



April 26, 2018

The Honorable Lorena Gonzalez-Fletcher
Chair, Assembly Appropriations Committee
State Capitol Building, Room 2114
Sacramento, CA 95814
Via Fax: 916-319-2180

Reply to: Alice Fredericks
Chair, Legislative Committee
MCCMC Tiburon Town Hall
1505 Tiburon Blvd
Tiburon, CA 94920

RE: AB 1912 (Rodriguez). Public Employees' Retirement: Joint Powers Agreements: Liability.
Notice of Opposition (as amended 04/21/2018)

Dear Assembly Member Gonzalez-Fletcher,

The Marin County Council of Mayors and Councilmembers (MCCMC) must respectfully oppose Assembly Bill (AB) 1912 (Rodriguez) relating to retirement liabilities of Joint Powers Authorities (JPA). JPA's play a vital role in addressing public needs that cannot be effectively achieved by local agencies acting on their own. MCCMC is deeply concerned that JPAs will no longer be a viable tool should AB 1912 become law.

As amended, AB 1912 places burdens and costly requirements on cities as well as the state of California by applying retroactive as well as prospective joint and several liability for all retirement related obligations to any current or former member of a JPA. Such obligations include active employee pension costs, retiree unfunded accrued liabilities (UAL), as well as both active and retiree healthcare and other post-employment retirement benefits (OPEB) --for all public retirement systems.

Additionally, the measure would mandate that a public retirement agency file suit against all agencies that have ever been a member of a terminated JPA for all retirement related obligations and prohibits any retirement system from approving a new JPA without express joint and several liability provisions. The provisions in AB 1912 create constitutional, fiscal and operational challenges, which would effectively eliminate the ability for use to create or maintain the use of most JPA's.

Retirement obligations are unlike other forms of traditional debts and liabilities. Unfunded retirement liabilities are particularly volatile and can grow to insurmountable costs based on no fault of the agencies who contract with a retirement system for health and pension benefits. The measure would hold all agencies of a JPA accountable for the investment shortfalls, future discount rate reductions, and other assumptions changes made by the retirement agencies even if the agencies are able to pay the lump sum amount of the current unfunded liability from the JPA.

JPA's have been in existence in California for nearly 100 years with state and local agencies. Some JPAs have as many as 500 members entering and exiting as service demands shift and evolve. It would be virtually impossible for the JPA's governmental body, let alone a retirement system, to retroactively assign "equitable" retirement specific liabilities to potentially hundreds of agencies. This vague and ambiguous direction demonstrates a fundamental misunderstanding of the formation, management and purpose of a JPA.

JPAs are tools state and local government agencies use to address service demands and infrastructure needs in a cost effective manner. Removing this tool makes it that much more problematic to address statewide critical issues such as housing, transportation, water, air quality, workforce development, public safety, and much more.

Respectfully,

Alice Fredericks, Chair
Legislative Committee
Marin County Council of Mayors and Councilmembers

cc:

The Honorable Freddie Rodriguez, California State Assembly

Senator McGuire

Assembly member Levine

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