



Audit Committee Meeting

Sacramento County Employees' Retirement System

Agenda Item 4

MEETING DATE: June 16, 2026

SUBJECT: Agreed Upon Procedure: Employer Reporting—Payroll

SUBMITTED FOR: Action X Information

RECOMMENDATION

Receive and file the Agreed Upon Procedure review for employer payroll reporting performed for the period of July 1, 2025 – December 31, 2025, as prepared by Eide Bailly.

PURPOSE/STRATEGIC PRIORITY

This item supports the Strategic Management Plan objective to formalize and integrate Enterprise Risk Management to enhance organizational resilience and decision-making.

DISCUSSION

Eide Bailly completed an Agreed-Upon Procedures (AUP) review of participating employer payroll reporting for the period of July 1, 2025, through December 31, 2025. The review examined employer payroll reporting practices, including salary schedule approvals, member enrollment and tier assignment, payroll reporting, payroll corrections, retroactive payments, and annual leave payouts.

The results indicate that participating employers are generally reporting payroll information accurately and within statutory requirements. The review also identified opportunities to strengthen documentation and reporting practices in certain areas. No exceptions were identified in the areas of member enrollment and tier assignment, payroll corrections and retroactive payments, or annual leave payout reporting. Participating employers also generally maintained salary schedule documentation and approval records.

However, the review noted that three participating employers indicated they do not maintain formal board-approved salary schedules for employee compensation. In addition, one payroll reporting exception was identified in which a payment in lieu of health insurance for a PEPR member was reported as pensionable compensation when it should have been excluded. The exception was limited to a single employee transaction within the testing sample.

Next Steps

SCERS recognizes that participating employers vary significantly in size, staffing, and administrative resources. As a result, payroll and compensation practices may be documented differently across employers. SCERS will work collaboratively with the employers that do not maintain formal board-approved salary schedules to better understand their compensation approval processes and determine whether additional documentation or guidance may be appropriate. Similarly, staff will work with the employer associated with the payroll reporting exception to ensure the matter is addressed and to reinforce reporting requirements related to pensionable compensation.

SCERS's approach remains focused on partnership, education, and continuous improvement to support accurate and consistent employer reporting.

ATTACHMENTS

- Eide Bailly Employer Payroll Report

Prepared by:

/S/

Margo Allen
Chief Operations Officer

Reviewed by:

/S/

Eric Stern
Chief Executive Office

Agreed Upon Procedures
Employer Reporting - Payroll
Period of July 1, 2025 – December 31, 2025
**Sacramento County Employees'
Retirement System**



Independent Accountant's Report

Sacramento County Employees' Retirement System
Sacramento, California

We have performed the procedures enumerated below on certain employer payroll reporting requirements applicable to participating employers of the Sacramento County Employees' Retirement System ("SCERS"). The procedures were performed for the period of July 1, 2025 – December 31, 2025, except where specified. Employer management is responsible for the accuracy and completeness of payroll data reported to SCERS in accordance with applicable laws, regulations, and SCERS policies and reporting requirements.

SCERS has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of evaluating employer compliance with SCERS payroll reporting requirements. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

1. Board Approved Salary Schedules

- a) Obtain Board-approved salary schedules and evidence of Board approval from the Plan Sponsor (County of Sacramento) and participating employers.

Finding: Board-approved salary schedules and evidence of Board approval were obtained from the Plan Sponsor and participating employers, as applicable, and are summarized below.

- Carmichael Recreation and Park District: Obtained the salary schedule and Board meeting minutes approving the FY 2025–26 adopted budget, which included salary increases.
- County of Sacramento: Obtained the current salary schedule and the Board-approved salary resolution evidencing approval of the most recent changes to the schedules.
- Mission Oaks Recreation and Park District: Obtained the salary schedule and Board meeting minutes evidencing approval of the most recent updates to wage scales.
- Orangevale Recreation and Park District: Obtained the salary schedule and Board meeting minutes approving the latest salary resolution applicable to the District's salary schedule.
- Rio Linda-Elverta Recreation and Park District: Obtained the salary schedule and the Board-approved resolution adopting the FY 2025–26 final budget, which included salaries and employment benefits.
- Sacramento Employment and Training Agency: Obtained the salary schedule and evidence of Board approval for the most recent update to one job code position.

- Sunrise Recreation and Park District: Obtained the salary schedule policy and Board meeting minutes approving the salary policy and adopted budget.
- Superior Courts: Obtained four (4) signed Memorandums of Understanding (MOUs) for the four represented unions, which document salary schedules and negotiated salary changes approved by the Presiding Judge and Court Executive Officer.

Fair Oaks Cemetery District, Galt-Arno Cemetery District, and Elk Grove Cosumnes Cemetery District indicated they do not utilize formal salary schedules for employee compensation. Accordingly, Board-approved salary schedules and evidence of Board approval not obtained for these three employers.

2. Membership Enrollment and Tier Assignment

- Obtain listing of all new hires for the timeframe June 1, 2025 – December 31, 2025, from the County and employers.
- Select a sample of ten (10) new hires that are SCERS eligible.
- Trace samples of new hires to HR supporting documents and confirm the sample of employees is properly enrolled in the appropriate Tier.

Finding: We traced each employee in the sample to supporting HR documentation and compared hire dates to the applicable SCERS Member Handbooks without exception.

3. Payroll Data Reporting and Pay Code Compliance

- Obtain a listing of pay codes from SCERS.
- Select one (1) pay period (September 21 – October 4, 2025, for the County and September 28 – October 11, 2025, for special districts) and obtain the earning report showing regular, pension and non-pensionable earnings.
- Select a sample of ten (10) employees from the earnings report and confirm that regular, pensionable, and non-pensionable earnings are reported using appropriate pay codes, correct tier, in accordance with approved salary schedules, and CERL, PEPRA, and SCERS policies.

Finding: Based on the procedures performed, no exceptions were identified for nine (9) of the ten (10) employees selected for testing. However, for one PEPRA member employed by Orangevale Recreation and Park District, we noted that a \$50 payment in lieu of health insurance was reported as pensionable compensation. Under PEPRA and SCERS policies, payments in lieu of health insurance for PEPRA members are not considered pensionable.

4. Payroll Corrections, Retro Pay, and Special Payments

- Identify all payroll corrections, retro pay, and special payments (often off-schedule payments) for the timeframe July 1, 2025 – December 31, 2025.
- Select a sample of ten (10) in total over corrections, retro pay, and special payments and agree the information to supporting documentation for accuracy.

Finding: We selected a sample of three corrections and seven retroactive payments, and agreed each payment to supporting documentation without exception.

5. Annual Leave Payouts

- a) Request from plan sponsors and participating employers a listing of employees between June 1, 2025 and December 31, 2025, including the amounts and payment dates of any vacation leave payouts.
- b) From the listing provided, select a sample of ten (10) employees who received vacation leave payouts during the period.
- c) For each selected employee, confirm that vacation leave payouts were appropriately reported or excluded as pensionable compensation, per the Final Compensation Policy.

Finding: We tested a sample of ten (10) employees selected from vacation leave payouts occurring during the period of June 1, 2025 through December 31, 2025 to determine whether the payouts were appropriately reported or excluded as pensionable compensation in accordance with the Final Compensation Policy. For each selected employee, we also inspected activity dating back to June 1, 2023 to confirm that vacation leave accruals and payouts did not exceed employer policy-defined maximums. Based on the procedures performed, no exceptions were noted.

We were engaged by SCERS to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not conduct, an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on employer payroll or compliance with SCERS payroll reporting requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of SCERS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of SCERS management and is not intended to be and should not be used by anyone other than this specified party.



Sacramento, California
May 19, 2026