



Midpeninsula Regional
Open Space District

R-14-64
Meeting 14-10
April 9, 2014

AGENDA ITEM 6

AGENDA ITEM

Resolution to Implement the Indexed Level 1959 Survivor Benefits

GENERAL MANAGER'S RECOMMENDATION

A handwritten signature in black ink, appearing to be "SMA".

Approve the Resolution to Amend the Contract between California Public Employees' Retirement System and the District in order to implement the Indexed Level of 1959 Survivor Benefits.

SUMMARY

The current Memorandum of Agreement (MOA) with the District Field Employees Association (FEA) requires the District to amend its agreement with the California Public Employees' Retirement System (CalPERS), to implement the Indexed Level of 1959 Survivor Benefit. This benefit will provide for a monthly allowance for the survivors of an employee who is also a CalPERS member who dies prior to retirement. The Board adopted a Resolution of Intention to Approve an Amendment to implement this benefit on January 22, 2014 and in so doing the proposed benefit change was made public prior to adoption. Now that the employee election for participation/waiver has been completed and the number of participants is known, the District's Board of Directors must adopt a Resolution to Amend the Contract with CalPERS in order to implement this benefit.

DISCUSSION

The current MOA with the FEA requires the District to implement the Indexed Level of 1959 Survivor Benefit through a contract amendment with CalPERS. This benefit is paid monthly to certain survivors of a CalPERS member who dies before retirement and includes an automatic cost-of-living increase of 2 percent per year for beneficiaries already receiving this benefit and those who will receive it in the future. The monthly benefit amounts for eligible survivors for calendar year 2014 are \$660, \$1,319 and \$1,979 for one, two and three eligible survivors, respectively. In addition to the monthly benefit, eligible survivors may also receive life-long medical benefits if the survivors are enrolled in the CalPERS member's medical plan at the time of that member's death.

The cost to the District of the Indexed Level 1959 Survivor Benefit is \$4.80 per member per month. The cost to the employees enrolled in this program is \$2.60 monthly. In order to begin the process to implement this benefit, the Board adopted a Resolution of Intention on January 22, 2014, to approve a contract amendment and certified this resolution was adopted. After the

Board adopted the Resolution of Intention, District employees enrolled in CalPERS were given the opportunity to elect to receive this benefit. Now that the election period is completed, the final step in this process requires the Board to adopt and approve a final resolution to amend the CalPERS contract to include this benefit.

FISCAL IMPACT

The cost to the District to implement the 1959 Survivor benefit for District employees is an estimated current annual premium of \$6,912. The FY2014-15 budget adopted by the Board on March 26, 2014, includes funding for this benefit. The benefit will be available to District employees as of the first quarter of FY2014-15. The annual employer cost will be recalculated each year as the number of members in the pool and the employer cost may vary.

It is important to note that the actual cost to the District of this benefit, were an employee to die and survivors receive the benefit, would depend on many variables. It should be emphasized that the District's exposure should be limited to the cost of the annual premium. However, staff calculated an estimate of the total cost to the District of a hypothetical example. In this case the staff estimated the cost for a 40-year-old survivor with two children at age 18 based on the current survivor benefit and medical premiums. Survivors would receive the monthly survivor benefit, with an annual cost of living increase of 2% as stipulated by CalPERS. Once the children reach age 22 they would no longer be eligible to receive the survivor benefit. The spouse would receive the single survivor benefit of \$660, based on the current rates applied to the hypothetical example. In 2014 an eligible survivor with two children could receive \$1,979 per month for the 1959 survivor benefit. This benefit will be paid directly to the survivors by CalPERS and not be calculated as additional cost to the District.

However, medical benefits for survivors would continue to be paid by the District. In this same hypothetical example the spouse and children would be eligible to receive medical benefits at the same rate as before the death of the spouse. The current maximum the District pays toward the medical insurance premium of an employee and family is \$1551.30. Once the children reach age 22 they would no longer be eligible to receive the medical benefit, therefore the spouse's medical benefit would decrease accordingly to the current single rate premium of \$657.33. At age 65 the spouse's medical benefit would then decrease to the District retiree medical benefit amount which is currently \$350 a month.

Life expectancy in this hypothetical case is 85 years for the survivor. At today's maximum medical benefit, the cost to the District over the survivor's lifetime would be approximately \$316,000 (no inflation rate applied). Assuming an annual inflation rate of 2%, the total cost for the example rises to an estimated \$609,000.

PUBLIC NOTICE

Notice was provided pursuant to the Brown Act. No additional notice is necessary.

CEQA COMPLIANCE

No compliance is required as this action is not a project under the California Environmental Quality Act (CEQA).

NEXT STEP

Upon final Board approval of the Resolution to Amend to the Contract in order to implement the Indexed Level of 1959 Survivor Benefits and CalPERS final verification the 1959 Survivor Benefit will be implemented and available to CalPERS members who elected coverage and all new District employees covered under CalPERS.

Attachments:

1. Resolution to Adopt an Amendment to the Contract Between California Public Employees Retirement System and Midpeninsula Regional Open Space District

Responsible Manager:

Kevin S. Woodhouse, Assistant General Manager

Prepared by:

Candice Basnight, Human Resources Supervisor

RESOLUTION NO. 14-____

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
MIDPENINSULA REGIONAL OPEN SPACE DISTRICT
AUTHORIZING AN AMENDMENT TO CONTRACT BETWEEN THE
BOARD OF ADMINISTRATION OF THE CALIFORNIA PUBLIC
EMPLOYEES' RETIREMENT SYSTEM AND THE BOARD OF
DIRECTORS OF THE MIDPENINSULA REGIONAL OPEN SPACE
DISTRICT**

WHEREAS, the Board of Administration of the California Public Employees' Retirement System and the Board of Directions of the Midpeninsula Regional Open Space District entered into a contract effective on December 31, 1973 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,

* * * * *

PASSED AND ADOPTED by the Board of Directors of the Midpeninsula Regional Open Space District on April 9, 2014, at a Regular Meeting thereof, by the following vote:

- AYES:**
- NOES:**
- ABSTAIN:**
- ABSENT:**

ATTEST:

APPROVED:

Secretary
Board of Directors

President
Board of Directors

APPROVED AS TO FORM:

General Counsel

I, the District Clerk of the Midpeninsula Regional Open Space District, hereby certify that the above is a true and correct copy of a resolution duly adopted by the Board of Directors of the Midpeninsula Regional Open Space District by the above vote at a meeting thereof duly held and called on the above day.

District Clerk



California
Public Employees' Retirement System

AMENDMENT TO CONTRACT

Between the
Board of Administration
California Public Employees' Retirement System
and the
Board of Directors
Midpeninsula Regional Open Space 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 31, 1973, and witnessed November 14, 1973, and as amended effective April 4, 1977, June 26, 1997 and October 9, 2006 which provides for participation of Public Agency in said System, Board and Public Agency hereby agree as follows:

- A. Paragraphs 1 through 12 are hereby stricken from said contract as executed effective October 9, 2006, and hereby replaced by the following paragraphs numbered 1 through 13 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 31, 1973 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) Any dispute, disagreement, claim, or proceeding (including without limitation arbitration, administrative hearing, or litigation) between Public Agency and its employees (or their representatives) which relates to Public Agency's election to amend this Contract to provide retirement benefits, provisions or formulas that are different than such employees' 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.
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. 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 in employment before and not on or after October 9, 2006 shall be determined in accordance with Section 21354 of said Retirement Law (2% at age 55 Full).

7. The percentage of final compensation to be provided for each year of credited prior and current service as a local miscellaneous member in employment on or after October 9, 2006 shall be determined in accordance with Section 21354.4 of said Retirement Law (2.5% at age 55 Full).
8. Public Agency elected and elects to be subject to the following optional provisions:
 - a. Section 20042 (One-Year Final Compensation).
 - b. Section 21574.5 (Indexed Level of 1959 Survivor Benefits).
9. Public Agency, in accordance with Government Code Section 20790, ceased to be an "employer" for purposes of Section 20834 effective on April 4, 1977. Accumulated contributions of Public Agency shall be fixed and determined as provided in Government Code Section 20834, and accumulated contributions thereafter shall be held by the Board as provided in Government Code Section 20834.
10. 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.
11. 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 21574.5 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.

12. 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.

13. 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 _____ day of _____, _____.

BOARD OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BOARD OF DIRECTORS
MIDPENINSULA REGIONAL OPEN
SPACE DISTRICT

BY _____
KAREN DE FRANK, CHIEF
CUSTOMER ACCOUNT SERVICES DIVISION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BY _____
PRESIDING OFFICER

Witness Date

Attest:

Clerk