STAFF REPORT

MEETING DATE:	**12/20/12**
SUBJECT:	**Approve California Public Employee Retirement System (CalPERS) Contract for Retirement Benefits and Related Actions**
AGENDA ITEM:	**8**
STAFF CONTACT:	**Dan Little**

STAFF RECOMMENDATION:

It is recommended that the board:

1. Approve a contract with CalPERS for retirement benefits pursuant to Resolution 12-18; and
2. Approve Resolution 12-19 permitting pre-tax employee payroll deductions for CalPERS service credit purchases.

DISCUSSION:

At the November 31 SRTA meeting, the board unanimously approved a resolution of intent and draft contract with CalPERS that maintains status quo benefits for current SRTA staff. The contract sets retirement benefits at 2% at age 55 for existing staff. Prospective new staff will be under a lower tier formula which is discussed in the prior agenda item.

A CalPERS actuarial valuation set the SRTA 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%. Contract provisions are consistent with prior benefits offered to SRTA staff by the County of Shasta.

Resolution 12-19 would give employees the option to purchase CalPERS service credit at their sole expense. Pre-tax contributions would be deducted from the employee's paychecks and remitted to CalPERS on behalf of the employee. There is no cost to the agency for allowing this option.

ALTERNATIVES:

The board may choose to delay the CalPERS contract for further changes. This contract is consistent with prior board direction. Changes would delay approval by several months.

FINANCING:

The 12.082% CalPERS contract rate for SRTA is projected to cost $56,000 annually for the current staff of seven. The cost is below budgeted amounts and lower than those experienced by SRTA's member agencies – the cities and county.

Daniel S. Little, AICP, Executive Director

Attachments: Resolution No. 12-18
Contract between CalPERS and SRTA
Resolution No. 12-19

RESOLUTION

RESOLUTION NUMBER:	**12-18**
SUBJECT:	**Shasta Regional Transportation Agency Resolution Authorizing a Contract**

WHEREAS, the Public Employees' Retirement Law provides for the participation of a Public Agency in the California Public Employees' Retirement System, making its employees members of said System; and

WHEREAS, the Shasta Regional Transportation Agency Board of Directors of the Shasta Regional Transportation Agency on December 20, 2012, adopted a Resolution giving notice of intention to approve a contract providing for such participation; and

WHEREAS, the employees of said public agency, whose memberships in said Retirement System are contemplated, have approved said participation, by majority vote;

NOW, THEREFORE, BE IT RESOLVED, that a contract between the Shasta Regional Transportation Agency Board of Directors of the Shasta Regional Transportation Agency and the Board of Administration, California Public Employees' Retirement System is hereby authorized, a copy of said contract being attached hereto and by such reference made a part hereof as though herein set out in full; and

NOW, THEREFORE, BE IT FURTHER RESOLVED, that the presiding officer of said governing body is hereby authorized, empowered and directed to execute said contract for and on behalf of said public agency.

PASSED AND ADOPTED this 20th day of December, 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

California
Public Employees' Retirement System

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	SHASTA REGIONAL TRANSPORTATION AGENCY BOARD OF DIRECTORS SHASTA REGIONAL TRANSPORTATION AGENCY
BY____________________ KAREN DE FRANK, CHIEF CUSTOMER ACCOUNT SERVICES DIVISION PUBLIC EMPLOYEES' RETIREMENT SYSTEM	BY____________________ PRESIDING OFFICER
	____________________ Witness Date
	Attest: ____________________ Clerk

RESOLUTION

RESOLUTION NUMBER:	**12-19**
SUBJECT:	**Employer Pickup Resolution Pre-Tax Payroll Deduction Plan for Service Credit Purchases**

Employer ID: 4634995637

WHEREAS, the Board of Administration of the California Public Employees' Retirement System (CalPERS) at the April 1996 meeting approved a pre-tax payroll deduction plan for service credit purchases under Internal Revenue Code (IRC) section 414(h)(2); and

WHEREAS, the Shasta Regional Transportation Agency has the authority to implement the provisions of IRC section 414(h)(2) and has determined that even though implementation is not required by law, the tax benefit offered by this section should be provided to those employees who are members of CalPERS; and

WHEREAS, the Shasta Regional Transportation Agency elects to participate in the pre-tax payroll deduction plan for all employees in the following CalPERS Member Category:

All Miscellaneous

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

1. Will implement the provisions of IRC section 414(h)(2) by making employee contributions for service credit purchases pursuant to the California State Government Code on behalf of its employees who are members of CalPERS and who have made a binding irrevocable election to participate in the pre-tax payroll deduction plan. "Employee contributions" shall mean those contributions reported to CalPERS which are deducted from the salary of employees and are credited to individual employee accounts for service credit purchases thereby resulting in tax deferral of employee contributions; and

2. that the contributions made by the Shasta Regional Transportation Agency to CalPERS, although designated as employee contributions, are being paid by the Shasta Regional Transportation Agency in lieu of contributions by the employees who are members of CalPERS; and

3. that the employees shall not have the option of choosing to receive the contributed amounts directly instead of having them paid by the Shasta Regional Transportation Agency to CalPERS; and

4. that the Shasta Regional Transportation Agency shall pay to CalPERS the contributions designated as employee contributions from the same source of funds as used in paying salary, thereby resulting in tax deferral of employee contributions; and

5. that the effective date for commencement of the pre-tax payroll deduction plan cannot be any earlier than the date the completed resolution is received and approved by CalPERS; and

6. that the governing body of the Shasta Regional Transportation Agency shall participate in and adhere to requirements and restrictions of the pre-tax payroll deduction plan by reporting pre-tax payroll deductions when authorized by CalPERS for those employees of the above stated Member Category who have elected to participate in this plan.

PASSED AND ADOPTED this 20th day of December, 2012, by the Shasta Regional Transportation Agency.

Leonard Moty, Chair
Shasta Regional Transportation Agency

ATTEST:

Daniel S. Little, Secretary
Shasta Regional Transportation Agency