

SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

MEMORANDUM

TO: Board of Directors

DATE: January 6, 2021

FROM: General Manager

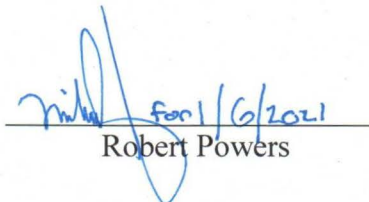
SUBJECT: Administration Agenda: Actuarial Report on Changes to Pension (Money Purchase Pension Plan and Deferred Compensation Plan) related to District Retirement Incentive Program (DRIP) under Consideration by the District

At the January 14, 2021 BART Board of Director's meeting, the District will present as an information item a report on the potential actuarial impacts of amending the Money Purchase Pension Plan to allow for the deposit of the DRIP funds into the employees' accounts and amending the Deferred Compensation Plan to allow employees with the option of depositing any excess DRIP funds into their Deferred Compensation Plan accounts. All deposits would be subject to the annual IRS limits.

California Government Code 7507 requires a local legislative body, before authorizing changes in retirement benefits or OPEB, to "secure the services of an actuary to provide a statement of the actuarial impact upon future annual costs, including normal cost and any additional accrued liability," and also requires that the future cost of changes in retirement benefits or other postemployment benefits, as determined by the actuary, "be made public at a public meeting at least two weeks prior to the adoption of any changes."

Bartel Associates, the District's actuary, determined that this proposal would have no negative impact to normal cost and unfunded liability. There will be a one-time cost for the DRIP payment. This is an informational item. No Board action is required.

If you have any questions about this presentation, please contact Pamela Herhold, Assistant General Manager, Performance & Budget, at pherhol@bart.gov, or (510) 464-6168.


Robert Powers

cc: Board Appointed Officers
Deputy General Manager
Executive Staff



January 5, 2021

Diane M. Iwata, SPHR, SHRM-SCP
Human Resources Division Manager
San Francisco Bay Area Rapid Transit District
300 Lakeside Drive, 20th Floor
Oakland, CA 94612

**Re: Money Purchase Pension Plan and Section 457 Plan
Changes due to BART's Retirement Incentive Program 2020**

Dear Ms. Iwata:

Section 7507 of the California Government Code requires agencies obtain a statement of actuarial opinion regarding the cost impact of retirement plan benefit changes. The San Francisco Bay Area Rapid Transit District (BART) has requested that Bartel Associates, LLC provide an actuarial opinion regarding the impact of changes in benefits under its Money Purchase Pension Plan (MPPP) and Deferred Compensation Plan (Section 457(b) Plan) caused by the Retirement Incentive Program 2020.

Summary of Proposed Benefit Change

The District's Retirement Incentive Program 2020 will provide a one-time incentive payment of up to 24 weeks of pay to eligible employees who elect to retire on March 21, 2021. The payment will be made to each person's MPPP Participant Account, up to the Internal Revenue Code limit for the year as described in Article V of the MPPP, "Limitation of Allocations." For the portion of the incentive payment, if any, that is above the IRS limit for the MPPP, employees will have the option to receive the payment as either income to be included in their final paycheck or to be deposited into their 457(b) Deferred Compensation account. Any amount of the remaining incentive payment that is above the Section 457(b) IRS limit will be paid in the final paycheck.

The MPPP and Section 457(b) plans are "defined contribution" retirement plans. Under this type of plan the employer, which is the District, is responsible to make deposits to the plan from time to time in amounts required by the plan or as decided by the District. Employees are entitled to receive the amount of their account balance, including investment gains or losses, upon withdrawal.

Under the proposed change, the District would make a one-time additional payment to eligible employees' MPPP Participant Accounts in the amount of their incentive payment, up to the IRS limit. There would be no change to the District's required contributions in any future year. Similarly, the District would make a one-time deposit as elected by affected employees to the employees' Section 457(b) plan accounts, with no change to the District's required contributions in any future year.

Future Annual Cost of Changes

The cost of this change to the MPPP equals the total of the incentive payments deposited to the MPPP in 2021. The cost of this change to the Section 457(b) Plan equals the total of the incentive payments deposited to it in 2021. The District has estimated that the combined total incentive payments will not



exceed \$22.6 million. The payment to the MPPP Plan, subject to IRS limits, will be made in 2021 and it will not cause an increase or decrease of that plan's costs in any future year. The payment to the Section 457(b) Plan, subject to IRS limits and employee elections, will be made in 2021 and will not cause an increase or decrease of that plan's costs in any future year.

Conclusion

The District's MPPP and Section 457(b) plan costs will increase only in fiscal year 2021 in the amount of incentive payments deposited in the plans. Bartel Associates is not a law firm and we are not qualified to render a legal opinion.

Information provided in this report is for the District's management purposes. Future results may differ significantly if there are changes in plan design. I am a member of the American Academy of Actuaries and meet the Academy Qualification Standards to issue the actuarial opinion in this report.

Please contact Mary Beth Redding (mbredding@bartel-associates.com) or Doug Pryor (dpryor@bartel-associates.com) with any questions about this information.

Sincerely,

Mary Elizabeth Redding, FSA, MAAA, EA
Vice President

c: Doug Pryor, Bartel Associates, LLC

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