

**TRUCKEE TAHOE AIRPORT DISTRICT
BOARD OF DIRECTORS AGENDA ITEM SUMMARY**

Topic: Amendment To The Contract Between CalPERS And The Truckee Tahoe Airport District To Include Provisions Pursuant To Government Code Section 20475 In Order To Implement The 2%@60 Retirement Formula (Miscellaneous Group)

Purpose	Information:	Guidance:	Decision:
			X
Recommendation	<p>1) Adopt a <i>Resolution of Intention</i> (Attachment 1) to approve an Amendment to the Contract between the Board of Administration of the California Public Employees' Retirement System (CalPERS) and the Truckee Tahoe Airport District (Attachment 2) in order to implement the lower-level retirement formula of 2%@60 for Miscellaneous employees hired after July 1, 2012.</p> <p>2) Authorize Staff to execute required CalPERS certifications:</p> <ul style="list-style-type: none"> a. Certification of Governing Body's Action – PERS-CON-12 (Attachment 3). b. Certification of Compliance with Government Code Section 7507 PERS-CON-12A (Attachment 4). c. Certification of Compliance with Government Code Section 20475 for Miscellaneous employees – PERS-CON-30 (Attachment 5). 		
Last Action	<p>The District's CalPERS contract was last amended in September of 2003 when the 2.7% @ 55 formula was put into place. A review of the District's pension program was presented as a staff report at the April 28, 2011 Board meeting.</p>		
Discussion	<p>In the face of rising pension costs, staff has opted to add a second tier of pension benefits. The District's current contribution rate for the existing plan is 14.762%, and it is scheduled to go to 15.178% the first of July 2012. At their March 14, 2012 meeting, CalPERS reduced the discount rate assumption from 7.75% to 7.5%. They immediately informed public agency employers that this will increase employer contribution rates for the fiscal year beginning July 1, 2013 by 1-2% (not including any other change to the employer rate).</p> <p>The first step in amending the contract to add a second tier was to request the preparation of a special valuation from CalPERS that discloses the costs (or savings) of the specific benefit being requested. The valuation shows that the employer contribution for the second tier (tentatively effective for employees hired after July 1, 2012) will be 7.846%. The employee contribution rate will be 7% (employees in the current plan contribute 8%). The valuation report is included as Attachment 6. It shows that the District's ultimate employer annual dollar savings is approximately 4% of the second tier fiscal year payroll. As we have no employees in the second tier, there is no current savings; however, this step is being made to lower the District's pension costs in the long term. The summary of the major provisions of the plan are included in Attachment 7.</p> <p>The next step is that a <i>Resolution of Intention</i> must be approved by the Board of Directors (Attachment 1). Government Code Section 7507</p>		

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requires that the future annual costs or benefit change of the proposed contract be made public at a meeting at least two weeks prior to the adoption of the final resolution. In addition, the board must authorize staff to provide "Certification of Governing Body's Action", "Certification of Compliance with Government Code Section 7507" and "Certification of Compliance with Government Code Section 20475." District Counsel has reviewed the documents and, where appropriate, approved them as to form.

If the District passes the resolution on the agenda today and the process goes forward, the final resolution will be on the June 28, 2012 agenda.

The effective date of the contract amendment must be the first day of a payroll period. Therefore, the earliest possible effective date of the contract amendment would be July 1, 2012, which also happens to coincide with the beginning of the CalPERS fiscal year. Employees hired on July 2, 2012 or later would fall into the second tier of pension benefits as outlined in Attachment 7.

Fiscal Impact

The immediate fiscal impact is zero; due to fact that the 2@60 benefit will only be given to new employees. However, over the long term, because the 2@60 benefit is less expensive there will be cost savings.

Based on the District's current employee demographic, in 15 years one half of the employee population will have reached age 65 and more than likely will have retired/been replaced. At that time, (according to the CalPERS valuation prepared for this contract amendment), *assuming the same payroll expense as the current budget – and half of the payroll expense at the lower contribution rate*; the savings would be approximately \$50,000 per year.

Communication Strategy

All employees will be made aware of this change to the pension program – although it does not affect their benefit. New employees will be briefed on their pension benefits upon hire. The addition of the second tier will be briefly discussed in the budget, although there will not be any effect as no vacancies are anticipated.

Attachments

Attachment 1 - Resolution of Intention

Attachment 2 - Amendment to the Contract between the Board of Administration of the California Public Employees' Retirement System (CalPERS) and the Truckee Tahoe Airport District

Attachment 3 - Certification of Governing Body's Action

Attachment 4 - Certification of Compliance with Government Code Section 7507

Attachment 5 - Certification of Compliance with Government Code Section 20475

Attachment 6 - Actuarial Valuation Report

Attachment 7 - Summary Of The Major Provisions Of The 2%@60 Plan