

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
8	07/25/11	Open	Action	07/13/11

Subject: Approving Staff to Participate in a Pre-Funding Plan Trust with CalPERS' California Employers Retiree Benefit Trust (CERBT) for ATU and IBEW Retirees

ISSUE

Whether to Approve Staff to Participate in a Pre-Funding Plan Trust with CalPERS' California Employers Retiree Benefit Trust (CERBT) for ATU and IBEW Retirees.

RECOMMENDED ACTION

Adopt Resolution No. 11-07-_____, Authorizing RT's Participation in a Pre-Funding Plan Trust with CalPERS' California Employers Retiree Benefit Trust (CERBT) for RT's ATU and IBEW Non-Pension Retiree Benefits.

FISCAL IMPACT

The OPEB expense is included in the FY 2012 Operating Budget based on the assumption that RT will pre-fund the obligation through CERBT and no additional cost will be incurred. However, if the Board decides not to pre-fund the ATU and IBEW annual required contributions (ARC) through this action, RT will be required to record a revised ARC amount as a liability which will be as much as 26% higher than the FY 2012 budgeted amounts of \$682,288 for ATU and \$217,547 for IBEW, resulting in estimated increases of \$177,394 for ATU and \$56,562 for IBEW.

If the Board chooses a pay-as-you-go method, the actuary will assume a lower rate of return of 4.5%, which will significantly increase both the ARC amount and the unfunded actuarial accrued liability.

DISCUSSION

As provided for in the interest arbitration awards between RT and Amalgamated Transit Union, Local 256 (ATU), on February 11, 2011, and the International Brotherhood of Electrical Workers, Local 1245 (IBEW) on March 25, 2011, retirees represented by these bargaining units are now eligible for medical insurance coverage. RT employs CalPERS' Health Benefits Program and makes the required minimum contribution under the "unequal" method of the Public Employees' Medical & Hospital Care Act (PEMHCA).

Additionally, ATU and IBEW retirees may purchase life insurance through RT's sponsored plan. As retirees and active employees are rated together, there is an implicit subsidy of retiree premiums. For current and future ATU and IBEW retirees, the difference between the expected future life insurance claims and the expected retiree-paid premium is borne by RT. The annual required contributions (ARC) for these additional benefits are actuarially calculated biennially.

On June 9, 2008, the Board adopted Resolution No. 08-06-0077, authorizing RT to participate in a

Approved:

Presented:

Final 7/18/11

General Manager/CEO

Director, Human Resources

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Subject: Approving Staff to Participate in a Pre-Funding Plan Trust with CalPERS' California Employers Retiree Benefit Trust (CERBT)

pre-funding plan trust with CalPERS' California Employers Retiree Benefit Trust (CERBT) for the District's salaried group's non-pension retiree benefits. RT has been pre-funding the salaried group OPEB ARC contributions with CERBT since May 2009. CERBT has indicated that the existing trust can also be used to pre-fund the ATU and IBEW OPEB ARC contributions. CERBT will maintain a separate accounting for each group.

RECOMMENDATION

Staff recommends that the Board authorize RT to pre-fund the ATU and IBEW actuarially determined annual required contributions with CalPERS' CERBT.

RESOLUTION NO. 11-07-_____

Adopted by the Board of Directors of the Sacramento Regional Transit District on this date:

July 25, 2011

**AUTHORIZING RT'S PARTICIPATION IN A PRE-FUNDING PLAN TRUST WITH
CALPERS' CALIFORNIA EMPLOYERS RETIREE BENEFIT TRUST (CERBT) FOR
RT'S ATU AND IBEW NON-PENSION RETIREE BENEFITS**

BE IT HEREBY RESOLVED BY THE BOARD OF DIRECTORS OF THE
SACRAMENTO REGIONAL TRANSIT DISTRICT AS FOLLOWS:

THAT, it is in the Sacramento Regional Transit District's (RT) best interest to contract directly with the California Public Employee's Retirement System (CalPERS) to participate in CalPERS' California Employers Retiree Benefit Trust (CERBT) for the purpose of administering RT's Post-Retirement Medical Benefits funds.

THAT, RT's participation in CalPERS' CERBT for the benefit of employees represented by the Amalgamated Transit Union (ATU) and the International Brotherhood of Electrical Workers (IBEW) is hereby authorized.

THAT, the General Manager/CEO or designee is hereby authorized to execute any forms, applications, or documents necessary to establish and administer RT's account in CalPERS' CERBT.

DON NOTTOLI, Chair

A T T E S T:

MICHAEL R. WILEY, Secretary

By: _____
Cindy Brooks, Assistant Secretary