

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: Dennis Fisco, Mayor
Don Hunter, City Manager

FINDINGS

- We agree with the findings numbered 5, 6, 7, 8, 9 and 10.
- We disagree wholly or partially with the findings numbered 1, 2, 3 and 11.

Finding No. 1

While we concur that public sector pensions are more valuable than private sector pensions in many ways, we do not believe that the averages used in the Grand Jury Report reflect all the options that are available in the private sector. Stock purchase programs, profit sharing, bonuses, employer contributions to 401 plans, and many other benefits are available in the private sector that are not available in the public sector.

Finding No. 2

We agree that private sector employees do participate in Social Security, while the majority of public sector employees do not. However, certain negotiating groups in the City of Mill Valley pay up to 7% towards their retirement plans, and therefore pay as much as people in the private sector pay towards Social Security.

Finding No. 3

We agree that public sector pensions have been extremely volatile in the last five years. Historically there are highs and lows in any investment portfolio. While enhanced retirements have added a portion of the increased pension costs, the majority of the increases result from the stock market downturn in 2000/2001 and PERS' smoothing process which distributes those losses over a number of years. We believe pension rate stabilization will go a long way towards resolving this issue.

Finding No. 11

While the City of Mill Valley has not done an actuarial to meet its GASB requirements for its retiree healthcare obligations, we have put restrictions on qualification for this benefit that limit the number of people who qualify to those who have served 15 years with the City of Mill Valley

and taken a normal PERS retirement. Because of this we can estimate the number of people approaching retirement. Additionally, the City Council has set aside \$500,000 in a retiree health reserve to start pre-funding its retiree health obligations.

RECOMMENDATIONS

- Recommendation nos. 2 and 7 have been implemented.
- Recommendation nos. 1, 2, 3, 5, 6, 8, 9 and 10 have not yet been implemented, but will be implemented in the future.

Recommendation No. 1

The City continues to lobby for and support the League of California Cities' efforts to reform the pension system, which includes rolling back pension levels for both safety and miscellaneous employees for all new hires. The timeframe for implementation of this depends on the League's ability to work with the Governor, the Legislature, and other involved parties. This is a high priority for both the City of Mill Valley and the League.

Recommendation No. 2

The City of Mill Valley already offers a 457 plan to all its employees for their voluntary contribution and supports efforts to lower pension costs so salaries can be more competitive.

Recommendation No. 3

We support the effort of the League of California Cities in their pension reform efforts with the Governor and the Legislature – specifically with their recommendation for rate stabilization which would set both a minimum and a maximum employer contribution and establish a reserve at PERS to deal with difficult investment years.

Recommendation No. 5

The League of California Cities' proposals would work with the major employee unions, the Governor's office and the Legislature, to set statewide pension reductions.

Recommendation No. 6

The City of Mill Valley is on record and has submitted letters to the Legislature supporting the League of California Cities' proposals and specific legislation aimed at bringing disability retirement under control.

Recommendation No. 8

The League of California Cities' taskforce has recommended not only that the actuaries do a more thorough job of looking into the future, but that a more basic change in the composition of the PERS board take place, which would provide a stronger voice for employers in the retirement process. We support this recommendation.

Recommendation No. 9

As required by GASB, retiree health care evaluations will be done within the next three years.

Recommendation No. 10

As indicated above, the City of Mill Valley has restrictions in place that limit the number of people who are able to qualify for retiree healthcare benefits. We will continue to keep those restrictions in place and, when the actuarials are done, we will take actions to continue funding the retiree obligations.