



BUSINESS ACTION ITEM STAFF REPORT

ITEM 8.D. DISCUSS, REVIEW, AND PROVIDE DIRECTION TO STAFF REGARDING THE CONTRACT BETWEEN THE SAN SIMEON COMMUNITY SERVICES DISTRICT AND THE BOARD OF ADMINISTRATION OF THE CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM.

RECOMMENDATION:

The San Simeon Community Services District (“District”) Board of Directors (“Board”) provide direction to staff whether to prepare a resolution terminating the District’s contract with the Board of Administration of the California Public Employees’ Retirement System (“CalPERS”).

DISCUSSION:

During the Board meeting on December 4, 2025, the Board adopted a resolution of intention to terminate the contract between the District and CalPERS (“Resolution of Intention to Terminate”). Despite having no active member costs, the District is paying CalPERS for the District’s unfunded accrued liability, which is the amortized dollar amount needed to fund past service credit earned (or accrued) for members who are currently receiving benefits, active members, and for members entitled to deferred benefits. If the District were to terminate its contract with CalPERS, the District would be required to pay its entire unfunded liability upon termination. Adopting the Resolution of Intention to Terminate does not require the District to terminate its contract with CalPERS, but the Resolution of Intention to Terminate initiated the process that allows CalPERS to provide a more precise estimate of the unfunded liability that the District would be required to pay if the District were to terminate the contract.

As a result of the District’s Resolution of Intention to Terminate, CalPERS provided the District with a preliminary termination valuation in the amount of \$196,800. Therefore, if the District were to terminate its contract with CalPERS, it is estimated that the District would owe CalPERS \$196,800 for the District’s unfunded liability. The preliminary termination valuation letter from CalPERS dated March 31, 2026, notes that this amount is only an estimate, and the actual unfunded liability owed by the District at the time of contract termination could be significantly higher or lower than the estimate.

The District is in the process of dissolving, and if the District's contract with CalPERS remains in place, any successor agency would be required to enter into a contract with CalPERS and agree to absorb the District's unfunded liability.

The process for the District to terminate the contract with CalPERS is as follows: 1) adopting a resolution giving notice of intention to terminate the contract; 2) notifying, in writing, the District's past and present employees who are members, former members, or retired members of CalPERS within thirty (30) days of adopting the resolution of intention to terminate, based on information provided by CalPERS; and 3) adopting an ordinance or resolution, by an affirmative vote of at least two-thirds of the Board, terminating the contract not less than ninety (90) days and not more than one (1) year after the resolution of intention to terminate is adopted.¹ If an ordinance or resolution terminating the CalPERS contract is not adopted within one year of the resolution giving notice of intention to terminate the contract, the District's contract with CalPERS remains in place.

The District has already completed the first two steps of the termination process. Since the District adopted the Resolution of Intention to Terminate on December 4, 2025, the District has until the Board meeting on December 3, 2026, to adopt an ordinance or resolution, by an affirmative two-thirds vote of the current Board members, to terminate the District's contract with CalPERS. CalPERS provided the District with a template resolution to terminate the contract and a corresponding agreement to terminate the contract between the District and CalPERS. If the Board does not adopt the resolution terminating the District's contract with CalPERS before December 4, 2026, the District's contract with CalPERS will remain in place.

BOARD ACTION OPTIONS:

- The Board may direct staff to prepare a resolution to terminate the contract between the District and CalPERS for a future Board meeting on or before December 3, 2026;
- The Board may direct staff to bring this item back to the Board for further discussion at a future Board meeting; or
- The Board may direct staff not to move forward with a resolution to terminate the contract between the District and CalPERS.

ATTACHMENTS

- 1) Resolution No. 25-507 giving notice of intention to terminate the District's contract with CalPERS.
- 2) Preliminary termination valuation letter from CalPERS dated March 30, 2026.
- 3) Template resolution to terminate the contract between the District and

¹ Gov. Code, § 20570, subd. (a).

CalPERS and agreement to terminate the contract between the District and CalPERS.

RESOLUTION NO. 25-507

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN SIMEON
COMMUNITY SERVICES DISTRICT GIVING NOTICE OF INTENTION TO
TERMINATE THE CONTRACT WITH THE BOARD OF ADMINISTRATION OF THE
CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM**

WHEREAS, the Board of Directors of the San Simeon Community Services District (“District”) entered into a contract with the Board of Administration, Public Employees’ Retirement System pursuant to Government Code section 20460 effective February 16, 1992, for participation of the District in the Retirement System; and

WHEREAS, Government Code section 20570 provides that the governing body may terminate the contract between the Board of Administration of the Public Employees’ Retirement System and the governing body of the contracting agency by adoption of a resolution giving notice of intention to terminate, and, not less than ninety (90) days and not more than one (1) year later, the adoption by affirmative vote of two-thirds of the members of the governing body of an ordinance or resolution terminating the contract; and

WHEREAS, it is in the best interests of the District to give notice of intention to terminate the contract between the District and the Board of Administration, Public Employees’ Retirement System.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the San Simeon Community Services District as follows:

1. The San Simeon Community Services District hereby gives notice of intention to terminate the contract between the San Simeon Community Services District and the Board of Administration, Public Employees’ Retirement System.
2. District staff is directed to give notice to the Board of Administration of the Public Employees’ Retirement System, pursuant to Government Code section 20570, of this resolution of intention to terminate the contract between the San Simeon Community Services District and the Board of Administration, Public Employees’ Retirement System.
3. District staff is directed, within fourteen (14) days of receipt of contact information from the California Public Employees’ Retirement System pursuant to Government Code section 20570, to provide written notice to past employee members, former members, and retired members of the adoption of the resolution giving notice of intention to terminate.

ADOPTED by the Board of Directors of the San Simeon Community Services District on December 4, 2025, by the following roll call votes:

AYES: Chair Tiwana, Director Le, Director Donahue

NOES: 0

ABSENT: 0

ABSTAINED: 0

Karina Tiwana

Chairperson, Board of Directors of the
San Simeon Community Services District

ATTEST:

Suzanne Watkins

San Simeon Community Services District

APPROVED AS TO FORM:

Nubia Goldstein

District Legal Counsel, Nubia I. Goldstein

Audit trail

Details

FILE NAME 25-507 Intent to Terminate CalPERS.pdf - 12/10/25, 10:03 AM

STATUS ● Signed

STATUS TIMESTAMP 2025/12/12
15:59:38 UTC

Activity



SENT

assistant@sansimeoncsd.org **sent** a signature request to:

- Nubia Goldstein (nubia@whitebrennerllp.com)
- Karina Tiwana (ktiwana@sansimeoncsd.org)
- Suzanne Watkins (swatkins@co.slo.ca.us)

2025/12/10
18:03:51 UTC



SIGNED

Signed by Karina Tiwana (ktiwana@sansimeoncsd.org)

2025/12/12
15:59:38 UTC



SIGNED

Signed by Suzanne Watkins (swatkins@co.slo.ca.us)

2025/12/10
18:14:05 UTC



SIGNED

Signed by Nubia Goldstein (nubia@whitebrennerllp.com)

2025/12/10
18:43:06 UTC



COMPLETED

This document has been signed by all signers and is **complete**

2025/12/12
15:59:38 UTC

The email address indicated above for each signer may be associated with a Google account, and may either be the primary email address or secondary email address associated with that account.



California Public Employees' Retirement System

Actuarial Office

400 Q Street, Sacramento, CA 95811 | Phone: (916) 795-3000 | Fax: (916) 795-2744

888 CalPERS (or **888-225-7377**) | TTY: (877) 249-7442 | www.calpers.ca.gov

March 30, 2026

CalPERS ID: 7226734344

San Simeon Community Services District
111 PICO AVE
SAN SIMEON, CA 93452

As a result of your agency's Resolution of Intent to Terminate its CalPERS contract, a preliminary termination valuation has been performed for the San Simeon Community Services District Classic Miscellaneous Plan, rate plan number 1689.

This valuation was done two different ways:

- 1. Projected Compensation:** all members currently active in a CalPERS agency have compensation increases projected *until their retirement*.
- 2. Frozen Compensation:** all members currently active in a CalPERS agency have compensation increases projected *until plan termination* and then **frozen** thereafter.

This valuation was based on the June 30, 2024 financial and membership data, the latest such data available.

Based on the June 30, 2024 data, we projected the funded position of the plan to an assumed *preliminary* termination date of February 28, 2026. Investment return of 12.22% net of administrative expenses was realized for fiscal year 2024-2025, and a 10.88% return was estimated from July 1, 2025 to February 28, 2026 based on year-to-date investment returns. Reflected in the termination is a 5% contingency load for unforeseen negative experience in accordance with CalPERS Board of Administration (board) policy. The charts on the next page summarize the results.

For information on the asset allocation adopted by the board for the Terminated Agency Pool, see Circular Letter 200-058-11 on the CalPERS website.

The asset allocation affects the actuarial assumptions used when calculating the actuarial liabilities of a public agency at the time of termination. The discount rate and inflation assumption used for this preliminary termination valuation are also summarized in the charts on the following page.

Classic Miscellaneous Plan Results
 (All projected amounts shown to nearest \$100)

		Annual Valuation	Termination Valuation (Frozen/Non-Frozen Compensation)
		As of June 30, 2024 (Actual)	As of February 28, 2026 (Projected)
(1)	Plan's share of Pool Assets*	\$152,388	\$178,600
(2)	Accrued Actuarial Liability	\$287,288	\$357,500
(3)	Contingency Load	\$0	\$17,900
(4)	Unfunded Liability/(Surplus) = (2) + (3) - (1)	\$134,900	\$196,800
	Discount Rate	6.80%	4.25%
	Inflation Assumption	2.30%	2.50%

*Market Value of Assets

Please note that these amounts are estimates only and depend heavily on the assumptions used. In particular, the discount rate has a large impact on the liability measurements. The discount rate for the estimates above was based on US Treasury yields on the valuation date, but the discount rate for the final termination valuation will be based on US Treasury yields on the date of contract termination, which will be different. See the attachment to Circular Letter 200-058-11 for more information on the method to determine the discount rate. Also note that the rate of return of assets between June 30, 2025 and the *final* termination date can have a large impact on the unfunded liability. Furthermore, these estimates may not take into account all possible changes in methods or assumptions, benefit improvements, or changes in the membership data of your workforce (particularly salary increases) that occur after June 30, 2024. **Therefore, the actual unfunded liability determined as of the contract termination date could be significantly higher or lower than the estimates provided above.**

In order to terminate the contract, the agency must comply with Government Code sections 20570 and 7507, which may require that the change in accrued liability resulting from benefit changes be disclosed at a public meeting with an actuary present at least two weeks prior to adopting the change. If the agency elects to proceed with the termination, once a final termination date has been determined, CalPERS will perform the final termination actuarial valuation and calculate any additional contributions necessary to be sent to CalPERS to effectuate the termination.

If you have any questions, please contact me at (916) 795-1829.

Sincerely,



Eddie W. Lee, ASA, EA, FCA, MAAA
 Senior Actuary, CalPERS



Kathy East
San Simeon Community Service District
111 Pico Ave
San Simeon, CA 93452

CalPERS ID 7226734344

April 23, 2026

Dear Kathy East,

On December 4, 2025, San Simeon Community Services District adopted a Resolution of Intention to terminate the contract with CalPERS completing the first step in the termination process. The next step required of San Simeon Community Services District is adoption of the enclosed Resolution and Agreement.

Section 20570 of the Government Code provides that not less than ninety days and no more than one year after the adoption of the Resolution of Intention, the governing body must adopt a resolution or ordinance terminating the contract by the affirmative vote of two-thirds of the governing body. The contract termination is effective on the date designated in the resolution or ordinance and may be effective the day following the date of adoption.

Section 20580 provides "Upon the termination of a contract, all memberships in this system existing because of that contract continue in existence to the extent that there are accumulated contributions to the credit of each such local member, but any such member may elect to withdraw his or her accumulated contributions. The status of any such member who does not withdraw his or her accumulated contributions shall be the same as if the public agency had continued as a contracting agency. The membership of any such member who elects to withdraw his or her accumulated contributions shall be terminated forthwith, and he or she shall not be entitled to any further benefit based upon service credited as an employee of the contracting agency, nor shall he or she have the right to redeposit such withdrawn contributions upon again becoming a member of this system." All membership in the System will continue to exist as long as the member does not withdraw contributions. However, benefits are frozen and calculations are based on the benefit level in effect on the date of contract termination. Members lose the right to receive a pension based on a higher payrate with the terminated agency if they should later work for a CalPERS agency or a reciprocal agency.

An actuarial valuation will be conducted to determine reserves to be held for the benefit of the retired members, members leaving contributions on deposit and for the beneficiaries who are entitled to receive benefits. Please allow approximately three to six months for the results of this study.

If there are insufficient funds to pay benefits to the members and beneficiaries, the agency will be required to pay the difference between the accumulated contributions and the actuarial equivalent required to fund the benefits. If the agency fails to pay the difference, the members' benefits would be reduced accordingly. If, however, there are more funds than are required to fund the benefits, the agency will receive a refund. No funds can be withdrawn with respect to the retired members who will continue to receive their allowances from CalPERS.

To summarize, please return the following: (Original signatures are required on all documents)

1. Resolution, original or certified copy.
2. Agreement Terminating the Contract, two original or certified copies.
3. Certification of Final Action of Governing Body, (Form CON-5T), original.

A copy of the Agreement Terminating the Contract will be returned for your records after it has been executed by CalPERS.

CalPERS is committed to assisting our members and employers in all matters related to their retirement within the scope of the statutory authority available to us. Should you have any questions or concerns, please visit our website www.calpers.ca.gov, or you may contact us toll free at **888 CalPERS (888-225-7377)**.

Sincerely,



Erick Martinez
Pension Contracts Analyst
Financial Office | Pension Contracts & Prefunding Programs Division

Enclosures

RESOLUTION TO TERMINATE THE CONTRACT
BETWEEN THE
BOARD OF ADMINISTRATION
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
AND THE
BOARD OF DIRECTORS
SAN SIMEON COMMUNITY SERVICES DISTRICT

WHEREAS, the Board of Directors of the San Simeon Community Services District entered into a contract with the Board of Administration, Public Employees' Retirement System effective February 16, 1992, providing for the participation of their employees in the Public Employees' Retirement System; and

WHEREAS, the Board of Directors of the San Simeon Community Services District did declare its intent to terminate said contract by executing a Resolution of Intention on December 4, 2025, to terminate the contract between said governing body and the Board of Administration of the Public Employees' Retirement System;

NOW, THEREFORE, BE IT FURTHER RESOLVED, that an Agreement Terminating the Contract between the Board of Directors of the San Simeon Community Services District and the Board of Administration of the Public Employees' Retirement System is hereby authorized, a copy of said agreement being attached hereto, marked "Exhibit A" and by such reference made a part hereof as though herein set out in full.

The Presiding Officer of the Board of Directors of the San Simeon Community Services District is hereby authorized, empowered and directed to execute said agreement for and on behalf of said agency.

Adopted this _____ day of _____, _____.

Presiding Officer

Attest:

Clerk

**AGREEMENT TO TERMINATE THE CONTRACT
BETWEEN THE
BOARD OF ADMINISTRATION
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
AND THE
BOARD OF DIRECTORS
SAN SIMEON COMMUNITY SERVICES DISTRICT**

WHEREAS, the Board of Directors of the San Simeon Community Services District and the Board of Administration, Public Employees' Retirement, entered into a contract pursuant to Sections 20460, et seq. of the Government Code, effective _____, for the participation of said Public Agency in the Public Employees' Retirement System; and

WHEREAS, Section 20570 of the Government Code provides that a contract between the Board of Administration of the Public Employees' Retirement System and a contracting agency may be terminated by adoption of a resolution by the governing body of the public agency, giving notice of intention to terminate, and by the adoption, not less than 90 days and no more than one year thereafter, by the affirmative vote of two-thirds of the members of the governing body of the public agency, terminating the contract; and

WHEREAS, the Board of Directors of the San Simeon Community Services District adopted a Resolution of Intention on February 16, 1992, to withdraw from the Public Employees' Retirement System effective no earlier than ninety days thereafter;

NOW, THEREFORE, BE IT AGREED between the Board of Directors of the San Simeon Community Services District and the Board of Administration, Public Employees' Retirement System that the contract entered into effective February 16, 1992, is terminated effective _____, and obligations on and after that date of the agency and its employees who are members under the Public Employees' Retirement System, are as provided in Government Code Section 20580 which provides that the final compensation at termination shall be used in the calculation of benefits. Failure to meet such obligation on the part of the San Simeon Community Services District shall be subject to the provisions of Government Code Section 20574.

Witness our hands this _____ day of _____, _____.

BOARD OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BOARD OF DIRECTORS
SAN SIMEON COMMUNITY SERVICES
DISTRICT

BY _____
MELODY BENAVIDES, CHIEF
PENSION CONTRACTS AND PREFUNDING
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BY _____
PRESIDING OFFICER

Attest:

Clerk



California Public Employees' Retirement System
 Financial Office | Pension Contracts and Prefunding Programs Division
 P.O. Box 942703, Sacramento, CA 94229-2703
 888 CalPERS (or 888-225-7377) | TTY: (877) 249-7442 | www.calpers.ca.gov

**CERTIFICATION
 OF
 FINAL ACTION OF GOVERNING BODY**

I hereby certify that the _____ of the
 (governing body)

_____ of the
 (public agency)

adopted on _____, _____, by an affirmative vote of two-thirds
 (date)

of the members of said Governing Body, _____
 (Ordinance/Resolution)

No. _____ approving the attached contractual agreement between the Governing
 Body of said Agency and the Board of Administration of the California Public
 Employees' Retirement System, a certified copy of said _____
 (Ordinance or Resolution)

and Agreement to Terminate the Contract in the form furnished by said Board of
 Administration being attached hereto.

 Clerk/Secretary

 Title

Date _____