



FACT SHEET

**Assembly Bill 1912 (Rodriguez)
Joint Powers Agreements: Liability for Retirement Obligations**

Summary

This bill would require that member agencies of a Joint Powers Authority (“JPA”) that participates as a contracting agency in the California Public Employees’ Retirement System (“CalPERS”), or any other public employee retirement system for purposes of administration of retirement benefits, be jointly and severally liable for the retirement obligations of the JPA, among other provisions.

Background

As a public agency, a JPA may contract with CalPERS to administer the retirement benefits of the JPA’s employees. While JPA’s are public agencies, their sources of revenue are limited as well as their ability to increase revenue.

Last year, CalPERS reduced the retirement benefits of almost 200 employees of the East San Gabriel Valley Human Service Consortium – a JPA – after its sole source of revenue was terminated. The JPA terminated all if its employees, was unable to pay its retirement obligations to CalPERS, and became insolvent.

In response to a CalPERS demand for payment of the JPA’s retirement obligations from the member agencies that established the JPA – the Cities of Azusa, Covina, Glendora and West Covina – the member agencies cited existing JPA law, contract, and case law to support their position that they were not responsible for the JPA’s retirement obligations.

Since payment for the JPA’s retirement obligations could not be obtained from the JPA nor its member agencies, and without financial, statutory or legal recourse, the retirement benefits of the JPAs retirees were reduced by approximately 63 percent.

There are other JPA’s that currently contract with CalPERS whose employees and retirees could see a similar occurrence if the JPA becomes financially distressed or insolvent, absent surety of the financial health of the JPA by its member agencies related to retirement obligations.

This Legislation

This bill would require a JPA’s member agencies to be jointly and severally liable for the retirement obligations of the JPA if it contracts with CalPERS for administration of retirement benefits. This provision applies to all existing and new JPA contracts with CalPERS, or any other public employee retirement system in which the JPA participates.

This measure would also require CalPERS to bring a civil action against the member agencies of a terminated JPA for recovery of the JPA’s retirement obligations; prohibit CalPERS from contracting with a JPA, unless all parties to the agreement establishing the JPA are jointly and severally liable for the JPA’s pension obligations; and, permits JPA member agencies or the JPA itself to enter into an agreement with CalPERS to ensure the proper calculation of benefits such that employees and retirees of the terminating agency remain whole, among other provisions.

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