California Public Employees' Retirement System
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VIA Email and Certified Mail

February 2, 2017

Troy Butzlaff
City Manager
City of Azusa
P.O. Box 1395
Azusa, CA 91702

Subject: Intent to initiate termination of contract with East San Gabriel Valley Human Services Consortium and potential retiree benefit reductions

Dear Mr. Butzlaff,

This follows up on the January 3, 2017 letter CalPERS sent to the East San Gabriel Valley Human Services Consortium (the "Consortium") of which Azusa along with the cities of Covina, West Covina and Glendora are the member agencies.

In 1979, Azusa and the other cities formed, for their "mutual benefit", the Consortium as a joint powers authority (JPA). According to its formation documents, the cities created the Consortium to, among other things, contract with certain governmental entities "for the funding of programs to be developed, coordinated and implemented for the delivery of comprehensive human services" and to "undertake actions to eliminate unemployment and poverty by increasing opportunities for education, training and employment."[1] That same year, the Consortium voluntarily contracted with CalPERS to provide retirement benefits to its employees.

As member agencies of the Consortium, the cities committed to fund the pension obligations of the Consortium's employees under the CalPERS contract. However, the cities of Azusa, Covina, Glendora and West Covina have not honored that commitment to these employees. As CalPERS explained in its January 3, 2017 letter, to date, the Consortium and its member agencies have not paid contributions for the unfunded accrued liability required by the Consortium's contract in the amount of $406,027. As a consequence of their failure to pay this overdue amount, CalPERS will be forced to recommend to the Board of Administration (Board) in March 2017 both that CalPERS terminate the Consortium's contract with CalPERS and that the Board authorize staff to reduce retirement benefits under the contract, as appropriate, under Government Code section 20577. This would likely result in significant benefit cuts to the Consortium's

[1] JPA Agreement dated September 11, 1979, Sec. I (Purposes of Agency).

employees and retirees.

To provide the Consortium's member agencies with the opportunity to honor their commitment to the Consortium's employees and retirees and to prevent this significant hardship, CalPERS hereby requests and entreats Azusa and the other member agencies of the JPA to pay in full their $406,027 accrued liability. Please remit this amount by February 17, 2017.

If you have any questions, please do not hesitate to call me directly at (916) 795-1024.

Sincerely,

Amita Paige, Chief
Pension Contract Management Services and Prefunding Programs

cc:

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