



Expo

Exposition Metro Line
Construction Authority

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DATE: JULY 5, 2007

TO: BOARD OF DIRECTORS

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

ACTION: ADOPT CALPERS FINAL RESOLUTION AND CONTRACT

RECOMMENDATION

That the Board adopt the Final Resolution authorizing the establishment of a California Public Employees' Retirement Plan (CalPERS) and adopt the CalPERS contract for Authority employees.

SUMMARY

At the June Board meeting, the Board received a report on the CalPERS pension plan for Authority employees. In order to establish the CalPERS defined benefit pension plan, a two-part action was required. The Board adopted a Resolution of Intention to enter into a contract with CalPERS to provide retirement benefits to Authority employees at the June 2007 Board meeting. The action before the Board today will formally adopt the CalPERS plan and contract.

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 served the Authority's needs. The PARS pension plan was approved by the Board in November 2006. The PARS pension plan needed to be adopted before the CalPERS plan because when the CalPERS program

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

The Resolution of Intention adopted by the Board in June gave notice of intent to approve a contract for participation in the CalPERS system. The resolution contained 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 retirement at age 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 but the PARS plan is not.

For both the PARS plan and CalPERS plans an actuarial valuation was conducted to determine the Authority's contribution rates. 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. 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 based on current Authority staff and salaries. This cost is included in the FY08 fiscal year budget 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 a reserve with the Authority project budget will be established to cover any anticipated future financial liabilities beyond the dissolution of the Authority.

NEXT STEPS

None

ATTACHMENT(S)

1. [CalPERS Final Resolution](#)
2. [CalPERS Contract](#)