COUNTY OF MARIN

Pension Reform Policy Guidelines

December 2011

The Marin County Board of Supervisors recognizes that public employee retirement costs are unsustainable without reform. Given the economic downturn and changing demographics, the increased costs of post-employment benefits compete with limited public resources for vital services to our residents, including health and human services, public safety, parks, roads, transportation and many other services. Our overall goal to guide pension reform is to be fair to our employees and fiscally responsible to our residents.

We have already taken several steps to control our pension costs. They include:

- capping pension COLAs to 2% annually
- requiring employees to pay 50% of the cost for any COLA's and 50% of the cost for enhanced formulas
- using the average of the highest three years' earnings for pension calculations
- negotiating new, lower cost 2% @ 61 ¼ tiers for new miscellaneous employees
- reducing the long-term liability for retiree health by at least $18 million over the past 4 years by creating a lower cost defined contribution plan for new hires and adopting more cost-effective health plans

We are currently negotiating with our safety bargaining groups for new, lower cost pension tiers. In addition, we will begin work this spring to create a trust to more proactively address our unfunded retiree health liabilities.

Our Board supports statewide efforts to create more sustainable benefit levels. Although we would prefer statewide solutions, we are also willing and expect the need to pursue Marin-specific solutions. Our support of pension reform includes, but is not limited to:

- creating lower cost hybrid defined benefit/defined contribution pension options
- prohibiting unfunded retroactive pension increases
- providing employers new options to exclude certain pay types from being pension-eligible to prevent pension "spiking"
- prohibiting retirement systems from granting ad hoc COLA's to retirees without the support of the Board of Supervisors or the employer's governing board
- exploring limits on so-called 'double-dipping' between other government agencies
- capping pension benefits to a certain percentage of pay or dollar amount

We welcome participation from all stakeholders to help us influence change at the State level to provide further options for the County to control costs.

Governor's 12-Point Plan. The Board supports the Governor's 12-Point Pension Reform Plan, as it contains many of the policy options for which we have been advocating to make pensions more sustainable. For example, the plan includes:

- a comprehensive statewide plan for all public employees to enable a fair and even playing field for recruiting future talent
- options that would better share costs between the employer and the employee
- prohibition on retroactive pension benefit enhancements that create unfunded liabilities
- increases to the retirement age for new employees
- three-year averaging for benefit calculations
- limitations on pensions to base pay to control spiking
- prohibition of "air-time" purchases of service credits and pension holidays

However, other elements require further details in order to take a fully informed position. For instance, we need to better understand the estimated normal costs of the proposed hybrid pension plan for new employees, and the legal viability of requiring a 50-50 contribution split of normal costs for existing employees. Once these details are available from the Governor's Department of Finance, we will review them to ensure they are consistent with the County's goals.

Governor's 12-pt plan

Implemented by County

- Prohibit the purchase of service credit for time not actually worked
- Prohibit pension holidays if a plan becomes fully funded
- Prohibit pension "spiking" with 3-year final compensation for new employees

Requires State legislation or Statewide ballot measure

- Require new and current employees to pay 50% of normal pension costs
- Increase retirement age for new employees (67 for Misc; Safety TBD)
- Prohibit retroactive pension increases
- Limit compensation to regular pay only for new employees
- Prohibit any pension benefits to for felons convicted on the job
- Restructure retirement board governance
- Limit post-retirement public employment to 960 hours per year for all
- Hybrid option: 2/3 DB and 1/3 DC for new employees with total target of 75% of pay over 35 years for Misc. and 30 years for Safety
- Reduce State retiree health care costs with longer minimum service levels