

Date: August 19, 2026
To: Board of Retirement
From: Doris L. Rentschler, Executive Director
Subject: Administrative Report

Administrative Update

Change in Board Stipend Payment reporting

After review, County Counsel confirmed that per the Internal Revenue Code, stipend payments to board members of public agencies are to be reported as wages on a W-2, rather than being reported as non-employee compensation on a 1099-NEC. Stipend payments will be issued through the County payroll system.

Starting with CY 2027, all trustees eligible for the stipend pay must complete a W-4. Payments will be issued by the County and are subject to income tax withholding and Social Security and Medicare taxes. Additional information will be provided as details are available.

SACRS Voting Delegate Proxy Authorization

Confirm among those planning to attend the SACRS Fall Conference who will be the voting delegate at the SACRS Business meeting at the conclusion of the conference. The Board's SACRS Voting Proxy Authority Policy specifies that the Board Chair is the voting delegate and all other Board members are alternate voting delegates. The voting delegate shall vote according to the Board direction on matters contained in the Business packet (not yet available), including the 2027 SACRS Legislative proposals (provided for review and direction as a separate agenda item). The voting delegate shall abstain from voting on any SACRS business meeting action item if the Board has not provided specific direction on the item.

SACRS Legislative Update

On August 30th, AB 1383 was passed out of the senate and the Governor has until September 30th to sign or veto it or it becomes law without signing. If enacted, AB 1383:

- Creates new benefit formulas for Safety members effective 1/1/2027
 - New formulas reduce the age when the employee attains the maximum benefit factor from age 57 to age 55.
 - The Board of Supervisors to adopt new formula(s) applicable prospectively only to service earned on or after 1/1/2027; affects all safety members.
 - Formula for new safety members on or after 1/1/2027.
 - Formula for existing safety members on or after 1/1/2027.
 - The formulas do not need to be the same.

- Allows the employer and employee to agree to a higher or lower benefit formula in the CERL through a collectively bargained MOU.
- Increases the maximum compensation that can be used in the calculation of benefits for PEPRA members to the annual earnings limit subject to Social Security taxation (Social Security wage base). This applies to all PEPRA members not just Safety.
 - 100% of the federal limit for members who participate in Social Security (applicable to MCERA members) and 120% of the federal limit for members who do NOT participate in Social Security (not applicable to Mendocino County).
 - Increases employer contributions due to increase in normal cost and adds a rough estimate of \$2.75 million to the plan's UAAL.

If AB 1383 is enacted, the increase in the PEPRA Compensation Limit will increase the plan's UAAL and employer contributions. Most increased costs related to General members since majority of employees subject to the compensation cap are General members. While there are richer benefit formulas for Safety members, the higher formula only applies to service earned prospectively after the effective date. The Board of Supervisors will need to adopt the new formula(s) for existing and new Safety members effective as of January 1, 2027.

Attachments:

SACRS Legislative Update for September