



2471 Flores Street, San Mateo, CA 94403  
650-349-5538 Fax: 650-349-5089

[www.northnetlibs.org](http://www.northnetlibs.org)

October 19, 2017

North Bay Cooperative Library System  
2471 Flores Street  
San Mateo, CA 94403

Dear Henry,

NorthNet Library System recently retained special legal counsel to evaluate the obligations of NorthNet and its three-member library systems (referred to as the “legacy systems”) for the liability resulting from each legacy systems’ former employees’ pension benefits under the California Public Employees’ Retirement System (“CalPERS”). North Bay Cooperative Library System (“North Bay”), a legacy system, contracted with CalPERS effective January 1, 1965. North Bay has an annual unfunded liability obligation to CalPERS, which is equal to \$20,584 for fiscal year 2017-2018. This letter serves as notification of North Bay’s responsibilities with respect to its CalPERS liabilities and the potential consequences of failure to fulfill those responsibilities.

After evaluating the underlying contracts and related documentation, special legal counsel has determined that NorthNet has no legal responsibility for the legacy systems’ CalPERS obligations. Rather, each legacy system retains legal responsibility for its CalPERS obligations pursuant to each system’s CalPERS contract. Additionally, special legal counsel has concluded that North Bay’s constituent library members are not legally obligated to fund North Bay’s CalPERS obligations under its operative documents and applicable law. The North Bay JPA Agreement specifically provides that North Bay is established as a separate public agency, and that North Bay’s debts, liabilities, or obligations do not constitute the debt, liability or obligations of any of the parties to the JPA Agreement. Therefore, North Bay’s own CalPERS obligations are not passed onto any of its constituent members under the North Bay JPA Agreement. North Bay may choose to request payment from its constituent members as part of their normal member contributions to further the purposes of the North Bay JPA Agreement, or request to separately contract with any constituent member to have the member assume responsibility for the CalPERS obligations of North Bay, but the constituent library members are not legally obligated to agree to such payments.

Should North Bay default on its CalPERS obligations to pay its annual amortized unfunded liability payment, CalPERS has the option to involuntarily terminate North Bay’s CalPERS contract and assess termination liability. Termination liability is equal to the total funds that CalPERS actuaries determine will be necessary to fully fund the pension benefits accrued under North Bay’s CalPERS contract using a very conservative assumed rate of return, and will likely be in the millions of dollars. In the event of a shortfall in the payment of the termination liability, CalPERS has the authority to reduce benefits for retirees by a percentage equal to the unfunded termination liability. Additionally, CalPERS has the statutory authority to initiate litigation against North Bay to recover any unpaid liabilities.



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Library System  
Connecting Northern California Libraries

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If you have any questions, please contact the undersigned.

Sincerely,

Mel Lightbody, Chair  
NorthNet Library System