

Compliance Review

City of Medina

No. CR23-091

Report Date: October 8, 2024

About the Review

We have reviewed this Employer's compliance with laws and regulations of the retirement systems administered by the Department of Retirement Systems (DRS). We did not attempt to review the records of all employees, nor did we evaluate compliance with all laws relating to retirement matters. Compliance with the law is an employer responsibility. We reviewed for compliance in the following areas:

- **Retirees**

To ensure that retirees who have returned to work have been correctly reported. If an employer fails to report a working retiree, and that retiree works in excess of applicable post-retirement restrictions, the employer may be liable for any overpayment of retirement benefits.

- **Reporting**

To ensure compensation and hours were reported correctly. Retirement benefits are based on compensation and service credit. Reporting compensation differently than earned has the potential to create an incorrect benefit for the member.

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1. Hours were not reported correctly.

Issue

Hours were not reported as earned by calendar month for all employees. Instead, the Employer incorrectly reported a set 173.3 hours plus any overtime hours worked. The Employer must report the actual hours worked for hourly employees. For salaried employees the Employer must report the actual hours worked or use the reportable work hours calendar from the DRS Employer Handbook to report hours each month.

The Employer incorrectly reported compensatory time hours when earned instead of when the hours were used, for one employee. Additionally, there were two occurrences when hours recorded on timesheets did not match the hours reported. The errors involved minimal hours and did not affect service credit.

Recommendations and Required Actions

The Employer must make corrections to report hours correctly where service credit was affected.

In the future, the Employer must report hours correctly.

Citations and References

WAC 415-117-040(1)

2. Overtime was not reported correctly.

Issue

The Employer has a monthly payroll cycle with a cut-off date two days before the pay date. If an employee works overtime between the cut-off date and the end of the month the Employer incorrectly reports the overtime hours and compensation in the following month when paid, instead of back in the month it was earned.

Reporting hours and compensation incorrectly could result in a service credit

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error and an incorrect Average Final Compensation (AFC) or Final Average Salary (FAS), which could result in an incorrect retirement benefit.

Recommendations and Required Actions

The Employer must make corrections to report hours and compensation correctly where service credit was affected.

In the future, the Employer must report hours and compensation correctly.

Citations and References

RCW 41.26.030(4)(b)
RCW 41.40.010(8)(b)
WAC 415-104-360(2)
WAC 415-108-445(2)(c)
WAC 415-117-040(1)

3. Holiday pay was not reported correctly.

Issue

The Employer incorrectly did not report holiday bank cash outs for Law Enforcement Officers' and Fire Firefighters' Retirement Systems (LEOFF) employees. Cash outs for holiday pay tied to specific holidays is overtime and is reportable for LEOFF Plan 2. When hours in a holiday bank are cashed out, the compensation needs to be reported back in the month the holidays occurred.

Reporting hours and compensation differently than earned has the potential to overstate or understate a member's service credit and Final Average Salary (FAS).

Recommendations and Required Actions

Corrections must be made for employees within five years of retirement eligibility.

In the future, holiday bank cash outs must be reported as earned by calendar month.

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Citations and References

RCW 41.40.010(8)
WAC 415-104-360
WAC 415-104-370
DRS Notice 22-012

4. Retirees who returned to work were not reported.

Issue

The Employer obtained written verification of retirement status from employees. However, two retirees who returned to work in an eligible position did not get reported to DRS.

Retirees are subject to post-retirement employment restrictions. If an employer fails to report a rehired retiree, and that retiree works in excess of applicable post-retirement restrictions, the Employer will be liable for overpayment of benefits.

Recommendations and Required Actions

Corrections must be made to report the retirees who returned to work.

In the future, all retirees returning to work must be reported.

Citations and References

RCW 41.50.139
DRS Employer Handbook Chapter 5