

Town of Corte Madera

300 TAMALPAIS DRIVE AT WILLOW AVENUE
CORTE MADERA, CA 94925-1418

July 5, 2005

The Honorable Terrence Boren
Marin County Superior Court
P.O. Box 4988
San Rafael, CA 94913-4988

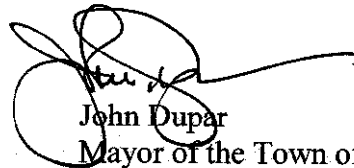
Re: Responses of the Town of Corte Madera to the Findings and Recommendations of the FY 2004-2005 Marin County Civil Grand Jury Report on "The Bloated Retirement Plans of Marin County, Its Cities and Towns" dated May 9, 2005

Dear Judge Boren:

Please find attached the responses of the Town of Corte Madera to the findings and recommendations of the FY 2004- 2005 Marin County Civil Grand Jury Report on "The Bloated Retirement Plans of Marin County, Its Cities and Towns" dated May 9, 2005.

If you have any questions regarding these responses, please contact this office.

Respectively,



John Dupar
Mayor of the Town of Corte Madera

CC: Mr. J. Patrick Burke
Foreperson
Marin County Civil Grand Jury
3501 Civic Center Drive, Room 303
San Rafael, CA 94913-4988

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RESPONSE TO GRAND JURY REPORT

Report Title: The Bloated Retirement Plans of Marin County, its Cities and Towns

Report Date: May 9, 2005

Response By: John Dupar Title: Mayor of the Town of Corte Madera

FINDINGS: We agree with findings numbered 7, 8 and 9.
We disagree with findings numbered 1, 2, 3, 5, 6, 10 and 11.

Finding 1: We do not believe this finding considers benefit and incentive programs offered by private sector employers which may not be offered by the public sector. Examples of such programs include the award of stock options, employer contributions to IRS Section 401 plans, employer subsidized stock purchase programs, profit sharing plans, etc. Programs such as Section 401 plans are intended to operate as retirement programs. The other identified programs, although they may not explicitly be categorized as retirement programs, do provide private sector employees with a source of funds which can be utilized as retirement income.

Finding 2: We agree that public sector employees in Corte Madera do not participate in Social Security. Non-management employees in Corte Madera do, however, contribute approximately 6% of their salary towards retirement.

Finding 3: We agree with this finding that employer costs for public sector pensions have been extremely volatile in recent years. However, we wish to point out that this volatility is a result of stock market fluctuations. California Public Employees= Retirement System (CalPERS) funds are invested. The rates of return on such invested funds fluctuate. As a result, employer costs also fluctuate in accordance with the CalPERS rate of return on its investments.

Finding 5: We do not believe that the unions representing public sector employees are presently applying pressure on the legislature to increase pensions. Instead, the unions are trying to protect present pension levels. We also do not believe that the legislature is receptive to further increases in pension levels.

Finding 6: For purposes of clarification, we would like to state what we believe to be California law regarding modifications to public sector pensions: Once an employee meets the requirements specified in a pension program and retires, that employee has a vested right to the receipt of the benefits contained in that pension program. Until an employee actually retires, however, the employee has a vested right in the pension program adopted by the local agency although the local

agency retains some power to modify the pension program as long as those modifications are reasonable, are enacted for a pension-related purpose, and any modifications which produce a disadvantage to employee pension rights are accompanied by comparable new advantages to those pension rights. In regards to reductions in private pensions, we do not possess sufficient information or expertise to either agree or disagree with the finding that pension reductions are common.

Finding 10: We agree that as a result of GASB, public sector retiree healthcare obligations will have to be disclosed in the same manner as public sector pension obligations. We do not possess sufficient information or expertise to know whether similar accounting standards applicable to the private sector have resulted in the reduction of retiree healthcare benefits.

Finding 11: We disagree with the statement that the Town has no idea about the size of its retiree healthcare obligations. We believe we can project fairly accurately the budgetary impacts of those obligations since we can estimate the number of projected retirees and we can track historical healthcare premiums. However, to produce financial projections which satisfy actuarial standards would require the retention of an outside consultant. This is because the Town's healthcare program is managed by CalPERS through an insurance pool comprising all participating public agencies comparable to Corte Madera in terms of the number of active employees and annuitants covered by CalPERS. Therefore, the production of data which would satisfy actuarial standards would require projections of healthcare costs for the entire pool, data regarding active employees, life expectancy data for retirees and their dependents, projections regarding medicare, etc. A municipality such as Corte Madera simply cannot produce this data without outside assistance. CalPERS is preparing this data for each member agency including Corte Madera because such data is necessary for GASB compliance. Therefore, such data should be available to member agencies when CalPERS completes its projections.

RECOMMENDATIONS: Recommendations numbered 4, 7 and 10 have been implemented. Recommendations numbered 1, 2, 3, 5, 6, 8 and 9 have not yet been implemented, but will be implemented in the future.

Recommendation 1: Municipalities such as the Town of Corte Madera coordinate lobbying activities for modifications to State legislation through the League of California Cities. The League is currently studying potential pension reforms including the rollback of public retirement plans to historically lower levels. We will participate with the League in lobbying for League supported pension reforms. However, at this point in time, since the

League is still studying the matter, we cannot identify a timetable for the commencement of this lobbying activity.

Recommendation 2: Implementation of this recommendation will first require pension reform legislation at the State level. We will work with the League of California Cities in seeking such pension reform. Since the League is still studying this matter, we cannot identify a timetable for the commencement of this lobbying activity.

Recommendation 3: We have begun working with the League of California Cities and CalPERS to develop actuarial methods to limit contribution volatility while maintaining a sound funding policy. It is our hope and expectation that these actuarial methods can be developed and implemented within the next 12 months.

Recommendation 4: The budget policy of the Town of Corte Madera has been to utilize found or temporary money only for non-recurring obligations. We do not believe it makes sound financial sense to utilize one-time funds for recurring obligations.

Recommendation 5: We will work with the League of California Cities in developing sound pension reform legislation. Since the League is still studying this matter, we cannot identify a timetable for the completion of proposed legislation or the commencement of lobbying activities.

Recommendation 6: We will work with the League of California Cities in developing sound pension reform legislation. Since the League is still studying this matter, we cannot identify a timetable for the completion of proposed legislation or the commencement of lobbying activities.

Recommendation 7: CalPERS, in cooperation with California public agencies, schedules regular programs with public sector employees to help them understand the retirement programs available to them in order to facilitate their ability to take an active role in their retirement planning.

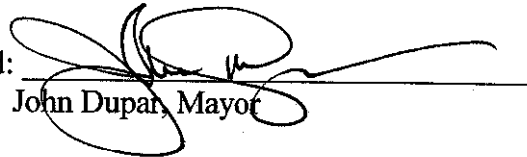
Recommendation 8: CalPERS is in the process of preparing actuarial data regarding the retiree healthcare obligations of its member agencies in order to meet GASB requirements. The GASB requirements will go into effect on June 30, 2009. It is our expectation that CalPERS will provide actuarial data to member agencies well before that date although CalPERS has not yet identified a firm date by which this data will be completed.

Recommendation 9: As stated in response to Finding 11, we believe we can project fairly accurately the Town=s retiree healthcare obligations although we acknowledge that our projections do not satisfy actuarial standards. Since CalPERS is preparing actuarial data for the Town regarding retiree healthcare valuations, it does not make sense for the Town to hire an outside consultant to prepare such actuarial data. As stated in response to Recommendation 8, CalPERS has not provided a firm date by which this data will be completed and will be made available to member agencies.

Recommendation 10: We have long been concerned about the financial impact of retiree healthcare benefits. We believe that in approving such benefits for Town employees we have made knowledgeable decisions about such benefits and the financial repercussions of such benefits.

Date: July 5, 2005

Signed:


John Dupat, Mayor