Outline

- Problem Statement

- Background and History

- Key Findings and Conclusions

- Recommendations

  - Regional level in Marin

  - Statewide

- Next Steps

Public Pension System Problems

- ➤ Isolated System Abuses
- ➤ Changes in law and court rulings
- ➤ Poor investment returns
- ➤ New plan tiers adopted in late nineties
  - Enacted by Legislature; implemented locally
- ➤ No actions expected from Sacramento

Pension History/Background

- Defined Benefit Plans
  - Long standing in public sector
  - Mostly eliminated in private sector
- Average Pensions not six figures
  - CalPERS average - $25,200
  - MCERA average - $32,000
- Plan Tiers
  - Date back many decades –
    - Improved plans approved in past ten years
  - Archaic with respect to life expectancy

Pension History/Background (cont.)

- Today – two part financial impact:
  - Economy down = reduced budgets:
    - Shrinking workforce – upward pressure on rates
    - Contractual commitments in era of declining taxes
    - Industry restructuring – long term impacts (e.g. auto)
  - Investment Losses
    - Radical decline in pension assets
    - Impacts carrying into next several years (& beyond)
- Tension (and balance) between levels of public service and employee compensation

Pension Systems Investment Returns

PERS v. MCERA Total Returns
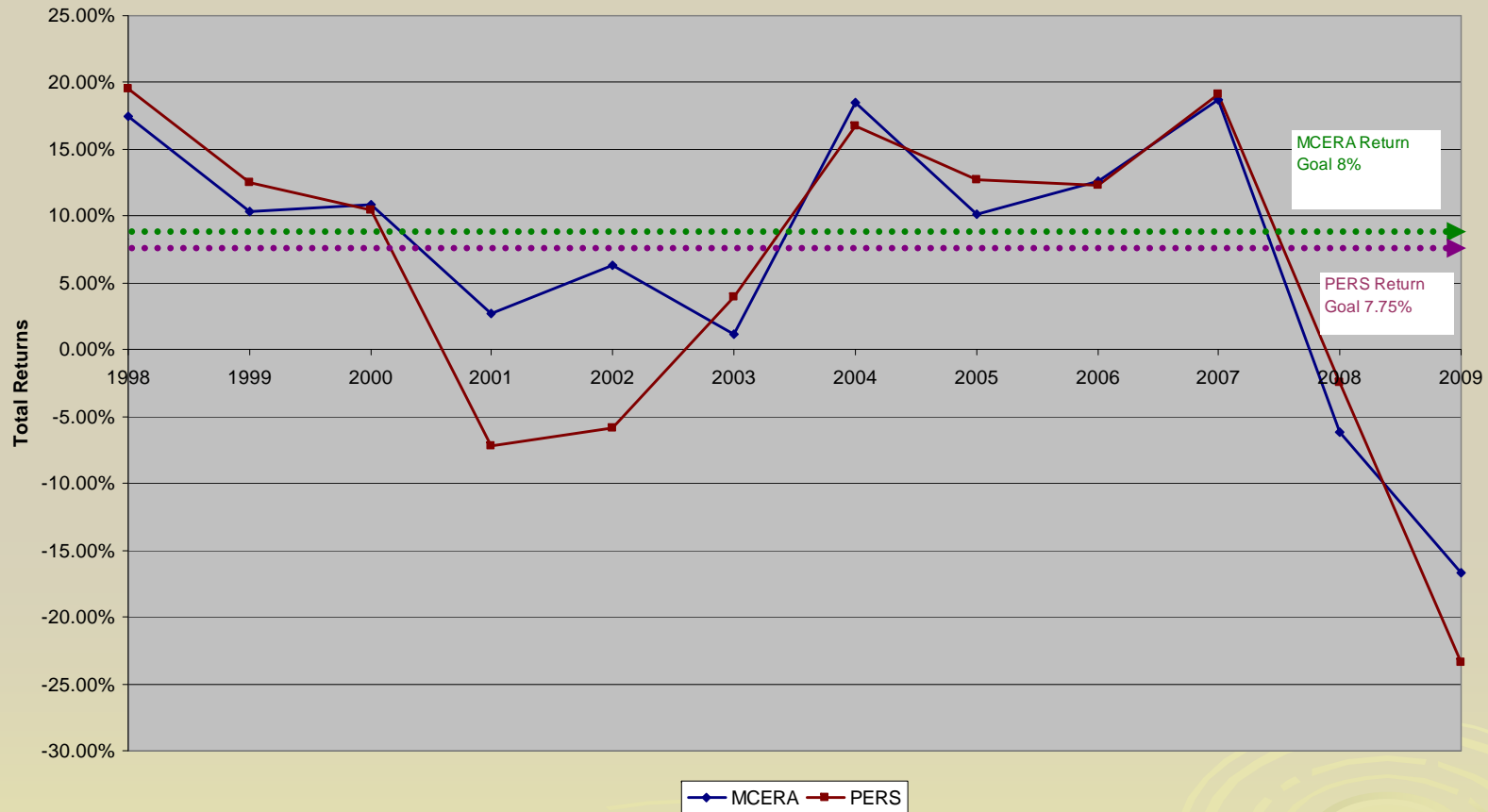
MMA Proposal - Research

- Reviewed published reports
    - LoCC, CSAC
- Actuary presentation – industry trends
- Read other publications and information
    - CalPERS 'smoothing' changes
- Manager's efforts in other parts of State
- Surveyed current pensions of MMA agencies

MMA Pension Reform Goals:

- Better employer/employee risk balance
- Work within laws; eliminate abuses
- Establish plans for career service employees
- Advocate for change:
  - Demographic trends, local flexibility
- Must be actuarially grounded
- Create greater budget stability
- Eliminate unsustainable pension plan tiers
- Recognize need to continue to attract/retain public sector talent

MMA Local Recommendations*:

- ➤ Directed to New Hire Employees:
- ➤ Negotiating reduced pension benefits for <u>new hires</u> with the following targets:
  - 2% at 50 for safety employees
  - 2% at 60 for miscellaneous employees
    - MCERA - 2% at 61.25
  - Average of highest three years (rather than highest single year)

- ➤ Limiting pension COLAs to 2%.
- ➤ Eventually having all employees pay their share of pension contributions
- ➤ Eliminating the practice of reporting employer-paid employee pension contributions as compensable earnings

MMA State Recommendations**:

- Develop new plans
  - Reflect chance in demographics and work life
  - Better choice; hybrids models
- Drop plan options approved a decade ago
  - Safety - 3%@50; Misc. 2.7%@55 & 3%@60 tiers
- Establish Caps - 80% for misc.; 90% for safety
- Other geared toward CalPERS and '37 Act systems

Next Steps

- ➤ MMA – share information
  - Had agency meetings with employees
  - Additional Meeting 11/2

- ➤ Finalize report by early November

- ➤ Send to LoCC, CSAC, ACWA

- ➤ Respond to requests from press and others

- ➤ Use as guide for future negotiations
  - Meet and confer process within each agency