

# EL DORADO LAFCO

LOCAL AGENCY FORMATION COMMISSION

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## *AGENDA OF SEPTEMBER 25, 2013*

### *REGULAR MEETING*

**TO:** Don Mette, Chair, and  
Members of the El Dorado County Local Agency Formation  
Commission

**FROM:** José C. Henríquez, Executive Officer

**AGENDA ITEM #8:** PUBLIC HEARING TO CONSIDER AND ADOPT THE  
CONTRACT BETWEEN EL DORADO LAFCO AND THE  
CALIFORNIA PUBLIC RETIREMENT SYSTEM AND THE  
REALLOCATION AGREEMENT BETWEEN LAFCO,  
CALPERS AND THE COUNTY OF EL DORADO

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#### **RECOMMENDATION**

Staff recommends that the Commission:

1. Approve Resolution L-2013-11, which enters LAFCO into a contract with the California Public Employees Retirement System (Attachment A);
2. Authorize the Chair to sign the contract with CalPERS;
3. Approve Resolution L-2013-12, the Reallocation Agreement between the County of El Dorado, CalPERS and LAFCO, which transfers the retirement assets and liabilities from the County to LAFCO (Attachment B); and
4. Direct staff to complete all necessary filings of these actions with CalPERS.

#### **REASON FOR RECOMMENDED ACTION**

This is the final step for El Dorado LAFCO to enter into a contract with CalPERS, which restores the Commission's ability to offer retirement benefits as well as provide the mechanism to tailor benefits to future employees. The Reallocation Agreement ensures the assets and liabilities for all LAFCO employees are transferred to LAFCO as of February 15, 2005.

## **BACKGROUND**

### *Summary of Contract*

The Commission received a copy and summary of the contract at the August 7 special meeting. No substantive changes to the terms have been made since that meeting, though some language has been added to make it even more consistent with the 2012 Public Employees Pension Reform Act (PEPRA). This contract offers the retirement formulas of 2% @ 55 for existing employees and 2% @ 62 for new employees ("new" as defined by PEPRA). It offers the 1959 Survivor's Benefit Program, Fourth Level to all employees. In addition, the contract has one year final compensation for existing employees and three-year final compensation for new employees. It also offers the opportunity for alumni of the Capital Fellowship Program to purchase their service credit, at their own expense, as an optional benefit. Attachment A contains the contract, Attachment B the Reallocation Agreement and Attachment C is the July 2013 Actuarial Report. The following is a brief explanation of each benefit.

### Benefit Formula

The retirement benefit formula differs on hire date:

- Employees hired before January 1, 2009 have a retirement formula of 2% @ 55 with one year final compensation. As has been explained before, Federal and State labor laws prohibit an employer from unilaterally removing or denying a benefit once it is granted and this formula was in place at the time LAFCO's current employees were hired. This formula mirrors the County's retirement formula for miscellaneous employees with similar tenure (refer to Section 7 of Attachment D).
- Any person hired after January 1, 2013 will have the retirement formula of 2% @ 62 three year final compensation, consistent with the provisions of PEPRA.

### 1945 Survivor Benefits – Fourth Level

The Survivor Benefits program provides a monthly allowance to the specified beneficiaries of LAFCO employees in the instance of an employee's death before retirement. This benefit coverage is available to CalPERS members who work for an agency, like El Dorado LAFCO, that is not covered by Federal Social Security program. The 1959 Survivor Benefit allowance is payable in addition to any other pre-retirement death benefit paid by CalPERS, with the exception of the Special Death Benefit.

At the time the contract was negotiated, CalPERS only offered two choices to LAFCO: the 1959 Survivor Benefits and the 1959 Survivor Benefits – Fourth Level. Fourth Level was chosen because it was the most cost-effective option. It provides the most benefit to the employees at a comparable cost.

### Optional Benefit – Capital Fellowship Program Service Credit

As explained in previous meetings, the Capital Fellowship service credit was selected as an optional benefit under this new contract because of LAFCO's unique situation among local governments. LAFCO is a statute-driven agency, meaning the Legislature is constantly amending the Cortese-Knox-Hertzberg Act (CKH). Since LAFCO cannot afford its own lobbyist, it needs staff members fluent with the legislative process, who can understand the repercussions of slight changes to statutory language and, just as

important, have connections with legislative personnel. Combined, this skill set ensures that this Commission has its views effectively represented and advocated.

Alumni of the Capital Fellowship Programs can offer this LAFCO hands-on knowledge of the legislative process and contacts within the Legislature and/or State bureaucracy. This is why, coupled with sufficient experience, effective judgment and necessary temperament, former fellows are more valuable to this agency than for any other entity in the county.

Also, as disclosed in previous meetings, the Executive Officer is an alumnus of the Capital Fellowship Program. It will be reiterated that he will bear the full cost (current and future) of buying the 10-month service credit should he choose to participate in the service credit buyback program.

#### Military Service Credit

The contract does not need to list military service credit as a specified benefit because LAFCO, as an employer that will become part of the small agency pool, is already mandated to provide military service credit under Government Code §§21024 and 21027.

#### *Estimates on Cost and Impact to LAFCO*

The CalPERS Actuarial Report is included in this staff memo as Attachment C. As it can be seen in page 1 of 4, LAFCO will start with an initial asset base of \$573,066. Its liability is calculated to be \$322,381. As required by CalPERS, the costs of the contract must be disclosed. There are two components to ongoing retirement costs. The first component is the employer rate, which will initially be 8.692% in Fiscal Year 2013-14. Please note that the rate goes to 9.5% for Fiscal Year 2014-15.

Under the Commission's Policies and Guidelines, LAFCO currently pays the employee share for the current set of employees and these constitute the second component of the contract's costs. The Commission will decide on whether to continue this benefit in Item 9 of this Agenda. For purposes of discussion in this item, the chart below assumes LAFCO covers both components.

	<i>New LAFCO Contract (to be effective 7/1/2013)</i>
<i>Total Projected Payroll</i>	\$221,555
<i>Employer Rate</i>	8.692%
<i>Employer Share</i>	\$19,258
<i>Employee Share (7%)</i>	\$12,567
<b><i>Total LAFCO Cost</i></b>	<b>\$31,825</b>
<b><i>LAFCO Budget for PERS Costs</i></b>	<b>\$36,805</b>

*Reallocation Agreement and Impact to the County*

When the myCalPERS system went live, the LAFCO retirement funds were comingled with the County's retirement funds in the County's account. Consequently, the Reallocation Agreement (Resolution L-2013-12, Attachment B) authorizes CalPERS to transfer of the already deposited LAFCO funds plus any investment income and/or interest from the County's account into a LAFCO-specific account. In addition, any LAFCO-specific liability will be transferred from the County to LAFCO as of the contract's effective date. The Board of Supervisors approved the Reallocation Agreement at its August 27, 2013 meeting.

In terms of impact to the County, the effects of the transfer will be minimal. According to the Actuarial Report, the County's assets will be reduced by \$573,066. The County will have a corresponding reduction of liability of \$322,381. The employer rate is unaffected by the LAFCO contract's implementation and remains at 15.661%.

As indicated at the August Special Meeting, the Commission should also take note that part of the Indemnity Agreement was to assume responsibilities for any charges or penalties for anyone working for LAFCO from January 1, 2001 to current. So even though the CalPERS contract is effective on February 15, 2005, the Commission has assumed responsibilities for four additional years beyond that date.

Attachments

- Attachment A: LAFCO Resolution L-2013-11: Resolution Authorizing a Contract Between the Board of Administration – California Public Employees Retirement System and the Commission – El Dorado Local Agency Formation Commission and Contract Between the Board of Administration California Public Employees' Retirement System and the Commission of El Dorado Local Agency Formation Commission
- Attachment B: LAFCO Resolution L-2013-12: LAFCO Reallocation Agreement With the County of El Dorado and the California Public Employees Retirement System
- Attachment C: LAFCO's July 2013 Actuarial Report
- Attachment D: Amendment to Contract Between the Board of Administration California Public Employees' Retirement System and the Board of Supervisors of County of El Dorado