

# Authorization to Contract with CalPERS

Peninsula Corridor Joint  
Powers Board  
Finance Committee

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# Background

- Since adoption of Governance MOU, counsel for SamTrans and Caltrain have determined that Caltrain should seek its own contract with CalPERS to provide pension benefits to Rail Division employees
- Government Code section 20508 permits an agency that assumes certain functions of another agency, in whole or in part, to become a contracting agency with CalPERS
- Section 20508 allows the successor agency to assume the pension liabilities and responsibilities previously included in the former agency's contract with CalPERS, even if the former agency continues to exist and provide other functions to serve the successor agency

# Background – cont'd

- Under a successor agency contract, Rail Division employees would be moved from the SamTrans plan to a new Caltrain plan, and Caltrain would provide pension benefits for those employees under this separate contract with CalPERS
- Caltrain will seek a contract with CalPERS that mirrors the benefits provided under the SamTrans plan

# Process

Obtaining a successor agency contract with CalPERS involves two steps:

**1. Eligibility Determination:** Caltrain must demonstrate that it is a public agency and that it has a stable source of revenue sufficient to absorb the costs of contracting with CalPERS

- Caltrain must qualify as a political subdivision or an instrumentality of a political subdivision; Caltrain qualifies as a public agency under both definitions
- Farebox and Measure RR revenues establish an independent source of funds sufficient to meet its CalPERS obligations
- Eligibility determination typically requires three months following submission of application

# Process – cont'd

**2. Contracting Process:** Once Caltrain establishes eligibility, it will negotiate a contract with CalPERS, subject to approval by JPB Board

- Provide CalPERS with census data for all Rail Division employees who will be covered under Caltrain's contract
- Negotiate contract that mirrors the SamTrans contract
- Conduct an actuarial valuation that will identify the expected contribution rate and assets and liabilities to be transferred from the SamTrans contract to the Caltrain contract
- Contract negotiations typically take 9-12 months

# Process – cont'd

- Member agencies must agree to back stop Caltrain's pension obligations should Caltrain dissolve and have insufficient assets to meet its pension obligations
- Contract must be approved by JPB Board prior to execution

# Recommendation

- Authorize the Executive Director, or designee, to apply to contract with CalPERS to assume contractual responsibility for providing pension benefits to Rail Division employees
- Take all other necessary steps to secure a successor agency contract with CalPERS, subject to the Board's approval of the contract
- Pursue these efforts in close coordination with SamTrans

# Questions



FOR MORE INFORMATION

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