



Supplemental Report

DATE: September 28, 2017

TO: Transportation Authority of Marin Board of Commissioners

FROM: Benefits Consultant to County Counsel - Terry Matsumoto

SUBJECT: Adopt a new Resolution of Intention for TAM to enter into a contract with CalPERS for retirement benefits (Action) - Agenda Item No.11

RECOMMENDATION:

Receive and file this report containing supplemental information summarizing the updated CalPERS actuarial valuation described in Agenda Item No. 11. (Action)

BACKGROUND:

On July 10, 2017, your Board adopted a Resolution of Intention for TAM to enter into a contract with CALPERS for retirement benefits based on the actuarial valuation from CalPERS dated May 30, 2017. The valuation report was prepared under the assumption that all current 9 LGS employees with classic status will be transferred from LGS to TAM's CalPERS contract, and, therefore be able to preserve all their service credit, and the 2 RGS employees will join TAM's CalPERS contract as new PEPRAs members. The report also considered the fact that there is one former LGS employee, who worked at TAM, who is now retired. However, 5 former LGS employees who provided services to TAM but are not currently employed by LGS/TAM and 1 retiree were inadvertently omitted from the valuation. An updated valuation was requested when the oversights were found.

DISCUSSION/ANALYSIS:

On September 25, 2017, TAM received the updated final actuarial valuation from CalPERS. CalPERS has calculated that \$404,823 of unfunded liability must be transferred over to the prospective TAM/CalPERS contract in connection with the potential reallocation from LGS to TAM. Also, based on the numbers in the New Agency Actuarial Valuation, the estimated FY2017-18 annual cost for the CalPERS retirement benefits for the 11 individuals who would become direct TAM employees will be \$190,720 (a figure that includes \$136,216 towards the normal cost of retirement and \$54,504 towards a 9 year pay-down plan for the unfunded liability).

The May 30, 2017 valuation showed an unfunded liability of \$584,603 with annual costs of \$214,192. With the additional inclusion of the previously omitted individuals the unfunded liability was expected to be greater but the unfunded liability is reduced by approximately \$180,000. The estimated FY2017-2018 annual cost of contracting with CalPERS, as calculated for the July 10, 2017 TAM Board meeting, was \$214,192, approximately \$20,000 more than the updated valuation.

CalPERS explained that the current actuarial valuation is based on CalPERS' final June 30, 2016, asset valuation that was not available at the time of the May 30, 2017 valuation. The FY16 asset valuation showed asset returns greater than increase for the inclusion of the liabilities for the previously omitted 6 former employees, hence, the reduction in the current unfunded liability and approximate \$20,000 reduction in the annual costs.

FISCAL CONSIDERATION:

The future costs of contracting with CalPERS are discussed above.

NEXT STEPS:

1. Conduct required employee Election
2. Complete negotiations of Reallocation Agreement
3. Recommend Final Resolution to participate in CalPERS