



City of Rialto

Legislation Text

File #: 22-802, **Version:** 1

For City Council Meeting [September 13, 2022]

TO: Honorable Mayor and Council

APPROVAL: Marcus Fuller, City Manager

FROM: Eric Vail, City Attorney

Request City Council to: Approve CIRA Agreement for Apportionment of Retirement Obligations (AB1912); and (2) Authorize the City Manager to Execute All Documents.

BACKGROUND

From July 1, 1986 through June 30, 2017, the City of Rialto (City) was a participating member of the Public Agency Risk Sharing Authority of California (PARSAC), a joint powers insurance authority. The City subsequently became a member of the California State Association of Counties Excess Insurance Authority (CSAC-EIS) which is now known as Public Risk Innovation, Solutions, and Management (PRISM). In July 2021, PARSAC merged with the Redwood Empire Municipal Insurance Fund to form the California Intergovernmental Risk Authority (CIRA).

The PARSAC joint powers agreement to which the City was a party, provided, in pertinent part that "[c]osts of staffing and supporting PARSAC [hereinafter called PARSAC's general expenses] shall be equitably allocated among the various Programs by the Board, and shall be funded by the Member Entities which participate in such Programs [and ex-Member Entities] in accordance with such allocations." The joint powers agreement provides further that "[f]ollowing the termination of this Agreement, any Member Entity which was a participant in any Program of PARSAC shall pay any additional amount of premium, determined by the Board or its designee in accordance with a retrospective premium adjustment, which may be necessary to enable final disposition of all claims arising from losses under that Program during the Member Entity's period of participation."

In September 2018, former Governor Jerry Brown signed into law AB 1912. This Bill, codified in Government Code 6508.2, established rules for joint powers agencies (JPAs) to meet pension obligations for employees and retirees should the JPA terminate its retirement plan with CalPERS or dissolve. The law requires that all current and former member agencies of a JPA, prior to filing a notice of dissolution or termination of CalPERS participation, must mutually agree (within 60 days) with the public retirement system on how to apportion the retirement liability of the JPA so that the apportionment equals 100% of this liability. If the member agencies are unable to mutually agree to the apportionment formula, CalPERS's Board would apportion the retirement liability and establish procedures allowing a member agency to challenge the Board's determination through the arbitration process.

ANALYSIS/DISCUSSION

In May 2022, the CIRA Board of Directors approved an Agreement for Apportionment of Retirement Obligations (Agreement). CIRA has requested that the City approve and enter into the Agreement. It is consistent with the City's obligations as a former member of PARSAC, provides that the City will only be liable for the period during which it participated in PARSAC, and protects the City from a retirement obligation allocation being involuntarily imposed by CalPERS. As of June 30, 2021, PARSAC's termination liability was approximately \$4.5 million. Furthermore, upon dissolution, CIRA, as PARSAC's successor, intends to sell its real property in Sacramento to satisfy any unfunded retirement obligations accrued prior to July 1, 2021, before allocating the remaining obligations, if any, on members and former members. A definitive dollar amount of liability will not be available unless and until CIRA dissolve or terminates its retirement plan. However, the liability will only arise if and when CIRA dissolves or terminates its retirement plan with CalPERS.

A copy of the Agreement is attached as **Attachment 1**.

ENVIRONMENTAL IMPACT

The proposed action does not constitute a "project" as defined by the California Environmental Quality Act (CEQA). Pursuant to Section 15378(b) of the State CEQA Guidelines, a project does not include organizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment.

GENERAL PLAN CONSISTENCY

This action is consistent with Guiding Principle 3A in the General Plan:

"Our City government will lead by example, and will operate in an open, transparent, and responsible manner that meets the needs of the citizens and is a good place to do business."

LEGAL REVIEW

The City Attorney has approved the Agreement and the staff report.

FINANCIAL IMPACT

Approval of the Agreement will document a State imposed contingent liability and will have no foreseeable effect on the General Fund.

RECOMMENDATIONS

Staff recommends that the City Council:

- (1) Approve Agreement for Apportionment of Retirement Obligations between the California Intergovernmental Risk Authority and the City of Rialto; and
- (2) Authorize the City Manager to Execute All Documents