

TO: Regional Transportation Commission

FROM: George Dondero, Executive Director,
Ellen Aldridge, Agency Consultant

REGARDING: RTC Autonomy – Set-aside of Social Security Funds pending Agency Election on Social Security Participation

RECOMMENDATIONS

Staff recommends that the Santa Cruz County Regional Transportation Commission:

1. Approve the agreements between the RTC and its employee labor organizations (Attachments 1 and 2) regarding set-aside of Social Security Funds pending Agency Election/Referendum on Social Security participation
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BACKGROUND

Due to new information received from CalPERS prior to the meeting and the need to discuss this information with bargaining units, this matter was previously pulled from the agenda on November 2, 2006 and comes to your Board again today for your consideration.

The Santa Cruz County Regional Transportation Commission established itself as a new employer, separate and apart from the County of Santa Cruz effective November 4, 2006. In accordance with federal law, the RTC cannot automatically enter into a relationship with the Social Security Administration (SSA) for Old-Age, Survivors, and Disability Insurance (OASDI), commonly referred to as "Social Security" benefits, for its employees even though employees previously participated in Social Security through County employment. However, Medicare participation is mandatory and employee participation in that program continues upon autonomy.

To determine whether to participate in Social Security, the RTC must hold an election or referendum among its employees and then, if the vote is affirmative for participation, enter into what is called a Section 218 Agreement with the Federal Government. Such an election/referendum is administered by CalPERS, the agency which administers the 218 Agreement on behalf of all public employers in the State of California. This process now can be initiated as the RTC is autonomous from the County and is operating pursuant to its own contract with CalPERS.

In the event there is a vote to participate in Social Security, the RTC and the employees shall decide the participation beginning date as participation can be retroactive to the date of autonomy, November 4, 2006 or any date thereafter. The decision on retroactive coverage will be based on a number of factors, including evaluation of all employees' credits for a year of service and yearly earnings for each calendar year. Such a decision shall be subject to meet and confer with the bargaining representatives.

DISCUSSION

Staff and the Agency consultant Ellen Aldridge have met with bargaining units to discuss the process for determining participation in Social Security. Since such participation, if elected, has the possibility of retroactive participation of all RTC employees, the parties agreed that it was important to set aside the funds equivalent to the current employer and employee payroll tax which would otherwise be paid for Social Security participation by both the employees and the RTC to make the full retroactive payment. Currently, the Social Security tax rate for wages paid in 2006 is 6.2% for employees and employers each, for a total of 12.4% contribution, on wages up to a maximum annual amount, which is \$94,200 for 2006. In the event that the election/referendum decides against participation in Social Security, the RTC and its labor organizations will meet and confer to decide how to redirect the set aside Social Security funds to the benefit of employees.

Staff has been encouraged to contact the local Social Security office to determine the individual impact Social Security participation will have on their benefit eligibility. Additionally, staff has contacted the local Social Security office, which has agreed to make a presentation to staff on Social Security benefits. Staff will also initiate the process through CalPERS to establish an election/referendum on Social Security participation. The next decision for the RTC, will be a determination on whether the Agency will allow current individual employees to elect participation in Social Security, with all future employees mandatorily participating in Social Security, or rather hold a referendum, in which a majority vote of employees will decide whether the Agency as a whole participates or does not participate in Social Security. Many local agencies currently do not participate in Social Security, including, the METRO, the City of Santa Cruz, and the Santa Cruz Consolidated Emergency Communications Center.

Attached are agreements reached between the RTC employee labor organizations and the RTC negotiators which outline the set aside of funds equivalent to the current employee and employer Social Security payroll taxes through the County Auditor pending election/referendum and the process that will be engaged in the event Social Security participation is chosen or not.

Staff, the RTC's consultant Ellen Aldridge, and the employee bargaining units recommend that the RTC approve these agreements (Attachments 1 and 2) which set aside the amount currently being paid towards Social Security participation by the RTC and employees pending election/referendum which determines whether the RTC employees will retroactively participate in the Social Security program.

SUMMARY

The RTC cannot enter into a relationship with the Social Security Administration for Social Security benefits for its employees until an election or referendum has been administered by CalPERS. The results of the election could mean retroactive Social Security payments for participation. Meetings with bargaining units resulted in agreements to set aside funds equivalent to the current Social Security payroll taxes. Staff, consultants and the bargaining units recommend that RTC approve the agreements (Attachments 1 and 2).

Attachments

1. Agreement with SEIU, Local 415 regarding Social Security funds
2. Agreement with RTC Mid-Managers regarding Social Security funds