

CalPERS Pension Liability Backstop

**JPB Board Meeting
December 4, 2025**



Requested Action

- Adopt Motion to Recommend that JPB Member Agencies:
 - Enter into an agreement to accept fiscal responsibility for JPB's pension obligations; and
 - Defer any decision regarding the allocation of the JPB's pension debt until such time as the decision is necessary

Background

- Governance Ad Hoc Committee has been meeting since March 2025 to address on-going governance issues, including Member Agency contributions to Caltrain's operating and capital costs, CalPERS contracting requirements, and role of managing agency
- In May 2025, Ad Hoc Committee shifted its focus to the formula for allocating funds pursuant to SB 63, with the understanding that it would resume discussion of the other governance issues once that was resolved

SB63 Compromise

- Ad Hoc Committee reached a compromise, which was adopted by the JPB and Member Agencies
- Caltrain would receive 100% of operating expense need from the regional transit measure
- San Mateo and Santa Clara counties opted into the regional measure
- SB 63 allocation to Caltrain, if regional transit measure is successful, addresses Member Agency contributions towards operating expenses for 14 years

Ongoing Governance Discussions

- Ad Hoc Committee resumed discussions regarding outstanding governance issues
- Because of time sensitivity regarding CalPERS contract, Ad Hoc Committee focused its attention first on CalPERS issues: Pension Backstop Agreement and Caltrain Salary Ordinance and HR Policies
- Ad Hoc Committee is continuing to discuss Salary Ordinance and HR Policies and other governance issues, but has reached recommendation regarding Pension Backstop

CalPERS Background

- Following execution of the Governance MOU in 2022, counsel determined that Caltrain should seek its own contract with CalPERS to provide pension and health benefits to the railroad's employees
- On April 4, 2024, the Board authorized staff to submit an application to CalPERS for JPB to become a successor agency to SamTrans
- CalPERS determined that JPB is eligible to contract with CalPERS and has agreed to negotiate a successor agency contract with Caltrain, with an effective date of July 1, 2025
- This will ensure that Caltrain employees continue to receive the same benefits they currently receive under the SamTrans plan

CalPERS Background

- CalPERS, Caltrain and SamTrans are in the process of identifying those employees who will be transferred from the SamTrans plan to the Caltrain plan and calculating the assets and liabilities associated with those employees
- Once negotiations are complete, the CalPERS contract will be presented to the JPB Board for approval

Contract Requirements for JPAs

- State law requires that the members of a joint powers authority (JPA) agree to accept fiscal responsibility for the JPA's pension liabilities if the JPA dissolves or the CalPERS contract is terminated and the JPA has insufficient assets to cover its pension debt
- Under the 1996 JPA, the Member Agencies of the JPB are not liable for the JPB's debts unless the Member Agencies agree in writing to accept liability
- In order for the JPB to contract with CalPERS, the Member Agencies must agree to accept responsibility for the JPB's pension debts in the event that the JPB dissolves or its CalPERS contract is terminated and the JPB has insufficient assets to cover its pension liabilities

JPB Assets and Pension Liabilities

- The JPB's total assets are estimated to have a value of \$4.4B
- The JPB's unfunded accrued liability for rail employee retirement benefits was estimated in 2023 to be \$15.7M (\$57M [assets] - \$72.7M [liabilities])

Governance Ad Hoc Committee Recommendation

- Governance Ad Hoc Committee has considered the options for addressing the CalPERS requirement, including whether and how to allocate the JPB's pension liabilities
- The Committee determined that the Member Agencies should enter into a fiscal responsibility agreement but recommended against attempting to allocate the liability at this time, given that such a decision may never be required

Proposed Motion

- Recommend that JPB Member Agencies:
 - Enter into an agreement to accept fiscal responsibility for JPB's pension obligations; and
 - Defer any decision regarding the allocation of the JPB's pension debt until such time as the decision is necessary

Questions?

FOR MORE INFORMATION

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