SWEETWATER SPRINGS WATER DISTRICT

TO: Board of Directors **AGENDA NO. V-G**

FROM: Steve Mack, General Manager

Meeting Date: May 5, 2011

SUBJECT: DISCUSSION/ACTION RE APPROVAL OF RESOLUTION 11-12 AUTHORIZING AN AMENDMENT TO THE PERS CONTRACT

RECOMMENDED ACTION: Approve Resolution 11-12 Authorizing an Amendment to the (PERS) Contract.

FISCAL IMPACT: The Plan Change Amendment has an annual cost of approximately $13,000 and, as part of this change, the District intends to pay off its CalPERS Side Fund amount of approximately $243,000.

DISCUSSION:

As part of the September 2010 approval of the Memorandum of Understanding with District employees, the District agreed to change the CalPERS retirement formula from 2% at 60 to 2% at 55. The change process requires District engage in a multi-step process that culminates in approval of the final resolution which is before the Board at this meeting. Staff submitted the Contract Amendment Request Form on January 24, 2011 which set in motion the timeline for transferring to the 2% at 55 Pool. At the April 7, 2011 meeting CalPERS Actuary Barb Ware answered Board and Staff questions on this contract amendment, the Board approved Resolution 11-09, Intention to Approve an Amendment to Contract between CalPERS and the District is at the next step in this process. At the May 5 meeting the Board will consider adopting a Final Resolution. If the Final Resolution is approved at the May meeting, we understand that the effective date of the transfer to the 2% at 55 Pool will be May 12, 2011. It is important to approve this change prior to July 1, 2011, or a new valuation will be needed.

The summary of the major provisions of the 2% at 55 Formula (Section 21354) include:

- To be eligible for service retirement, a member must be at least age 50 and have five years of CalPERS credited service. There is no compulsory retirement age. This is not a change from the current contract (but the formula percentage is different).

- The monthly retirement allowance is determined by age at retirement, years of service credit and final compensation. The basic benefit is 2% of final compensation for each year of credited service upon retirement at age 55. If retirement is earlier than age 55, the percentage of final compensation decreases for each quarter year of attained age to 1.426%

at age 50. If retirement is deferred beyond age 55, the percentage of final compensation increases for each quarter year of attained age to 2.418% at age 63.

- Final compensation is the average of monthly pay rate during the last consecutive 36 months of employment. This is not a change from the current contract.

The contract amendment includes the following values identified in the amendment actuarial valuation:

- Change in the Present Value of Benefits - $167,873.

- Change in the Accrued Liability - $152,433.

- Change in the Total Employer Rate – 3.343%. Based on the 2012 budgeted salary, this amount is approximately $24,000, but our understanding is that paying off the Side Fund (approximately $243,000 of which $90,000 goes with the current contract) will reduce the change by 1.537% making the change in the Employer Rate 1.806%, and the annual increase will be approximately $13,000. The total Employer Rate will change somewhat over time, depending how CalPERS investments perform, but the difference between the current contract and the contract amendment percentages will not change nearly as much.

The CalPERS contract amendment procedure requires that the future annual costs of the proposed contract amendment be disclosed at a public meeting at least two weeks prior to the adoption of the final Resolution. This was done at the April 7, 2011 Board Meeting.

Upon approval of Resolution 11-12, District staff will forward the necessary signed documents to CalPERS and the contract change will be final. Staff will then initiate the process for paying off the Side Fund of approximately $243,000. As discussed at the April 7, 2011 meeting with Actuary Barb Ware, the Side Fund accrues at an annual rate of 7.75% and is not being paid off at the rate that CalPERS has incorporated into the District's employer cost. As a result the Side Fund has been increasing each year. Paying it off completely will have long-term positive financial benefits for the District. We will try to have that decision to be before the Board at the July 7, 2011 meeting, but we don't know how quickly CalPERS will act on our request pay off the Side Fund. Also, the estimated amount of $243,000 for the Side Fund is staff's estimate – we will know the exact amount needed to be paid off when officially informed by CalPERS as part of the process.

SWEETWATER SPRINGS WATER DISTRICT

RESOLUTION
AUTHORIZING AN AMENDMENT TO THE CONTRACT

No. 11-12

WHEREAS, the Board of Administration of the California Public Employees' Retirement System and the Board of Directors of the Sweetwater Springs Water District entered into a contract effective on December 20, 2001 providing for the participation of said public agency in the California Public Employees' Retirement System; and

WHEREAS, it is now desirable to take advantage of certain benefits provided under said Retirement System and not included in said contract;

NOW, THEREFORE, BE IT RESOLVED, that said governing body authorized, and it does hereby authorize, an amendment to said contract, a copy of said amendment 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 amendment for and on behalf of said public agency.

Adopted this 5th day of May, 2011.

Presiding Officer Jim Quigley
Board President

Attest:

Clerk/Secretary Julie Kenny

(Amendment)
PERS-CON-13 (Rev. 1/98)

CalPERS

California
Public Employees' Retirement System

AMENDMENT TO CONTRACT

Between the
Board of Administration
California Public Employees' Retirement System
and the
Board of Directors
Sweetwater Springs Water District

The Board of Administration, California Public Employees' Retirement System, hereinafter referred to as Board, and the governing body of the above public agency, hereinafter referred to as Public Agency, having entered into a contract effective December 20, 2001, and witnessed November 1, 2001, which provides for participation of Public Agency in said System, Board and Public Agency hereby agree as follows:

A. Paragraphs 1 through 11 are hereby stricken from said contract as executed effective December 20, 2001, and hereby replaced by the following paragraphs numbered 1 through 12 inclusive:

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 20, 2001 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 AND;

   b. MEMBERS OF THE GOVERNING BODY FIRST ELECTED OR APPOINTED PRIOR TO JULY 1, 1994. (Elected or appointed officials who are first elected or appointed on or after July 1, 1994 or to a term of office not consecutive with a term held on June 30, 1994 are excluded pursuant to Government Code Section 20322).

6. Assets heretofore accumulated with respect to members in the local retirement system shall be transferred to the Public Employees' Retirement System upon the effective date of this contract and applied against the liability for prior service incurred hereunder. That portion of the assets so transferred which represent the accumulated contributions (plus interest thereupon) required of the employees under said local system shall be credited to the individual membership account of each such employee under the Public Employees' Retirement System.

7. 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).

8. Public Agency elected and elects to be subject to the following optional provisions:

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

   b. Section 21536 (Local System Service Credit Included in Basic Death Benefit).

9. 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.

10. 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 21573 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.

11. 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.

12. 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.

B. This amendment shall be effective on the 12th day of May, 2011.

BOARD OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BY_____
DARRYL WATSON, CHIEF
CUSTOMER ACCOUNT SERVICES DIVISION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BOARD OF DIRECTORS
SWEETWATER SPRINGS WATER DISTRICT

BY_____
PRESIDING OFFICER Jim Quigley
Board President

May 5, 2011
Witness Date

Attest:

_____
Clerk Julie Kenny

AMENDMENT ER# 1810
PERS-CON-702A