Marin County Council of Mayors and Councilmembers:

Marin County Local Government Reform of Pensions and Other Post-Employment Benefits

Defining the Problem & Scope of Local Solutions

June 22, 2011

Introduction:

In response to mounting public concerns about rising pension costs burdening cities, and the need for residents – and elected officials – to be more informed and versed on the issues, on October 27, 2010 at the Regular meeting of the Marin County Council of Mayors and Councilmembers (MCCMC), the membership approved a recommendation of the Mayors Select Committee to form an ad-hoc committee ("Committee") to study reforms in pensions and other post-employment benefits (OPEB). Transparency in Government, uniformity in approach to common issues, and the development of "best practices" to address the issues were all foundational policies leading to such approval.

The purpose of the Committee was also to provide a convenient public forum for the sharing of information and the exchange of ideas. The Committee was specifically provided (and tasked with) the following foundational facts and deliverables:

- Recognition and acceptance that the current system structure is unsustainable;
- Recognition and acceptance that an actuarial analysis is only one view, that it has the potential to produce understated liabilities, and that a blending of such views with traditional economic approaches should be considered[1]
- Include a study of OPEBs, which includes health care, life insurance, and other forms of deferred compensation;
- Estimate an accurate and independent calculation of member agency unfunded liabilities;
- Create a list of suggested solutions / tools within the control of local agencies to help set policy and direction designed to achieve reductions in costs and mitigate the risks of adequate funding associated with public retirement benefits;
- Create a suggested set of policy statements that can be used to support these and other proposed solutions, even if some proposed solutions will require a significant time frame to become effective.

The formation of this Committee and the scope of its work are consistent with all six of the stated purposes in the bylaws of the MCCMC[2] and the responsibilities of its members as elected representative to their respective agencies and constituents.

[1] Discussion of an independent study is in the Next Steps section and the scope of the study in Appendix L.

[2] On the home page of the MCCMC's web site at www.mccmc.org.

Composition of the Committee:

At the first meeting of the Committee, it was quickly accepted that an inclusive approach and breadth of membership was important. Each member city/town of the MCCMC appointed a representative and alternate(s). Other entities with pension and OPEB liabilities were encouraged to join. The Committee's formation and work was widely publicized. There were no specific criteria for selection other than a sincere willingness to look at the issues with an open mind, and to the extent possible, designate appointees with a financial or investment background in order to minimize the amount of meeting time spent on learning basic concepts.

The Committee representatives / alternates from the cities/towns included:

- Belvedere – John Telischak / Sandy Donnell
- Corte Madera – Bob Ravasio / Alexandra Cock
- Fairfax – David Weinsoff
- Larkspur – Larry Chu / Len Rifkind
- Mill Valley – Andy Berman / Stephanie Moulton-Peters
- Novato – Jeanne MacLeamy / Denise Athas
- Ross – Scot Hunter
- San Anselmo – Ford Greene / Tom McInerney & Barbara Thornton
- San Rafael – Marc Levine / Al Boro
- Sausalito – Mike Kelly / Jonathan Leone
- Tiburon – Emmett O'Donnell / Jeff Slavitz

The committee representatives / alternates from the special districts included:

- Marin Municipal Water District – David Behar / Larry Russell
- Novato Sanitary District – Bill Long / Mike DiGiorgio

Larry Chu, the current Mayor of Larkspur and a past President of the MCCMC, was selected by the Mayors Select Committee to chair the Committee.

The Marin Managers Association was invited to participate on an *ex-officio* basis. Its role was to provide staff support in explaining the various elements within the system and how it works.

The MMA's designated representative was Dan Schwarz (Larkspur) and the alternate was Jim Schutz (San Rafael).

Alternates were encouraged to participate in the discussion irrespective of the presence of the primary representative so long as there was not a quorum of any single agency.

Scope of the Committee's Work:

Open Meetings:

The Committee was not covered by the Brown Act. However, to provide full transparency of the process and to allow for the inclusiveness of all stakeholders in the discussion, the Committee operated as if the Brown Act applied.

Meeting agendas were distributed at least 72 hours in advance to all city/town clerks, the County Clerk, the local media (Marin Independent Journal, Marin Scope Newspapers, The Patch), and to a distribution list of interested parties. The agendas, meeting materials, and summary minutes have been posted on the MCCMC's web site at www.mccmc.org/pension.html. Copies of the audio recordings of the meetings are available upon request. The public has been allowed to make general comments at the beginning of each meeting and on the various agenda items throughout the meeting. Member Agency delegates have been regularly reporting back to their respective Boards and Councils. Chairman Chu also updated the MCCMC at its regular meetings. Committee members regularly updated their colleagues and staff.

Approach & Process:

The Committee approached the issue of retirement benefits from the perspective of how potential shortfalls impact municipal and local governmental agency financial planning. The objective was to evaluate the costs and risks associated with providing retirement benefits against (1) the impacts to programs and services and (2) the inherent balance needed in budgeting and managing cash flow – an issue of particular concern given the current macroeconomic conditions.

The initial step was to conduct a survey of every jurisdiction's employee benefits by each of its employee groups, including the retirement formula, employer and member contributions, and maximum benefits allowed at retirement[3]. From this compilation, the

[3] Pension benefits are summarized in Appendix F and OPEB benefits are summarized in Appendix G.

Committee began to develop a comprehensive list of proposed solutions with anticipated impacts upon other stakeholders (employers, employees, pension plans, and taxpayers), the dependencies in which the solutions become feasible, and the time frame in which the benefit of implementation can be realized. This became the "Toolkit."[4]

The Toolkit is designed to outline a range of suggested strategies within the control of local officials to address potential shortfalls without being politically affected by how stakeholders will be impacted. If a local agency does not favor a particular solution, it can evaluate other alternatives. Although local agencies have many similar characteristics, the financial circumstances and policies for each agency are quite unique. Accordingly, each agency will have to independently evaluate its own situation and implement its own set of solutions. That said, it is anticipated that the Toolkit will provide some uniformity in approach across the County.

Several related and ancillary issues, such as the appropriate discount rate, forecasting when the economy will recover, and the value of public employees' work efforts, will not be discussed by the Committee. These polarizing issues may be relevant in some discussions of pension or OPEB reform. However, even if some general consensus could be achieved, none solves the cash flow and budgeting problems that local agencies have that are attributable to post-employment benefits. In the end, the Committee saw them as beyond the scope of our work.[5]

The goal of the Committee is to provide more information so its members can do strategic planning. No one can predict what will happen in the financial markets, but each agency can – with the modeling in hand and the Toolkit solutions – conduct its own risk assessment until asset levels and investment returns are sufficient to eliminate the actuarial accrued liability.

Of paramount importance is the recognition that reducing the level of retirement benefits and respect for public employees are not opposite sides of the same coin. Like any other organization, the cost of human resources for a public agency is the single biggest expense. The Committee has not been tasked with studying the work ethic of public employees and the value they have to their respective communities. We make no

[4] See Appendix H for the Toolkit and examples of cost cutting strategies are illustrated in Appendix I.

[5] There has been much debate about the appropriate discount rate to use. That will be left to the actuaries and academics. The fact remains that regardless of what rate is used, pension obligations are severely underfunded. For the employers, an overstated discount rate will understate the unfunded liability if the asset base and investment returns are inadequate. Unfortunately, reducing the discount rate for actuarial purposes will result in increasing the annual contributions by the employer. So, local agencies will favor accepting the current discount rate for current fiscal year considerations, but in the long run may likely face a significant underfunding of pensions and OPEB. The higher annual payments into the system may result in a less funding of various governmental services and programs. Refer to the Toolkit section below for further discussion.

judgments in this regard. Our work is driven simply from a request for assistance in managing the inflating costs and risks associated with running a local agency, and being well informed on issues of public importance.

Unsustainable System:

The current formula and level of public employee retirement benefits can be attributed primarily to two pieces of legislation. The first, Senate Bill 400 (SB400) in 1999, was legislation sponsored by the California Public Employees Retirement System (CalPERS) and several employee and retiree groups. CalPERS successfully argued that its members and retirees had not been benefiting from the high returns that had been generated throughout the dot-com economy in the 1990's[6]. Two notable changes under SB400 were (1) new formulae were applied to both past and future service, and (2) the elimination of an inferior second tier that was created in 1991.

The increase in the liability for these benefits was stated to have no immediate cost to employers. The funding gap would be closed by excess assets that had accumulated through higher investment returns. In addition, accounting changes were made so that (1) a higher percentage of assets would be allowed in the total valuation, and (2) the number of years for the amortization of the excess assets would be lower.

SB400 received legislative approval so quickly that a detailed and independent financial analysis by the Legislative Analyst's Office (LAO) was not completed. The LAO report was released nearly three months after the passage of the bill. In the report, it was estimated there would be $400 million in additional cost just in the fiscal year 2001-02 alone[7].

Two years later, the Service Employees International Union (SEIU) and the American Federation of State, County and Municipal Employees (AFSCME) sponsored Assembly Bill 616 (AB616). Supporters of this bill contended that improving the retirement formula was necessary to attract and retain a qualified and experienced labor force in public service at a time when the labor market in California had become more competitive[8].

In 2004, the LAO issued another report that recognized an accumulation of an unfunded liability and subsequently recommended a restructuring of retirement benefits. The

[6] SB400 Senate Floor Analysis (9-28-99).

[7] State Employee Compensation: The Recently Approved Package (Legislative Analyst's Office – 12/6/99).

[8] AB616 Assembly Floor Analysis (4-4-01).

most prominent issues causing the unfunded liability were (1) lower than expected stock market returns, and (2) the enhancements made to retirement benefits under SB400[9].

In retrospect, it is clear that the system created by SB 400, and later enhanced by AB 616, was unsustainable from the start for three primary reasons.

- Financial assumptions for the growth of the fund were unrealistic;
- Changing demographics;
- Pension funds bear little of the risk for sub-par performance, essentially passing on the losses to the employer.

Unrealistic Financial Assumptions:

The economy goes through periods of ups and downs. Past performance is not an indication of future returns. To sustain the investment returns at the 7.75% discount rate adopted in 2003 (originally 8.25% under SB400), a pension system would need to grow its assets by 211% in every decade thereafter. Before the bull market that started in the early 1980s and peaked out in 1999, the stock market was flat from the mid-60's on a nominal basis[10].

If broad market indices like the Dow Jones Industrial, Standard and Poor's 500, or the NASDAQ Composite were used for illustrative purposes, pension systems would need a 18.5%, 21.1%, or 25.4% (respectively) compounded annual return[11] by the beginning of 2020 to be at the funding level that was projected when SB400 took effect.

Such returns are not realistic. Even with pension systems reporting recent double-digit returns[12], it will still require a higher performance year after year for the rest of this decade to get back on track.

The type of returns generated in the 1990's is also unlikely. The stock market was primarily fueled by the speculation that dot-com companies who were making large

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[9] Alternative Retirement Benefit Programs (Legislative Analyst's Office – 2/18/04).

[10] The Dow Jones Industrial Index experienced a steady post-World War II climb until 2/9/66 when the index goes over 1,000 and closes at is 995. It isn't until November 1972 that it breaks 1,000 again, gets to a high of 1,047 for three days in early January 1973, but is under 1,000 again by the end of the month. In 1976, the Dow goes over 1,000 several times, but never closes over 1,013. It isn't until 11/20/80 that it breaks through 1,000 again for a day. The spring of 1981 see several days over 1,000, but never higher than 1,024. It isn't until 12/22/82 that it climbs over 1,000 and doesn't ever get that low again. From the period from 2/9/66 to 12/22/82, the market had effectively been flat.

[11] As of the close of the market on 6/17/11.

[12] In a press release dated 1/20/11, CalPERS reported a 12.5% net return on investment at the end of the 2010 calendar year; MCERA's return through 6/30/10 was reported at 8.87%.

capital investments and operating at a significant loss would eventually be profitable on an internal rate of return basis. Price appreciation was not the result of sound investment fundamentals.

Changing Demographics:

In a perfect world, the actuarial parameters would remain static over time. However, there are a number of factors that have continued to put upward pressure on future obligations since SB400:

- The proportion of retirees to workers is growing, especially with the first of the Baby Boom generation turning 65 this year.
- People are living longer and retiring earlier.
- Public sector salaries increased at a rate greater than inflation.
- There are more people employed in the public sector.

Decision Making With Little Risk:

The pension systems must contend with investment risks, but bear none of the risks associated with understated actuarial analyses or inadequate returns on investments. When there are losses (realized or unrealized) or inadequate funding, the employers (i.e. the taxpayers) are responsible for any revenue shortfalls and have to make up the difference with higher contribution rates[13].

With the combined impact of excess revenues used to fund increases in benefits under SB400, the change in demographics, and the failure of the credit markets in 2007, CalPERS has chased returns by changing policy to allow for more speculative and questionable investments.

Even if some of the investments eventually yield sizable returns at some point in the future, there will be a high degree of volatility which undoubtedly will result in no asset growth or losses in the early stages. And when there is an excess of assets or available earnings, there is the constant pressure to increase the level of benefits and/or to lower retirement age.[14]

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[13] Contribution rates for the fiscal years 2008-2010 in Appendix E and estimates for the fiscal year ending 2011 in Appendix F.

[14] A healthy plan is one that is at least 80% funded. At this point, a pension system may elect to increase benefits if there are adequate earnings and available earnings. Ideally, the funded status should be 100% before enhancing current benefits.

Complicating this issue are the unintentional but inherent financial conflicts of interest. The majority of the members on pension system boards are eligible to receive benefits or are already receiving benefits. Whether voting or ex-officio members, they discuss and set policies on benefits and the investment of the assets. Benefit levels are approved by the State Legislature. Implementation, strategic thinking, and labor negotiations are done at the local level. These decisions are being made by elected and appointed officials who are also eligible to receive or are already receiving benefits. The other key stakeholders (employers and the public) are left with the financial responsibility to keep the system funded and yet do not have a proportionate voice or adequate independent checks and balances.

Conclusion:

It is convenient to place the blame for the current unfunded liability on a bad economy. All a bad economy did was to unveil a succession of questionable policy and investment decisions starting with the introduction of SB400. The debate can continue as to whether the current pension system is sustainable or not.

From the standpoint of a local agency, however, it is unsustainable.

Local agencies are responsible for providing programs and services to their constituents. With a finite number of dollars, it is a zero-sum game. For each additional dollar that needs to go into funding post-employment benefits, that is one less dollar that could have been used for programs and services.

It takes years for local agencies to build a successful operation for the delivery of programs and services. A reduction in workforce results in a loss of institutional knowledge and will take additional money and time to rebuild if local agencies are fortunate to enough have such an opportunity.

Even if the pension systems return to the point of being fully funded, the uncertainty and volatility of the annual payments under the current financial environment will result in no foreseeable relief to the long-term cash flow and budgeting issues.

Drawing upon unrestricted reserves and/or taking out debt to make payments for post-employment benefits could lower credit ratings. Whatever the case, it results in a lower debt capacity, and opportunity cost since the funding could have been used for a capital project or infrastructure improvement.

Consequently, absent significant changes to the status quo, local agencies could be left severely distressed (if not insolvent) long before the pensions systems become fully funded again.

Toolkit:

Before the end of his tenure, Governor Arnold Schwarzenegger was able to get two piece of pension reform legislation implemented. The first one, SBX6 22[15], established a new compensation tier that now applies to all State employees hired on or after January 15, 2011[16]. This new tier both adopts the benefit levels that existed before SB 400 and changes the current highest one-year compensation formula for calculating retirement benefits to the highest annual average compensation earned in a designated three-year period. However, no changes were made in defining what goes into compensable earnings. The Governor was also able to get a new agreement with State labor groups whereby employees would make a higher contribution towards their own retirement benefits.

While these actions provide for some minor cost savings measures in the short-term, the benefits of implementing a new tier will not be realized for years or even decades. Shifting the financial risk away from the employers to the employees and/or the pension systems has still not been addressed.

Pensions remain a highly charged political and philosophical issue at every level of government. Governor Jerry Brown made pension reform a campaign issue in the November 2010 election. In March 2011, he released a 12-point pension reform plan that was quickly rejected by Democrats as being too extreme and by Republicans as not being enough.

Since the current system and the elements associated with providing and managing post-retirement benefits are defined in the State Constitution[17], legislation[18], or labor contracts, it is clear that any significant reform will not come out of Sacramento anytime

[15] Senate Bill 22 (6th Extended Session).

[16] The second piece of legislation was the passage of Senate Bill 867. This provides statutory requirements to increase transparency. A public employee retirement system Board of Administration must now provide an actuarial report containing investment returns, amortization period, and discount rates using specific analytical guidelines to the Legislature, the Governor, and the Treasurer any time new contribution rates are adopted.

[17] Article 16, Section 17 (Public Pension or Retirement System; Permissible Stock Subscriptions and Investments).

[18] California Government Code Title 1, Division 7 (Miscellaneous), Title 2, Division 5 (Legislative Department), Title 2 Division 7 (Personnel), Title 8, Chapter 2 (Judicial Council); California Code of Regulations Chapter 2 (Board of Administration of CalPERS).

soon. Wholesale changes to the system are needed, but the Legislature has not shown they can reach a consensus that will provide any meaningful reform.

Smaller local governments have typically been reluctant to act alone or regionally, preferring to defer to the State for leadership on reform. The concern has been the consequence of being placed at a competitive disadvantage for hiring and retaining quality employees. For this to be a valid argument, one has to follow the belief that public employees will move towards the agencies that have the best benefits packages and that vacancies will exists at those that have more inferior offerings.

However, pay and benefits are only one factor in determining an employee's job satisfaction. Community culture, workplace relationships, status, working conditions, and work-life balance are examples of other factors considered.

Workers may become dissatisfied with their employment situation when any of these factors are lacking, and seldom accept such deficiencies for very long unless regular improvements are made. Employees are more likely to gravitate to organizations that provide interesting work, recognition for achievements, responsibility that is directly tied to the outcome, and professional and/or personal growth.[19]

It is therefore incumbent that local governments provide leadership and immediately consider and implement monetary measures that are within their control even if it appears to be marginal or not having any immediate impact. Further delay simply prolongs the stress on local finances and continues to shift a greater financial burden to future generations. While it may appear to be 'clipping at the edges', maintaining the status quo is not a provident option.

Unfortunately, the set of solutions available to local government is rather limited. Most are not significantly different than what has already been proposed or implemented for State employees. Needless to say, any cost savings achieved by the employer is either a reduction in benefits and/or an increase in risk to the employee.

The benefits accrued by public employees for work performed under their current contracts are protected. Up to now, the courts have continued to legally uphold these as vested rights. Current benefits are tied to existing contracts and must be renegotiated with the labor groups, either when the agreements expire or sooner if there

[19] Frederick Herzberg's motivation-hygiene Two-Factor Theory of job satisfaction.

is willingness on the part of employees[20]. The implementation of some solutions may also result in cost-neutral or additional expenses for the employer in the short-term.

Increasing the contribution an employee makes towards their own benefits:

The Employer Paid Member Contribution (EPMC) is the employee portion of the benefits made by the employer on behalf of the employee. The EPMC dates back to 1981, and its origin and purpose are unclear.

As it exists today, it is an employer paid benefit that can be included as compensable earnings for the purposes of calculating the final retirement benefits which adds to the employer's pension liability[21].

Eliminating the EPMC also provide greater transparency. Since the EPMC is not part of the take-home pay to the employee, the reporting of salaries is understated by the EPMC.

In a flat or down economy, local government revenues are insufficient to cover the cost of the current level of salary and benefits. In the private sector, employers and employees have grappled with the decision to cut jobs or to spread the reduction in compensation among all employees. This must be realized in the public sector now that salaries and benefits have become a larger proportion of the General Fund's expenses and the normal cost of benefits exceeds the return on investment.

This sharing of risk with employees is necessary to prevent local agencies from becoming financially insolvent. Reducing or eliminating the EPMC may still take several years if it is accomplished in incremental reductions to make the financial impact on employees more gradual. Each jurisdiction will have to decide for itself the pace of EPMC reductions to match financial realities.

Within certain limits, a local agency can also enter into an agreement whereby employees will pay for some percentage of the employer's portion for optional benefits. For example, this would not apply to optional benefits granted before 1979 and only the amount over and above normal contributions would be eligible for consideration[22].

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[20] If an employer does not have binding arbitration, it should evaluate if this is to their benefit or not. If binding arbitration does not exist, an employer can make a decision on contract terms to protect its interests without being forced to reach a mutual agreement Also, refer the section on Legal Remedies for some additional comments pertaining to the definition of vested rights.

[21] See Appendix D for examples what is compensable under CalPERS and what is not. Note that the sum of all compensable items may exceed 100% of the annual salary.

[22] Section 20516 of the California Government Code.

Eliminate EPMC as compensable earnings:

If the EPMC is retained or until it can be eliminated, a cost reduction can also be realized by not counting the EPMC as compensable earnings. CalPERS has 7%, 8%, and 9% EMPC benefit levels depending on the plan. This is an optional benefit. The elimination of EPMC as compensable earnings would reduce the surcharge in the range of 0.8% to 1.2% depending on the formula and the benefit level for a Miscellaneous plan. For a Safety plan, the savings would be 1.4% to 2.4% depending on the formula and the benefit level[23].

Change the formula:

Retirement benefits are calculated based on the number of years of service, the retirement age, and all compensable earnings for the single highest year or highest annual average in a designated 3-year period. Reducing the percentage for each year of credited service applied to the final compensation amount and/or extending the retirement age are two of the three key components in changing the benefits formula.

The minimum retirement age is 50 years. A Miscellaneous plan formula stated as 2.5% at 55 years (2.5% @ 55) means that an employee who retires at 55 years old will have a benefit factor of 2.5% for each year of service applied to the compensable earnings. Retiring earlier will have a lower benefit factor. The same applies for the 2.7% @ 55 and 3% @ 60 Miscellaneous plans, and the 3% @ 50, 3% @ 55, and 2% @ 55 Safety plans .

However, the 2% @ 55 and 2% @ 60 Miscellaneous plans have increasing benefit factors if an employee retires at an older age than the plan age. The benefit factor will increase in nearly a linear progression to 2.418% for any employee retiring at 63 years or older. The 2% @ 50 Safety plan is similar with an increasing benefit factor going to 2.7% if retiring at 55 years or older[24].

The following three scenarios for a miscellaneous plan can illustrate the reduction of the normal cost as a percentage of payroll costs[25] (with the percentage reduction of the normal cost in parenthesis):

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[23] Refer to Cost of Optional Benefits in Appendix A.

[24] Refer to charts in the Risk Pool Benefit Factors in Appendix B and the Percentage of Compensation by Retirement Age in Appendix C.

[25] CalPERS base employer rate estimates for the fiscal year ending June 30, 2011.

Benefits and Costs
Miscellaneous Plans

Plan Formula	Benefit (% of Final Compensation) * Retire at Age 55	Benefit (% of Final Compensation) * Retire at Age 60	Cost ** As % of Payroll
2% at 60	43.8%	70.0%	6.8%
2% at 55	60.0%	79.2%	8.5%
2.5% at 55	75.0%	87.5%	9.7%
2.7% at 55	81.0%	94.5%	11.2%
3% at 60	62.5%	105.0%	12.1%

* Assumes employee hired at age 25

** Annual Employer Costs are for Normal Costs and do not include costs for amortization of side funds or amortization of Unfunded Liabilities

- Reduce percentage for each year of service from 2.5% @ 55 to 2% @ 55 – Normal cost declines from 9.7% to 8.5% (-12.4%)
- Extend the retirement age from 2% @ 55 to 2% @ 60 – Normal cost declines from 8.5% to 6.8% (-24.1%)
- Combination of both from 2.5% @ 55 to 2% @ 60 – Normal cost declines from 9.7% to 6.8% (-30.9%)

The following are the same three scenarios for a public safety plan[26] (with the percentage reduction of the normal cost in parenthesis):

Benefits and Costs
Safety Plans

Plan Formula	Benefit (% of Final Compensation) * Retire at Age 55	Benefit (% of Final Compensation) * Retire at Age 60	Cost ** As % of Payroll
2% at 55	60.0%	70.0%	11.6%
2% at 50	81.0%	90.0%	13.4%
3% at 55	90.0%	90.0%	15.6%
3% at 50	90.0%	90.0%	18.2%

* Assumes employee hired at age 25

** Annual Employer Costs are for Normal Costs and do not include costs for amortization of side funds or amortization of Unfunded Liabilities

- Reduce percentage for each year of service from 3% @ 50 to 2% @ 50 – Normal cost declines from 18.2% to 13.4% (-26.4%)

[26] CalPERS base employer rate estimates for the fiscal year ending June 30, 2011.

- Extend the retirement age from 3% @ 50 to 3%@ 55 – Normal cost declines from 18.2% to 15.6% (-14.3%)
- Combination of both from 3% @ 50 to 2% @ 55 – Normal cost declines from 18.2% to 11.6% (-18.7%)

In particular with Safety, it should be noted that the Committee did not evaluate whether the potential savings of amending a Safety plan to a higher retirement age compares favorably to the likely increased risk of injury and worker's compensation insurance costs.

Another consideration for reducing the normal cost is to place a cap on the maximum cumulative percentage applied to the final compensation amount. Many plans are capped at 90% and 100% for public safety and miscellaneous, respectively. However, some local agencies do not have a cap on some of their plans.

Extend the number of years used to determine the final compensation for calculating pension benefits:

Using the highest annual average compensation in a designated period of several years instead of the highest single year's compensation is generally seen as a means to reduce the abuses associated with pension spiking[27]. Absent any abuses, there is still a cost saving to be realized. By using the highest annual average in a designated 3-year period, the surcharge for the highest single year can be eliminated. This represents a cost savings to the employer in the range of 0.5% to 0.7% of payroll cost depending on the Miscellaneous plan formula. For a Safety plan, the savings would be 0.8% to 1.0% depending on the formula[28].

These are currently the only two options offered by CalPERS. The greater the number of years used in the annual averaging, the greater the cost savings. At some point in the future, employers may want to consider advocating for a method whereby the formula for the final compensation is simply the average of each year of service.

Using defined contribution plans:

Since the early 1980's, the private sector has predominately shifted from defined benefit plans to defined contribution plans. Employers recognized that the normal cost of maintaining defined benefit plans was too expensive and unsustainable. To eliminate a potentially huge future liability, employers elected to pay annual contributions to the

[27] Pension spiking occurs when benefits are increased by inflating the last year's compensation before an employee retires.

[28] Refer to Cost of Optional Benefits in Appendix A.

employees. These contributions were guaranteed, but the future benefits were not. The risk and responsibility of investing for retirement savings was shifted to the employee.

Even if public employees were to agree to convert the defined benefit plans to defined contribution plans, it would not be financially feasible for the employers. While the private sector was able to pay the present value of the pension accounts to the employees, CalPERS would require the buyout calculated on the accrued and existing liabilities for the benefits (which includes a contingency for mortality fluctuations) of every employee and retiree over their actuarial life. The amount of cash the employer would have to raise would not make this a feasible alternative[29].

To transfer some of the risk from the employer to employees, local agencies may want to explore creating a hybrid plan. Local agencies would continue to have a defined benefit plan, but at a lower percentage for each year of service. The employer would also pay into a defined contribution plan with a possible matching amount tied to economic conditions. Even if a cost-neutral scenario were to be used (i.e. no cost savings to the employer)[30], it still reduces the impacts of market volatility on the employer by providing a mechanism which reduces the funding requirements and a higher liability in a bad or stagnant economic climate. In more prosperous economic times, the employee would also have a greater share of the rewards.

Changes in other benefits:

The ceiling on the cost of living adjustment (COLA) can be 2% to 5% in 1% increments. This is set by CalPERS and cannot go below 2%. A COLA above 2% is an optional benefit and there is a surcharge. If a plan had a maximum COLA of 2%, eliminating the surcharge would be a cost savings of 1.0% to 1.5% of the payroll cost depending on the Miscellaneous plan formula. For a Safety plan, the savings would be 1.8% to 2.6% depending on the formula[31].

The Post-Retirement Survivorship Allowance (PRSA) is another optional benefit. An employer can elect to provide a surviving spouse or domestic partner a lifetime monthly allowance of 25% or 50% of the employee's Unmodified Allowance Amount[32]. Eliminating surcharge for PRSA would represent a savings of 0.7% to 1.0% of the

[29] For the City of Sausalito, CalPERS calculated that a payment of $40,244,944 would need to be made immediately upon termination from the system.

[30] Refer to this third example in Appendix I which illustrates some cost reduction strategies.

[31] Refer to Cost of Optional Benefits in Appendix A.

[32] The highest monthly amount the employee can receive.

payroll cost depending on the Miscellaneous plan formula. For a Safety plan, the savings would be 1.2% to 1.7% depending on the formula[33].

The 1959 Survivor Benefit Program (pre-retirement death benefits) was not evaluated by the Committee. Like in the Social Security system, this benefit allows the contribution made by an employee to be preserved with the benefits going to the surviving beneficiary. Although this is an optional benefit in which the employee contributes $2 per month and the employer pays about $5 per month, this is not included in the Toolkit since the cost saving is not material and the fund for these benefits has been and continues to be superfunded even through the most recent economic downturn.

The Internal Revenue Service (IRS) has a $195,000 contribution limit into a defined benefit plan. An employer may want to consider advocating for a cap that is lower than the IRS limit on the compensation level used in the formula.

Create a new tier:

Many agencies seek to lower their overall cost to fund pensions through “tiering.” With tiering, an agency establishes a new, lower level of pension benefit for all employees hired after a certain date. This new level is commonly called a “tier.” Employees who are active at the time a new tier is established retain their benefit level in an older, closed tier. Employer contribution rates are calculated separately for each tier. The contribution rates for new tiers are typically much lower than older tiers.

While there is no immediate savings for an agency when a new tier is established, tiering can be an important component of a long-term strategy to lower the costs pension obligations. There are many actuary firms that can assist an agency in calculating the savings created by tiering over various time periods[34].

Financial adjustments:

In 2003, employers with fewer than 100 active employees were forced to consolidate their plan assets and liabilities into one of nine CalPERS risk pools. This was done to reduce the volatility in the employer's contribution rate. However, the employer is required to pay the difference in the unfunded liability between the old plans and these

[33] Refer to Cost of Optional Benefits in Appendix A.

[34] Several local agencies have already created additional tiers. Also, note that there has been some debate as to whether inequities between tiers would create an employee morale problem.

new risk pools. This can be done in an annual lump-sum payment or financed through a Side Fund.

Employers with a Side Fund financed by CalPERS may want to consider refinancing this obligation. CalPERS charges the assumed investment return of 7.75%. A local agency with a favorable credit rating and good financial ratios may want to consider reducing its cost of capital by paying off the Side Fund with a pension obligation bond with a lower interest rate.

A local agency would have to ascertain the risk associated with turning an actuarial estimated liability (unsecured debt) into an actual fixed debt against their general fund (secured debt). Some factors to consider are how long the side fund is expected to be underfunded and the probability of declaring bankruptcy.

By all indications, local governments will be in financial distress into the foreseeable future. It has been previously illustrated how it will take many years to reduce the unfunded pension liability to the point that the plans are fully funded again, if ever.

Anytime the plans are superfunded, more fiscal discipline is needed. Rather than to take contribution “holidays”, the difference between the normal cost and the required funding should be put into a pension reserve fund. This reserve should be used offset the amount in excess of the normal cost the next time the system is underfunded. While a pension reserve fund may still not be adequate in more severe economic times, it will still dampen the impact of being underfunded.

Restructuring workforce to reduce salary and benefits:

Since salary and benefits are an organization’s single largest expense, restructuring the workforce should be considered. Providing an incentive for early retirement will keep the final basis for the retirement benefits from getting higher, either by more years of service and/or higher compensable earnings to be used in the formula. Even if there is succession planning, the tradeoff is still in the loss of institutional knowledge and experience.

As a workforce reduction measure, evaluate functions that are not a core competency of government and look at outsourcing, joint power authorities, shared services, and consolidation as options. When the hourly cost of a public employee (which should include the present value of the actuarial cost of a lifetime of benefits) is compared with hourly rate of a contractor in the private sector, it may be possible to get a comparable resource for a lower cost. In addition, public agencies should look at where they can achieve larger economies of scale.

Legal remedies:

Public agencies are turning more to the courts to interpret where there may be possible avenues for relieving the financial distress associated with the escalating costs and risks of post-employment benefits. The nature of these challenges would likely come from Charter Cities[35] rather than General Law Cities[36] by the very nature that Charter Cities may have different definitions for employee compensation and benefits than what is written in California Public Employees' Retirement Law.

The key arguments arising from current and prospective challenges center around how vested rights are defined, whether these vested rights exist in perpetuity, whether retirement benefits can be reduced if they are a vested right, and how these issues will be interpreted[37]. Although the United States and California Constitutions prohibit government from enacting legislation that impairs contracts, courts have also long recognized that this prohibition is subservient to government's power "to protect the lives, health, morals, comfort and general welfare of the public"[38].

Some examples of recent legal cases involving pension reform can be found in Appendix J. While the Committee does not exclude the possibility of legal remedies, it would be highly improbable for any local agency in Marin to pursue as a course of action given the tremendous associated legal cost (potentially millions of dollars) that would be incurred to explore any of these options.

Next Steps:

Any solution impacting compensable earnings or the level of benefits cannot be achieved without negotiation with employee labor groups, but the alternatives in the Toolkit can be implemented within the control of each local agency.

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[35] A Charter City forms its own government and laws under Article XI of the California Constitution. San Rafael is the only Charter City in Marin.

[36] A General Law City operates under the general laws of the State of California regardless of whether the subject concerns a municipal issue or not.

[37] Federal Government Code, California Government Code, or local Memorandum of Understanding.

[38] Declaration of a Fiscal Emergency: A Resurging Option for Public Entities Attempting to Deal with the Current Economic Climate (By Jonathon V. Holtzman, K. Scott Dickey, and Steve Cikes) – The Public Law Journal, Vol. 34, No.1, Winter 2011

If a local agency wants to formally acknowledge its commitment to reducing the costs and risks associated with post-employment benefits, the Committee has drafted a generic resolution which summarizes the solutions in the Toolkit in general terms stated as guiding principles[39]. This is a template that can be modified to reflect each individual agency's current circumstance and financial objectives.

Statewide reforms:

The Committee has acknowledged and recognized that the more significant reforms will have to occur through legislation at the State level or through the process of a statewide ballot initiative. In addition, one of the stated goals of the Mayors Select Committee was to have the Committee create an initial set of policy and reform recommendations for the Legislative Committee to serve as a basis for discussion on any statewide proposals.

The sample resolution lists the following legislative policy and reform recommendations to be considered:

- Create a hybrid pension system to include the development of revised formulas that would alter the retirement percentages and extend the maximum payout age under an adopted formula.
- Establish a maximum benefit cap of 80% for miscellaneous employees and 80% to 90% for safety employees.
- Establish a maximum allowable Cost of Living Adjustment to pension programs.

This is not an exhaustive list of possible solutions. The explicit mention of only these legislative proposals does not mean that the Committee does not favor other pending or future ideas. In addition, the Committee's inclusion of a small sample of proposals that address some of the cost and risk impacts does not prelude the MCCMC (or any of its members) from taking a position on any discussions for reform to other issues associated with the governance of pension systems such as, but not limited to, reporting requirements, transparency, actuarial valuation, investment policies, and the composition of the governing board.

In any case, additional work on the very important issue of post-employment benefits is still needed. Going forward, the MCCMC has several options:

[39] A sample resolution is in Appendix K.

- Reconvene the Committee for the purpose of studying and evaluating new legislative proposals, ballot initiatives, and legal challenges to the existing system.
- Roll any continuing efforts on these topics over to the Legislative Committee, since its normal activities include the monitoring and review of pending legislation.
- Have three to five members of the Committee serve as a subcommittee of the Legislative Committee – and in this way, retain the knowledge compiled by the Committee while minimizing the additional workload placed on the Legislative Committee.

Benefits study:

Separate from the work of the Committee, there is one unresolved issue for agencies in the CalPERS system. The Committee reached no clear consensus on whether there would be benefit in having an actuarial study performed by a third-party who is independent of CalPERS. There are several issues:

- The Actuarial Valuation Report provided by CalPERS is typically published in October for a fiscal year that ended 14 months prior to that. From a budgeting and cash management perspective, a local agency is not getting timely information.
- Since the local agencies are part of a larger risk pool, the Actuarial Valuation Report provided by CalPERS has the unfunded liability as an aggregate, but this information is not specific to the local agencies in the risk pool[40].
- The analyses provided in the Actuarial Valuation Report are estimates of the future employer contribution rates and the potential impact due to any volatility in the contribution rates. These estimates for the next fiscal year are based on a snapshot in time from data that will be two years old by the time the next fiscal year begins.

For financial planning purposes, an independent report should not replicate the actuarial analysis of CalPERS, but to go further and provide more detail in the funded status by analyzing the sensitivity of investment returns using more current data on the economic and market conditions. The analysis should look at the sensitivity based on the deviation of a range of returns and not just a single set of stated assumptions. Projections should go out at least five years. It would also be desirable to have an analytical tool to re-run the model under a different set budgeting assumptions and scenarios.

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[40] CalPers will calculate the unfunded liability if they are notified by the employer of an intent to terminate. If there was no intention to terminate from the system, it was conservatively estimated by the City of Sausalito that it would cost $35,000 to get a precise calculation.

The Committee started with the initial assumption that there would be economies of scale by participating jointly in a study. Since the data is specific and unique to each agency (even those in the same risk pool), it was discovered there would be very little sharing of costs.

San Rafael, Sausalito, and Novato have already completed an independent analysis. Some of the remaining local agencies still see tremendous value in having a study done and have requested bids. Others are more ambivalent. As with the Toolkit, governing body of each local agency will have to evaluate the cost-benefit based on their own set of circumstances[41].

Acknowledgements:

Throughout the process, the Committee has communicated with the representatives of labor groups, the managers and line staff of local agencies, other publicly elected officials from other local agencies, managers from the pension systems, and organizations or individuals who have a general interest in fiscal reforms in the public sector.

In particular, the Committee would like to recognize and thank the following individuals for their work on some element of this report:

- Gary Broad, Town Manager, Town of Ross
- Tom MacDonald, Citizens' Budget Committee, City of Novato
- Linda Pfeifer, Councilmember, City of Sausalito
- George Rodericks, City Manager, City of Belvedere
- Jeff Wickman, Retirement Administrator, Marin County Employees' Retirement Association

This MCCMC would like to acknowledge and thank the City of Mill Valley, the Town of Corte Madera, and the City of Larkspur for the use of their facilities and the staff time involved in preparing the meeting space for use by this committee. Given the current state of municipal finances, it is noteworthy to state that the three meetings at the Mill Valley Community Center and the one meeting at the Corte Madera Recreation Center represent an opportunity cost to the City and Town since these venues are generally rental facilities.

[41] Bartel Associates has provided an outline for a study that meets the objectives of the Committee. A sample resolution and the scope of a study are in Appendix L.

Appendix A

COST OF OPTIONAL BENEFITS
(as a percentage of payroll cost)

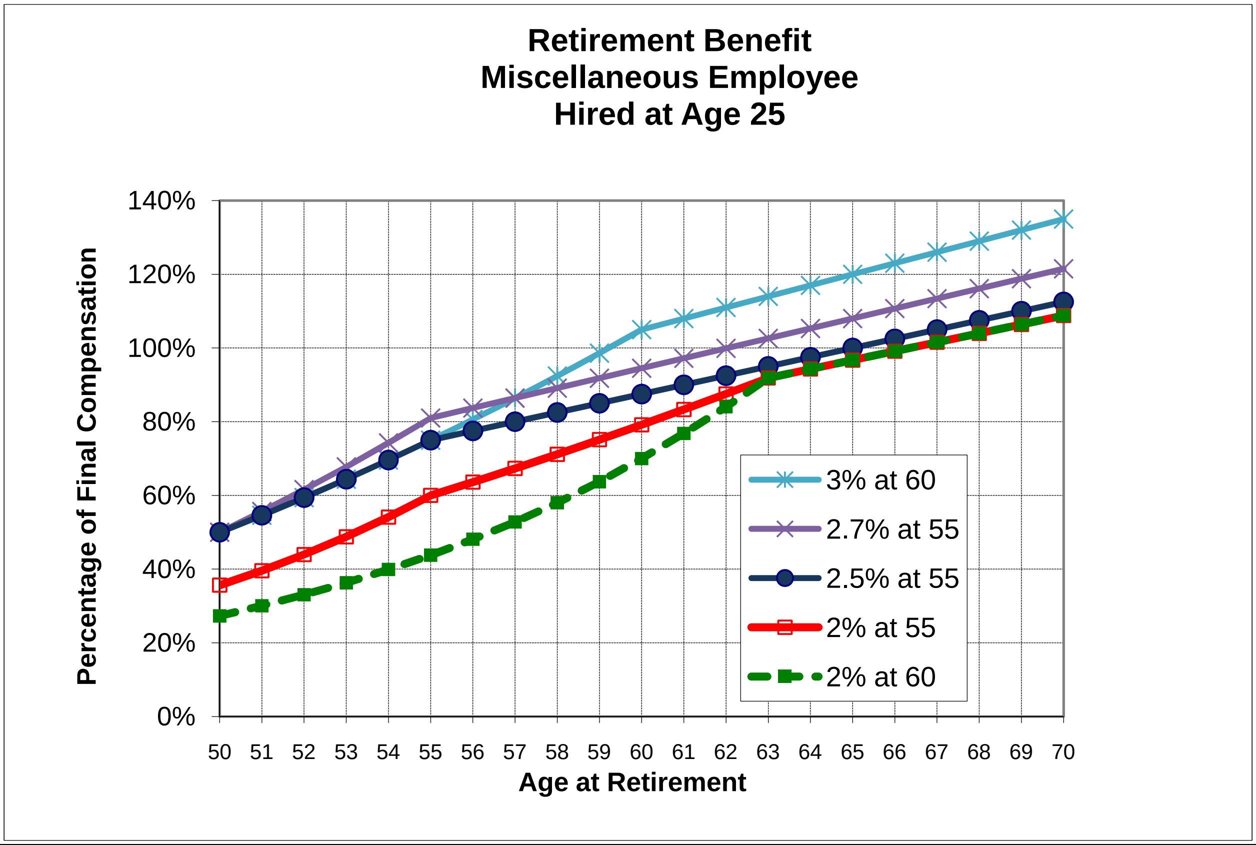
Formula	One-Year Final Compensation	7% EPMC	8% EPMC	9% EPMC	25% or 50% PRSA	3%, 4%, or 5% COLA
	Surcharges for optional Benefits					
Miscellaneous						
2% @ 60	0.5%	0.8%	- - -	- - -	0.7%	1.0%
2% @ 55	0.5%	0.9%	- - -	- - -	0.8%	1.1%
2.5% @ 55	0.6%	1.1%	1.2%	- - -	0.9%	1.4%
2.7% @ 55	0.6%	1.2%	1.3%	- - -	1.0%	1.5%
3% @ 60	0.7%	1.2%	1.4%	- - -	1.0%	1.5%
Safety						
2% @ 55	0.8%	1.4%	- - -	- - -	1.2%	1.8%
2% @ 50	0.9%	1.6%	1.8%	2.0%	1.3%	2.1%
3% @ 55	0.9%	1.7%	2.0%	2.2%	1.8%	2.4%
3% @ 50	1.0%	1.8%	2.1%	2.4%	1.7%	2.6%

* Source: CalPERS risk pool annual valuations for fiscal year ending June 30, 2009.

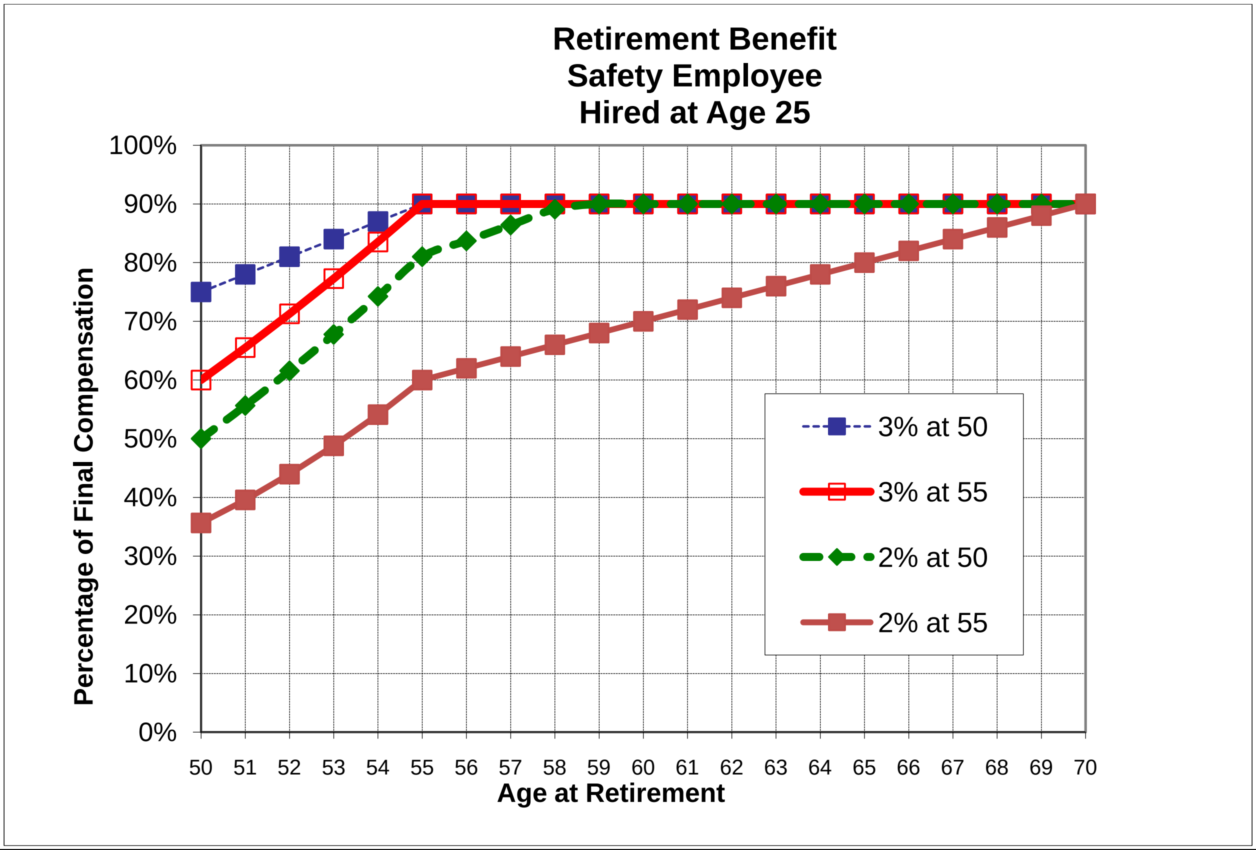
Examples of cost cutting strategies using these figures are illustrated in Appendix I.

Appendix B

RISK POOL BENEFIT FACTORS



* Source: Derived from CalPERS Local Members Benefit Formula Charts



* Source: Derived from CalPERS Local Members Benefit Formula Charts

Appendix C

PERCENTAGE OF FINAL COMPENSATION BY RETIREMENT AGE

Miscelaneous Employees
Hired at age 25

Retire at Age	Percentage of Final Compensation 2% at 60	2% at 55	2.5% at 55	2.7% at 55	3% at 60
50	27.30%	35.65%	50.00%	50.00%	50.00%
51	30.06%	39.57%	54.60%	55.64%	54.60%
52	33.05%	43.96%	59.40%	61.56%	59.40%
53	36.29%	48.78%	64.40%	67.76%	64.40%
54	39.90%	54.11%	69.60%	74.24%	69.60%
55	43.80%	60.00%	75.00%	81.00%	75.00%
56	48.11%	63.61%	77.50%	83.70%	80.60%
57	52.80%	67.33%	80.00%	86.40%	86.40%
58	58.01%	71.15%	82.50%	89.10%	92.40%
59	63.72%	75.14%	85.00%	91.80%	98.60%
60	70.00%	79.17%	87.50%	94.50%	105.00%
61	76.82%	83.30%	90.00%	97.20%	108.00%
62	84.06%	87.54%	92.50%	99.90%	111.00%
63	91.88%	91.88%	95.00%	102.60%	114.00%
64	94.30%	94.30%	97.50%	105.30%	117.00%
65	96.72%	96.72%	100.00%	108.00%	120.00%
66	99.13%	99.13%	102.50%	110.70%	123.00%
67	101.55%	101.55%	105.00%	113.40%	126.00%
68	103.97%	103.97%	107.50%	116.10%	129.00%
69	106.39%	106.39%	110.00%	118.80%	132.00%
70	108.81%	108.81%	112.50%	121.50%	135.00%

* Source: Derived from CalPERS Local Members Benefit Formula Charts

Safety Employees
Hired at age 25

Retire at Age	Percentage of Final Compensation 2% at 55	2% at 50	3% at 55	3% at 50
50	35.65%	50.00%	60.00%	75.00%
51	39.57%	55.64%	65.52%	78.00%
52	43.96%	61.56%	71.28%	81.00%
53	48.78%	67.76%	77.28%	84.00%
54	54.11%	74.24%	83.52%	87.00%
55	60.00%	81.00%	90.00%	90.00%
56	62.00%	83.70%	90.00%	90.00%
57	64.00%	86.40%	90.00%	90.00%
58	66.00%	89.10%	90.00%	90.00%
59	68.00%	90.00%	90.00%	90.00%
60	70.00%	90.00%	90.00%	90.00%
61	72.00%	90.00%	90.00%	90.00%
62	74.00%	90.00%	90.00%	90.00%
63	76.00%	90.00%	90.00%	90.00%
64	78.00%	90.00%	90.00%	90.00%
65	80.00%	90.00%	90.00%	90.00%
66	82.00%	90.00%	90.00%	90.00%
67	84.00%	90.00%	90.00%	90.00%
68	86.00%	90.00%	90.00%	90.00%
69	88.00%	90.00%	90.00%	90.00%
70	90.00%	90.00%	90.00%	90.00%

* Source: Derived from CalPERS Local Members Benefit Formula Charts

Appendix D

EXAMPLES OF CalPERS COMPENSABLE EARNINGS

Reportable *	Non-Reportable
Salary or payrate	Fringe benefit contribution
Holiday pay	Automobile allowance
Vacation, sick leave, and administrative leave used in lieu of hours worked	Overtime
Temporary upgrade pay	Cash out of compensatory time
Bonuses	Payments for unused vacation, sick leave, and administrative leave
Education incentive (including Peace Officers Standards & Training)	Final settlement pay
Shift differential	Additional services outside of regular duties:
Uniform allowance	Stand-by pay
Value of Employer Paid Member Contribution (EPMC)	Callback pay
Bilingual pay	Court duty
Longevity Pay	
Premium pay (Police specialty assignments):	
Field Training Officer	
Investigator	
Traffic Officer	
School Resources Officer	
Canine Officer	
Deductions from salary into a deferred compensation plan	
Participation into a Flexible Benefits Programs	
Disability or workers' compensation **	

* Guidelines for defining compensation, compensation earnable, payrate and special compensation are listed in the California Government Code Section 20630 and Section 20636.

** In accordance with Section 4800 of the Labor Code.

Appendix E

2008-2010 CONTRIBUTION RATES

Plan	Risk Pool	2010	2009	2008
Belvedere (1046):				
Misc	2% @ 55	13.518%	13.576%	13.415%
Safety	2% @ 50	27.110%	26.842%	24.475%
County of Marin:				
Misc				
Safety				
Corte Madera (534):				
Misc	2.5% @ 55	17.658%	16.922%	17.519%
Safety	3% @ 50	34.253%	33.930%	35.543%
Fairfax (446):				
Misc (1)	2.5% @ 55	13.414%	N/A	N/A
Misc (2)	2% @ 55	9.359%	N/A	N/A
Safety (1)	3% @ 50	42.451%	43.180%	N/A
Safety (2)	3.5% @ 55	17.360%	16.817%	N/A
Larkspur (533):				
Misc	2.5% @ 55	15.123%	13.061%	13.192%
Safety	3% @ 55	35.617%	34.652%	35.272%
Marin Municipal Water District (366)				
Misc	2.7% @ 55	13.866%	13.766%	14.093%
Mill Valley (890):				
Misc (1)	2.5% @ 55	11.245%	10.810%	10.780%
Misc (2)	2% @ 55			
Safety (1)	3% @ 55	16.407%	15.668%	14.819%
Safety (2)	3% @ 55	15.592%	14.852%	14.009%
Novato (615)				
Misc (1)	2% @ 55	9.037%	8.538%	7.943%
Misc (2)	2% @ 55			
Safety (1)	3% @ 55	16.561%	16.217%	15.762%
Safety (2)	3% @ 55			

CalPERS Employer Code in parenthesis

Plan	Risk Pool	2010	2009	2008
Novato Sanitary District (801):				
Misc	2% @ 55	12.937%	13.033%	12.431%
Ross (511):				
Misc	2% @ 55	10.119%	10.273%	10.792%
Safety	3% @ 55	29.007%	27.835%	28.564%
San Anselmo (401):				
Misc (1)	2.7% @ 55	21.615%	21.225%	20.259%
Misc (2)	2% @ 55	8.984%	8.697%	8.634%
Safety (1)	3% @ 50	34.488%	34.478%	35.217%
Safety (2)	3% @ 55	16.407%	15.854%	15.191%
San Rafael:				
Misc		34.900%	26.700%	
Safety (Fire)		68.910%	58.690%	
Safety (Police)		52.680%	50.900%	
Sausalito (426):				
Misc	2.5% @ 55	12.744%	12.440%	12.504%
Safety (Fire)	3% @ 55	27.059%	26.673%	24.845%
Safety (Police)	3% @ 55	32.998%	34.277%	34.670%
Tiburon (676):				
Misc	2% @ 55	10.748%	10.387%	10.384%
Safety	3% @ 55	18.941%	19.555%	20.402%
Twin Cities Police Authority (1271)				
Misc (1)	2% @ 60	32.368%	32.081%	31.226%
Misc (2)	2.5% @ 55	14.189%	14.237%	14.491%
Safety (1)	2% @ 50	70.817%	70.830%	58.952%
Safety (2)	3% @ 55	20.343%	20.189%	19.539%

CalPERS Employer Code in parenthesis

Appendix F

PENSION BENEFITS SURVEY
(As of June 15, 2011)

Member Type	Employee Group	Retirement Formula	Pension Agency	Formula Effective Date	Final Average Compensation Period	Maximum COLA	2011 - 2012 Employer Contribution	2010 - 2011 Employee Paid Member Contribution
	BELVEDERE							
Safety	Police	2% @ 50	PERS	4/1/1975	Highest 3 yrs	2.0%	30.678%	1.0%
Misc.	All Non-Safety	2% @ 55	PERS	2/1/2001	Single highest	2.0%	14.379%	0.0%
	CORTE MADERA							
Safety	Fire - Battalion Chiefs	3.0% @ 50	PERS	1/6/2003	Single highest	2.0%	40.194%	0.0%
Safety	Fire - CMFA	3.0% @ 50	PERS	1/6/2003	Single highest	2.0%	40.194%	9.0%
Misc.	SEIU	2.5% @ 55	PERS	7/18/2005	Single highest	2.0%	20.673%	8.0%
Misc.	Other	2.5% @ 55	PERS	7/18/2005	Single highest	2.0%	20.673%	0.0%
	COUNTY OF MARIN							
Safety - Tier 1	All Safety (Sheriff, Fire, Probation) hired before 7/1/1980 who did not opt to transfer to Tier 1A on 1/2/2005	3% @ 55	MCERA	Before 7/1/1980	Single highest	4.0%	7.450%	13.73%-18.35% ** depending on age at entry
Safety - Tier 1A	All Safety (Sheriff, Fire, Probation) hired before 7/1/1980 who transferred to Tier 1A on 1/2/2005	3% @ 50	MCERA	1/2/2005	Single highest	4.0%	20.060%	13.73%-18.35% ** depending on age at entry
Safety - Tier 2	All Safety (Sheriff, Fire, Probation) hired 7/1/1980 or later who did not opt to transfer to Tier 2B on 1/2/2005	3% @ 55	MCERA	7/1/1980	Highest 3 yrs	2.0%	30.420%	11.74%-18.35% ** depending on age at entry
Safety - Tier 2B	All Safety (Sheriff, Fire, Probation) hired 7/1/1980 or later who transferred to Tier 2B on 1/2/2005	3% @ 50	MCERA	1/2/2005	Highest 3 yrs	2.0%	32.090%	11.74%-18.35% ** depending on age at entry
Misc - Tier 1	All Mgmt and non-safety	2% @ 55.5	MCERA	Before 7/1/1980	Single highest	4.0%	38.960%	6.25% - 10.25% ** depending on age at entry
Misc - Tier 2	All Tier 2 Mgmt and non-safety who opted out of Tier 3 on 7/8/2002	2% @ 61	MCERA	7/1/1980	Highest 3 yrs	2.0%	20.500%	4.98% - 9.98% ** depending on age at entry
Misc - Tier 3	All Tier 2 Mgmt and non-safety who did not opt out of Tier 3 on 7/8/2002, plus new hires after that date	2% @ 55	MCERA	7/8/2002	Highest 3 yrs	2.0%	21.110%	6.19% - 11.11% ** depending on age at entry
	FAIRFAX							
Safety - Tier 1	Sworn	3% @ 50	PERS	7/1/2002	Highest 3 yrs	3.0%	48.940%	0.0%
Safety - Tier 2	Sworn	3% @ 55	PERS	7/1/2009	Highest 3 yrs	3.0%	22.060%	0.0%
Misc. - Tier 1	Dispatch & CSO	2.5% @ 55	PERS	7/1/2002	Highest 3 yrs	3.0%	16.310%	0.0%
Misc. - Tier 1	Management	2.5% @ 55	PERS	7/1/2005	Highest 3 yrs	3.0%	16.310%	0.0%
Misc. - Tier 1	Public Works	2.5% @ 55	PERS	7/1/2003	Highest 3 yrs	3.0%	16.310%	0.0%
Misc. - Tier 2	Dispatch & CSO	2% @ 55	PERS	1/1/2010	Highest 3 yrs	3.0%	10.340%	0.0%
Misc. - Tier 2	Management	2% @ 55	PERS	1/1/2010	Highest 3 yrs	3.0%	10.340%	0.0%
Misc. - Tier 2	Public Works	2% @ 55	PERS	1/1/2010	Highest 3 yrs	3.0%	10.340%	0.0%

Member Type	Employee Group	Retirement Formula	2010 - 2011 Employer Paid Member Contribution (EPMC)	EPMC Considered Special Contribution	1959 Survivor Benefit	Post Retirement Survivor Allowance	Maximum Pension	Participate In Social Security	Side Fund Obligation
BELVEDERE									
Safety	Police	2% @ 50	8.0%	No	Level 3	No	90%	No	$ 439,254
Misc.	All Non-Safety	2% @ 55	7.0%	Yes	Level 3	No	100%	No	$ 550,438
CORTE MADERA									
Safety	Fire - Battalion Chiefs	3.0% @ 50	9.0%	Yes	Level 4	No	90%	No	$ 1,695,000
Safety	Fire - CMFA	3.0% @ 50	0.0%	No	Level 4	No	90%	No	
Misc.	SEIU	2.5% @ 55	0.0%	No	Level 4	No	100%	No	$ 1,411,000
Misc.	Other	2.5% @ 55	8.0%	Yes	Level 4	No	100%	No	
COUNTY OF MARIN									
Safety - Tier 1	All Safety (Sheriff, Fire, Probation) hired before 7/1/1980 who did not opt to transfer to Tier 1A on 1/2/2005	3% @ 55	n/a			Built In	100%	No	
Safety - Tier 1A	All Safety (Sheriff, Fire, Probation) hired before 7/1/1980 who transferred to Tier 1A on 1/2/2005	3% @ 50	n/a			Built In	100%	No	
Safety - Tier 2	All Safety (Sheriff, Fire, Probation) hired 7/1/1980 or later who did not opt to transfer to Tier 2B on 1/2/2005	3% @ 55	n/a			Built In	100%	No	
Safety - Tier 2B	All Safety (Sheriff, Fire, Probation) hired 7/1/1980 or later who transferred to Tier 2B on 1/2/2005	3% @ 50	n/a			Built In	100%	No	
Misc - Tier 1	All Mgmt and non-safety	2% @ 55.5	n/a			Built In	100%	No	
Misc - Tier 2	All Tier 2 Mgmt and non-safety who opted out of Tier 3 on 7/8/2002	2% @ 61	n/a			Built In	100%	No	
Misc - Tier 3	All Tier 2 Mgmt and non-safety who did not opt out of Tier 3 on 7/8/2002, plus new hires after that date	2% @ 55	n/a			Built In	100%	No	
FAIRFAX									
Safety - Tier 1	Sworn	3% @ 50	9.0%	No			100%	No	$ 1,985,571
Safety - Tier 2	Sworn	3% @ 55	8.0%	No			100%	No	
Misc. - Tier 1	Dispatch & CSO	2.5% @ 55	8.0%	No			100%	No	
Misc. - Tier 1	Management	2.5% @ 55	8.0%	No			100%	No	$ 286,968
Misc. - Tier 1	Public Works	2.5% @ 55	8.0%	No			100%	No	
Misc. - Tier 2	Dispatch & CSO	2% @ 55	8.0%	No			100%	No	
Misc. - Tier 2	Management	2% @ 55	8.0%	No			100%	No	
Misc. - Tier 2	Public Works	2% @ 55	8.0%	No			100%	No	

Member Type	Employee Group	Retirement Formula	Funds Set Aside	Bonds Issued (dollars)	Unfunded Liability	Comments
BELVEDERE					Unknown	
Safety	Police	2% @ 50				
Misc.	All Non-Safety	2% @ 55				
CORTE MADERA					Unknown	
Safety	Fire - Battalion Chiefs	3.0% @ 50				6 years left on side fund
Safety	Fire - CMFA	3.0% @ 50				
Misc.	SEIU	2.5% @ 55				9 years left on side fund
Misc.	Other	2.5% @ 55				
COUNTY OF MARIN				$112.8 million	$384.3 million	Issued in 2003
Safety - Tier 1	All Safety (Sheriff, Fire, Probation) hired before 7/1/1980 who did not opt to transfer to Tier 1A on 1/2/2005	3% @ 55				PRSA same for all MCERA plans - 60% continuance to qualified dependent, but retiree has 4 distribution options
Safety - Tier 1A	All Safety (Sheriff, Fire, Probation) hired before 7/1/1980 who transferred to Tier 1A on 1/2/2005	3% @ 50				See above for PRSA
Safety - Tier 2	All Safety (Sheriff, Fire, Probation) hired 7/1/1980 or later who did not opt to transfer to Tier 2B on 1/2/2005	3% @ 55				See above for PRSA
Safety - Tier 2B	All Safety (Sheriff, Fire, Probation) hired 7/1/1980 or later who transferred to Tier 2B on 1/2/2005	3% @ 50				See above for PRSA
Misc - Tier 1	All Mgmt and non-safety	2% @ 55.5				
Misc - Tier 2	All Tier 2 Mgmt and non-safety who opted out of Tier 3 on 7/8/2002	2% @ 61				See above for PRSA
Misc - Tier 3	All Tier 2 Mgmt and non-safety who did not opt out of Tier 3 on 7/8/2002, plus new hires after that date	2% @ 55				See above for PRSA
FAIRFAX					Unknown	
Safety - Tier 1	Sworn	3% @ 50				
Safety - Tier 2	Sworn	3% @ 55				
Misc. - Tier 1	Dispatch & CSO	2.5% @ 55				
Misc. - Tier 1	Management	2.5% @ 55				
Misc. - Tier 1	Public Works	2.5% @ 55				
Misc. - Tier 2	Dispatch & CSO	2% @ 55				
Misc. - Tier 2	Management	2% @ 55				
Misc. - Tier 2	Public Works	2% @ 55				

Member Type	Employee Group	Retirement Formula	Pension Agency	Formula Effective Date	Final Average Compensation Period	Maximum COLA	2011 - 2012 Employer Contribution	2010 - 2011 Employee Paid Member Contribution
LARKSPUR								
Safety	Fire	3% @ 55	PERS	12/1/2000	Single highest	2.0%	40.274%	0.0%
Misc.	All Non-Safety	2.5 @ 55	PERS	8/1/2009	Single highest	2.0%	18.071%	1.0%
MILL VALLEY								
Safety - Tier 1	Police	3% @ 55	PERS	7/8/1972	Single highest	2.0%	21.252%	0.0%
Safety - Tier 2	Police	3% @ 55	PERS	7/19/1986	Highest 3 yrs	2.0%	20.308%	0.0%
Safety - Tier 2A	Police	3% @ 55	PERS	7/1/2010	Highest 3 yrs	2.0%	20.308%	3.0%
Safety - Tier 1	Fire	3% @ 55	PERS	7/8/1972	Single highest	2.0%	21.252%	3.0%
Safety - Tier 2	Fire	3% @ 55	PERS	7/19/1986	Highest 3 yrs	2.0%	20.308%	3.0%
Safety - Tier 1	Fire Chiefs	3% @ 55	PERS	7/8/1972	Single highest	2.0%	21.252%	0.0%
Safety - Tier 2	Fire Chiefs	3% @ 55	PERS	7/19/1986	Highest 3 yrs	2.0%	20.308%	0.0%
Misc. - Tier I	Management	2.5% @ 55	PERS	5/3/2003	Single highest	2.0%	14.256%	0.0%
Misc. - Tier 2	Management	2% @ 55	PERS	2/26/11 est,	Highest 3 yrs	2.0%	9.359%	0.0%
Misc. - Tier I	AFSCME	2.5% @ 55	PERS	5/3/2003	Single highest	2.0%	14.256%	2.0%
Misc. - Tier 2	AFSCME	2% @ 55	PERS	2/26/11 est,	Highest 3 yrs	2.0%	9.359%	2.0%
MMWD								
Misc.	All represented employees	2.7% @ 55	PERS	7/1/2003	Highest 3 yrs	3.0%	18.145%	5.0%
NOVATO								
Safety	Police Tier 1	3% @ 55	PERS	7/1/2001	Single highest	2.0%	21.407%	1.0%
Safety	Police Tier 2	3% @ 55	PERS	7/1/2010	Highest 3 yrs (8/11)	2.0%	21.407%	1.0%
	All employees							+1.0% I/1/2012
Misc.	All Mgmt and non-safety tier 1	2% @ 55	PERS	7/1/2000	Single highest	2.0%	10.975%	1.0%
Misc.	All Mgmt and non-safety tier 2	2% @ 55	PERS	7/1/2010	Highest 3 yrs(8/11)	2.0%	10.975%	1.0%
	All employees							+1.0% I/1/2012
NOVATO SANITARY DISTRICT								
Misc.	All represented employees	2% @ 55	PERS	Before 2000	Single highest	2.0%	14.028%	0.0%
ROSS								
Safety	Police	3% @ 55	PERS	6/30/2003	Single highest	2.0%	30.433%	0.0%
Safety	Fire	3% @ 55	PERS	6/30/2003	Single highest	2.0%	30.433%	0.0%
Misc.	All Mgmt and non-safety	2% @ 55	PERS	6/30/2003	Highest 3 yrs	2.0%	11.164%	0.0%
SAN ANSELMO								
Safety - Tier 1	Sworn Police	3% @ 50	PERS	11/1/1966	Single highest	2.0%	42.600%	0.0%
Safety - Tier 2	Sworn Police	3% @ 55	PERS	2/1/2007	Single highest	2.0%	21.300%	0.0%
Misc. - Tier 1	All others incl non-sworn police	2.7% @ 55	PERS	7/1/2004	Single highest	2.0%	25.98%	0.0%
Misc. - Tier 2	All others incl non-sworn police	2% @ 55	PERS	2/1/2007	Single highest	2.0%	10.06%	0.0%

Member Type	Employee Group	Retirement Formula	2010 - 2011 Employer Paid Member Contribution (EPMC)	EPMC Considered Special Contribution	1959 Survivor Benefit	Post Retirement Survivor Allowance	Maximum Pension	Participate In Social Security	Side Fund Obligation
LARKSPUR									
Safety	Fire	3% @ 55	9.0%	Yes	Level 4	Yes	90%	No	$ 2,258,140
Misc.	All Non-Safety	2.5 @ 55	7.0%	Yes	Level 3	No	100%	No	$ 1,267,956
MILL VALLEY									
Safety - Tier 1	Police	3% @ 55	9.0%	No	Index	No	90%	No	$ -
Safety - Tier 2	Police	3% @ 55	9.0%	No	Index	No	90%	No	$ -
Safety - Tier 2A	Police	3% @ 55	6.0%	No	Index	No	90	No	$ -
Safety - Tier 1	Fire	3% @ 55	6.0%	No	Index	No	90%	No	$ -
Safety - Tier 2	Fire	3% @ 55	6.0%	No	Index	No	90%	No	$ -
Safety - Tier 1	Fire Chiefs	3% @ 55	9.0%	No	Index	No	90%	No	$ -
Safety - Tier 2	Fire Chiefs	3% @ 55	9.0%	No	Index	No	90%	No	$ -
Misc. - Tier I	Management	2.5% @ 55	9.0%	No	Level 3	No	100%	No	$ -
Misc. - Tier 2	Management	2% @ 55	8.0%	No	Level 3	No	100%	No	$ -
Misc. - Tier I	AFSCME	2.5% @ 55	6.0%	No	Level 3	No	100%	No	$ -
Misc. - Tier 2	AFSCME	2% @ 55	5.0%	No	Level 3	No	100	No	$ -
MMWD									
Misc.	All represented employees	2.7% @ 55	3.0%	Yes			No cap	Yes	0
NOVATO									
Safety	Police Tier 1	3% @ 55	8.0%	Yes	Level 4	No	90%	No	$ 116,575
Safety	Police Tier 2	3% @ 55	8.0%	No	Level 4	No	90%	No	
	All employees		-1.0% I/1/2012						
Misc.	All Mgmt and non-safety tier 1	2% @ 55	6.0%	Yes	Level 4	No	No cap	No	n/a
Misc.	All Mgmt and non-safety tier 2	2% @ 55	6.0%	No	Level 4	No	100%	No	n/a
	All employees		-1.0% I/1/2012						
NOVATO SANITARY DISTRICT									
Misc.	All represented employees	2% @ 55	7.0%	Yes			No cap	No	$ 1,254,401
ROSS									
Safety	Police	3% @ 55	9.0%	No			90%	Yes	$ 1,525,324
Safety	Fire	3% @ 55	9.0%	Yes			90%	Yes	
Misc.	All Mgmt and non-safety	2% @ 55	7.0%	No			No cap	Yes	$ 107,927
SAN ANSELMO									
Safety - Tier 1	Sworn Police	3% @ 50	9.0%	No	No	No	90%	Yes	$ 2,028,645
Safety - Tier 2	Sworn Police	3% @ 55	9.0%	No	No	No	90%	Yes	$ -
Misc. - Tier 1	All others incl non-sworn police	2.7% @ 55	8.0%	No	No	No	No cap	Yes	$ 2,018,593
Misc. - Tier 2	All others incl non-sworn police	2% @ 55	7.0%	No	No	No	No cap	Yes	$ -

Member Type	Employee Group	Retirement Formula	Funds Set Aside	Bonds Issued (dollars)	Unfunded Liability	Comments
LARKSPUR					Unknown	
Safety	Fire	3% @ 55	0	0		
Misc.	All Non-Safety	2.5 @ 55	0	0		
MILL VALLEY					Unknown	
Safety - Tier 1	Police	3% @ 55	$ -	$ 2,470,787		T-1 POB for Tier 1 Police & Fire
Safety - Tier 2	Police	3% @ 55	$ -	$ 782,676		T-II POB for Tier 1 Police & Fire
Safety - Tier 2A	Police	3% @ 55	$ -	$ -		
Safety - Tier 1	Fire	3% @ 55	$ -	$ -		See T-1 above
Safety - Tier 2	Fire	3% @ 55	$ -	$ -		See T-II above
Safety - Tier 1	Fire Chiefs	3% @ 55	$ -	$ -		
Safety - Tier 2	Fire Chiefs	3% @ 55	$ -	$ -		
Misc. - Tier I	Management	2.5% @ 55	$ -	$ 3,396,687		Total for all miscellaneous employees
Misc. - Tier 2	Management	2% @ 55	$ -	$ -		Effective 3/26/11
Misc. - Tier I	AFSCME	2.5% @ 55	$ -	$ -		Included in Management POB
Misc. - Tier 2	AFSCME	2% @ 55	$ -	$ -		Effective 3/26/11
MMWD					Unknown	
Misc.	All represented employees	2.7% @ 55	$ -	$ -		
NOVATO			$ 1,345			
Safety	Police Tier 1	3% @ 55		$9.8 million	Unknown	Issued in 2006
Safety	Police Tier 2	3% @ 55			Unknown	
	All employees					
Misc.	All Mgmt and non-safety tier 1	2% @ 55		$8.0 million	$4,015,864	Benefit factor 2.418% @ age 63+: No limit on years of service
Misc.	All Mgmt and non-safety tier 2	2% @ 55			Unknown	
	All employees					
NOVATO SANITARY DISTRICT					Unknown	
Misc.	All represented employees	2% @ 55	$ -	$ -		
ROSS					Unknown	
Safety	Police	3% @ 55	$ -	$ -		Police Chief pays member contribution; Fire & Police total
Safety	Fire	3% @ 55				
Misc.	All Mgmt and non-safety	2% @ 55	$ -	$ -		PW Director to pay member contribution
SAN ANSELMO					Unknown	
Safety - Tier 1	Sworn Police	3% @ 50	$ -	$ -		
Safety - Tier 2	Sworn Police	3% @ 55	$ -	$ -		
Misc. - Tier 1	All others incl non-sworn police	2.7% @ 55	$ -	$ -		
Misc. - Tier 2	All others incl non-sworn police	2% @ 55	$ -	$ -		

Member Type	Employee Group	Retirement Formula	Pension Agency	Formula Effective Date	Final Average Compensation Period	Maximum COLA	2011 - 2012 Employer Contribution	2010 - 2011 Employee Paid Member Contribution
SAN RAFAEL								
Safety	Police	3% @ 55	MCERA	7/1/2004	Single highest	3.0%	53.76%	6.99% - 17.64%
Safety	Fire	3% @ 55	MCERA	7/1/2006	Single highest	3.0%	68.77%	6.99% - 17.64%
Misc.	All Mgmt and non-safety	2.7% @ 55	MCERA	7/1/2004	Single highest	3.0%	40.78%	6.29% - 13.72%
SAUSALITO								
Safety	Police	2.40% - 3.0% @ 55	PERS	6/1/2000	Single highest	2.0%	38.533%	9.0%
Safety	Fire	2.40% - 3.0% @ 55	PERS	6/2/2000	Single highest	2.0%	31.548%	0.0%
Misc.	All non safety employees	2.0% - 2.5% @ 55	PERS	7/1/2003	Single highest	2.0%	15.595%	8.0%
TIBURON								
Safety	Police	3% @ 55	PERS	6/1/2004	Highest 3 yrs	2.0%	23.995%	9.0%
Misc.	All Non-Safety	2% @ 55	PERS	7/1/2001	Single highest	2.0%	11.775%	7.0%
TWIN CITIES POLICE AUTHORITY								
Safety - Tier 1	Police	3% @ 55	PERS	Pre 1/1/2003	Single highest	2.0%	77.221%	0.0%
Safety - Tier 2	Police	3% @ 55	PERS	1/1/2003	Single highest	2.0%	25.357%	0.0%
Misc. - Tier 1	All Non-Safety	2.5% @ 55	PERS	Pre 7/1/2002	Single highest	2.0%	54.381%	3.5%
Misc. - Tier 2	All Non-Safety	2.5% @ 55	PERS	7/1/2002 thru 6/30/08	Single highest	2.0%	17.280%	3.5%

Vested Employee Right

Negotiable with Current Employees

Member Type	Employee Group	Retirement Formula	2010 - 2011 Employer Paid Member Contribution (EPMC)	EPMC Considered Special Contribution	1959 Survivor Benefit	Post Retirement Survivor Allowance	Maximum Pension	Participate In Social Security	Side Fund Obligation
SAN RAFAEL									
Safety	Police	3% @ 55	0.0%	No		Built In	100%	No	No
Safety	Fire	3% @ 55	0.0%	No		Built In	100%	No	No
Misc.	All Mgmt and non-safety	2.7% @ 55	0.0%	No		Built In	100%	No	No
SAUSALITO									
Safety	Police	2.40% - 3.0% @ 55	0.0%	Yes	Level 4	Yes	90%	No	$3,000,000
Safety	Fire	2.40% - 3.0% @ 55	9.0%	No	Level 4	Yes	90%	No	$1,400,000
Misc.	All non safety employees	2.0% - 2.5% @ 55	0.0%	Yes	Level 1	No	No cap	No	$430,000
TIBURON									
Safety	Police	3% @ 55	0.0%	No	Level 1	No	90%	No	$ 298,573
Misc.	All Non-Safety	2% @ 55	0.0%	No	Level 4	No	100%	No	$ 427,716
TWIN CITIES POLICE AUTHORITY									
Safety - Tier 1	Police	3% @ 55	9.0%	Yes	Level 4	Yes	90%	No	$ 2,755,505
Safety - Tier 2	Police	3% @ 55	9.0%	Yes	Level 4	No	90%	No	$ 666,949
Misc. - Tier 1	All Non-Safety	2.5% @ 55	4.5%	Yes	Level 4	Yes	100%	No	$ 318,629
Misc. - Tier 2	All Non-Safety	2.5% @ 55	4.5%	Yes	Level 4	No	100%	No	$ 229,085

Vested Employee Right

Negotiable with Current Employees

Member Type	Employee Group	Retirement Formula	Funds Set Aside	Bonds Issued (dollars)	Unfunded Liability	Comments
SAN RAFAEL			~ $2.5M	~ $4.2M	$146.4 Million	Financed one year of "normal cost"
Safety	Police	3% @ 55				PRSA same for all MCERA plans - 60% continuance to qualified dependent, but retiree has 4 distribution options
Safety	Fire	3% @ 55				See above for PRSA
Misc.	All Mgmt and non-safety	2.7% @ 55				See above for PRSA
SAUSALITO					Unknown	
Safety	Police	2.40% - 3.0% @ 55	$0			See below
Safety	Fire	2.40% - 3.0% @ 55	$0			See below
Misc.	All non safety employees	2.0% - 2.5% @ 55	$0			See below
						Effective 7/1/2003, the City adopted the provisions of IRS Code Section 414(h)(2) on behalf of if its miscellaneous and police personnel. Base salaries are grossed up 8% and 9% respectively so that employees may pay their own PERS contributions out of pre-tax compensation. The City continues to pick up the tax deferred contributions on behalf of fire.
TIBURON					Unknown	
Safety	Police	3% @ 55	$ -	$ -		6 years left on amortization
Misc.	All Non-Safety	2% @ 55	$ -	$ -		14 years left on amortization
TWIN CITIES POLICE AUTHORITY					Unknown	
Safety - Tier 1	Police	3% @ 55				3 employees left in this tier
Safety - Tier 2	Police	3% @ 55				
Misc. - Tier 1	All Non-Safety	2.5% @ 55				0 employees left in this tier
Misc. - Tier 2	All Non-Safety	2.5% @ 55				

Vested Employee Right

Negotiable with Current Employees

Appendix G

OPEB INFORMATION FOR MARIN COUNTY JURISDICTIONS
(Approximates/Estimates as of June 15, 2011)

	Jurisdiction	Contact Person / Telephone	GASB 45 Unfunded Liability	GASB 45 Annual Required Contribution	Cost of Retiree Health Benefits	Health System	Cost Control Examples to Date	Cost Controls Being Considered	Other Comments
1	Belvedere	George Rodericks / 435-3838	$374,116	$51,632	PERS minimum all retirees except 1 Retiree @ 60% of Kaiser 2-Party Rate	CalPERS	None	None	Pay As You Go
2	Corte Madera	George Warman / 927-5055	$1.4 million	$978,000	Allowance equivalent to applicable Kaiser rate until Medicare eligible - then Medicare rate.	PEMHCA (CalPERS)		Evaluating PEMHCA minimum for new hires.	Pay As You Go; No dental or vision; Prefunded at $10,000 per year through CERBT
3	Fairfax	Laurie Ireland-Ashley / 458-2350							

	Jurisdiction	Contact Person / Telephone	GASB 45 Unfunded Liability	GASB 45 Annual Required Contribution	Cost of Retiree Health Benefits	Health System	Cost Control Examples to Date	Cost Controls Being Considered	Other Comments
4	Larkspur	Dan Schwarz / 927-5110 Amy Koenig / 927-5110	$7.5 million	$833,138	Kaiser North Benefit	CalPERS	Renegotiated Retiree Health Benefits for current & future employees	Convert defined benefits plan to cafeteria plan	Pay As You Go
5	Mill Valley	Jim McCann Eric Erickson / 388-4033	$20.3 million	$2.0 million	1,075/mo	Kaiser HealthNet	No changes made to-date; Requires 15 years and a PERS retirement.	Initial review of controls underway	Pay As You Go; Trust set up for partial future funding
6	Novato	Dan Weakley / 415-899-8918	$1.8 million	$191,000	Current monthly expense $5,400 based on PEMHCA; Minimum Employer Contribution ($108 per month per eligible annuitant in 2011)	PEMHCA (CalPERS)	Only required to pay the Minimum Employer Contribution		Pay As You Go
7	Ross	Gary Broad / 415-453-1453 X-107							

	Jurisdiction	Contact Person / Telephone	GASB 45 Unfunded Liability	GASB 45 Annual Required Contribution	Cost of Retiree Health Benefits	Health System	Cost Control Examples to Date	Cost Controls Being Considered	Other Comments
8	San Anselmo	Debra Stutsman / 285-4652 Daria Carrillo / 258-4678	$1.8 million ($0.7 MM police, 1.1 MM Misc)	$194,500 ($80,523 police, $113,977 Misc)	$225 per month	CalPERS	Retiree Health benefit negotiated in POA and SEIU contracts; Limited to $225 per month	Existing cap limits liability considerably.	Pay As You Go
9	San Rafael	Jim Schutz / 485-3475 Leslie Loomis / 485-3069	$46.1 million	$4.4 million	On Average = $575-$600 per month	CalPERS	1) Effective 1/1/10, moved to PEMHCA minimum benefit to all new hires; 2) Healthcare & Retiree Health Caps for existing employees; 3) 401(H) Trust	Already reduced all hires after 1/1/10 to minimum benefit.	May need to create additional employee-funded defined contribution accounts to allow additional savings.
10	Sausalito	Adam Politzer / 289-4166 Charlie Francis / 289-4105	$6.4 million	$615,297	$8,000 annually	CalPERS	City only provides medical benefits for OPEB; Retiree Health benefit negotiated in FFA, POA and SEIU contracts		Pay As You Go
11	Tiburon	Peggy Curran / 435-7383 Heidi Bigall / 435-7379	$2.15 million	$281,000	For pre-7/1/10, fixed % of Kaiser Single, based on years of service:	CalPERS	Retiree medical eliminated for new hires.		Combination of “Pay As You Go” and approx 2.5% of payroll out of division budgets

	Jurisdiction	Contact Person / Telephone	GASB 45 Unfunded Liability	GASB 45 Annual Required Contribution	Cost of Retiree Health Benefits	Health System	Cost Control Examples to Date	Cost Controls Being Considered	Other Comments
					15 yrs = 50% 20 yrs = 75% 25yrs = 100%. No retiree medical for employees hired after 7/1/10.				
12	County of Marin	Gary Burroughs / 499-6154	$359.9 million	$26.5 million	$10 million in Fiscal Year 2010	Kaiser, Blue Cross, Delta Dental	Limit annual increases in Plan 3 to 3%; Set up Plan 4 which limits $150 per year of service up to $3,000; transfer reserve balance to an irrevocable trust and to fully fund OPEB obligations in 2-3 years	Plan design changes to lower cost to both employer, employees, and retirees	Pay as you go; Has a $26 million reserve fund as of 6/30/11
13	Marin Municipal Water District	Oreen Delgado / 945-1425	$33 million	$2 million	$540/month	CalPERS		Vesting schedule for new employees	Labor negotiations currently in process

	Jurisdiction	Contact Person / Telephone	GASB 45 Unfunded Liability	GASB 45 Annual Required Contribution	Cost of Retiree Health Benefits	Health System	Cost Control Examples to Date	Cost Controls Being Considered	Other Comments
14	Novato Sanitary District	Laura Creamer / 892-1694	$5.55 million	$473,000		CalPERS			Pay as you go
15	Twin Cities Police Authority	Dan Schwarz / 927-5110 Amy Koenig / 927-5110	$7.25 million	$696.305		CalPERS			Pay as you go

Appendix H

TOOLKIT FOR LOCAL AGENCIES

Potential Actions	Impact on Cost	Timing of Cost Savings	Impact on Unfunded Liability	Impact on Employees	Vested?	Labor Negotiations?	Comments
Lower Basic Plan Formula by Creating a New Tier							
Safety: Four Basic Plan Formulas 2% @ 55 (Lowest benefit level) 2% @ 50 3% @ 55 3% @ 50 (Highest level)	Employer normal costs range from 11.6% to 18.2% of payroll (See Page	Applies to new employees only. Total savings when 100% of employee in current tier	No immediate impact. Will reduce size of future underfunding.	Can reach 90% in all plans, but later (See Appendix B and C).	Yes	Yes	
Miscellaneous: Five Basic Plan Formulas 2% @ 60 (Lowest benefit level) 2% @ 55 2.5% @ 55 2.7% @ 55 3% @ 60 (Highest level)	Employer normal costs range from 6.8% to 12.1% of payroll (See Page 14).	Applies to new employees only. Total savings when 100% of employee in current tier turnover.	No immediate impact. Will reduce size of future underfunding.	Can reach or exceed 100% in all plans, but later (See Appendix B and C).	Yes	Yes	
Other Changes to Basic Plans							
Hybrid program using a lower CalPERS Basic Plan plus a CalPERS 457 defined contribution plan with matching contributions.	Lower cost on Basic Plan plus added cost on 457 matching. Could be cost neutral.	Applies to new employees only.	No immediate impact. Will reduce size of future underfunding.	Partial shift of risk to employee. Requires self-directed investment of benefits by the employee into the same system.	Yes	Yes	Requires creation of a new tier
Extend retirement age by changing Basic Plan Formula.	See formula changes above.	Applies to new employees only.	No immediate impact. Will reduce size of future underfunding.	Will reach top benefit levels, but at later.	Yes	Yes	Requires creation of a new tier
Place cap on maximum total percentage of final compensation.	See formula changes above.	Applies to new employees only.	No immediate impact. Will reduce size of future underfunding.	Safety plans already capped at 90%. Currently, none of the CALPERS Misc. plans have a cap.	Yes	Yes	Local Labor negotiated. CALPERS must approve.
Hybrid program using Social Security plus a defined contribution plan.	Employer contribution reduced to 6.2% of payroll. Employee pick-up is eliminated. Could be cost neutral.	Applies to new employees only.	No immediate impact. Will eliminate possibility of future underfunding.	Partial shift of risk to employee. Requires self-directed and self-managed investment of benefits by the employee.	Yes	Yes	Requires complete buyout of CalPERS liability. Huge cash requirement makes it unrealistic.
Move from defined benefit plan to defined contribution plan.	Could reduce the level of benefits or be cost neutral.	Applies to new employees only.	No immediate impact. Will eliminate possibility of future underfunding.	Shifts investment risk to employee. Requires self-directed and self-managed investment of benefits by the employee.	Yes	Yes	Requires complete buyout of CalPERS liability. Huge cash requirement makes it unrealistic.

Potential Actions	Impact on Cost	Timing of Cost Savings	Impact on Unfunded Liability	Impact on Employees	Vested?	Labor Negotiations?	Comments
Reduction in Other Benefits & Cost							
Have member pay the Employer Paid Member Contribution (EPMC).	Up to 9% for Safety and up to 7% for Misc. of payroll.	Immediate or phased in	No impact	Reduction in net pay	No	Yes	
Do not report EPMC as part of compensable earnings.	Costs range from 0.8% to 2.4% of payroll (See Appendix A).	Applies to new employees only.	No immediate impact. Some minor reduction on future underfunding.	Reduces compensable earnings for calculating final benefits by 6.5% to 8.3%	Yes	Yes	
Move from highest single year compensation to average of three highest years.	Costs range from 0.5% to 1.0% of payroll (See Appendix A).	Applies to new employees only.	No immediate impact. Some minor reduction on future underfunding.	Minimal reduction in benefit payments. Reduces impact of spiking abuses.	Yes	Yes	
Eliminate Post-Retirement Survivor Allowance.	Costs range from 0.7% to 1.7% of payroll (See Appendix A).	Applies to new employees only.	No immediate impact. Some minor reduction on future underfunding.	Surviving beneficiary will not receive a monthly allowance.	Yes	Yes	
Reduce COLA to standard 2%.	Costs range from 1.0% to 2.6% of payroll (See Appendix A).	Applies to new employees only.	No immediate impact. Some minor reduction on future underfunding.	Benefits degrade in real terms if cost of living exceeds 2%	Yes	Yes	
Negotiate increases as a total compensation package (salary & benefits combined). Increases in salary offset by decrease in benefits.	Cost neutral	Immediate	Reduction in some of the future unfunded liabilities.	Higher take-home pay would decrease future benefits and require an increase personal savings.	No	Yes	Net wage negotiations are more popular.
Legal remedies allowing for existing and/or future benefits to be renegotiated if the inability to pay becomes a public safety issue or if an employer is on the brink of insolvency.	High legal cost that would likely be millions of dollars.	Would take years for litigation and appeals. Uncertain if legal cost would be recovered on an internal rate of return basis.	Reduce	The closer to retirement, the greater the impact since an employee would not have the time to accumulate the same level of savings if future benefits are reduced.	Yes	Yes	No new legal precedents to date.
Management and Administration							
Outsourcing or hiring part-time hourly employees	Cost reductions depend on the number of benefit-eligible hours are eliminated offset against the cost of a contractor.	Immediate	Reduction in some of the future unfunded liabilities.	Loss of employment or transfer of employment to or as a contractor.	No	Yes, if in current labor agreements	Legislation like AB438 could prohibit outsourcing.
Control or manage compensable earnings by reducing or eliminating qualifying specialty payments, incentives, and allowances.	Reduction in basis for the final calculation of benefits.	Immediate	Reduction in some of the future unfunded liabilities.	Might have skills or training that is not compensates, or expenses that are not reimbursed.	No	Yes	
Pension obligation bond to refinance unfunded liabilities or side funds.	Depends on bond market rates, savings could be 2-3% of principle.	Immediate	Eliminate or reduce	None	No	No	Bonds would be secured debt, unfunded liabilities are not.

Potential Actions	Impact on Cost	Timing of Cost Savings	Impact on Unfunded Liability	Impact on Employees	Vested?	Labor Negotiations?	Comments
Early payoff of unfunded liabilities or side funds using available cash from General Fund or local reserves.	Substantial savings since CalPERS is charging 7.75% on Unfunded Liability and Side Funds	Immediate	Eliminate or reduce	None	No	No	
Make payment of full normal cost into a pension reserve fund even if the annual required contribution is a lower amount.	Cost neutral	It will be a number of years before system is superfunded again.	Reduce	Saves excess cash for less prosperous economic times rather than to pay out now in higher salaries and benefits.	No	No	Better fiscal discipline.
New Policies to Increase Transparency							
Actuarial or financial review required on all change proposals.	Cost of additional analysis	None	None	None	No	No	
Cost of benefits and all obligations are identified in all financial and budget reports.	Cost of additional analysis	None	None	None	No	No	
Eliminate inherent conflict of interest in labor talks by using negotiators who are eligible nor already receiving benefits.	Cost neutral	Not measurable	Not measurable	None	No	No	
Implement a policy regarding hiring of employees who currently receive pension payments from other jurisdictions.					No	No	

Examples of cost cutting strategies are illustrated in Appendix I.

Appendix I

EXAMPLES OF COST REDUCTION STRATEGIES

The following three examples assume a $10 million payroll equally split between Safety and Miscellaneous. In both plans, the formula will move to down to the next less expensive risk pool. Refer to Page 14 and Appendix A for the individual costs as a percentage of payroll.

Example 1: Maximum Cost Savings
Eliminates all Class 1 Benefits and EPMC

Safety (Payroll $5 million)	Before	After	Savings	Annual Savings
1. Change from 3% @ 55 to 2% @ 50	15.6%	13.4%	2.2%	$ 110,000
2. Eliminate Highest One-Year Compensation	0.9%	0.0%	0.9%	45,000
3. Eliminate Post-Retirement Survivorship	1.8%	0.0%	1.8%	90,000
4. Reduce COLA to 2%	2.4%	0.0%	2.4%	120,000
5. Eliminate EPMC as Reportable Earnings	2.0%	0.0%	2.0%	100,000
6. Phase out EPMC	9.0%	0.0%	9.0%	450,000
	31.7%	13.4%	18.3%	$ 915,000

Miscellaneous (Payroll $5 million)	Before	After	Savings	Annual Savings
1. Change from 2% @ 55 to 2% @ 60	8.5%	6.8%	1.7%	$ 85,000
2. Eliminate Highest One-Year Compensation	0.5%	0.0%	0.5%	25,000
3. Eliminate Post-Retirement Survivorship	0.8%	0.0%	0.8%	40,000
4. Reduce COLA to 2%	0.9%	0.0%	0.9%	45,000
5. Eliminate EPMC as Reportable Earnings	1.1%	0.0%	1.1%	55,000
6. Phase out EPMC	7.0%	0.0%	7.0%	350,000
	18.8%	6.8%	12.0%	$ 600,000

Potential Annual Savings to City	Savings	Annual Savings
Total eventual annual savings	15.15%	$ 1,515,000

Will require a new tier since plan features are vested. Phase out of EPMC can be applied to current employees, but negotiation will require concessions. If successful, this strategy would achieve annual cost savings of 15.15% of payroll and a reduction of some risk.

Example 2: Combination Cost Savings and Risk Transfer
Eliminates Class 1 Benefits
Transfer Cost Savings to a 457 Plan
Eliminate EPMC

Safety (Payroll $5 million)	Before	After	Savings	Annual Savings
1. Change from 3% @ 55 to 2% @ 50	15.6%	13.4%	2.2%	$ 110,000
2. Eliminate Highest One-Year Compensation	0.9%	0.0%	0.9%	45,000
3. Eliminate Post-Retirement Survivorship	1.8%	0.0%	1.8%	90,000
4. Reduce COLA to 2%	2.4%	0.0%	2.4%	120,000
5. Matching on CalPERS 457 Plan	0.0%	7.3%	-7.3%	(365,000)
6. Eliminate EPMC as Reportable Earnings	2.0%	0.0%	2.0%	100,000
7. Phase out EPMC	9.0%	0.0%	9.0%	450,000
	31.7%	20.7%	11.0%	$ 550,000

Miscellaneous (Payroll $5 million)	Before	After	Savings	Annual Savings
1. Change from 2% @ 55 to 2% @ 60	8.5%	6.8%	1.7%	$ 85,000
2. Eliminate Highest One-Year Compensation	0.5%	0.0%	0.5%	25,000
3. Eliminate Post-Retirement Survivorship	0.8%	0.0%	0.8%	40,000
4. Reduce COLA to 2%	0.9%	0.0%	0.9%	45,000
5. Matching on CalPERS 457 Plan	0.0%	3.9%	-3.9%	(195,000)
6. Eliminate EPMC as Reportable Earnings	1.1%	0.0%	1.1%	55,000
7. Phase out EPMC	7.0%	0.0%	7.0%	350,000
	18.8%	10.7%	8.1%	$ 405,000

Potential Annual Savings to City	Savings	Annual Savings
Total eventual annual savings	9.55%	$ 955,000

Will require a new tier since plan features are vested. Since plan changes (#1 - #4) are cost neutral, employer could attempt to negotiate with current employees to switch to this plan. If successful, this strategy would achieve annual cost savings of 9.55% of payroll and a shift of some of the risk to the employee.

Example 3: Cost Neutral Risk Transfer
Eliminates Class 1 Benefits and EPMC
Transfer Cost Savings to a 457 Plan

Safety (Payroll $5 million)	Before	After	Savings	Annual Savings
1. Change from 3% @ 55 to 2% @ 50	15.6%	13.4%	2.2%	$ 110,000
2. Eliminate Highest One-Year Compensation	0.9%	0.0%	0.9%	45,000
3. Eliminate Post-Retirement Survivorship	1.8%	0.0%	1.8%	90,000
4. Reduce COLA to 2%	2.4%	0.0%	2.4%	120,000
5. Eliminate EPMC as Reportable Earnings	2.0%	0.0%	2.0%	100,000
6. Phase out EPMC	9.0%	0.0%	9.0%	450,000
5. Matching on CalPERS 457 Plan	0.0%	18.3%	-18.3%	(915,000)
	31.7%	31.7%	0.0%	$ -

Miscellaneous (Payroll $5 million)	Before	After	Savings	Annual Savings
1. Change from 2% @ 55 to 2% @ 60	8.5%	6.8%	1.7%	$ 85,000
2. Eliminate Highest One-Year Compensation	0.5%	0.0%	0.5%	25,000
3. Eliminate Post-Retirement Survivorship	0.8%	0.0%	0.8%	40,000
4. Reduce COLA to 2%	0.9%	0.0%	0.9%	45,000
5. Eliminate EPMC as Reportable Earnings	1.1%	0.0%	1.1%	55,000
6. Phase out EPMC	7.0%	0.0%	7.0%	350,000
5. Matching on CalPERS 457 Plan	0.0%	12.0%	-12.0%	(600,000)
	18.8%	18.8%	0.0%	$ -

Potential Annual Savings to City	Savings	Annual Savings
Total eventual annual savings	0.00%	$ -

Will require a new tier since plan features are vested. Since plan changes are cost neutral, employer could attempt to negotiate with current employees to switch to this plan. If successful, this strategy would achieve no annual cost savings, but would shift some of the risk to the employee.

Appendix J

SUMMARY OF CURRENT AND RECENT LEGAL CASES INVOLVING PENSION REFORM

The Committee decided that a full evaluation of legal approaches to pension reform was beyond the scope of this report. The Committee did hold a brief discussion of legal issues, using four cases as the basis of the discussion. Identified below, these cases are complex and the Committee encourages those interested in these issues to review them in detail.

This list is only a small sample of the many cases and legal efforts that have been or are being pursued in California.

Vallejo Bankruptcy

Pension Issue: Can a municipality use bankruptcy to change prospective pension benefits for active employees?

Status: Question left unanswered; City Council chose not to pursue this issue.

County of Orange v Association of Orange County Sheriff's Deputies

Pension Issues: Is the retroactive nature of a enhancing a pension formula a gift of public funds because it increases compensation for work already performed? Can a pension plan be enhanced such that it creates an unfunded liability in excess of the State's debt limit?

Status: The courts effectively answered both questions in the negative.

City of San Diego v San Diego Employees Retirement System

Pension Issue: Can a municipality void (outside of collective bargaining) a long-established practice for distributing pension obligations between employer and employee if that practice is inconsistent with the letter of the law (in this case the City Charter)?

Status: In litigation.

Pacific Grove Charter Amendment Concerning Pension Obligations

Pension Issues: Can a City Council pass into law language that limits the percentage of pension obligation the Council can agree to cover in future labor contracts without a "meet and confer" process? Do employees have vested prospective rights if it has been established by law (in the City Charter) that they have no vested right to future employment?

Status: The first issue is in mediation with the Public Employees Relations Board. The second issue is in pre-trial hearings.

Appendix K

SAMPLE RESOLUTION IN SUPPORT OF PENSION REFORM EFFORTS

***CITY/(TOWN)* OF**

RESOLUTION NO. 2011-###

A RESOLUTION OF
THE *CITY/(TOWN)* COUNCIL OF THE *CITY/(TOWN)* OF
IN SUPPORT OF PENSION REFORM EFFORTS

WHEREAS, local government pension reform has been at the forefront of public debate across the nation; and

WHEREAS, addressing long-term pension liability is a primary concern to local agencies across the State; and

WHEREAS, due to limited options via the State Legislature, many agencies have adopted tiered pension systems in an attempt to reduce long-term pension liability; and

WHEREAS, the *City/(Town)* Council believes it would be appropriate to create and adopt a set of guiding principles for the *City/(Town)* with respect to its local pension systems.

NOW, THEREFORE, BE IT RESOLVED that the *City/(Town)* Council of the *City/(Town)* of __________does hereby confirm, acknowledge, and agree to abide by the following guiding principles and practices:

1. Public Disclosure – Transparency is paramount. All public pension actuary reports shall be made accessible to the public via the public counter and the *City/(Town)* website.

2. Principles Against Pension Spiking – Pension spiking is a process whereby compensation to an employee is significantly inflated in the time period immediately preceding an expected or known retirement in order to provide a larger pension than one would otherwise be entitled to receive.

    a. Encourage the use of formulas using the "average of the highest three years" for determination of final compensation.

    b. Consider the development of a "maximum allowable increase" in compensable earnings policy for any employee for which the agency knows of a pending retirement, to be waived only by the *City/(Town) Council* at a public meeting.

c. Work with and support all CalPERS laws and policies related to curbing pension spiking, to include the support of employer audits to work with agencies to resolve compensation audit findings.

3. Principles for Risk/Reward Sharing

   a. To the extent possible, consider the adoption of policies and support of legislation to share the risk and reward associated with investment rate volatility and other pension system elements between the *City/(Town)* and the employee.

4. Rate Surplus Contributions

   a. Consider the adoption of a policy prohibiting the use of the *City/(Town)* "pension surplus" to defray the annual net normal cost of the *City's/(Town's)* pension system, except in the event of a declared *City/(Town)* fiscal emergency.

5. Economies of Scale and Workforce Restructuring

   a. Consider policies that to the extent possible, structure the workforce to achieve larger economies of scale, consideration of consolidation of services where financially and politically feasible, and continued evaluation of private versus public sector service provision.

6. Employee and Employer Rate Contributions

   a. Over time and through meet and confer, establish employee rate contributions as 100% employee cost.

7. Support for Statewide Legislation and Reform

   a. Consider support for Statewide legislative changes designed to create hybrid pension systems for public employees, to include the development of revised formulas altering retirement percentages and extending the maximum payout age under adopted formula.

   b. Consider support for Statewide legislative changes designed to allow for the establishment of a maximum benefit cap of 80% for miscellaneous employees and 80% to 90% for safety employees.

   c. Consider support for Statewide legislative changes that establishes a maximum allowable cost of living adjustments to pension programs.

PASSED AND ADOPTED at a regular meeting of the ___________ *City/(Town)* Council held on _________, 2011, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

APPROVED:

____

ATTEST:

______________, Mayor

____

________________, City Clerk

Appendix L

SAMPLE RESOLUTION IN SUPPORT OF A STUDY TO IDENTIFY THE FISCAL IMPACT OF PENSION BENEFITS

***CITY/(TOWN)* OF**

RESOLUTION NO. 2011-###

A RESOLUTION OF
THE *CITY/(TOWN)* COUNCIL OF THE *CITY/(TOWN)* OF
APPROVING THE EXPENDITURE NOT TO EXCEED [DOLLAR AMOUNT] TO PARTICIPATE IN A STUDY CONDUCTED BY BARTEL ASSOCIATES, LLC TO IDENTIFY THE FISCAL IMPACT OF PENSION BENEFITS

WHEREAS, the [GOVERNING BODY] has been concerned about the rising costs and risks of post-employment benefits, and

WHEREAS, the [JURISDICTION] has been participating on an ad hoc committee formed by Marin County Council of Mayors and Councilmembers to study reforms in post-employment benefits, and

WHEREAS, the escalating cost of pension benefits has become unaffordable and the insufficient return on the assets managed by the California Public Employees' Retirement System has resulted in a significant unsustainable unfunded liability; and

WHEREAS, the financial risks associated with any unfunded liability falls upon the [JURISDICTION] and not the California Public Employees' Retirement System; and

WHEREAS, the estimate for the required contribution into the California Public Employees' Retirement System is based on actuarial data that is two years old by the time that fiscal year begins; and

WHEREAS, the Annual Valuation Report provided by the California Public Employees' Retirement System contains aggregate data for a risk pool and does not provide actuarial data specific to the [JURISDICTION]; and

WHEREAS, the actuarial analysis provided by the California Public Employees' Retirement System does not consider the impacts on cash flow which leaves policy makers in a position of not having sufficient information for budgeting and planning purposes.

NOW, THEREFORE, BE IT RESOLVED, that the [GOVERNING BODY] authorize its [EXECUTIVE OFFICER] to enter into a contract with Bartel Associates, LLC in an amount not to exceed [DOLLAR AMOUNT] for a study as defined in Attachment 1.

BE IT FURTHER RESOLVED, that the foregoing resolution was adopted by the [GOVERNING BODY] of the [JURISDUCTION] at a [REGULAR/SPECIAL] meeting held on the [DATE] by the following vote, to wit:

PASSED AND ADOPTED at a regular meeting of the ___________ *City/(Town)* Council held on _________, 2011, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

APPROVED:

____

ATTEST: ______________, Mayor

____

_________________, City Clerk

ATTACHMENT 1

1.1 Review historical information.

1.2 Project contribution rates through 2016/17 fiscal year. Projection includes contribution rate sensitivity.

1.3 Meet with staff to review results, review includes:

1.3.1 Side fund analysis for plans in a risk pool.

1.3.2 Historical comparison of demographic, liability, asset, funded status and contribution rates for plans that are not in a risk pool

2.1 Second tier analysis.

2.2 Meet with Council/Board to go over results.

3.1 Executive Summary, usually provided to Council/Board in advance of meeting.

3.2 Longer contribution rate projections.

NOTE: The following information needs to be submitted to Bartel Associates, LLC in order to receive a bid:

1. How many plans does the agency contract with CalPERS? What are they (i.e. Miscellaneous, Safety Police or Safety Fire)?
2. Are any of these plans pooled?
3. Did the agency issue a pension obligation bond (POB) in the past to pay off a portion of the CalPERS unfunded liability? If yes, is the agency still paying the debt service for the POB?
4. Does the agency want to project contribution rates through fiscal year 2016-17? Does the agency need a longer term?
5. Does the agency need second tier analysis? If yes, what other formula(s) does the agency want analyzed?
6. Does the agency have Employer Paid Member Contribution? If yes, is the EPMC included in the compensable earnings reported to CalPERS?
7. How many total meetings would the agency want for reviewing with management, Council, and/or bargaining units?
8. Does the agency need an executive summary? The executive summary usually is provided to Council/Board in advance of meeting.
9. Submit a copy of the June 30, 2009 CalPERS valuation report

Appendix M

REPORTS AND STUDIES ON PENSION REFORM

Contra Costa County Civil Grand Jury
County Pension Reform – Time to Stop Kicking the Can
http://www.cc-courts.org/_data/n_0038/resources/live/rpt1107.pdf
(5/27/11)

Contra Costa County Public Managers Association
Proposal for Regional City Pension Standard
http://www.cacities.org/resource_files/29633.ContraCostaCountyJan21.2010.pdf
(1/21/10)

League of California Cities
2011 City Manager Pension Study
http://www.cacities.org/resource_files/29648.2011%20City%20Manager%20Pension%20Survey%20(Final%20Results).pdf
(March 2011)

Little Hoover Commission
Public Pensions for Retirement Security
http://www.lhc.ca.gov/studies/204/Report204.pdf
(2/24/11)

Marin County Civil Grand Jury
Public Sector Pensions: A Perspective
http://www.co.marin.ca.us/depts/GJ/main/cvgrjr/2010gj/public_sector_pensions.pdf
(5/31/11)

Marin Managers Association
Proposal for Regional City and County Pension Standard
http://www.cacities.org/resource_files/29634.MarinManagersAssociationNov3.2009.pdf
(11/2/09)

National Bureau of Economic Research
The Crisis in Local Government Pensions in the United States
http://www.kellogg.northwestern.edu/faculty/rauh/research/NMRLocal20101011.pdf
(October 2010)

National Bureau of Economic Research
The Revenue Demands of Public Employee Promises
http://kellogg.northwestern.edu/faculty/rauh/research/RDPEPP.pdf
(June 2011)

Pew Center on the States
The Trillion Dollar Gap: Unfunded State Retirement Systems and the Roads to Reform
http://downloads.pewcenteronthestates.org/The_Trillion_Dollar_Gap_final.pdf
(February 2010)

San Francisco City & County Civil Grand Jury
Pension Tsunami: The Billion Dollar Bubble
http://www.sfsuperiorcourt.org/Modules/ShowDocument.aspx?documentid=2660
(June 2010)

Santa Clara County Civil Grand Jury
Cities Must Rein In Unsustainable Employee Costs
http://www.scscourt.org/court_divisions/civil/cgj/2010/CitiesMustReinInUnsustainableEmployeeCosts.pdf
(July 2009)

Stanford Institute for Economic Policy Research
The Funding Status of Independent Public Employee Pension Systems in California
http://siepr.stanford.edu/system/files/shared/people/homepage/Policy%20Brief%2012_2010%20v4.pdf
(11/17/10)

Stanford Institute for Economic Policy Research
Going For Broke: Reforming California's Public Employee Pension
http://www.stanford.edu/group/siepr/cgi-bin/siepr/?q=/system/files/shared/GoingforBroke_pb.pdf
(4/2/10)

Appendix N

CalPERS REFERENCE INFORMATION

Class 1 Benefits & Surcharges
http://www.calpers.ca.gov/index.jsp?bc=/employer/actuarial-gasb/risk-pooling/benefits-surcharges.xml
(12/29/10)

Classification of Optional Benefits
http://www.calpers.ca.gov/index.jsp?bc=/employer/actuarial-gasb/risk-pooling/class-opt-bens.xml
(8/16/06)

Highlights and Executive Summary for Each Risk Pool
http://www.calpers.ca.gov/index.jsp?bc=/employer/actuarial-gasb/risk-pooling/highlights-exec-sum.xml
(12/28/10)

List of Available Pools
http://www.calpers.ca.gov/index.jsp?bc=/employer/actuarial-gasb/risk-pooling/list-avail-pools.xml
(6/30/09)

Local Members Benefit Formula Charts
http://www.calpers.ca.gov/index.jsp?bc=/member/retirement/service-retire/benefit-charts/localformulacharts.xml
(9/17/09)

Risk Pool Annual Valuation Reports
http://www.calpers.ca.gov/index.jsp?bc=/employer/actuarial-gasb/risk-pooling/valuation-reports.xml
(12/29/10)

Risk Pooling Mandated Benefits
http://www.calpers.ca.gov/index.jsp?bc=/employer/actuarial-gasb/risk-pooling/mandated-benefits.xml
(9/12/06)