MARIN COUNTY COUNCIL OF MAYORS & COUNCILMEMBERS
AD-HOC COMMITTEE ON PENSION & OTHER POST-EMPLOYMENT BENEFITS REFORM

MINUTES OF MARCH 28, 2011 MEETING

PRESENT: Corte Madera (Bob Ravasio); Fairfax (David Weinsoff); Larkspur (Larry Chu); Mill Valley (Stephanie Moulton-Peters); Novato (Jeanne MacLeamy; Denise Athas); Ross (Scot Hunter); San Anselmo (Ford Greene); San Rafael (Marc Levine); Sausalito (Mike Kelly); Tiburon (Emmett O'Donnell); Marin Manager Association (Jim Schutz); Marin Municipal Water District (Larry Russell); Novato Sanitary District (Bill Long; Mike Di Giorgio)

Chair Larry Chu opened the meeting at 7:00 PM.

Minutes for the February 28, 2011 were approved unanimously (M/S MacLeamy/Athas).

PUBLIC COMMENTS:

There were no public comments.

BUSINESS ITEMS:

Report on Pension Benefits Data – Emmett O'Donnell

Still need to compile more information by adding side funds, pension obligation bonds, and any other payments not currently reported. It was noted that side funds may be co-mingled between what is used for pensions and what is used for OPEB payments

Report on Other Post Employment Benefit Data – Larry Chu

Still need to get unreported information from the audit on GASB 45 information.

Report on a Financial Impact Study – Larry Chu

No additional interviews have been done with prospective consultants. There has been interest expressed by two firms wanting to be considered for a possible study. The subcommittee will need to review what is being proposed and then schedule an interview if warranted.

From the previous discussion with Bartel & Associates, there is not much of a savings that can be achieved by doing a joint study, but those interested in participating in a study may consider doing it at the same time using a single proposal.

A sample resolution will be distributed and posted on the web site for each jurisdiction to review with their manager or executive director. Sample resolution will reflect the change in scope as discussed at the January 31, 2011 meeting.

Powerpoint Presentation on Toolkit of Actions – Jeanne MacLeamy

Toolkit will summarize the actions available at the local level that are within their control. It is acknowledged that what is done at the local level may not be enough to have an immediate impact.

Switch to another basic plan formula. Savings on the normal cost will be realized very slowly if the formula only changes for a second tier. Significant savings will only be realized when there is a full turnover of staff. Normal costs do not include the unfunded liability. Some cities have gotten a change in the basic formula for the existing tier by offsetting the reduction in pension benefits with an increase in salary.

Use a hybrid plan. This has components of both a defined benefit plan and a defined contribution plan. The defined contribution component shifts some of the risk to the employee and reduces the unfunded liability.

Put a cap on maximum total percentage at retirement. Typically, public safety is at 90%, but there may not be a cap on miscellaneous.

Eliminate the employer paid member contribution (EPMC). It is the biggest opportunity to reduce cost immediately. It is also additional money that an employee has to pay out and this solution may need to be incrementally done in phases.

Other things to consider include not using the EPMC as part of the calculation, going from last year’s compensation to an average of the most recent years to calculate the benefits, eliminating post-employment spousal allowance, reducing the cost of living adjustment, or negotiating on the basis of total compensation.

Several examples were illustrated on how the tools can be turned into solutions. Understanding what changes can be made without legislative help, the costs of benefits, and the outcomes will help in future labor negotiations.

Workshops will be needed with policy makers, staff, and labor groups to get all stakeholders educated. The report will provide a qualitative analysis, but each jurisdiction will need its own study to determine its own economic situation.

Bob Briare (Marin Professional Firefighters) asked what kind of solutions would be legislative. Chair Chu and Councilmember MacLeamy provided some examples: raising the age for vesting, retroactive adjustments in benefits for existing tiers, shifting the underfunding from the cities to CalPERS, switching to defined contribution plans without a buyout, less expensive risk pools, creating a hybrid system.

First Draft of the Report – Larry Chu

Report is written in the context of how the costs and risks associated with post-employment benefits impact local governments and their ability to provide programs and services. The report does not debate (1) which discount rate to use, (2) the recovery and growth of economy, or (3) the value and work ethic of public employees.

The report provides a tool to help each jurisdiction solve their financial issues based on the circumstance unique to each agency.

Scope of the report meets the criteria outlined by the Mayors Select Committee.

'Unsustainable' is defined in the context of the impact to local agencies. Even if the pension systems return to being fully funded, until that time, it leaves each jurisdiction with a cash flow problem. Spread out over several years, it would result in severe financial distress or even the possibility of bankruptcy before the pension systems recover.

Councilmember Levine suggested (1) omitting the reference to not raising taxes so the tone is less political and not as inflammatory and (2) to change 'massive underfunding' to 'substantial underfunding' so it does not sound alarmist.

Director Long would like to include a statement that a sharing of risk with employees is necessary to avoid local agencies from being financially wiped out if investment returns are inadequate.

Vice Mayor Kelly stated local agencies do not have any control over what is done at CalPERS. There is not enough of a savings with what can be done at a local level. The system will remain unsustainable unless there is legislative action.

Chair Chu also mentioned that a representative from MCERA had written an e-mail to provide clarification stating that 80% funding is considered to be an adequate level of funding.

Linda Pfeifer (Sausalito) asked for clarification on the obligations. If a side fund is unsecured debt and a pension obligation bond is secured debt, does that mean that it is more advantageous for a city anticipating bankruptcy to use a side fund? Director Di Giorgio and Vice Mayor Kelly responded with examples of how courts have decided the issue on a case by case basis and it could go either way regardless of whether it is secured debt or not.

Paula Reynolds (Mill Valley) suggested (1) that an executive summary be created to distill the key talking points and to highlight the important facts to support language that is subjective and (2) to create an application that will allow for further analysis and for testing different scenarios to make the toolkit more dynamic.

NEXT MEETING: April 25, 2011 at 7:00 PM at a place to be determined.

AJOURN: Meeting was adjourned in memory of Supervisor Charles McGlashan at 8:20 PM