



BOARD OF TRUSTEES

Susan Christman
Sheri Mowbray
Sally Relova
Julia Ritter
Philip Wade

August 30, 2012

Nadine Mueller, Foreperson
Marin County Civil Grand Jury
3501 Civic Center Drive, Room #275
San Rafael, CA 94903

Dear Foreperson:

Attached are the Larkspur-Corte Madera School District responses requested by the 2012-2013 Marin County Civil Grand Jury to the report entitled "Marin's Retirement Health Care Benefits: The Money Isn't There". Also attached is the Agenda of the meeting of the District during which the report was made available for public comment and responses approved by a vote of the Board in accordance with Penal Code Section 933(c) and the provisions of the Ralph M. Brown Act.

Sincerely,



Sheri Mowbray, President
Board of Trustees



Valerie Pitts, Ed.D., Superintendent

LARKSPUR-CORTE MADERA SCHOOL DISTRICT

FINDINGS, RECOMMENDATIONS, AND RESPONSE TO GRAND JURY REPORT "Marin's Retirement Health Care Benefits: The Money Isn't There"

FINDINGS

1. We find that many of Marin's local governments and special districts are failing to pre-fund future costs for retired employees by making investments to cover promised benefits for active employees. This jeopardizes the certainty that retiree health care benefits promised to current employees will be paid.

The Larkspur-Corte Madera School District (LCMSD) has a "hard cap" for district contributions to retiree benefits of \$3,000 per year for eligible retirees. Actuarial studies prepared by independent consultants, as required since implementation of GASB 45, have determined the practice of budgeting the District's Other Postemployment Benefits (OPEB) on an annual basis ("pay-as-you-go or PAYG) is sufficient.

2. The failure of the majority of entities studied in this investigation to begin investment program to provide a portion of the needed funds to pay for retiree health care benefits leads to generation shifting of payment responsibility. Thus it appears to be, at the least unethical, and even a breach of fiduciary responsibility.

The District obligation to retiree benefits costs is less than $\frac{1}{4}$ of 1% of the entire LCMSD budget. The District projects a stable (or even declining) PAYG cost therefore there is no generational shifting of the payment responsibility.

3. The extreme 30-year amortization period used by most entities minimizes annual cost of funding the liability gap and further defers to future generations the compensation owed to present employees. Shorter amortization periods should be required for reasons of equity and to ensure that the promised benefits will be provided.

The latest Actuarial Study prepared for LCMSD used a 20-year amortization period.

4. By capping retiree health care benefits, the City of San Rafael has reasonable certainty as to what those costs are. Other entities studied here that promise to pay for future retiree health care with uncertain and likely rapidly increasing costs are accepting an unknown and potentially very costly risk.

LCMSD has had a "hard cap" in place for several years.

5. Because a few Marin County cities and other entities studied provide very limited benefits yet still appear able to meet community service needs, and because providing such benefits is increasingly rare in the private sector, such benefits appear to be unnecessary for attracting and retaining employees. Accordingly, for active and newly hired employees, the benefits should be trimmed and costs should be shared between employees and employer.

The District provides a "hard cap" contribution toward health benefits for active employees on an annual basis in the amount of \$8,393. Employees bear the expense of the difference between annual premium costs and the District provided cap.

6. Marin entities using "Pay-Go" funding are paying only the current year health care benefits of those already retired. This ignores the reasonable known rising costs to cover future retirees who are already heading for retirement. Some actuarial valuation reports the Grand Jury studied provided those future "Pay-Go" estimates year-by-year, so they should be readily available from the actuary's valuations. Estimates of those annual costs for each of the next 10 years should be provided to the public so that those who will incur those costs can know those costs.

The "Pay-Go" annual costs are included in the budget and are made public during budget adoption, required Interim Reporting and through the audited financials presented to the Board of Trustees annually at the January Board meeting. This information is also included in the Actuarial Studies presented to the Board of Trustees as required.

7. Employers studied for this report should include an age-60, or even later, date for retiree health care benefits to commence in future negotiations.

Several years ago the District negotiated and revised eligibility requirements for receiving retiree health benefits. The District's contribution toward retiree benefits (\$3,000 hard cap) expires for all employees at age 65. In addition, there are stipulations included for length of continuous service and retirement through STRS/PERS in order to qualify for the District's capped contribution. These eligibility requirements are clearly noted in our annual audit report (see Note 13, Larkspur-Corte Madera School District Audit Report, Fiscal Year Ended June 30, 2012, pp. 37-40).

8. The results of retiree health care actuarial cost analyses are summarized if at all only in obscure notes to annual financial statements. The public is entitled to more readily accessible explanation of these costs because the public will bear those costs.

The district's annual audited financial statements provide full disclosure of the district's OPEB including the key assumptions used in the actuarial study. The audited financial statements are discussed at a public board meeting.

In addition, the district contracts with an independent consulting firm to conduct an actuarial study every two years. The study is presented and accepted at a public board meeting.

9. There is a wide range of retiree health care benefits offered among entities studied in this investigation. No clear explanation for the range from minimal to extremely generous is readily available. Those entities that are promising relatively generous benefits should provide clear justifications to their citizens and customers.

LCMSD does not offer a wide range of retiree health care benefits. The "hard cap" described above applies to all retirees. Also, retirees are eligible to participate in the medical and dental plan in which they participated as an active employee. The retiree benefit plan mirrors the active plan (e.g., co-pays) as described by our benefit providers.

10. Most of the entities the Grand Jury investigated are using fairly reasonable discount rates of 4-5% per year. To bring back to today in actuarial valuations the future annual costs of retiree health benefits. However, some are using higher and highly questionable rate assumptions that are not justified by the investments (if any) that they have made to grow and fund the future benefits. The result is to understate the total funding needed today and in future years, to pay for those future benefits.

The last two actuarial studies conducted on behalf of LCMSD have used 4.5% and 4% respectively.

RECOMMENDATIONS

1. Begin setting aside in separate investment accounts, if it is not already doing so, each year's funds for amortizing its retiree health are benefits' UAAL, in addition to it's "Pay-Go" funding to present retirees.

The District has determined that this is not needed and will continue to budget costs on an annual basis.

2. Begin a program to lower the amortization period for funding its retiree health care benefits UAAL from as much as 30 years presently, to approach (within 10 year), the commonly used 17 year amortization period for retiree pension funding.

As noted in the response to Finding 3 above, the district's consultant uses a 20-year amortization period.

3. Negotiate caps on the amounts it commits to pay existing and new employees for retiree health care benefits.

As noted throughout the responses above, the District has a cap in place for district contributions toward both retiree and active employee health care benefits. Current employee contracts also reflect that certificated employees hired after 2000 and classified/confidential employees hired after 2001 are not eligible for any district contribution toward retiree health care benefits.

4. Negotiate a higher retirement age than the currently applicable age for commencement of retiree health care benefits.

The District retirement age will remain at 55 per current employee contracts based on monitoring of our potential retiree pool and current industry trends.

5. Require active employees to make contribution towards the cost of their retiree health care benefit.

This has been the practice of the District for several years.

6. Place a link on its website to provide the latest actuarial valuation of its AAL, its UAAL, its consequent percent funded, its discount rate (annual percentage) used to determine these values, and a projection of outlays ("Pay-Go") for retiree health care benefits for each of the current and subsequent 10 years.

This information is provided at Board meetings when the Actuarial Study is reviewed and is made available on our website through Board meeting postings. LCMSD staff has no objection to posting the information on their website through a more identifiable link.

Current contract language:

CERTIFICATED

\$3,000 hard cap

Hired on or before June 30, 2000 (and taking STRS retirement directly from District)

1. On or before October 31, 1979 - \$3000 annually - 10 years after retirement regardless of age.

C. Halpern – 10 years

2. On or after November 1, 1979 AND on or before Oct 31, 1989 - earlier of 10 years after retirement or until age 65.

N. Guerra-Shaner	9/5/89	65
A Nelson	8/28/86	52
L Powell	8/29/85	56
J. Price	8/24/84	56 (10/2013)

3. On or after Nov 1, 1989 AND on or before Oct 31, 1995 – earlier of 5 years after retirement or until age 65.

L. Ferguson	8/19/93	55 (10/2013)
L Mathews	9/1/93	56
P Mihalek	8/31/94	57 (11/2013)
J Pollack	8/28/91	51

4. On or after Nov 1, 1995 and served at least 15 years with District – earlier of 5 years of age 65.

M Arrow	8/28/96	58
C Beery	8/28/96	53
C DeAvila	8/28/96	55
D Gordon	8/26/97	52
P Hart	8/28/96	53 (10/2013)
M Houts	8/30/99	62
K Peterson	8/25/98	47
C Smith	8/28/96	57
T Stoeckley	8/28/96	62 (11/2013)
L Wolfe	10/20/98	67
J Wong	8/28/96	62 (11/2013)

In addition, % of \$3,000 hard cap = to % of % of FTE at time of retirement.

CLASSIFIED

Hired on or before June 30, 2001, at least 55 years of age and employed for at least 10 consecutive years prior to retirement and take PERS retirement directly from District...

1. \$3000 hard cap
2. Earlier of 10 years or age 65.

Any premium costs over the cap borne by the retiree.
Future premium increases borne by the retiree.



230 Doherty Drive, Larkspur, CA 94939

Board of Trustees:
Sheri Mowbray, President
Julia Ritter, Vice President
Susan Christman, Clerk
Sally Relova
Philip Wade

Superintendent: Valerie Pitts, Ed.D.

The mission of the Larkspur-Corte Madera School District Board of Trustees and staff is to develop literacy, critical thinking and an enthusiasm for learning within each student by offering a rich, rigorous, relevant and engaging curriculum and through a collaborative partnership with parents and community.

BOARD OF TRUSTEES

Regular Board Meeting of August 29, 2013

4:15 — Open Session — Facilities Update: walk-through of progress at Neil Cummins Elementary
58 Mohawk Avenue, Corte Madera

Hall Middle School Library, 200 Doherty Drive, Larkspur
5:00 p.m. – Closed Session
6:00 p.m. – Open Session

REVISED AGENDA

Estimated Time

- 5:00 p.m. **I. CALL MEETING TO ORDER** (Board President) at Neil Cummins Elementary
- 5:01 p.m. **II. APPROVAL OF CLOSED SESSION AGENDA**
- 5:02 p.m. **IV. PUBLIC COMMENTS ON CLOSED SESSION AGENDA**
- 5:03 p.m. **V. RECESS TO CLOSED SESSION TO CONSIDER AND/OR TAKE ACTION UPON ANY OF THE FOLLOWING ITEM(S)**
- (a) With respect to every item of business to be discussed in Closed Session pursuant to GC Section 54957: Superintendent's Evaluation Process
 - (b) With respect to every item of business to be discussed in Closed Session pursuant to GC Section 54956.9: Pending Litigation
- 6:00 p.m. **VI. RECONVENE TO OPEN SESSION**
- Announcement of Reportable Action Taken in Closed Session
- 6:01 p.m. **A. PERSONS WISHING TO ADDRESS THE BOARD ON ITEMS NOT ON THE AGENDA**
- 6:02 p.m. **B. COMMUNICATIONS**
- 1. Superintendent/Board Report and Recognitions (Part I)
 - Establishment of Scholarship for Teaching Excellence
- 6:10 p.m. **C. STRATEGIC PRIORITIES**

Priority: Support and inspire each child to attain higher levels of achievement....

(Entire board packet on www.lcmschools.org/Board of Trustees/Meetings/2013 - 2014 Meeting Packets)

2. Discussion: Rotary Exchange and Stanford Professional Development Reports Page 4
Priority: Maintain the fiscal integrity and stability of the district.

3. Action: Unaudited Actuals, Gann Limit Resolution 2013/14-07, and Budget Update Page 5
Priority: Manage enrollment growth by supporting smaller learning environments.

3(a). Discussion: Facilities and Funding Report

Priority: Maintain the fiscal integrity and stability of the district (continued)

4. Discussion: Mandate Block Grant Application Page 138

5. Action: Approve Contract for Audit Services for Performance and Financial Audit Page 140
For Measure A prop 39 Bond

6. Action: Grand Jury Report - Marin's Retirement Health Care Benefits Page 145

7:15 p.m.

D. COMMUNICATIONS

7. Superintendent/Board Report and Recognitions (Part II)

- Principal Reports
- LCMTA, CSEA, and SPARK Reports
- Enrollment Update

8. Board Member Reports/Correspondence Addressed to the Board

7:30 p.m.

E. STRATEGIC PRIORITIES

Priority: Cultivate safe, healthy, caring and inclusive school environments....

9. Action: Grand Jury Report – Planning for School Emergencies Page 183

Priority: Attract, develop and retain talented and inspirational staff.

10. Action: Adopt a Declaration of Need for Fully Qualified Educators Page 219

Priority: Manage enrollment growth by supporting smaller learning environments.

11. Discussion: The Cove School Update Page 223

8:15 p.m.

F. GOVERNANCE TEAM ISSUES/PLANNING

12. Discussion: Policies Review: BP, AR, and E 6173 – Education for Homeless Children, and Policy Deletion: AR 5111.13 – Residency for Homeless Children Page 225

8:25 p.m.

G. CONSENT CALENDAR (The purpose of the Consent Calendar is to group items which may be approved routinely. A Board Member or member of the audience may request removal of an item for discussion).

A Roll Call Vote should be taken if the Consent Calendar includes Resolutions.

13. Monthly Warrants 2014/15 – Batches 9-16 Page 233

14. Personnel Action Reports 2013/14 - 01 Page 235

15. Board Policy and Administrative Regulation 1312.3 – Uniform Complaint Procedures Page 236

16. Minutes of the Regular Board Meeting of August 14, 2013 Page 245

8:30 p.m.

H. FUTURE BOARD AGENDA ITEMS

Facilities and Funding Report (Standing Item)
The Cove School Update (Standing Item)
Business and Budget Updates (Standing Item)
Policies Review (Standing Item)
Strategic Priorities Review (September)
Enrollment and Staffing Report – (September 25)
Staff Development Report (September 25)
Star Assessment/CST/Multiple Measures Report (September 25)
Annual Arts Grant Report (September 25)
Instructional Materials Resolution (September 25)
Honoring Tenured Teachers (September 25)
2014 Bond (September 25)

8:35 p.m.

I. FUTURE BOARD MEETING DATE(S)

September Strategic Planning Meeting (September 4 date needs to change) and September 25 (Regular Board Meeting)

8:40 p.m.

VII. ADJOURNMENT (The Board believes that late night meetings deter public participation, can affect the Board's decision-making ability, and can be a burden to staff. Regular Board Meetings shall be adjourned at 10:00 p.m. unless extended to a specific time determined by a majority of the Board.)

The Board of Trustees welcomes participation by the public. A person wishing to speak on any item on or off the agenda will be granted up to 3 minutes. The Board will limit the public comment period on any single item to 20 minutes. Members of the public are invited to submit comments in writing. An opportunity is provided for the public to address the Board on items not appearing on the agenda. However, in compliance with Board policy and the Brown Act, the Board is not permitted to discuss or take action on non-agenda items. Estimated times are approximate; actual times may vary. Members of the public who are interested in particular agenda items may wish to arrive early. Assistance will be provided to those requiring accommodations for disabilities in compliance with the Americans with Disabilities Act of 1990. Interested persons must request accommodations at least 48 hours in advance of the meeting by contacting the Superintendent's Office at 415-927-6960. Any documents related to an agenda item for open session of a regular board meeting and distributed less than 72 hours before the meeting may be inspected at the District Office, 230 Doherty Drive, Larkspur, CA 94939.

(Entire board packet on www.lcmschools.org/Board of Trustees/Meetings/2013 - 2014 Meeting Packets)