



REED UNION SCHOOL DISTRICT

To be returned

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Board of Trustees:
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Susan Lambe Peitz
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Dr. Nancy Lynch
Superintendent

July 10, 2017

The Honorable Kelly V. Simmons
Marin County Superior Court
P.O. Box 4988
San Rafael, CA 94913-4988

Jay Hamilton-Roth, Foreperson
Marin County Civil Grand Jury
3501 Civic Center Drive, Room #275
San Rafael, CA 94903

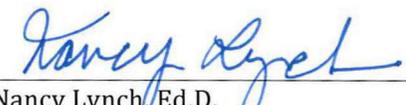
Dear Judge Simmons and Mr. Hamilton-Roth:

Attached please find the response requested by the 2016-2017 Marin County Civil Grand Jury from the Reed Union School District Board to the recommendations (R3, R4, R8) from the report "*The Budget Squeeze: How Will Marin Fund Its Public Employee Pensions?*"

Sincerely,



A.J. Brady, President
Reed Union School District Board of Education



Nancy Lynch, Ed.D.
Reed Union School District Superintendent

Reed Union School District
Responses to the 2016-17 Marin County Civil Grand Jury Report
The Budget Squeeze: How will Marin Fund Its Public Employee Pensions?

RECOMMENDATION

R3: *Agencies should publish long-term budgets (i.e., covering at least five years), update them at least every other year and report what percent of total revenue they anticipate spending on pension contributions.*

Response:

The recommendation will not be implemented because it is not reasonable.

This recommendation exceeds the State of California requirement that all school districts submit three-year financial projections with the Standardized Account Code System (SACS) Financial Reports. These projections are reviewed and approved by the Reed Union School District's Governing Board at least three times per year. For the most part, federal, state, and local projections for funding and expenditure plans, including enrollment and staffing projections, are not readily available beyond three years. The considerable impact on staff time to prepare the additional analysis is not warranted since predicting staffing levels for more than 5 years is not valid. Although referencing enrollment projections in order to staff adequately, it could not have been predicted that we have been able to reduce 4 teaching positions in the past two years.

RECOMMENDATION

R4: *Each agency should provide 10 years of audited financial statements and summary pension data for the same period (or links to them) on the financial page of its public website.*

Response:

The recommendation will not be implemented, because it is not warranted.

The Reed Union School District currently provides five years of audited financial statements on its website, which can be found at <https://www.reedschools.org/Page/1173>. This practice was adopted as a recommendation by the Marin County Civil Grand Jury, "Marin's Retirement Health Care Benefits: The Money Still Isn't There" report. The recommendation in this report indicated that agencies made available the last five years of CAFRs/Audits. This recommendation was implemented in June 2017.

The District webpage includes the five major reports (or reporting cycles).

- Adopted Budget
- First Interim Report
- Second Interim Report
- Unaudited Actuals Report
- Audit Report

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RECOMMENDATION

R8: *Public agencies and public employee unions should begin to explore how introduction of defined contribution programs can reduce unfunded liabilities for public pensions.*

Response:

The recommendation will not be implemented because it is not reasonable.

As stated in the Grand Jury report, implementing defined contribution programs is precluded by existing statutes and made impractical by the imposition of termination fees by the pension funds that manage public agency retirement assets. Payment of these fees would payoff the unfunded liabilities at the time of termination, but would create a significant financial burden on the Reed Union School District's budget. In addition, any such change would need to be negotiated with the District's bargaining units, the Reed District Teachers Association (RDTA) and the California School Employees Association (CSEA). While we welcome any changes at the state level that reduce long-term liabilities, we cannot unilaterally change from defined benefit to defined contribution plans. Exploring defined contribution plans is neither feasible nor permitted under current law.

In 2013, the State of California implemented the Public Employees' Pension Reform Act, or PEPRA. PEPRA is consistent with pension reform initiatives implemented by states across the nation to address defined benefit public pension system liabilities. This reform applies to both Cal PERS and Cal STRS, and will reduce the increasing rate of liability for both systems. The reform measures included increasing the retirement age for new employees, increasing employee contribution rates, eliminating "spiking" of compensation and prohibiting retroactive pension increases. When fully implemented, the plan will eliminate the unfunded liabilities.