



PAUL E. DIETRICH
City Manager/City Engineer

ERIN C. BURKE
City Clerk

ZACK MULLOCK
Mayor

MAUREEN K. MCDADE
Deputy Mayor

LORRAINE M. BALDWIN
Councilmember

STEVE BODNAR
Councilmember

SHAINÉ P. MEIER
Councilmember

Memorandum

To: [REDACTED] / State of NJ / Administrative Analyst/Auditor, Audit Division
From: Paul Dietrich, City Manager
CC: Justin Riggs, Deputy City Manager; Kevin Hanie, Acting CFO; Patti Taub, Deputy CFO
Date: 6/23/2025
Subject: Response to Cape May's Lifeguard Pension Program

The purpose of this memo is to formally serve as the City's response to the audit report regarding Cape May's Lifeguard Pension Program and to confirm our agreement with the audit findings. We are committed to implementing the corrective action recommendations as outlined in the report.

Below is a summary of our response and the steps we have taken:

- 1. Written Policies and Procedures for the 4% Deduction:**
We have developed written policies and procedures to ensure proper administration of the required 4% pension deduction. Please see the attached written procedures.
- 2. Actuarial Services:**
An actuary has been contacted, and a resolution to recommend and award a professional services contract is scheduled for consideration on the July 1, 2025 City Council Agenda.
- 3. Tracking Pension-Eligible Service and Wages:**
A written procedure is now in place to accurately track employees' pension-eligible years of service and wages over time. Please see the attached documentation.
- 4. Documentation of Time Worked and Highest Compensation Years:**
We have implemented a written procedure requiring the maintenance of sufficient supporting documentation to verify employees' time worked and to identify their three highest years of compensation. Please see the attached procedure.

Additionally, we would like to request that an exit interview be scheduled, as indicated in your report.

We appreciate your time and guidance throughout this process and look forward to closing out this matter in full compliance.

Thank you.

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Date: June 23, 2025

TO: Paul Dietrich, City Manager

From: Kevin Hanie, Acting CFO

CC: Justin Riggs, Deputy City Manager
Patricia Taub, Deputy CFO/Payroll Coordinator

RE: Beach Patrol Pension Plan – Employee 4% Deduction

The audit of the City of Cape May's Beach Patrol Pension Plan conducted by the New Jersey Office of the State Comptroller for the period January 1, 2020 through December 31, 2022 found that the City did not accurately withhold the required four percent deduction from Beach Patrol employee salaries for contribution to the Plan.

It was recommended that the City "develop and implement written policies and procedures to ensure the four percent deduction is applied to the lifeguards' total compensation as required by the Pension Plan."

As such, we have developed and implemented a written policy as follows:

Per the City of Cape May's Beach Patrol Pension Plan effective January 1, 1994 *"there shall be deducted from every payment of salary to each Plan Member four (4%) percent of the amount thereof for all pay periods subsequent to January 1, 2000."*

Eligible Employees become Plan Members upon employment. An Eligible Employee is defined as *"an individual who is employed by the City of Cape May as a lieutenant or a lifeguard on its Beach Patrol."*

When an employee is hired by the City a profile is created for the employee within PrimePoint, the City's payroll platform, as a prerequisite for the employee to receive pay. All employees hired as lifeguards or lieutenants are assigned to the "Beach Patrol" department within PrimePoint. A deduction code has been implemented which automatically applies to all employees under the Beach Patrol department, including new hires. Each time payroll is run, this deduction code withholds 4% of each Beach Patrol employee's salary.

At the end of the season, the Payroll Coordinator with the supervision of the CFO will run a deduction report from PrimePoint (payroll software) to determine the total amount withheld from Beach Patrol employee's salary for contribution to the Pension Trust. The CFO will then make the appropriate transfer of said amount to the Trust Account, thus funding it in accordance with the Plan document.

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Date: June 23, 2025

TO: Paul Dietrich, City Manager

From: Kevin Hanie, Acting CFO

CC: Justin Riggs, Deputy City Manager
Patricia Taub, Deputy CFO/Payroll Coordinator

RE: Beach Patrol Pension Plan – Retiree Eligibility

The audit of the City of Cape May’s Beach Patrol Pension Plan conducted by the New Jersey Office of the State Comptroller for the period January 1, 2020 through December 31, 2022 found that the City did not maintain sufficient records to verify eligibility and pension benefit calculations for retirees applying to receive pension benefits.

It was recommended that the City “develop and implement a written procedure requiring the maintenance of sufficient supporting documentation to permit the verification of an employee’s time worked and allow for identification of an employee’s **three highest years of compensation* when determining a retiree’s pension benefit eligibility.

As such, we have developed and implemented a written procedure as follows:

Per the City of Cape May’s Beach Patrol Pension Plan effective January 1, 1994

*“Any member of the Beach Patrol, whether employed as an officer or a guard, who has twenty (20) years of service on the Beach Patrol, who shall have attained the age of forty-five (45) years, and for a period of ten (10) years preceding his application has been continuously in such service, may be retired at half pay either upon his own application or by the decision of the governing body of the City. The annual pension of such retiree shall be equal to fifty (50%) percent of the ***average of the last three (3) year's salary** received by the lifeguard or officer during employment in the Beach Patrol, which shall be paid in quarterly installments, starting on his/her actual retirement date and ending with the payment for the month in which his/her death occurs.”*

Further

Members of the Beach Patrol who are qualified and desire to retire and collect the pension benefits, as described herein, shall forward a written notice of their intention to retire to the Commission established hereafter, with copies to the Captain of the Beach Patrol, and the Mayor of the City.

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Such notice shall specify the date of retirement. In the event the governing body decides to retire a Plan Member who is eligible for retirement hereunder, notice of such decision shall be given to the Plan Member by the Mayor, and shall specify the date of retirement.

Following the receipt of the written notice by the Commission it is sent to the CFO to verify eligibility and calculate the pension benefit to be received by the retiree.

To confirm that the retiree has met requirement of completing twenty years of service on the Beach Patrol, the report “Beach Patrol Pension Eligible Years” is run from PrimePoint, the City’s payroll platform. This report shows all years in which a beach patrol employee worked sixty or more days, thus meeting the requirement of a “Year of Service” per the Pension document.

The CFO uses the same report to ensure that each of the 10 years prior to the retirement of the employee meet this same requirement.

The employee’s date of birth is confirmed from their payroll profile to ensure that they are age forty-five or older.

Once these criteria have been verified, the CFO obtains the retiree’s three most recent form W-2s to confirm their last three year’s salaries. The average is taken from these salaries and reduced by 50% to determine the annual benefit available to the retiree. This annual benefit is then divided by four to determine the quarterly benefit to be paid out.

The verification of eligibility, along with the calculation of the annual and quarterly benefit, is documented in a memo by the CFO and sent to the Commission members for review and confirmation.

Upon confirmation, the retiree is added to the paygroup “QUARTERLY-Pension Payment” within PrimePoint to begin receiving their benefit.

**Audit states that it is “three highest years of compensation”, however our plan documents state “average of the last three (3) year's salary”.*



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Date: June 23, 2025
TO: Paul Dietrich, City Manager
From: Kevin Hanie, Acting CFO
CC: Justin Riggs, Deputy City Manager
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RE: Beach Patrol Pension Plan – Employee Years of Service

The audit of the City of Cape May's Beach Patrol Pension Plan conducted by the New Jersey Office of the State Comptroller for the period January 1, 2020 through December 31, 2022 found that the City did not maintain sufficient records to track pension-eligible years of service.

It was recommended that the City “develop and implement a written procedure to track employees’ pension-eligible years of service and wages over time. The procedure for tracking employee time and wages should include an annual reconciliation between the tracking system data and City payroll records.

As such, we have developed and implemented a written procedure as follows:

Per the City of Cape May’s Beach Patrol Pension Plan effective January 1, 1994 “A "Year of Service" shall consist of such part of the calendar year as the Beach Patrol is normally employed. In no case shall a period of less than sixty (60) working days employment in a calendar year be considered a year of service on the Beach Patrol. Employment with any other municipality or government unit as a lifeguard will not be counted in determining an individual's Years of Service of this Plan.”

To track Beach Patrol employee’s years of service, a report has been implemented with PrimePoint, the City’s payroll platform. This report “Beach Patrol Pension Eligible Years” shows all years in which a Beach Patrol employee worked sixty or more days, thus meeting the requirement of a “year of service” per the Pension document.

Note that the City began using PrimePoint in July of 2024. As such, payroll records from January 1, 1994 (the inception of the Plan) through June 30, 2024 were obtained for all employees under the Beach Patrol department, with service years counted and verified by the Payroll Coordinator and CFO. This information was incorporated into the report as a fixed data set. From July 2024 onward, the report pulls data from employee timesheets to determine the number of days worked.

Annually, at the end of the Beach Patrol season, the report is run and reconciled to all Beach Patrol employee timesheets to ensure that the data captured is accurate.

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