



Expo

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DATE: JUNE 7, 2007

TO: BOARD OF DIRECTORS

**FROM: RICHARD D. THORPE
CHIEF EXECUTIVE OFFICER**

**ACTION: ADOPT RESOLUTION OF INTENTION TO ENTER INTO
CALPERS RETIRMENT PLAN**

RECOMMENDATION

Adopt a Resolution of Intention to enter into a contract with the California Public Employees' Retirement System (CalPERS) to provide retirement benefits to Authority employees. A Final Resolution will be presented for adoption at the July Board meeting.

SUMMARY

In October 2005 and in January 2006, the Board approved the establishment of a benefit and pension plan for Authority employees. At the January meeting, the Board approved an Employee Pension Plan that includes a Public Agency Retirement System (PARS) option and a California Public Employees Retirement System (CalPERS) option. It was determined that providing a choice of pension plans would allow the Authority to recruit staff that may have certain preferences in their pension program. It was also anticipated that the benefit level and cost for each of these plans would be comparable and within the costs that are paid by other similar agencies.

The Board adopted the PARS defined benefit pension plan in a two-part action in October and November 2006, respectively. In order to establish the CalPERS retirement plan, a two-part action is also required. This Resolution of Intention is required by the State Government Code which puts the public on notice of the Board's intention to adopt the PERS defined benefit plan. A Final Resolution will be brought forward to the Board in July 2007 for adoption.

DISCUSSION

When the Employee Pension plan was brought before the Board in January 2006, it was determined that both PARS and CalPERS offered different benefits to Authority employees and provided the Authority with the maximum amount of flexibility. The Authority as a new agency, has employees that have prior CalPERS service, has employees already retired under CalPERS, and those that have years of service in other retirement systems. As a result, it was determined that offering both plans best served the Authority's needs. The PARS pension plan was approved by the Board in November 2006.

The Resolution of Intention is required to give notice of the intent to approve a contract for participation in the CalPERS system. The resolution contains a summary of the contract provisions between the Authority and CalPERS. The provisions in the CalPERS plan are similar to the PARS plan already adopted by the Board. Like the PARS plan, the CalPERS defined benefit plan is based on age of retirement, years of service credit and final compensation. The basic benefit is 2.5% of final compensation for each year of credited service upon reaching the age of 55. The biggest differences between the PARS and CalPERS plans is that by state law, a CalPERS retiree must have five years of CalPERS credited service in order to retire, while a member must have three years of service to retire from PARS. However, the CalPERS plan is reciprocal with other government agencies, while the PARS plan is not.

For both the PARS plan and CalPERS plan, an actuarial valuation was conducted to determine the Authority's contribution rates. The Board-adopted Authority contribution rate to the PARS plan is 18.52%. The Authority contribution rate for the CalPERS plan will be 18.718%, plus a nominal monthly amount for Survivor Benefits. This amount is within the rate range previously approved by the Board. The total annual cost to the Authority for participation in the CalPERS plan is estimated at \$174,000. This is comparable to the Authority's cost to participate in the PARS plan.

When the CalPERS plan goes into effect, all new employees hired after that effective date will be required to participate in the CalPERS plan only.

FINANCIAL IMPACT

The estimated cost of \$174,000 to participate in the CalPERS plan is included in both the Authority's FY07 and FY08 fiscal year budgets as well as the overall project budget.

State legislation that formed the Authority also requires its dissolution upon completion of the project to Santa Monica. Depending on the duration of Authority operations, there may be a termination cost liability that applies to both PARS and CalPERS. There is no way to know this amount now, but an

estimated reserve within the Authority Project budget will be established to cover any anticipated future financial liabilities beyond the dissolution of the Authority.

NEXT STEPS

The final resolution to approve the CalPERS contract will be presented to the Board at the July Board meeting.

ATTACHMENT

A. [Resolution of Intention](#)