



Board of Retirement Regular Meeting

Sacramento County Employees' Retirement System

Agenda Item 16

MEETING DATE: July 19, 2018

SUBJECT: Sacramento Metropolitan Fire District
Payment Agreement

SUBMITTED FOR: Consent **Deliberation and Action** **Receive and File**

RECOMMENDATION

Staff recommends the Board approve the attached payment agreement between SCERS and Sacramento Metropolitan Fire District (SMFD) regarding SMFD's unfunded accrued actuarial liability (UAAL) to SCERS, and authorize the Chief Executive Officer to execute any documents necessary to implement the agreement.

PURPOSE

The payment agreement provides funding for the ongoing benefits owed to the former Florin Fire Protection District (Florin) employees, retirees, and beneficiaries. It provides a funding mechanism for SMFD to continue to satisfy its current and future funding obligations to SCERS and to make adjustments based on economic and demographic experience and assumptions. It also provides a method for resolving defaults, low payments, or missed payments. SMFD's UAAL will be calculated using the same actuarial assumptions that SCERS utilizes for its own actuarial studies. And finally, it provides a three-year amortization period for calculating and paying any future losses or gains, which will be added to or deducted from the total liability owed by SMFD to SCERS.

DISCUSSION

Over the last several years, SCERS and SMFD staff have worked together to identify a mutually agreeable solution for SMFD to ensure funding will be available to support the benefits for the Florin retirees and their families. Those efforts have resulted in the attached proposed agreement and associated payment schedule, which provides for an extension of payment of the UAAL through fiscal year 2036-2037.

In developing the 20-year amortization plan, SCERS attempted to balance the retirement system's fiduciary obligations with the fire district's long-term budget needs.

Chief Executive Officer Eric Stern and SMFD Chief Financial Officer Amanda Thomas made a joint presentation to the SMFD Board of Directors Meeting on Thursday, June 28, 2018. The SMFD Board of Directors unanimously approved the payment agreement.

SCERS Board approval is required in order to authorize the Chief Executive Officer to execute the attached payment agreement between SCERS and SMFD.

BACKGROUND

Beginning July 1, 1974 until December 31, 1996, Florin was an independent special district of SCERS. In 1996, Florin merged with the American River Fire Protection District (American River), which was an independent special district that participated in the California Public Employees' Retirement System. American River became the successor employer, and the former Florin employees no longer accrued service with SCERS after December 31, 1996. As a result of the formation of SMFD in December 2000, SMFD became the successor in interest to American River, and continues to operate under an agreement to fund pension benefits for former Florin members through SCERS.

Under the original agreement, an annual study is prepared by SCERS' independent actuary to determine the assets and liabilities associated with the former Florin employees and retirees, for service prior to January 1, 1997. If the UAAL exceeds 5% of assets, SMFD and SCERS are to meet and confer to reach agreement on payments required to eliminate the liability by July 1, 2022.

The unfunded liability had grown to \$45 million as of June 30, 2017. SCERS and SMFD agree that SMFD is unable to pay the unfunded liability in full by July 1, 2022.

ATTACHMENT

- 1 - Payment Agreement approved by SMFD Board of Directors on June 28, 2018
- 2 - June 28, 2018 SMFD Board of Directors Agenda Item and Resolution

Kathryn T. Regalia
Chief Operations Officer

Eric Stern
Chief Executive Officer

ATTACHMENT 1

**Sacramento Metropolitan Fire District and
Sacramento County Employees' Retirement System
Payment Agreement**

This AGREEMENT is made and entered into as of this ____ day of _____ 2018, by and between SACRAMENTO METROPOLITAN FIRE DISTRICT, ("SMFD") and SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM, ("SCERS").

RECITALS

1. SCERS is a cost-sharing, multi-employer retirement plan funded by the County of Sacramento and independent special district employers.
2. SCERS is managed and administered by its Board of Retirement in accordance with Government Code sections 31450 et seq. known as the County Employees' Retirement Law of 1937, ("CERL").
3. SCERS does not maintain separate asset accounts for each contributing employer and all contributions, pension payments, and investment earnings are added to or subtracted from a single account maintained for all employers referred to as a "pooled structure."
4. Government Code section 31557 authorizes a district to become a member of a retirement association if its governing board adopts a resolution providing for the inclusion of the district in the retirement association and if the retirement board agrees to the inclusion.
5. Florin Fire Protection District, ("FLORIN") was an independent special district contracting with SCERS. On November 13, 1973, by resolution No. 6-73, FLORIN's governing board unanimously provided for the inclusion of FLORIN's eligible officers and employees within SCERS effective July 1, 1974, and on December 13, 1973, SCERS' governing board consented to FLORIN's membership effective July 1, 1974.
6. Beginning July 1, 1974, and continuing through December 31, 1996, all eligible officers and employees of FLORIN were members of SCERS and making contributions to SCERS in amounts adopted by SCERS based upon its consulting actuary.
7. CERL sections 31564.5 and 31585 obligated FLORIN to appropriate annual contributions to SCERS to fund pension benefits for its employees and retirees and to amortize the unfunded accrued actuarial liability, ("UAAL") with respect to such pension benefits.

8. Effective January 1, 1997, FLORIN and the American River Fire District (“AMERICAN RIVER”) reorganized into a single independent special district that succeeded the former districts and which was also to be known as the American River Fire Protection District.
9. AMERICAN RIVER was an independent special district, which has never been a member employer of SCERS.
10. Effective January 1, 1997, a contract for services between AMERICAN RIVER and FLORIN was entered wherein AMERICAN RIVER made offers of employment to those FLORIN employees who were providing services to FLORIN.
11. Those FLORIN employees who accepted such employment with AMERICAN RIVER separated from FLORIN employment on January 1, 1997. Those Florin employees ceased to accrue future service with SCERS.
12. Effective January 1, 1997, upon becoming AMERICAN RIVER employees, those former FLORIN employees continued to represent not only a proportionate share of FLORIN's pension liability with SCERS, but also a proportionate share of SCERS' UAAL as determined by SCERS' consulting actuary.
13. Effective May 21, 1997, SCERS, FLORIN, and AMERICAN RIVER entered into an agreement, (“FIRST AGREEMENT”), attached hereto as Attachment A and incorporated herein by reference into this AGREEMENT, in which both AMERICAN RIVER and FLORIN assured payment of future liability to SCERS, and the parties agreed as to the amount of and the method of payment of future liability to SCERS.
14. On December 1, 2000 SACRAMENTO METROPOLITAN FIRE DISTRICT (“SMFD”) became successor in interest to AMERICAN RIVER, and AMERICAN RIVER employees then became employees of SMFD. Effective October 6, 2004, by resolution No. 50-04, SMFD accepted responsibility under the May 21, 1997, FIRST AGREEMENT, for the UAAL liabilities under SCERS. Resolution No.50-04 is attached hereto as Attachment B and is incorporated herein by reference.
15. SMFD is an independent special district, which has never been a member employer of SCERS.
16. Pursuant to CERL sections 31453, 31453.5, 31454, 31580.1 and other applicable provisions of law, SMFD, as successor in interest to FLORIN and AMERICAN RIVER, is liable to SCERS for the share of liabilities attributable to the former FLORIN's officers and employees who are and may be entitled

to receive retirement, disability, and related benefits from SCERS.

17. CERL section 31585 provides: "When a district becomes part of the retirement system, the same appropriations and transfer of funds shall be made as those required of the county in this article, and such charges are legal charges against the funds of the district."

18. CERL section 31586 provides: "All payments of the county or of any district into the retirement fund, whether made pursuant to this article or made pursuant to law, are obligations of the county or district."

19. FIRST AGREEMENT by its terms was to continue in effect until July 1, 2022, or such other date mutually agreed upon by the parties; provided that these obligations under FIRST AGREEMENT could be modified by mutual agreement of the parties.

20. As of June 30, 2017, the SCERS' actuary determined that the difference between the value of the assets held by SCERS attributable to the former FLORIN officers and employees, now SMFD officers and employees, and liability for current and prospective benefits due to retired, deferred retired, and disabled FLORIN officers and employees, their survivors and beneficiaries (the UAAL) was \$45,045,597, as described in the *Amortization Schedule* attached hereto as Attachment C and incorporated herein by reference.

21. SCERS and SMFD agree that SMFD is unable to satisfy its commitments in the FIRST AGREEMENT and is unable to pay off the liability by July 1, 2022.

22. SCERS and SMFD agree that the purposes of this AGREEMENT are:

(a) to evidence SMFD's liability and continuing funding obligations to SCERS for the ongoing benefits owed to its retired and disabled officers and employees by offsetting accumulated asset attributable to FLORIN and its officers and employees against projected future benefits to be paid by SCERS to retired, deferred retired, and disabled former FLORIN officers and employees and their survivors and beneficiaries;

(b) to provide a funding mechanism for SMFD to continue to satisfy its funding obligations, both current and future, to SCERS;

(c) to provide a mechanism for adjusting SMFD's obligations and payments due to SCERS based on economic and demographic experience and assumptions;

(d) to provide a method of resolving defaults, missed payments, or a lower-

than-required payment;

(e) to calculate all liability by using the same actuarial assumptions that SCERS uses to calculate all other liabilities owed to SCERS; and,

(f) to provide a three-year amortization period for calculating and paying any future losses or gains (whether due to experience or to changes in actuarial assumptions) which are added to or deducted from the total liability owed by SMFD to SCERS.

NOW, THEREFORE, the parties mutually agree to the following terms, conditions, and covenants:

1. **Recitals** – The foregoing recitals are true and correct and are incorporated herein by this reference.

2. **Term of the AGREEMENT** – This AGREEMENT shall continue in effect until July 1, 2037, or such other date mutually agreed upon by the parties; provided however that SMFD's obligations under this AGREEMENT may be modified by mutual agreement of the parties herein.

3. **Current UAAL Obligation** – SMFD's current UAAL obligation to SCERS as of June 30, 2017, is \$45,045,597, see Attachment C.

4. **Satisfaction of SMFD's Current UAAL Obligation** – SCERS acknowledges receipt of SMFD's payment of \$3.3 million on May 3, 2018, representing payment for Fiscal Year 2017/18 as identified in Attachment C. Going forward, continuing payments thereafter shall be made by SMFD on July 31st of every year, beginning July 31, 2018, through fiscal year 2036/37 according to the attached *Amortization Schedule*, see Attachment C. Failure to submit the required payment by July 31st will result in the accumulation of interest which will be treated as a loss and amortized over a three (3) year period as described in paragraph 5b, below.

5. **Satisfaction of SMFD's Future UAAL Obligations -**

a. As soon as practicable following June 30, 2018, and following the end of every year thereafter, SCERS and SMFD shall work collaboratively to provide necessary information to SCERS' independent actuary, so that SCERS' independent actuary may prepare and deliver a Withdrawn Employer Study (Study) reflecting the assets and liabilities in the retirement system attributable to SMFD's FLORIN members and beneficiaries, and any new UAAL attributable to FLORIN. Annually SMFD is to provide SCERS with fiscal year's salary information on active members still employed and to assist SCERS in updating information with respect to the employment status of each employee. The Study shall include an itemization of SMFD's

employees by their membership category and projections of cash flow and progress on meeting the funding obligations. The assets attributable to SMFD will be credited with the actual rate of investment return earned on the total market value of SCERS assets. Following delivery of the annual Study, should SMFD so request, SCERS and SMFD will meet to discuss any changes in the assets and the liabilities.

b. Based on the results of the annual Withdrawn Employer Study and the recalculation of SMFD's UAAL Obligation, in the event that there is any new UAAL obligation required of SMFD, the new UAAL will be added to the *Amortization Schedule* attached hereto as Attachment C in three (3) equal installments amortized over the next three (3) successive years following the Study's effective date. SMFD shall have the right to pre-pay any amount due SCERS without penalty, and may add additional funds to its account at SCERS in anticipation of future liabilities at any time.

c. Based on the results of the Withdrawn Employer Study, in the event that there is any reduction in UAAL obligation ("Gain") attributable to SMFD, the Gain will be subtracted from the appropriate figure in the *Amortization Schedule* attached hereto as Attachment C in three (3) equal installments amortized over the next three (3) successive years following the Study's effective date.

d. SMFD and SCERS will be equally responsible for the cost of SCERS' independent actuarial services incurred in connection with the annual Withdrawn Employer Study. SMFD shall make payment in full to SCERS within thirty (30) days following receipt of an invoice for such services from SCERS.

e. Using the system wide assumptions adopted by SCERS' Board, SCERS' independent actuary will calculate the forgoing and adjusted amounts of SMFD's unfunded actuarial accrued liability. The SCERS actuary will inform the parties hereto of the adjusted amount of SMFD's unfunded actuarial accrued liability. SMFD shall have the option of adding funds at any time.

6. **SMFD's Continuing Legal Obligations** – SMFD's obligations under CERL, including but not limited to sections 31453, 31453.5, 31453.6, 31454, 31580.1, 31585, and 31586, shall be continuing as necessary to discharge its obligations to SCERS in a timely manner. In the event either party fails to perform any of the obligations, imposed by this AGREEMENT or at law, in a timely manner, the other party may take any legal action appropriate under the circumstances, including seeking injunctive or other equitable relief, on a preliminary or permanent basis. Upon completion of the *Amortization Schedule*, termination of this AGREEMENT, and exhaustion of the assets, SMFD's obligation will continue on a pay-as-you-go basis until the expiration

of all retired, deferred retired, and disabled FLORIN officers and employees, their survivors and beneficiaries.

7. **Security** – In any given year during the term of this AGREEMENT, in the event that SMFD or its successor fails to make appropriations or transfers to SCERS or makes partial transfers to SCERS in satisfaction of its annual obligation under this AGREEMENT, SMFD agrees that the Sacramento County Director of Finance, pursuant to Government Code sections 31584 and 31585, shall upon request of SCERS transfer to SCERS from any SMFD money available in any fund in Sacramento County's treasury those amounts necessary to satisfy such obligations, with such transfer having the same force and effect as an appropriation by the SMFD Board of Directors. SCERS will provide SMFD with a 30-day notice prior to exercising this clause. This provision will become operable on June 30th of any fiscal year in which SCERS has not received payment pursuant to the payment schedule identified in Attachment C.

8. **Hold Harmless and Indemnification** – Each party to this AGREEMENT shall indemnify, defend and hold the other party (including its governing board, trustees, officers, agents and employees) harmless from any claims, losses, injuries, damages or liability of every kind and character, including reasonable attorneys' fees and costs incurred in connection therewith, to the extent caused by its own wrongful acts or omissions, including but not limited to any breach of this AGREEMENT. This section shall survive termination of this Agreement and the Expiration Date, as defined in Paragraph 9, below.

9. **Expiration Date** – Once the last remaining member or beneficiary has passed and all remaining liabilities to SCERS have been satisfied, SCERS shall transfer any remaining assets back to SMFD.

10. **Venue and Choice of Law** – This AGREEMENT is made in Sacramento County, California. Any legal action taken with respect to this AGREEMENT shall be brought in the Superior Court for the County of Sacramento, unless otherwise agreed to in writing by the parties. The construction, interpretation, and enforcement of this AGREEMENT shall be governed by the laws of the State of California as they are applied to domiciliaries, thereof. In the event any provision of this AGREEMENT is unenforceable as a matter of law, that provision will be deemed to be reformed to reflect as nearly as possible the original intent of the parties as expressed in this AGREEMENT and in accordance with applicable law, and the remaining provisions will stay in full force and effect, so long as the primary intent of the parties still may be accomplished.

11. **Notices** – All notices or other communications required or permitted to be given under this AGREEMENT shall be made in writing and sent to the

addresses set forth below:

SMFD:

Sacramento Metropolitan Fire District
Amanda Thomas, Chief Financial Officer
10545 Armstrong Ave., Suite 200
Mather, CA 95655
Direct: (916) 859-4520
Thomas.Amanda@metrofire.ca.gov

SCERS:

Sacramento County Employees' Retirement System
Attention: Kathryn T. Regalia, Chief Operations Officer
980 9th Street, Suite 1900
Sacramento, CA 95814
Main: (916) 874-9119
regaliak@saccounty.net

All notices shall be deemed given if delivered receipt confirmed using one of the following methods: registered or certified first class mail, postage prepaid; recognized courier delivery; electronic mail; telecopier or other electronic facsimile transmission.

12. **Successors** – This AGREEMENT shall inure to the benefit of, and be binding on, the parties' respective successors and assigns, unless otherwise precluded by operation of law.

13. **Complete Statement** – This AGREEMENT constitutes the entire understanding between the parties with respect to the subject matter hereof and may only be amended or modified by a writing signed by a duly authorized representative of each party. This AGREEMENT may be executed in counterparts, each of which shall be deemed an original. This AGREEMENT replaces and supersedes any prior verbal or written understandings, communications, and representations between the parties regarding the subject matter contained herein. Neither party may assign any rights set forth in this AGREEMENT to any third party without the other's written consent.

14. **Amendments** – No addition to, or alteration of the terms of this AGREEMENT shall be valid unless made in the form of a written amendment

to this AGREEMENT, which is formally approved and executed by the governing bodies of each of the parties.

IN WITNESS WHEREOF, the parties agree to all of the above terms and have executed this Agreement as of its Effective Date.

SACRAMENTO METROPOLITAN FIRE PROTECTION DISTRICT

Signature of Authorized Representative

Date

Name of Person Signing (Please Print)

Title of Person Signing (Please Print)

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM

Signature of Authorized Representative

Date

Name of Person Signing (Please Print)

Title of Person Signing (Please Print)

ATTACHMENTS

- A. SCERS, FLORIN, AMERICAN RIVER Agreement - May 21, 1997
- B. Sac Metro Fire Resolution 50-04 - October 6, 2004
- C. Amortization Schedule - June 30, 2018

RESOLUTION NO. SCERS 97-06RESOLUTION OF THE BOARD OF RETIREMENT OF THE
SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM
AGREEMENT WITH FLORIN FIRE PROTECTION DISTRICT AND
AMERICAN RIVER FIRE PROTECTION DISTRICT

BE IT RESOLVED AND ORDERED that the President for the Board of Retirement of the Sacramento County Employees' Retirement System be and is hereby authorized and directed to execute the Agreement with Florin Fire Protection District and American River Fire Protection District in the form attached subject to receipt of a letter from CalPERS acknowledging liability for paying 50% of final compensation for a Florin employee awarded industrial disability by CalPERS; and, subject to the approval of the respective fire district boards; and, to do and perform everything necessary to carry out the purpose of this Resolution.

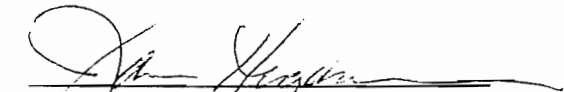
On a motion by Member Ms. Taylor, seconded by Member Ms. Lund, the foregoing Resolution was passed and adopted by the Board of the Sacramento County Employees' Retirement System, this 8th day of May, 1997, by the following vote, to wit.

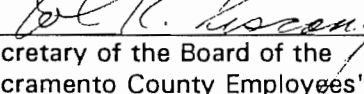
AYES: Members, Waldron, White, Taylor, Hoganson, Kramer, Lund.

NOES: Members, None.

ABSENT: Members, Woods, DeCamilla.

ADOPTED: May 8, 1997


President of the Board of the
Sacramento County Employees'
Retirement System

ATTEST: 
Secretary of the Board of the
Sacramento County Employees'
Retirement System

AGREEMENT

This Agreement made and entered into as of this 21st day of May, 1997, by and between the FLORIN FIRE PROTECTION DISTRICT, hereinafter referred to as "FLORIN," AMERICAN RIVER FIRE PROTECTION DISTRICT, hereinafter referred to as "AMERICAN RIVER," and SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM, hereinafter referred to as "SCERS."

RECITALS

WHEREAS, SCERS is a cost-sharing multiple-employer retirement plan funded by the County of Sacramento (hereinafter COUNTY), FLORIN and several other contracting districts; and

WHEREAS, SCERS is managed and administered by its Board of Retirement in accordance with Government Code sections 31450 et seq. known as the County Employees Retirement Law of 1937; and

WHEREAS, SCERS does not maintain separate asset accounts for each contributing employer and all contributions, pension payments, and investment earnings are added to or subtracted from a single account maintained for all employers referred to as a "pooled structure"; and

WHEREAS, Government Code section 31557 authorizes a district to become a member of a retirement association if its governing board adopts a resolution providing for the inclusion of the district in the retirement association and if the retirement board agrees to the inclusion; and

WHEREAS, FLORIN is an independent special district; and

WHEREAS, on November 13, 1973, by resolution No. 6-73, FLORIN's governing board unanimously provided for the inclusion of FLORIN's eligible officers and employees within SCERS effective July 1, 1974; and

WHEREAS, on December 13, 1973, SCERS' governing board consented to FLORIN's membership effective July 1, 1974; and

WHEREAS, beginning July 1, 1974, and continuing through December 31, 1996, all eligible officers and employees of FLORIN were members of SCERS and making contributions to SCERS in amounts adopted by SCERS based upon its consulting actuary; and

WHEREAS, Sections 31564.5 and 31585 of the County Employees' Retirement Law of 1937, as amended, obligate FLORIN to appropriate annual contributions to SCERS to fund pension benefits for its employees and retirees and to amortize the unfunded accrued actuarial liability with respect to such pension benefits; and

WHEREAS, AMERICAN RIVER is an independent special district which has never been a member of SCERS; and

WHEREAS, it is the desire of both FLORIN and AMERICAN RIVER to reorganize into a single independent special district which will succeed the former districts and which will also be known as AMERICAN RIVER FIRE PROTECTION DISTRICT, referred to herein as AMERICAN RIVER, and which will not be a member of SCERS; and

WHEREAS, effective January 1, 1997, a contract for services between AMERICAN RIVER and FLORIN was entered wherein AMERICAN RIVER made offers of employment to those FLORIN employees who were providing services to FLORIN; and

WHEREAS, those FLORIN employees who have accepted such employment with AMERICAN RIVER separated from FLORIN employment effective January 1, 1997; and

WHEREAS, by this Agreement, to be effective retroactively to January 1, 1997, FLORIN will modify its relationship with SCERS; and

WHEREAS, upon becoming AMERICAN RIVER employees, those former FLORIN employees will continue to represent not only a proportionate share of FLORIN's pension liability, but a proportionate share of SCERS' accrued actuarial unfunded pension liability; and

WHEREAS, the parties hereto desire to assist the transition of FLORIN towards its proposed reorganization with AMERICAN RIVER; and

WHEREAS, both AMERICAN RIVER and FLORIN recognize that they are not structured to assume significant market risk over an extended period of time; and

WHEREAS, both AMERICAN RIVER and FLORIN desire to enter into an agreement to assure payment of future liability to SCERS; and

WHEREAS, this agreement is necessary to settle all disputes between the parties as to the amount of and method of payment of FLORIN's future liability; and

WHEREAS, because it is anticipated that AMERICAN RIVER will become the successor in interest to FLORIN, where FLORIN is used herein, it will be assumed to include AMERICAN RIVER after the above-referenced reorganization takes place, or to any successor agencies which assume FLORIN's future liability to SCERS.

NOW THEREFORE, the parties mutually agree to the following covenants, terms and conditions:

Section 1. TERM OF AGREEMENT

This Agreement shall continue in effect until July 1, 2022, or such other date mutually agreed upon by the parties; provided however that FLORIN's obligations under this Agreement may be modified by mutual agreement of the parties herein.

Section 2. FLORIN ACCOUNT AND ASSETS

FLORIN's assets in the amount as determined by SCERS' independent actuary have been set aside in a separate bookkeeping account referred to herein as "the Account". All benefit payments to FLORIN retirees, beneficiaries and terminated employees made after December 31, 1996, shall be charged against the Account. On an annual basis, as of June 30, the Account shall be increased or decreased based upon the actual market return, less expenses of SCERS. Said expenses shall not include the cost of the independent actuarial accounting of the annual amount of FLORIN's accrued actuarial unfunded liability. Decreases from amounts charged against the Account, and increases from contributions into the Account will be made according to SCERS' regular accounting procedures. On June 30, 1996, the value of the Account was \$24,791,000.

Section 3. AMOUNT OF FLORIN LIABILITY

Assuming an 8% investment rate of return on SCERS' assets, and other actuarial assumptions, SCERS' independent actuary has determined FLORIN's unfunded liability to be \$1,040,000. The accrued actuarial unfunded liability is the actuarially determined amount that the present value of the future benefits described in Section 2, exceed the assets in the Account. Because of the substantial risk of fluctuation of the market, and the uncertainty associated with the other actuarial assumptions, it is impossible to assure that

the accrued actuarial unfunded liability will remain \$1,040,000. Accordingly, as indicated below in section 5(b), the actuary will annually determine the unfunded liability and the need to recommend interim payments.

Section 4. LUMP SUM PAYMENT OF UNFUNDED LIABILITY

FLORIN or its successor shall pay \$1,040,000 to SCERS prior to June 30, 1997, which shall be added to the Account.

Section 5. ANNUAL ACCOUNTING AND REPAYMENT

(a) On an annual basis SCERS will furnish a cash accounting of debits and credits to the Account, including the additional earnings added to the Account.

(b) On an annual basis based on the system wide assumptions adopted by SCERS' Board, SCERS' independent actuary will calculate the adjusted amount of FLORIN's accrued actuarial unfunded liability. The actuary will inform the parties hereto of the adjusted amount of FLORIN's accrued actuarial unfunded liability. FLORIN shall have the option of adding funds to the Account at any time. If at any time the accrued actuarial unfunded liability as determined by SCERS' independent actuary exceeds five percent (5%) of the assets in the Account, FLORIN or its successor shall meet and confer with SCERS in an attempt to reach agreement on any payments by FLORIN to SCERS needed to eliminate the accrued actuarial unfunded liability by July 1, 2022, or such other date as mutually agreed upon by the parties. In the event the parties are unable to reach agreement the matter shall be resolved under Section 15 of this agreement.

Section 6. SECURITY

In the event that FLORIN or its successor fails to make appropriations or transfers to SCERS in satisfaction of its obligations under this Agreement, COUNTY, either pursuant to the written authorization of FLORIN or its successor, pursuant to the decision of the arbitrator as provided in Section 15 of this Agreement, or pursuant to the order of a court of competent jurisdiction, shall transfer to SCERS from any FLORIN and AMERICAN RIVER money available in any fund in COUNTY's treasury those amounts necessary to satisfy such obligations, with such transfer having the same force and effect as an appropriation by the FLORIN or AMERICAN RIVER Board of Directors. FLORIN and AMERICAN RIVER hereby confer upon COUNTY, in transferring such funds to

Agreement between Florin Fire Protection District, American River Fire Protection District and Sacramento County Employees' Retirement System - Page 5 of 8

SCERS, the highest priority permitted by law to any such FLORIN or AMERICAN RIVER funds maintained in COUNTY's treasury.

Section 7. ACTUARIAL COSTS

FLORIN or its successor shall be responsible for one-half of the annual costs incurred by SCERS' independent actuary in determining the annual amount of FLORIN's accrued actuarial unfunded liability under Section 5 .

Section 8. TRUE UP

At the termination of this Agreement, either July 1, 2022, or such other date mutually agreed upon by the parties, SCERS' independent actuary shall determine the present value of the future benefits due FLORIN active employees, retirees, beneficiaries and terminated employees. To the extent that the assets in the Account are exceeded by the above calculated present value of future benefits, FLORIN or its successor shall pay the difference to SCERS. To the extent that the assets in the Account are greater than the calculated present value of the future benefits, SCERS shall refund the difference to FLORIN or its successor. If direct payments by SCERS or FLORIN or its successor are not legally permissible, such payment or refund shall be made through a third party or in any other legally permissible manner. If either party disputes the determination of SCERS' independent actuary, the dispute shall be resolved in accordance with the provisions of Paragraph 15.

Section 9. NOTICE

Notices or other communications to the parties as provided by this Agreement shall be given by United States mail postage prepaid as follows:

TO SCERS	TO FLORIN	TO AMERICAN RIVER
Sacramento County Employees' Retirement System Attn: CEO P.O. Box 627 Sacramento, CA 95812-0627	Florin Fire Protection District Attn: Chief 8880 Gerber Road Florin, CA 95828	American River Fire Protection District Attn: Chief 3000 Fulton Avenue Sacramento, CA 95821

Notice shall be deemed to have been served when it is deposited in the United States mail, postage prepaid, and addressed as above required. The parties by notice given hereunder may designate different addresses to which subsequent notices or other communications will be sent.

Section 10. APPLICABLE LAWS

This Agreement shall be deemed to be executed within the State of California and construed according to and governed by the laws of the State of California.

Section 11. ALTERATION AND AMENDMENTS

No addition to, or alteration of the terms of this Agreement shall be valid unless made in the form of a written amendment to this Agreement which is formally approved and executed by the governing bodies of each of the parties.

Section 12. SUCCESSORS AND WAIVER

This Agreement anticipates that FLORIN will reorganize with AMERICAN RIVER and it is agreed among the parties that the surviving entity will be bound by and assume the obligations of FLORIN herein. This Agreement shall bind the successors of FLORIN, AMERICAN RIVER, and SCERS in the same manner as if they were expressly named, unless otherwise precluded by law. Waiver by either party of any default, breach or condition precedent shall not be construed as a waiver of any other default, breach or condition precedent, or any other right hereunder.

Section 13. COMPLETE SETTLEMENT

This Agreement constitutes a full and complete settlement of all disputes between FLORIN and SCERS arising out of FLORIN's reorganization with AMERICAN RIVER, and is intended to constitute a complete agreement between the parties as to the amount of accrued actuarial unfunded liability of FLORIN as of the effective date of this Agreement subject to any modifications of this accrued actuarial unfunded liability made by SCERS' independent actuary pursuant to Section 5 of this Agreement. This Agreement constitutes the entire agreement between the parties hereto pertaining to the subject matter of this Agreement, and supersedes all prior agreements, understandings, negotiations, representations, and discussions, whether oral or written.

Section 14. TIME

Time is of the essence of this Agreement.

Section 15. DISPUTE RESOLUTION

(a) Whenever SCERS and FLORIN (hereinafter referred to as "the parties" or "party") are unable to agree as to any matter governed under this Agreement, such as whether FLORIN needs to make payments to eliminate an accumulated deficit in its actuarially determined unfunded liability, this dispute resolution process shall govern. Until the dispute is decided herein FLORIN shall make the payments to SCERS contained in SCERS' last best offer.

(b) Within 60 business days after the discovery of the dispute, either party may give the other party a written request for a meeting to be held within ten (10) days after receipt of the request. At the meeting each party will make a final offer in an attempt to resolve the disagreement. If the meeting fails to resolve the disagreement, then the matter shall be submitted to a neutral arbitrator for a hearing and decision within ninety (90) days of selection. The arbitrator shall be selected jointly by the parties within ten (10) days of the above meeting.

(c) In the event the parties are unable to agree upon an arbitrator, the parties shall obtain from the State of California Mediation/Conciliation Service a list of nine (9) arbitrators. After receipt of the list, the parties shall within five (5) working days alternatively strike arbitrators' names from the list until one arbitrator remains. If the arbitrator declines appointment or is unavailable, the selection process above will be repeated.

(d) The decision of the arbitrator shall be limited. The arbitrator shall choose between the final offer made by SCERS and the final offer made by FLORIN to determine which better fulfills the purpose of this agreement. The final offer which better fulfills the purpose of this agreement shall be selected and enforced. The decision of the arbitrator shall be final and binding. Except as to CCP Sections 1286.2 and 1286.4, neither party shall be entitled to judicial review of the Arbitrator's decision. The party whose position is not upheld shall pay the fees and expenses of the arbitration, including reasonable attorneys fees.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM

By: Jan Hoganson
President of Board of Retirement

ATTESTED TO:

J.P. Pascaud
Secretary of the Board

APPROVED AS TO FORM:

J. Alan Cross
Deputy County Counsel

FLORIN FIRE PROTECTION DISTRICT

By: Gregory M. Valley
President of Board of Directors

ATTESTED TO:

Robert A. Buckley
Clerk of the Board

APPROVED AS TO FORM:

Dainet Ferni
District Counsel

AMERICAN RIVER FIRE PROTECTION DISTRICT

By: [Signature]
President of Board of Directors

ATTESTED TO:

Barbara Safford
Clerk of the Board

APPROVED AS TO FORM:

D. H. Luce
General Counsel



RICK MARTINEZ
Fire Chief

Sacramento Metropolitan Fire District

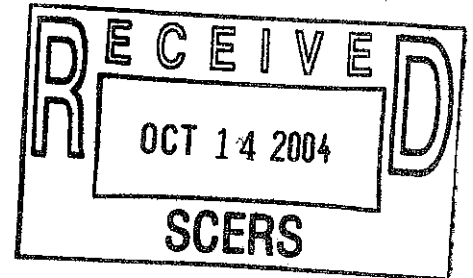
2101 Hurley Way • Sacramento, California 95825-3208 • Phone (916) 566-4000 • Fax (916) 566-4200

RESOLUTION NO. 50-04

Adopted by the Board of Directors of the
Sacramento Metropolitan Fire District

On Date October 6, 2004

A RESOLUTION ADOPTING NEW RETIREMENT FORMULA



WHEREAS, Sacramento Metropolitan Fire District is the successor in interest to the Agreement entered into on May 21, 1997, between Florin Fire Protection District, the American River Fire Protection District and the Sacramento County Employees' Retirement System and acts on behalf of Florin Fire Protection District and the American River Fire Protection District; and

WHEREAS, the retirement formula used by the Sacramento County Employees' Retirement System for Sacramento Metropolitan Fire District's safety and miscellaneous members who were formerly in Florin Fire District for service prior to January 1, 1997, is presently set by Government Code Section 31664 for safety members and Government Code Section 31676.1 for miscellaneous members; and

WHEREAS by Resolution 2003-0517, adopted May 13, 2003, the Board of Supervisors of Sacramento County made the formula specified in Government Code Section 31664.1 known as 3% at 50, applicable to all service credit earned and accrued by safety members on and after June 29, 2003; and

WHEREAS by Resolution 2003-0517, adopted May 13, 2003, the Board of Supervisors of Sacramento County made the formula specified in Government Code Section 36676.14 known as 2% at 55 ½, applicable to all service credit earned and accrued by miscellaneous members on and after June 29, 2003; and

WHEREAS, to comply with its labor agreements and enable Sacramento Metropolitan Fire District to establish parity for all of its employees and continue to attract and employ experienced personnel, it is in the public interest that the new formulas described in

Resolution No. 50-04**Page 2 of 3**

Sections 31664.1 and Section 31676.14 be applicable to all service credit earned and accrued by Sacramento Metropolitan Fire District's safety members who were formerly in Florin Fire District for service prior to their retirement; and

WHEREAS, Government Code Section 31678.2 provides that the governing body of a district may, by resolution adopted by a majority vote, make a new formula applicable to service credit earned by its employees prior to the date the resolution is adopted; and

WHEREAS, Government Code Section 7507 provides that the amount of the future costs of an increase in public retirement plan benefits shall be announced at a public meeting at least two weeks prior to its adoption; and

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Sacramento Metropolitan Fire District as follows:

1. In accordance with the provisions of Government Code Section 31678.2, the new formula specified in Section 31664.1 used by the Sacramento County Employees' Retirement System specifying a formula known as "3% at 50" for safety employees, shall be applicable to all safety service credit accrued prior to January 1, 1997, by safety employees of Sacramento Metropolitan Fire District, who were formerly in Florin Fire District. Also in accordance with Section 31678.2, this paragraph shall only be applicable to members who retire on or after the date this resolution is made effective.
2. In accordance with the provisions of Government Code Section 31678.2, the new formula specified in Section 31676.14 used by the Sacramento County Employees' Retirement System specifying a formula known as "2% at 55 1/2" for miscellaneous employees, shall be applicable to all miscellaneous service credit accrued prior to January 1, 1997, by miscellaneous employees of Sacramento Metropolitan Fire District, who were formerly in Florin Fire District. Also in accordance with Section 31678.2, this paragraph shall only be applicable to members who retire on or after the date this resolution is made effective.
3. The new retirement formulas adopted pursuant to this resolution shall be effective December 1, 2004.
4. If any provision of this resolution or the application thereof to any person or circumstances is held invalid, the remainder of such provisions to other persons or circumstances shall be null and void, and to that end this Board specifically declares that the provisions of this resolution are non-severable.

Resolution No. 50-04
Page 3 of 3

ON A MOTION by Director Trujillo, seconded by Director Duveneck, the foregoing resolution was passed and adopted this 6th day of October, 2004, by the following vote to wit:

AYES: Duveneck, Engellenner, Kelly, Trujillo, Valley

NOES: None

ABSENT: Goold, Granados, Lawson, Jones

SACRAMENTO METROPOLITAN FIRE DISTRICT

By 
President, Board of Directors

Attested By:


Clerk of the Board

Table A - Amortization Schedule under a 20-Year Payment Period for \$45.0 million in UAAL

The payment amounts we have assumed in preparing the schedule below are as follows:

- i) \$3.3 million in contributions made on May 3, 2018 for the 2017/2018 fiscal year;
- ii) Contributions for the 2018/2019 and later fiscal years will be made on July 31 of every fiscal year; and
- iii) Contributions will ramp-up from 2018/2019 to a level dollar amount from 2025/2026 to 2036/2037.

Annual Interest Rate: 7.00%
Annual Payment Growth: 0.00%

<u>Fiscal Year</u>	<u>Beginning of Period</u> <u>UAAL Balance</u>	<u>Annual</u> <u>Payment</u> ⁽¹⁾	<u>Interest</u> <u>Paid</u>	<u>Principal</u> <u>Paid</u>	<u>End of Period</u> <u>UAAL Balance</u>
2017/2018	\$ 45,045,597	\$ 3,300,000	\$ 3,117,521	\$ 182,479	\$ 44,863,118
2018/2019	44,863,118	3,141,977	2,939,382	202,595	44,660,523
2019/2020	44,660,523	3,337,045	2,912,719	424,326	44,236,197
2020/2021	44,236,197	3,532,114	2,870,535	661,579	43,574,618
2021/2022	43,574,618	3,727,182	2,811,743	915,439	42,659,179
2022/2023	42,659,179	3,922,251	2,735,181	1,187,070	41,472,109
2023/2024	41,472,109	4,117,319	2,639,605	1,477,715	39,994,394
2024/2025	39,994,394	4,312,388	2,523,683	1,788,704	38,205,689
2025/2026	38,205,689	4,520,906	2,385,132	2,135,774	36,069,915
2026/2027	36,069,915	4,520,906	2,235,628	2,285,278	33,784,637
2027/2028	33,784,637	4,520,906	2,075,659	2,445,248	31,339,390
2028/2029	31,339,390	4,520,906	1,904,491	2,616,415	28,722,975
2029/2030	28,722,975	4,520,906	1,721,342	2,799,564	25,923,410
2030/2031	25,923,410	4,520,906	1,525,373	2,995,534	22,927,877
2031/2032	22,927,877	4,520,906	1,315,685	3,205,221	19,722,656
2032/2033	19,722,656	4,520,906	1,091,320	3,429,586	16,293,070
2033/2034	16,293,070	4,520,906	851,249	3,669,657	12,623,412
2034/2035	12,623,412	4,520,906	594,373	3,926,533	8,696,879
2035/2036	8,696,879	4,520,906	319,515	4,201,391	4,495,488
2036/2037	4,495,488	4,520,906	25,418	4,495,488	-
Total	\$	\$ 83,641,151	\$ 38,595,554	\$ 45,045,597	

⁽¹⁾ In preparing this schedule, we have included the \$3.3 million in contributions made by the District on May 3, 2018 for 2017/2018. We have made the assumption that contributions for 2018/2019 and later would be made by the District on July 31 of every fiscal year.

Note: Results may not add due to rounding.

ATTACHMENT 2



TODD HARMS
Fire Chief

Sacramento Metropolitan Fire District

10545 Armstrong Ave., Suite 200 • Mather, CA 95655 • Phone (916) 859-4300 • Fax (916) 859-3702

DATE: June 28, 2018
TO: Board of Directors
SUBJECT: Sacramento County Employees' Retirement System (SCERS)
Payment Agreement

TOPIC

Board approval is required to execute the attached Payment Agreement between the District and the Sacramento County Employees' Retirement System (SCERS) regarding the District's unfunded accrued actuarial liability (UAAL) with SCERS.

DISCUSSION

In 1997, as a result of the merger between the American River Fire Protection District (American River) and the Florin Fire Protection District (Florin), American River entered into an agreement with SCERS providing for an annual recalculation and payment of the UAAL associated with employees and retirees of Florin for their service prior to January 1, 1997. As a result of the formation of the Sacramento Metropolitan Fire District (the District), the District became successor in interest to American River.

Under the existing agreement, if at any time the recalculated UAAL exceeds 5% of assets, the District and SCERS are to meet and confer to reach agreement on payments required to eliminate the liability by July 1, 2022 or another date mutually agreed upon. The District's SCERS UAAL was calculated as of June 30, 2017 by SCERS' independent actuary and was determined to be \$45,045,597, which far exceeds the 5% of assets threshold specified in the existing agreement.

Over the last several years, District and SCERS staff have worked together to identify a mutually agreeable solution to payment of the UAAL. Those efforts have resulted in the attached proposed agreement and associated payment schedule which provides for an extension of payment of the UAAL through FY 2036/37.

FISCAL IMPACT

Under the proposed payment schedule, the UAAL is amortized over 20 years from FY 2017/18 through FY 2036/37, with a ramp up from the FY 2018/19 contribution of \$3.1 million to a level dollar amount of \$4.5 million from FY 2025/26 through FY 2036/37. Actuarial valuations would continue to be performed annually, and future gains or losses would be amortized over a 3-year period and would result in adjustments to the payment schedule, beginning in FY 2019/20.

The FY 2018/19 payment is already included in the FY 2018/19 Preliminary Budget.

RECOMMENDATION

Staff recommends approval of the attached resolution authorizing the Fire Chief to execute the Payment Agreement with SCERS.

Submitted by:



Amanda Thomas
Chief Financial Officer

Approved by:



Greg Casentini
Deputy Chief, Administration



Sacramento Metropolitan Fire District

10545 Armstrong Ave., Suite 200 • Mather, CA 95655 • Phone (916) 859-4300 • Fax (916) 859-3702

TODD HARMS
Fire Chief

RESOLUTION NO. 2018-_____

A RESOLUTION OF THE BOARD OF DIRECTORS FOR THE SACRAMENTO METROPOLITAN FIRE DISTRICT

WHEREAS, the Sacramento Metropolitan Fire District (the District) is successor in interest to the American River Fire Protection District (American River); and

WHEREAS, American River entered into an agreement effective May 21, 1997 (the First Agreement) with the Sacramento County Employees' Retirement System (SCERS); and

WHEREAS, the First Agreement provided for calculation and payment of the unfunded pension liability associated with members of the Florin Fire Protection District, a predecessor agency of American River, for service prior to January 1, 1997 (the Florin UAAL); and

WHEREAS, the First Agreement was to continue in effect until July 1, 2022, or such other date mutually agreed upon by the parties; and

WHEREAS, SCERS and the District agree that the District is unable to pay off the Florin UAAL by July 1, 2022 and, as a result, desire to enter into a new agreement regarding payment of the Florin UAAL.

NOW, THEREFORE, BE IT RESOLVED that the Sacramento Metropolitan Fire District, a public entity established under the laws of the State of California, does hereby authorize the Fire Chief or his designee as its Authorized Representative to enter into and execute the Payment Agreement with SCERS in substantially the form attached hereto.

PASSED AND APPROVED this 28th day of June, 2018, by the following vote to wit:

AYES:

NOES:

ABSTAIN:

ABSENT:

SACRAMENTO METROPOLITAN FIRE DISTRICT

By: _____
President, Board of Directors

Attested By:

Clerk of the Board

Attachment: Payment Agreement