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METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA


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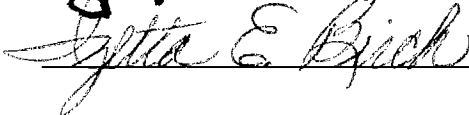
April 10, 1997

To: Board of Directors (Organization and Personnel Committee--Action)

From: General Manager

Submitted by: Izetta E. Birch
Director of Human Resources





Subject: Resolution of Intention to Amend Contract with Public Employees' Retirement System to Provide Service Credit for Military Service and Authorization for Pre-Tax Payroll Deduction for Employees Who Qualify for Service Credit Purchases

RECOMMENDATION(S)

It is recommended that your Board adopt the Resolution of Intention to Approve an Amendment to Contract Between the Board of Administration of the Public Employees' Retirement System and the Board of Directors of the Metropolitan Water District of Southern California to provide Metropolitan employees who qualify for PERS service credit for military service the opportunity to elect such service credit, and certify compliance with Government Code Section 7507 as set forth in Exhibits A, B, and C.

It is recommended that your Board adopt the Employer Pickup Resolution Pre-Tax Deduction Plan for Service Credit Purchases as set forth in Exhibit D.

EXECUTIVE SUMMARY

The adoption of an amendment to Metropolitan's contract with CalPERS to provide Military Service as Public Service (Government Code Section 21024) will require two actions by your Board: first, the adoption of the attached Resolution of Intention, and second, following a minimum of a twenty day period after the adoption of the Resolution of Intention, the adoption of the final resolution. It is anticipated that the final resolution will be brought to your Board for consideration at the June, 1997 meeting, with the amendment to become effective on June 11, 1997.

DETAILED REPORT

Credit for military service rendered prior to employment is an option only available to employees of agencies which amend their CalPERS contracts to include this provision, which is contained in Government Code Section 21024 (Military Service as Public Service). Under this provision, a CalPERS member may elect to purchase up to four years of service credit for any continuous active military or merchant marine service prior to employment. The member must contribute to CalPERS an amount equal to the contributions that both the employee and the employer would be required to make with respect to that period of service. The member's payment will be calculated by CalPERS upon request. The benefit will be available only to individuals who are in active employment at Metropolitan.

Government Code Section 7507 requires that the cost implications of a proposed increase in retirement benefit plans be made public at a public meeting at least two weeks prior to the adoption of the amendment. This amendment to the CalPERS contract will have no impact on Metropolitan's employer contribution rate at this time because the employees who elect to receive the military service credit must contribute both the employee and employer contributions plus interest; however, actual costs for Metropolitan could emerge in future actuarial valuations based on actual usage. No actuarial valuation is required in order to implement this provision.

There are additional documents which must be executed before CalPERS can process the final documents for consideration in June. These documents are the Certification of Governing Body's Action (CON-12) (Exhibit B), and Certification of Compliance with Government Code Section 7507 (CON-12-A), (Exhibit C). The proposed amendment to the CalPERS contract is included as Exhibit E.

Since July, 1996, CalPERS has provided an option for employers to file a resolution to allow their employees to participate in a pre-tax payroll deduction plan for service credit purchases, such as military service credit, redeposits of withdrawn contributions, and other forms of optional service credit available to employees. Because the cost of purchasing military service credit will be borne entirely by Metropolitan employees who elect such credit, it is requested that Exhibit D, Employer Pickup Resolution Pre-Tax Deduction Plan for Service Credit Purchases (Exhibit D) be filed with CalPERS to provide Met employees with the option of making the payments as pre-tax or after-tax contributions. This option will then be available to all Metropolitan employees who purchase additional service credit from CalPERS. This action has no cost impact on Metropolitan.

BL:jw

Attachments

**RESOLUTION OF INTENTION
TO APPROVE AN AMENDMENT TO CONTRACT
BETWEEN THE
BOARD OF ADMINISTRATION
OF THE
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
AND THE
BOARD OF DIRECTORS
OF THE
METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA**

WHEREAS, the Public Employees' Retirement Law permits the participation of public agencies and their employees in the Public Employees' Retirement System by the execution of a contract, and sets forth the procedure by which said public agencies may elect to subject themselves and their employees to amendments to said Law; and

WHEREAS, one of the steps in the procedures to amend this contract is the adoption by the governing body of the public agency of a resolution giving notice of its intention to approve an amendment to said contract, which resolution shall contain a summary of the change proposed in said contract; and

WHEREAS, the following is a statement of the proposed change:

To provide Section 21024 (Military Service as Public Service)
for local miscellaneous members.

NOW, THEREFORE, BE IT RESOLVED that the governing body of the above agency does hereby give notice of intention to approve an amendment to the contract between said public agency and the Board of Administration of the Public Employees' Retirement System, a copy of said amendment being attached hereto, as an "Exhibit" and by this reference made a part hereof.

By _____
Presiding Officer

Title

Date adopted and approved

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Actuarial and Employer Services Division

Public Agency Contract Services

P.O. Box 942709

Sacramento, CA 94229-2709

(916) 326-3420

CERTIFICATION OF GOVERNING BODY'S ACTION

I hereby certify that the foregoing is a true and correct copy of a Resolution adopted by the

Board of Directors of the
(governing body)

Metropolitan Water District of Southern California
(public agency)

on May 13, 1997
(date)

Clerk/Secretary

Title

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Actuarial and Employer Services Division

Public Agency Contract Services

P.O. Box 942709

Sacramento, CA 94229-2709

(916) 326-3420

**CERTIFICATION OF COMPLIANCE WITH
GOVERNMENT CODE SECTION 7507**

I hereby certify that in accordance with Section 7507 of the Government Code the future annual costs as determined by the System Actuary and/or the increase in retirement benefit(s) have been made public at a public meeting of the Board of Directors
(governing body)

of the Metropolitan Water District of Southern California
(public agency)

on May 13, 1997 which is at least two weeks prior to the adoption of the
(date)

Resolution/Ordinance.

Clerk/Secretary

Title

Date _____

Employer Code: 0085

**EMPLOYER PICKUP RESOLUTION
PRE-TAX DEDUCTION PLAN
FOR SERVICE CREDIT PURCHASES
(CONTRIBUTION CODE 14)**

WHEREAS, the Board of Administration of the California Public Employees' Retirement System (CalPERS) at the April 1996 meeting approved a pre-tax payroll deduction plan for service credit purchases under Internal Revenue Code (IRC) section 414(h)(2); and

WHEREAS, the Metropolitan Water District of Southern California has the authority to implement the provisions of IRC section 414(h)(2) and has determined that even though implementation is not required by law, the tax benefit offered by this section should be provided to those employees who are members of CalPERS; and

WHEREAS, the Metropolitan Water District of Southern California elects to participate in the pre-tax payroll deduction plan for all employees in the following CalPERS coverage group(s):

Membership Coverage Group 70001

NOW, THEREFORE, BE IT RESOLVED:

- I. That the Metropolitan Water District of Southern California will implement the provisions of IRC section 414(h)(2) by making employee contributions for service credit purchases pursuant to the California State Government Code on behalf of its employees who are members of CalPERS and who have made a binding irrevocable election to participate in the pre-tax payroll deduction plan. "Employee contributions" shall mean those contributions reported to CalPERS which are deducted from the salary of employees and are credited to individual employee accounts for service credit purchases thereby resulting in tax deferral of employee contributions.
- II. That the contributions made by the Metropolitan Water District of Southern California to CalPERS, although designated as employee contributions, are being paid by the Metropolitan Water District of Southern California in lieu of contributions by the employees who are members of CalPERS.
- III. That the employees shall not have the option of choosing to receive the contributed amounts directly instead of having them paid by the Metropolitan Water District of Southern California to CalPERS.

- IV. That the Metropolitan Water District of Southern California shall pay to CalPERS the contributions designated as employee contributions from the same source of funds as used in paying salary, thereby resulting in tax deferral of employee contributions.
- V. That the effective date for commencement of the pre-tax payroll deduction plan cannot be any earlier than July 1, 1996, or the date the completed resolution is received and approved in CalPERS, whichever is later.
- VI. That the governing body of the Metropolitan Water District of Southern California shall participate in and adhere to requirements and restrictions of the pre-tax payroll deduction plan by reporting pre-tax payroll deductions when authorized by CalPERS for those employees of the above stated Coverage Group(s) who have elected to participate in this plan.

BY: _____

BY: Chairman of the Board of Directors

(Date adopted and approved)

RETURN ADDRESS:

Metropolitan Water District of Southern California
P.O. Box 54153
Los Angeles, CA 90054

FOR CALPERS USE ONLY	
Pre-tax Payroll Deduction Plan Effective Date: _____	
Approved By: _____	Title: _____
MEMBER SERVICES DIVISION, Service Credit Section - Unit 830	

**AMENDMENT TO CONTRACT
BETWEEN THE
BOARD OF ADMINISTRATION
OF THE
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
AND THE
BOARD OF DIRECTORS
OF THE
METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA**

The Board of Administration, Public Employees' Retirement System, hereinafter referred to as Board, and the governing body of above public agency, hereinafter referred to as Public Agency, having entered into a contract effective January 1, 1945, and witnessed December 18, 1944, and as amended effective February 1, 1948, July 1, 1950, September 1, 1951, September 1, 1953, February 1, 1956, February 1, 1960, October 1, 1964, June 1, 1966, February 1, 1969, October 1, 1973, June 1, 1974, October 1, 1975, February 1, 1976, March 1, 1976, December 16, 1977, December 16, 1978, January 1, 1980, September 1, 1980, January 1, 1981, September 1, 1982, September 1, 1987, September 1, 1988, June 25, 1989, December 1, 1990 and July 13, 1994 which provides for participation of Public Agency in said System, Board and Public Agency hereby agree as follows:

- A. Paragraphs 1 through 11 are hereby stricken from said contract as executed effective July 13, 1994, and hereby replaced by the following paragraphs numbered 1 through 11 inclusive:
1. All words and terms used herein which are defined in the Public Employees' Retirement Law shall have the meaning as defined therein unless otherwise specifically provided. "Normal retirement age" shall mean age 60 for local miscellaneous members.
 2. Public Agency shall participate in the Public Employees' Retirement System from and after January 1, 1945 making its employees as hereinafter provided, members of said System subject to all provisions of the Public Employees' Retirement Law except such as apply only on election of a contracting agency and are not provided for herein and to all amendments to said Law hereafter enacted except those, which by express provisions thereof, apply only on the election of a contracting agency.
 3. Employees of Public Agency in the following classes shall become members of said Retirement System except such in each such class as are excluded by law or this agreement:

- a. Employees other than local safety members (herein referred to as local miscellaneous members).
4. In addition to the classes of employees excluded from membership by said Retirement Law, the following classes of employees shall not become members of said Retirement System:
- a. **SAFETY EMPLOYEES.**
5. The percentage of final compensation to be provided for each year of credited prior and current service as a local miscellaneous member shall be determined in accordance with Section 21251.13 of said Retirement Law (2% at age 60 Full).
6. Public Agency elected and elects to be subject to the following optional provisions:
- a. Section 21222.1 (Special 5% Increase-1970). Legislation repealed said Section effective January 1, 1980.
 - b. Section 21573 (Third Level of 1959 Survivor Benefits).
 - c. Section 21222.2 (Special 5% Increase-1971). Legislation repealed said Section effective January 1, 1980.
 - d. Section 20042 (One-Year Final Compensation).
 - e. Sections 21624 and 21626 (Post-Retirement Survivor Allowance).
 - f. Section 21319 (Special 15% Increase for Local Miscellaneous Members).
 - g. Section 21583 (Second Opportunity to Elect 1959 Survivor Benefits). Legislation repealed said Section effective September 27, 1979.
 - h. Section 20903 (Two-Years Additional Service Credit), Statutes of 1976. Legislation repealed said Section effective January 1, 1979.
 - i. Section 21427 (Improved Non-Industrial Disability Allowance).
 - j. Section 21325 (Special 3% - 15% Increase) for or on behalf of those local miscellaneous members who retired or died prior to January 1, 1974.
 - k. Section 21548 (Pre-Retirement Optional Settlement 2 Death Benefit).

- l. Section 20965 (Credit for Unused Sick Leave).
 - m. Section 20903 (Two Years Additional Service Credit).
 - n. Section 21024 (Military Service Credit as Public Service), Statutes of 1976.
7. Public Agency, in accordance with Government Code Section 20790, ceased to be an "employer" for purposes of Section 20834 effective on October 1, 1975. Accumulated contributions of Public Agency shall be fixed and determined as provided in Government Code Section 20834, and accumulated contributions thereafter shall be held by the Board as provided in Government Code Section 20834.
8. Public Agency shall contribute to said Retirement System the contributions determined by actuarial valuations of prior and future service liability with respect to local miscellaneous members of said Retirement System.
9. Public Agency shall also contribute to said Retirement System as follows:
 - a. Public Agency shall contribute \$1.50 per member, per month on account of the liability for the 1959 Survivor Benefits provided under Section 21573 of said Retirement Law. (Subject to annual change.) In addition, all assets and liabilities of Public Agency and its employees shall be pooled in a single account, based on term insurance rates, for survivors of all local miscellaneous members.
 - b. A reasonable amount, as fixed by the Board, payable in one installment within 60 days of date of contract to cover the costs of administering said System as it affects the employees of Public Agency, not including the costs of special valuations or of the periodic investigation and valuations required by law.
 - c. A reasonable amount, as fixed by the Board, payable in one installment as the occasions arise, to cover the costs of special valuations on account of employees of Public Agency, and costs of the periodic investigation and valuations required by law.
10. Contributions required of Public Agency and its employees shall be subject to adjustment by Board on account of amendments to the Public Employees' Retirement Law, and on account of the experience under the Retirement System as determined by the periodic investigation and valuation required by said Retirement Law.

11. Contributions required of Public Agency and its employees shall be paid by Public Agency to the Retirement System within fifteen days after the end of the period to which said contributions refer or as may be prescribed by Board regulation. If more or less than the correct amount of contributions is paid for any period, proper adjustment shall be made in connection with subsequent remittances. Adjustments on account of errors in contributions required of any employee may be made by direct payments between the employee and the Board.

B. This amendment shall be effective on the _____ day of _____, 19____.

BOARD OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BOARD OF DIRECTORS
OF THE
METROPOLITAN WATER DISTRICT OF
SOUTHERN CALIFORNIA

BY _____
KENNETH W. MARZION, CHIEF
ACTUARIAL & EMPLOYER SERVICES DIVISION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BY _____
PRESIDING OFFICER

Witness Date

Attest:

Clerk