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March 23, 2026

The Honorable Members of the Board of Supervisors
City and County of San Francisco
1 Dr. Carlton Goodlett Place, Room 244
San Francisco, CA 94102

***Subject: Request for Approval
Peninsula Corridor Joint Powers Board CalPERS Obligation Agreement***

Honorable Members of the Board of Supervisors:

The San Francisco Municipal Transportation Agency (SFMTA) requests that the San Francisco Board of Supervisors authorize the Director of Transportation to execute an agreement regarding the Peninsula Corridor Joint Powers Board's (JPB's) Fiscal Obligations to CalPERS (CalPERS Obligation Agreement).

BACKGROUND

In the 2022 Governance MOU, Caltrain management and railroad employees who formerly reported to SamTrans acting as the managing agency were transferred to the direct managerial control of the Caltrain JPB; however, after the 2022 Governance MOU, Caltrain employees continued to accrue pension and healthcare benefits through SamTrans's contracts with CalPERS. Counsel for the Member Agencies and Caltrain have determined that Caltrain should have a separate contract with CalPERS for Caltrain management and the railroad's employees. The California Public Employees Retirement Law permits an agency that establishes eligibility, both as a public entity and on a financial basis, to become a contracting agency with CalPERS. It further permits an agency that assumes certain functions of another agency, in whole or in part, to establish a successor agency contract to assume contractual responsibility for the accrued benefits of those employees. In April 2024, JPB staff recommended that Caltrain, in close coordination with SamTrans, apply for a successor agency contract with CalPERS. Under a successor agency contract, the railroad's employees would be moved from the SamTrans plan to a new Caltrain plan, and Caltrain would continue its fiscal responsibility for providing pension and healthcare benefits for those employees under a separate contract with CalPERS.

On April 4, 2024, the JPB authorized staff to apply to CalPERS to become a successor agency to SamTrans for the purpose of providing benefits to the railroad's employees, and on June 28, 2024, the JPB filed an application with CalPERS. CalPERS has since determined that Caltrain is financially eligible to contract with CalPERS. In addition, CalPERS has agreed to negotiate a successor agency contract with Caltrain, with an effective date of July 1, 2024. This will ensure that the railroad's employees continue to receive the same level of benefits to which they are currently entitled under the SamTrans contract. CalPERS, Caltrain, and SamTrans staff are currently in the process of identifying those employees who will be moved from the SamTrans plan to the Caltrain plan.

Peninsula Corridor Joint Powers Board CalPERS Obligation Agreement

Before Caltrain can enter into a contract with CalPERS, the Member Agencies must agree that they will be contractually obligated for Caltrain's pension liabilities, in the event of its dissolution, insolvency, or termination of its CalPERS pension contract. Given the value of Caltrain's assets (estimated to be \$4.2 billion) and the unfunded accrued liability for rail employees (estimated to be \$15.7 million in 2023), it is unlikely that this clause would ever be triggered. Nonetheless, in order to address the requirements under state law for a Joint Powers Authority (JPA) to enter into a contract with CalPERS, the members of the JPA must agree to accept fiscal responsibility for the JPA's pension liabilities in the event that the JPA dissolves and has insufficient assets to pay its debts.

The JPB has recommended that its Member Agencies enter into an agreement to that effect. While the JPB considered whether and how to allocate the liability in the event of dissolution and insufficient assets, including allocating the liability equally among the Member Agencies or based on the mileage formula set forth in the 1991 Real Property Ownership Agreement, the JPB ultimately determined that it was not necessary to agree on an allocation formula, especially in light of the low likelihood that there will ever be a need to reach such a decision. The JPB therefore declined to recommend an allocation formula. According to the CalPERS special counsel, CalPERS does not require the parties to allocate liability as part of the fiscal responsibility agreement.

Because Caltrain would like to be prepared to enter into a contract with CalPERS before the start of the next fiscal year (July 1, 2026), the JPB requests that the Member Agencies consider this recommendation at a meeting to be held in the first quarter of calendar year 2026. The Santa Clara Valley Transportation Authority approved the CalPERS agreement at its March 5, 2026 Board meeting, contingent upon approval and execution of the same agreement by SamTrans and the City and County of San Francisco. SamTrans had the CalPERS agreement on the agenda at its March 4, 2026 board meeting, and continued the item for consideration at its next board meeting on April 1, 2026.

Once a final contract is negotiated with CalPERS, it will be subject to approval by the JPB.

ALTERNATIVES CONSIDERED

The alternative is to not approve the resolution which would prevent the JPB from moving toward the amendment of the Joint Powers Agreement to modify its governance structure or procedures.

STAKEHOLDER ENGAGEMENT

The JPB engaged in discussions with SamTrans and the affected employees and considered the recommended approach in meetings that were open to the public, including the legal and financial implications of each. The deliberations culminated in its adoption of a recommendation to the Member Agencies to approve the CalPERS Fiscal Responsibility Agreement in its meeting on December 4, 2026.

FUNDING IMPACT

There is no immediate funding impact. Given the value of Caltrain's assets (estimated to be \$4.2 billion) and the unfunded accrued liability for rail employees (estimated to be \$15.7 million in 2023), it is unlikely

Peninsula Corridor Joint Powers Board CalPERS Obligation Agreement

that the Member Agencies' fiscal responsibility obligations will ever be triggered.

SFMTA BOARD ACTION

On March 17th, 2026, the SFMTA Board of Directors voted to authorize the Director of Transportation to execute the agreement between the member agencies regarding the Peninsula Corridor Joint Powers Board's Fiscal Obligations to CalPERS, between the City and County of San Francisco, the San Mateo County Transportation District, and Santa Clara Valley Transportation Authority, relating to establishing the JPB's contract with CalPERS (CalPERS Obligation Agreement).

REQUEST FOR APPROVAL

The SFMTA respectfully requests that the Board of Supervisors authorize the Director of Transportation to execute the CalPERS Obligation Agreement.

Sincerely,

A handwritten signature in blue ink, appearing to read "Julie", with a stylized flourish extending to the right.

Julie Kirschbaum
Director of Transportation