

**Peter Breen**  
*Mayor*

**Barbara Thornton**  
*Vice Mayor*



**ADMINISTRATION AND FINANCE**

**Paul Chignell**  
*Councilmember*

**Wayne Cooper**  
*Councilmember*

**Jeff Kroot**  
*Councilmember*

July 5, 2005

J. Patrick Burke  
Foreman, Marin County Civil Grand Jury  
3501 Civic Center Drive, Room 303  
San Rafael, CA 94903

Dear Mr. Burke,

Attached is the response from the Town of San Anselmo regarding the report of the 2004-2005 Marin County Civil Grand Jury: "The Bloated Retirement Plans of Marin County, Its Cities and Towns." As requested, the Town is responding to Findings 1, 2, 3, 5, 6, 7, 8, 9, 10 and 11 and Recommendations 1 through 10.

If you have any questions, please don't hesitate to call me at (415) 258-4652.

Sincerely,

A handwritten signature in cursive script that reads "Debra Stutsman".

Debra Stutsman  
Town Administrator

## 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:** Peter Breen                      **Title:** Mayor of the Town of San Anselmo

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

**Finding 1:** Benefit and incentive programs are offered by private sector employers which may not be offered by the public sector, such as award of stock options, employer contributions to IRS Section 401 plans, employer subsidized stock purchase programs, profit sharing plans, etc. The other identified programs provide private sector employees with a source of funds which can be utilized as retirement income.

**Finding 2:** Public sector employees in San Anselmo do participate in social security.

**Finding 3:** The volatility of pension costs is a result of stock market fluctuations. California Public Employees' Retirement System (CalPERS) funds are invested and the rates of return fluctuate. As a result, employer costs also fluctuate in accordance with the CalPERS rate of return on its investments.

**Finding 5:** While it may have been true in the past, 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 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. San Anselmo contributes a defined amount toward retiree health costs. We believe we can project fairly accurately the budgetary impacts of those obligations as we can project the number of projected retirees through historical data. 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 San Anselmo 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 data regarding active employees, life expectancy data for retirees and their dependents, projections regarding medicare, etc. A municipality such as San Anselmo simply cannot produce this data without outside assistance. CalPERS is preparing this data for each member agency including San Anselmo 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 San Anselmo 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 San Anselmo 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 unless in a situation of fiscal emergency.

**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: 7-5-05

Signed:   
Peter Breen, Mayor