

To: MCCMC Executive Committee

From: Larry Chu

Councilmember, City of Larkspur

MCCMC President (2007-08); Executive Committee (2006-10)

Date: September 5, 2017

RE: Pension and OPEB Reform Committee

Objective:

Form an ad-hoc committee to evaluate the financial impact of pensions and Other Post-Employment Benefits (OPEB) on MCCMC members, and to report on all possible solutions addressing how to reduce the annual cost and the future liability.

Background:

At the MCCMC meeting on 10/27/10, an ad-hoc committee was formed to study this same issue. Each member appointed a representative and an alternate to the committee. The Marin Managers Association, the Marin Municipal Water District, and the Novato Sanitary District also expressed interest in the topic and were invited to participate.

The committee met eight times from November 2010 to June 2011. The committee completed its review of pension benefits, but only performed a periphery look at OPEB. A final report was provided to the MCCMC members describing the history, current condition, and a range of possible options to mitigate the issue. However, the report did not issue any recommendations, leaving it up to each employer to determine the best course of actions for their unique financial circumstance.

At the MCCMC meeting on 6/28/17, the members affirmed the desire to reestablish the Pension and OPEB Reform Committee to do a more comprehensive study on the OPEB side.

Composition and Role of the Committee:

Each member city/town will be permitted to appoint up to two representative and an alternate to serve on the committee. An invitation will also be extended to allow the Marin Managers Association to appoint a representative and an alternate.

Each participating city/town will be expected to provide a past and present accounting of their pension and OPEB costs, the most current actuarial estimate of their unfunded liabilities, and the measures they have taken in the past six years to reduce these costs.

Individual committee members may also be asked to assist with various facets of producing the final report.

As with the first study, no policy decisions or recommendations will be made. Again, it will be left up to each employer to determine the best course of actions for their unique financial circumstance.

Note that ten of the eleven cities/towns are General Law cities and members of California Public Retirement System (CalPERS). San Rafael is a Charter City and a member of the Marin County Employees' Retirement Association which is formed under the County Employees Retirement Law of 1937. The most substantive discussions will be specific to the Marin cities, excluding San Rafael. Additional research will be necessary to determine what is applicable to San Rafael.

Topics:

The committee be covering the following topics:

- An overview of retirement benefits, a historical look at the conditions that have primarily contributed to the current problem, and a review of the current state of the cities/towns and their financial condition;
- A general review of the reform efforts since the last report, focusing on the Public Employees' Pension Reform Act (PEPRA) and the changes in the reporting requirements as mandated by the Government Accounting Standards Board;
- A specific city by city summary of the pension and OPEB changes that have been made since the last report;
- A detailed study of the OPEB issue to be accompanied by the full range of possible actions that can be taken by a city/town to reduce the annual cost and the unfunded liability as well as the limits or dependencies (as applicable) to some of the solutions.
- Discuss whether the MCCMC members, as employers, should take a political advocacy role in addressing pension and OPEB reform legislation at the State level. Make a recommendation to the MCCMC members.

The committee will need to meet 6-8 times on a monthly basis. Typically, there are no recurring meeting on the fourth Monday of the month. If the committee can be established so there is enough time to have two meetings in 2017, the report can be published by the end of this fiscal year in June 2018.