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City Cashes In Deferred Compensation

Posted by [Libi Uremovic](#) , August 06, 2013 at 04:38 AM

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Deferred Compensation is part of the employee's payroll that is paid at a later date such as retirement plans. The main benefit of this payroll option is to defer taxes. Deferred

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Compensation saves the money in a interest-bearing financial institution until/unless the employee requests to withdraw the funds.

Deferred compensation is collected just like a medical benefit; the amount is deducted from the individual employee and paid to whatever savings or money market fund is holding the compensation. If the deferred compensation is part of a retirement fund there would be a check issued to the financial institution holding retirement funds.

The City of Beaumont uses the accounting code '3026' to collected deferred compensation in the departments. The City of Beaumont also has a hidden account code – '1195' that is located on the General Ledger after the personal loans and before the individual departments. The amount taken from the departments makes up only 40% of the deferred compensation, the hidden account makes up 60% .

On April 4th, 2013 an appendix to the hidden deferred compensation account was added. '01-0000-1195-0001' was created for Councilman Deforge with the memo: 'loan repayment'. There is no amount of loan noted, so it appears that the loan is for a past transaction that was never repaid.

Most disturbing about the City of Beaumont's accounting methods is that the funds are withdrawn, but they are not being saved in any financial institution.

The Cash account is being credited in a lump sum, but no check is being issued to transfer the money to a financial institution.

On May 10, 2013 the City collected deferred compensation twice:

Transaction # 233811 - \$44,656.19

Transaction # 233812 - \$44,215.63

Both transactions collected \$17,000 from the individual departments and \$26,000 from the hidden deferred compensation account. Both transactions are credited to 'Cash', but there was no check issued to transfer the amount to a financial institution.

It is unclear if any city employees are actually in the deferred compensation program or if this is just another method of cooking the books; but what is clear is that the funds are not being saved for the future – they are being exchanged for cash in the present.

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Libi Uremovic August 04, 2013 at 09:48 AM

if any city employees have deferred compensation coming out of their paycheck they need to ask for 'proof of life' from the city... the city should be able to show where the money is being held...

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Ken August 04, 2013 at 12:08 PM

Any employee would be foolish NOT to be enrolled. For every \$1 deferred the

City matches it with \$2 up to employee contribution limit of \$5000 annually. It is unclear if this limit applies to City Manager who has 10% of his salary deferred AND paid by the City. Until GCC site is updated to 2012 numbers I cant get an answer. Does he get 10% (salary) + \$10K(limit for other employees) OR is the City matching the 10% @ \$2 for every \$1? (approx total >\$60k)****Website below has deferred compensation figures for the 2011 yr. City website site says deferred compensation is handled thru Mutual of Omaha.*****<http://publicpay.ca.gov/>

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Ken August 04, 2013 at 12:13 PM

As an aside....deferred saving were matched @ \$1 for every \$1 (2011) until City Manager became "employee". This MOU was rewritten shortly after.

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Libi Uremovic August 04, 2013 at 12:33 PM

government agencies has been using 'creative accounting' for pensions in the same why they've been accounting for bond debt.....next year there's a change in the accounting codes that forces the agencies to list their unfunded pensions.... almost every agency is massively underfunded..... the financial reports state the city of coronado is \$100 million unfunded....burlingame states \$80 million i can see payments being made to calpers through the bank accounts, so i know the state is forcing beaumont to pay in, but their books can't be trusted, so i requested a statement from the state that will show the amounts of unfunded pensions as of 06/30/13...

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Libi Uremovic August 04, 2013 at 12:39 PM

yea, it looks too good to be true... so the saying goes.... that was maloff's lure - wonderful returns..... a person would have to be a fool 'not' to hand him their money....

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Ken August 04, 2013 at 12:55 PM



(City Manager Contract)" ... 2.5 Pension. City agrees to enroll Employee as a member of Public Employees Retirement System (PERS). The City shall purchase five (5) years of pension credit to Employees account, with funds presently due and owing to Employee's company GGMS Inc, for work previously billed, but not paid for, in the amount of \$214,000.00. "

*****<http://www.ci.beaumont.ca.us/DocumentCenter/View/16718>

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Ken August 04, 2013 at 01:06 PM

So if you worked for a Municipality and you had the option of deferring \$5k a yr with an actual yield of \$15k you would say no?**** And that's Madoff...lol

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Libi Uremovic August 04, 2013 at 01:49 PM

think about detroit - they want to pay out pensions at 10 cents on the dollar.... if the city doesn't have the money it can't 'match' anything.... and if the city has been taking payroll deductions from employees they're suppose to be putting the money away, not spending it and replacing it with an 'iou' on the books...

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Libi Uremovic August 04, 2013 at 09:58 PM

gasb 68 -

http://www.gasb.org/jsp/GASB/Pronouncement_C/GASBSummaryPage&cid=1176160219492

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Jeremiah Price August 05, 2013 at 08:59 AM

Libi - that web address returns with a 404 error. **** Jeremiah

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Libi Uremovic August 05, 2013 at 09:46 AM

google 'gasb 68' - you'll find several references....

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Jeremiah Price August 05, 2013 at 09:54 AM

Libi - thank you. **** Jeremiah

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Jeremiah Price August 05, 2013 at 10:05 AM

If I read this correctly, every person employed by the city is in danger of losing what has been withheld from their checks or which they have paid in. By terming the money "deferred compensation" it avoids the legal protections afforded to money set aside for pensions or retirement and allows the city to use the money as long as they carry it on their books as owed to specific individuals. If I was a city employee I would start asking for answers before it is too late. ****

Jeremiah

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Libi Uremovic August 05, 2013 at 10:51 AM

deferred compensation and unfunded pensions are two separate issues ... the state is keeping track of all pensions deferred compensation can be part of the employee's wages that the city is promising to pay in the futureor it could be just an accounting procedure to skim money ...

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