

Mechanics and Ramifications of Agency Changes

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Agenda

- Shared Services
 - Common Law Control
- Agency Mergers/Consolidation
 - Assets and Liabilities
 - Employee Benefits
- Termination Process
- Merger Scenario
- Transfer/Transition of Function

Shared Services/Outsourcing

- Outsourced: Service agreement with another entity to perform its operations
 - Example: police or fire services
 - Temporary or Permanent
- Common Law Control Test
 - Primary Factor: Control of Manner/Means of Work
 - Secondary Factors: duration, location, payment, etc.

Shared Services/Outsourcing Cont.

- Could create an “inactive” agreement
 - Notification by system
 - Change in unfunded actuarial liability amortization schedule

Agency Mergers/Consolidations

- Merger: Termination of the existence of an entity when the responsibility for the functions, services, assets and liabilities of that agency are assumed by another entity
 - Both agencies provided CalPERS coverage
- Consolidation: Two or more entities consolidated their responsibility for the functions, services, assets, and liabilities into a single new successor entity
 - Includes a merger if the dissolving entities weren't covered by CalPERS

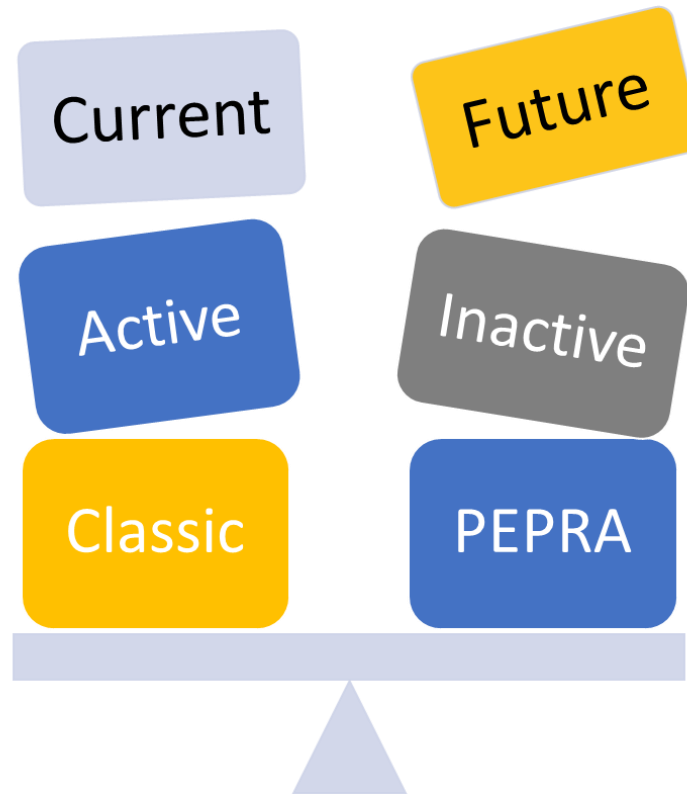
Agency Mergers/Consolidations Cont.

- Specific rules on path forward
- Impacts

Assets and Liabilities

- Merger – all assets and liabilities are moved to the successor agency
- Consolidation – prior agency to terminate contract
- Elimination of Single Function
 - Agency remains active
 - New amortization schedule for inactive portion or termination

Employee Benefits



Employee Benefits

- Merger: Both agencies have CalPERS coverage
 - One contract is selected as successor
 - Employees from dissolving agency are treated as new employees for benefit determination
- Merger: Successor doesn't hold CalPERS coverage
 - Termination of CalPERS contract; coverage ends for current members
 - Successor can request CalPERS coverage and, if approved, we will merge the existing contract(s) to the successor

Employee Benefits Cont.

- Consolidation-Two Scenarios:
 - New agency must qualify for CalPERS coverage in it's own right
 - Determination is based on federal rules

Employee Benefits Cont.

- Consolidation-Creation of New Agency: Member agencies do not have CalPERS coverage
 - Only formulas offered are PEPRA formulas
 - Employees designated as classic but formulas are PEPRA
- Consolidation-Creation of New Agency: A member agency has CalPERS coverage
 - Agency may select a single set of formulas for classic members (bargain)
 - Agency may allow classic members to bring past formula
 - 180-day window

Termination Process

- Resolution of Intent
 - Adopt in open board meeting
- Employer required to inform all members of intent
- CalPERS provides preliminary termination costs
 - Estimate included on annual valuation (wide range)
- Final Resolution
 - As early as 90 days
 - Expires in 1 year

Merger Scenario

- Sonoma County Fire District
 - Merger of two Districts into Windsor (all three CalPERS)
 - Inclusion of Function within the County of Sonoma
 - Rename of Windsor to Sonoma County Fire
- Key Takeaways
 - Significant involvement of county LAFCO office
 - Explicit on function/agency transitions
 - Collaboration with CalPERS
 - Eligibility determination not required

Transfer/Transition of Function

- Big Bear Fire Authority
 - Fire function transitioned from multiple Big Bear agencies
 - Successor Agency with county retirement system
 - Transition of active members past service only
- Key Takeaways:
 - Authorized in statute
 - Both retirement systems must agree (negotiation)
 - All inactive liability remains with CalPERS; other classification active members

Resources – Contact Information

- Pension Contracts: pensioncontracts@calpers.ca.gov
- Membership: membership_reporting@calpers.ca.gov
- Actuarial Office: actuarial.office@calpers.ca.gov

Questions?