature to protect against inadvertent or potentially fraudulent changes to PensionGold accounts that should rarely, if ever, be changed. Create policies and procedures (e.g., document who will have the authority to lock and/or unlock member accounts, document which accounts should be locked) and train staff on the use of the feature.</p>	Benefits	<p>Concurrence: Agree</p> <p>Target Date: July 2022</p> <p>Action Plan:</p> <p>ORS will work on identifying accounts that should rarely be changed, and subsequently work with the PensionGold Software Vendor to lock these accounts. In addition, ORS will create policies and procedures and provide training for staff.</p>	
<p>1.6. In coordination with the ORS's legal counsel, update the current records retention policy to ensure it is consistent with current laws, rules, and regulations and that it is also sufficiently specific for information in PensionGold. Identify and update PensionGold accounts that may not comply with the updated records retention policy.</p>	Benefits	<p>Concurrence: Agree</p> <p>Target Date: December 2022</p> <p>Action Plan:</p> <p>ORS will work with legal counsel to review and update the current records retention policy.</p>	

Recommendation	Responsible Division(s)	Agree, Partially Agree, or Do Not Agree and Target Date and Corrective Action Plan	Status
1.7. Assess the cost versus benefit of implementing an automated process in PensionGold to notify management of changes to key, high-risk data that should rarely, if ever occur (e.g., changes to a member's pension plan tier enrollment, social security number, birth date). If the assessment indicates that the benefits outweigh the costs, coordinate the implementation with the PensionGold vendor (LRS), update relevant ORS policies and procedures, and provide training to staff to ensure that the new process realizes the intended benefits.	Benefits	Concurrence: Agree Target Date: July 2023 Action Plan: ORS will work with the PensionGold software vendor to conduct a cost benefit analysis of implementing a solution to restrict changes or notify management when high risk data is updated/changed. ORS policies and procedures, will be updated as necessary and training provided to staff to ensure that the new process realizes the intended benefits.	
Finding 2 Duplicate member accounts in PensionGold cause operational inefficiencies and errors			
2.1 Merge verified duplicate member accounts in PensionGold. The merging process should track the before and after status of each account to ensure that no employment data is lost or duplicated in the merged account.	Benefits	Concurrence: Agree Target Date: December 2022 Action Plan: ORS will merge verified member accounts in PensionGold. The process will track the before and after status of each account to ensure that no employment data is lost or duplicated in the merged account.	
2.2 In coordination with LRS, identify and correct the configuration or software errors in PensionGold that might have failed to identify and prevent the creation of real duplicate member accounts.	Benefits	Concurrence: Agree Target Date: December 2022 Action Plan: As part of the process to merge verified member accounts in PensionGold (Recommendation 2.1), ORS staff will identify whether any existing PensionGold software configuration should (or could) have prevented the creation of a duplicate member account and whether any corrective action may be required.	

Recommendation	Responsible Division(s)	Agree, Partially Agree, or Do Not Agree and Target Date and Corrective Action Plan	Status
2.3 Request that the PensionGold vendor (LRS) properly configure PensionGold to eliminate erroneous results in the PensionGold “Advanced Search – Person” report that show duplicate member accounts that do not exist. Ensure that the corrective action applies to the report’s Excel downloads as well as the search results.	Benefits	Concurrence: Agree Target Date: December 2022 Action Plan: ORS will work with the PensionGold software Vendor, LRS, to address this issue. The resolution should also address recommendation 2.4.	
2.4 In coordination with the implementation of recommendation 2.3, identify and correct employee accounts in PensionGold that erroneously omit employee identification numbers or have multiple employee identification numbers for the same member.	Benefits	Concurrence: Agree Target Date: December 2022 Action Plan: ORS will work with the PensionGold software Vendor, LRS, to address this issue.	
2.5 Request that the PensionGold vendor (LRS) properly configure PensionGold to eliminate erroneous results in the PensionGold “Advanced Search – Person” report that show domestic relations order (DRO) accounts as member accounts. Ensure that the corrective action applies to the report’s Excel downloads as well as the search results.	Benefits	Concurrence: Agree Target Date: July 2023 Action Plan: ORS will work with the PensionGold software vendor, LRS, to provide the ability to exclude DRO accounts from the advanced search for members.	
2.6 Periodically notify all plan members (including active, inactive, deferred, and retired members) with accounts in both City pension plans that their account beneficiary selections are separate and independent and that they must separately inform the ORS of beneficiaries for each account. The ORS should identify the best method to notify these members (e.g., in periodic retiree newsletters, active member statements).	Benefits	Concurrence: Agree Target Date: December 2022 Action Plan: ORS will explore options and work with legal counsel on the specifics of the solution to address this issue.	

Recommendation	Responsible Division(s)	Agree, Partially Agree, or Do Not Agree and Target Date and Corrective Action Plan	Status
2.7 Revise the active employee and retiree beneficiary selection forms to clarify that the selection of beneficiaries is specific to each plan, that members of both plans need to separately register their beneficiaries with each plan, and that changes in beneficiaries for one plan do not supersede the selection, if any, in another plan.	Benefits	Concurrence: Agree Target Date: December 2022 Action Plan: ORS will explore options and work with legal counsel to identify appropriate revisions for the Beneficiary election forms to address this issue.	
Finding 3: Most members were enrolled in the correct pension plan and tier			
3.1 For new hires, incorporate the questions from the CalPERS "Classic" Eligibility Form into the City's existing online job application system and eliminate the manual, cross-departmental process to identify, track, and retroactively enroll eligible Tier 1 Classic members. Ensure that the process change is in alignment with the City's agreement with the 11 labor unions (Appendix 2).	Benefits	Concurrence: Agree Target Date: December 2022 Action Plan: ORS will liaise with OER and HR to explore the viability of incorporating the CalPERS "Classic" Eligibility Form into the City's existing online job application system with a view to eliminating the manual, cross-departmental process to identify, track, and retroactively enroll eligible Tier 1 Classic member.	
3.2 After implementing recommendation 3.1, align internal City policies and procedures to enroll Tier 1 Class new hires with the City's agreement with the 11 labor unions (Appendix 2) and correct inconsistencies in the City's Tier 1 Classic enrollment policies and procedures among the ORS, Office of Employee Relations, and the HRD to reflect the updated process to identify, track, and enroll eligible Tier 1 Classic members.	Benefits	Concurrence: Agree Target Date: December 2022 Action Plan: After implementation of recommendation 3.1, ORS will work with OER and HR to align City policies and procedures to enroll Tier 1 Class new hires with the City's agreement with the 11 labor unions and correct inconsistencies in the City's Tier 1 Classic enrollment policies and procedures among the ORS, Office of Employee Relations, and the HRD to reflect the updated process to identify, track, and enroll eligible Tier 1 Classic members.	

Recommendation	Responsible Division(s)	Agree, Partially Agree, or Do Not Agree and Target Date and Corrective Action Plan	Status
3.3 Ensure that provisional job offers to eligible new employees correctly reflect their eligibility for the City's Tier 1 Classic pension plan tiers, subject to verification, based on the information that they provide about past service in a CalPERS or other reciprocal agency.	Benefits	Concurrence: Agree Target Date: December 2022 Action Plan: ORS will work with OER and HR.	
3.4 Identify and implement a process to identify and correct any potential past errors where employees eligible for Tier 1 Classic membership were enrolled in a Tier 2 plan tier. This includes correcting erroneous member contribution and service credit records in PensionGold. The ORS, in coordination with the HRD, Office of Employee Relations, and the City's 11 labor unions, should also consider sending a notice to all existing Tier 2 City employees about eligibility requirements for Tier 1 Classic membership, how to identify their current plan and tier membership, how to check on the status of their CalPERS "Classic" Eligibility Forms, and how to apply for a potential correction to their current plan tier enrollment, if required.	Benefits	Concurrence: Agree Target Date: December 2022 Action Plan: ORS will work with OER and HR on implementing a process to identify and correct any potential past errors where employees eligible for Tier 1 Classic membership were enrolled in a Tier 2 plan tier. In addition, ORS will also work with OER and HR to explore the possibility of providing a notice to all existing Tier 2 City employees about eligibility requirements for Tier 1 Classic membership.	
3.5 Implement any applicable parts of recommendations 3.1 through 3.4 for employees who are not new hires but may become eligible for Tier 1 Classic membership (e.g., eligible employees who receive promotions).	Benefits	Concurrence: Agree Target Date: December 2022 Action Plan: ORS will work on Implementing any applicable parts of recommendations 3.1 through 3.4 for employees who are not new hires but may become eligible for Tier 1 Classic membership.	