STAFF REPORT

MEETING DATE:	**11/30/12**
SUBJECT:	**Approve Resolution of Intent to Contract with the California Public Employees' Retirement System (CalPERS); Approve Updated Resolution Regarding Public Employee Medical and Hospital Care Act (PEMHCA); and, Authorize New SRTA Hire Under the 2% at 55 Retirement Formula**
AGENDA ITEM:	**4**
STAFF CONTACT:	**Dan Little**

SUMMARY:

On May 22, 2012, the board approved status quo CalPERS retirement benefits for SRTA staff transitioning from the County of Shasta to the now independent agency. Consistent with this action, CalPERS developed a draft contract and the attached Resolution of Intent to begin the approval process. In a related matter, the board's resolution regarding CalPERS medical insurance must be updated to reflect the SRTA's formal recognition as a public agency. Lastly, because CalPERS does not allow a two-tier retirement system as part of an initial contract, board authorization is needed to start a new hire under the same retirement formula as current staff.

STAFF RECOMMENDATION:

It is recommended that the board:

1. Approve Resolution 12-16 stating SRTA's intent to contract with CalPERS for public retirement benefits;
2. Approve Resolution 12-17 reaffirming prior PEMCA elections by the board; and
3. Authorize the 2% at age 55 retirement formula for a new SRTA hire, consistent with the draft contract.

DISCUSSION:

Background: At the February 28 SRTA meeting, the board unanimously approved maintaining status quo benefits for staff transitioning from the County of Shasta to the independent agency. Status quo benefits were reaffirmed at the May 22 SRTA meeting with board adoption of SRTA Human Resources Policies and Procedures. The board set CalPERS retirement benefits at 2% at age 55 with employees paying their full seven-percent share. SRTA employees hired after July 1, 2012, were approved with 2% at age 60 benefits.

CalPERS Contract: The draft contract is attached with a Resolution of Intent for approval at the December 20 board meeting. A CalPERS actuarial valuation has been prepared to set the agency rate for the cost of the plan. The rate is 19.082% of salaries. Employees pay the maximum 7% share, while SRTA pays the remaining 12.082%. This rate is below the agency's budgeted amount which staff based on the County of Shasta valuation, currently at 13.323%. The SRTA rate is likely lower because SRTA is smaller with employee characteristics, such as age, pooled among multiple agencies.

Contract provisions are consistent with prior benefits offered to SRTA staff by the County of Shasta. The one exception is the addition of 1959 Survivor benefits available to agencies, such as SRTA, who do not participate in Social Security. This provides pre-retirement survivor death benefits comparable to those that were provided to SRTA staff by Social Security while with the County of Shasta. The 1959 Survivor benefit costs are set by CalPERS at $5.40 per month for the agency and $2.00 per month for the employee.

Health Care Resolution Correction: Also on May 22, 2012, the board approved status quo health insurance coverage through CalPERS, but with reduced agency commitments for retiree coverage for new employees. The prior resolution recognized SRTA as a "special district" since CalPERS had not yet completed the process to verify SRTA as a public agency. The prior resolution must now be corrected to recognize SRTA as a public agency. The correction has no material effect nor does it change any of the May 22 Public Employee Medical and Hospital Care Act (PEMHCA) elections approved by the board.

New Hires: SRTA currently has a vacant planning position for which a formal offer of employment was made on November 9. The offer has been accepted with a December 3 start date. The position was offered with a 2% at 60 retirement plan, consistent with the SRTA policy to have a two-tier system for new hires. Staff has recently learned that CalPERS cannot allow a two-tiered retirement plan as part of an initial contract for existing staff. Staff recommends that the board authorize the 2% at 55 retirement formula for the new hire consistent with the contract. Options to delay the hire are limited and discussed in the Alternatives section below.

Even with the 2% at 55 retirement formula for the new hire, SRTA's overall pension costs will be below budgeted amounts. Further savings will occur in future years due to the lower than expected CalPERS rate and the recently passed California Public Employee Pension Reform Act (PEPRA). Under PEPRA, certain staff hired after December 31, 2012, will be subject to a 2% at age 62 retirement formula, rather than the board approved 2% at age 60. Staff will bring an item to the board in December to consider revised retirement benefits for new hires consistent with this new state law.

ALTERNATIVES:

The board may choose to delay the CalPERS contract for further modifications; however, this would delay the contract beyond the December 31, 2012, PEPRA implementation date resulting in legal ambiguities regarding how existing SRTA staff would be treated under the new law.

The board may decline the 1959 Survivor benefits option. This is not recommended because of prior board direction to maintain status quo benefits. Equivalent benefits were provided through the County of Shasta by participation in Social Security.

The board may delay the start date for the new hire from December 3 until such a time as the contract can be amended by CalPERS (three to six months). This is not recommended since SRTA's overall pension costs remain under budget and – with a formal offer of employment already made and accepted – the agency could be liable for expenses such as relocation and lost wages. Annulling the job offer may also result in the loss of a highly qualified individual to fill the vacant position and a new recruitment process would be needed.

FINANCING:

The 12.082% CalPERS contract rate for SRTA is projected to cost $56,000 annually for the current staff of seven, including the new hire. Agency costs are approximately $5,000 under budget and lower than those experienced by SRTA's member agencies. The 1959 Survivor benefits will cost the agency $37.80 monthly – less if not all staff elect to participate. The options adopted for PEMCA under Resolution 12-17 are unchanged from the board's May 22 resolution and will have no fiscal effect.

Daniel S. Little, AICP, Executive Director

Attachments: Resolution No. 12-16
Draft Contract between CalPERS and SRTA
Resolution No. 12-17

RESOLUTION

RESOLUTION NUMBER:	**12-16**
SUBJECT:	**Intention to Approve a Contract Between the Board of Administration California Public Employees' Retirement System and the Shasta Regional Transportation Agency Board of Directors**

WHEREAS, the Public Employees' Retirement Law permits the participation of public agencies in the Public Employees' Retirement System, making their employees members of said System, and sets forth the procedure by which participation may be accomplished ; and

WHEREAS, one of the steps required in the procedure is the adoption by the governing body of the public agency of a resolution giving notice of intention to approve a contract for such participation of said agency in the Public Employees' Retirement System, which resolution shall contain a summary of the major provisions of the proposed retirement plan ; and

WHEREAS, attached is a summary of the major provisions of the proposed plan;

NOW, THEREFORE, BE IT RESOLVED that the Shasta Regional Transportation Agency gives, and it does hereby give notice of intention to approve a contract between said governing body and the Board of Administration of the Public Employees' Retirement System, providing for participation of said agency in said retirement system, a copy of said contract and a copy of the summary of the major provisions of the proposed plan being attached hereto, as an "Exhibit", and by this reference made a part hereof.

PASSED AND ADOPTED this 30th day of November, 2012, by the Shasta Regional Transportation Agency.

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Leonard Moty, Chair
Shasta Regional Transportation Agency

ATTEST:

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Daniel S. Little, Secretary
Shasta Regional Transportation Agency

CalPERS

EXHIBIT

California
Public Employees' Retirement System

DRAFT

CONTRACT

Between the
Board of Administration
California Public Employees' Retirement System
and the
Shasta Regional Transportation Agency Board of Directors
Shasta Regional Transportation Agency

In consideration of the covenants and agreement hereafter contained and on the part of both parties to be kept and performed, the governing body of above public agency, hereafter referred to as "Public Agency", and the Board of Administration, Public Employees' Retirement System, hereafter referred to as "Board", hereby agree as follows:

1. All words and terms used herein which are defined in the Public Employees' Retirement Law shall have the meaning as defined therein unless otherwise specifically provided. "Normal retirement age" shall mean age 55 for local miscellaneous members.

2. Public Agency shall participate in the Public Employees' Retirement System from and after December 29, 2012 making its employees as hereinafter provided, members of said System subject to all provisions of the Public Employees' Retirement Law except such as apply only on election of a contracting agency and are not provided for herein and to all amendments to said Law hereafter enacted except those, which by express provisions thereof, apply only on the election of a contracting agency.

3. Public Agency agrees to indemnify, defend and hold harmless the California Public Employees' Retirement System (CalPERS) and its trustees, agents and employees, the CalPERS Board of Administration, and the California Public Employees' Retirement Fund from any claims, demands, actions, losses, liabilities, damages, judgments, expenses and costs, including but not limited to interest, penalties and attorneys fees that may arise as a result of any of the following:

    (a) Public Agency's election to provide retirement benefits, provisions or formulas under this Contract that are different than the retirement benefits, provisions or formulas provided under the Public Agency's prior non-CalPERS retirement program.

    (b) Public Agency's election to amend this Contract to provide retirement benefits, provisions or formulas that are different than existing retirement benefits, provisions or formulas.

    (c) Public Agency's agreement with a third party other than CalPERS to provide retirement benefits, provisions, or formulas that are different than the retirement benefits, provisions or formulas provided under this Contract and provided for under the California Public Employees' Retirement Law.

    (d) Public Agency's election to file for bankruptcy under Chapter 9 (commencing with section 901) of Title 11 of the United States Bankruptcy Code and/or Public Agency's election to reject this Contract with the CalPERS Board of Administration pursuant to section 365, of Title 11, of the United States Bankruptcy Code or any similar provision of law.

    (e) Public Agency's election to assign this Contract without the prior written consent of the CalPERS' Board of Administration.

    (f) The termination of this Contract either voluntarily by request of Public Agency or involuntarily pursuant to the Public Employees' Retirement Law.

    (g) Changes sponsored by Public Agency in existing retirement benefits, provisions or formulas made as a result of amendments, additions or deletions to California statute or to the California Constitution.

4. Employees of Public Agency in the following classes shall become members of said Retirement System except such in each such class as are excluded by law or this agreement:

    a. Employees other than local safety members (herein referred to as local miscellaneous members).

5. Any exclusion(s) shall remain in effect until such time as the Public Employees' Retirement System determines that continuing said exclusion(s) would risk a finding of non-compliance with any federal tax laws or regulations. If such a determination is contemplated, the Public Employees' Retirement System will meet with the Public Agency to discuss the matter and coordinate any required changes or amendments to the contract.

   In addition to the classes of employees excluded from membership by said Retirement Law, the following classes of employees shall not become members of said Retirement System:

   a. **SAFETY EMPLOYEES.**

6. The percentage of final compensation to be provided for each year of credited prior and current service as a local miscellaneous member shall be determined in accordance with Section 21354 of said Retirement Law (2% at age 55 Full).

7. Public Agency elects to be subject to the following optional provisions:

   a. Section 20042 (One-Year Final Compensation).

   b. Section 20938 (Limit Prior Service to Members Employed on Contract Date).

   c. Sections 21624 and 21626 (Post-Retirement Survivor Allowance).

   d. Section 21574 (Fourth Level of 1959 Survivor Benefits).

8. Public Agency shall contribute to said Retirement System the contributions determined by actuarial valuations of prior and future service liability with respect to local miscellaneous members of said Retirement System.

9. Public Agency shall also contribute to said Retirement System as follows:

   a. Contributions required per covered member on account of the 1959 Survivor Benefits provided under Section 21574 of said Retirement Law. (Subject to annual change.) In addition, all assets and liabilities of Public Agency and its employees shall be pooled in a single account, based on term insurance rates, for survivors of all local miscellaneous members.

   b. A reasonable amount, as fixed by the Board, payable in one installment within 60 days of date of contract to cover the costs of administering said System as it affects the employees of Public Agency, not including the costs of special valuations or of the periodic investigation and valuations required by law.

c. A reasonable amount, as fixed by the Board, payable in one installment as the occasions arise, to cover the costs of special valuations on account of employees of Public Agency, and costs of the periodic investigation and valuations required by law.

10. Contributions required of Public Agency and its employees shall be subject to adjustment by Board on account of amendments to the Public Employees' Retirement Law, and on account of the experience under the Retirement System as determined by the periodic investigation and valuation required by said Retirement Law.

11. Contributions required of Public Agency and its employees shall be paid by Public Agency to the Retirement System within fifteen days after the end of the period to which said contributions refer or as may be prescribed by Board regulation. If more or less than the correct amount of contributions is paid for any period, proper adjustment shall be made in connection with subsequent remittances. Adjustments on account of errors in contributions required of any employee may be made by direct payments between the employee and the Board.

BOARD OF ADMINISTRATION

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BY____________________________
KAREN DE FRANK, CHIEF
CUSTOMER ACCOUNT SERVICES DIVISION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

SHASTA REGIONAL
TRANSPORTATION AGENCY BOARD
OF DIRECTORS
SHASTA REGIONAL
TRANSPORTATION AGENCY

BY____________________________
PRESIDING OFFICER

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Witness Date

Attest:

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Clerk

RESOLUTION

RESOLUTION NUMBER:	**12-17**
SUBJECT:	**Electing to be Subject to Public Employees' Medical and Hospital Care Act and Fixing the Employer's Contribution for Employees and the Employer's Contribution for Annuitants at Different Amounts**

WHEREAS, Government Code Section 22922(a) provides the benefits of the Public Employees' Medical and Hospital Care Act to employees and annuitants of local agencies contracting with the Public Employees' Retirement System on proper application by a local agency; and

WHEREAS, Government Code Section 22892(c) provides that a contracting agency may fix the amount of the employer's contribution for employees and the employer's contribution for annuitants at different amounts, provided that the monthly contribution for annuitants is annually increased to equal an amount not less than the number of years the contracting agency has been subject to this subdivision multiplied by 5 percent of the current monthly contribution for employees, until such time as the amounts are equal ; and

WHEREAS, Shasta Regional Transportation Agency, hereinafter referred to as Public Agency is a local agency contracting with the Public Employees' Retirement System; and

WHEREAS, The Public Agency desires to obtain for its employees and annuitants the benefit of the Act and to accept the liabilities and obligations of an employer under the Act and Regulations;

NOW, THEREFORE, BE IT RESOLVED that the Shasta Regional Transportation Agency:

1. That the Public Agency elect, and it does hereby elect, to be subject to the provisions of the Act; and
2. That the employer's contribution for each employee shall be the amount necessary to pay the full cost of his enrollment, including the enrollment of his family members in a health benefits plan up to a maximum of the PEMHCA minimum employer contribution amount per month; and
3. That the employer's contribution for each annuitant shall be the amount necessary to pay the cost of his enrollment, including the enrollment of his family members, in a health benefits plan up to a maximum of $1.00 per month; and
4. That the employer's contribution for each annuitant shall be increased annually by five-percent of the monthly contribution for employees, multiplied by number of years of employer's participation in PEMHCA, until such time as the contributions are equal;

5. And that the contributions for employees and annuitants shall be in addition to those amounts contributed by the Public Agency for administrative fees and to the Contingency Reserve Fund; and
6. That Shasta Regional Transportation Agency has fully complied with any and all applicable provisions of Government Code Section 7507 in electing the benefits set forth above; and
7. That the executive body appoint and direct, and it does hereby appoint and direct the Executive Director to file with the Board of Administration of the Public Employees' Retirement System a verified copy of this Resolution, and to perform on behalf of said Public Agency all functions required of it under the Act and Regulations of the Board of Administration; and
8. That coverage under the Act be effective on January 1, 2013.

PASSED AND ADOPTED at a regular/special meeting, on the 30th day of November, 2012, by the Shasta Regional Transportation Agency.

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Leonard Moty, Chair
Shasta Regional Transportation Agency

ATTEST:

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Daniel S. Little, Secretary
Shasta Regional Transportation Agency