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

Current

Active

Classic

Future

Inactive

PEPRA
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 its 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
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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?