SHORELINE UNIFIED SCHOOL DISTRICT

P.O. Box 198 Tomales, California 94971 (707) 878-2266 FAX (707) 878-2554

August 17, 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 Shoreline Unified School District Board to the recommendations (R3, R4, R8) from the report "The Budget Squeeze: How Will Marin Fund Its Public Employee Pensions?".

Thank you for your continued interest in and support of our public schools.

Sincerely,

Jill Manning-Sartori
President
Shoreline Unified. School District Board of Trustees

Bob Raines
Superintendent
Shoreline Unified School District

TOMALES ELEMENTARY (707) 878-2214 FAX: 878-2467

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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 has been implemented.

The State of California requires all school districts submit multiyear financial projections with the periodic Standardized Account Code System (SACS) Financial Reports. The projections are prepared for the current and subsequent two fiscal years and, along with the rest of the report, are approved by the governing board of the school district three times per year.

The district also prepares and presents multiyear financial projections that extend the above projection timeframe an additional two years, for a total of five years.

In addition, we address the impact of the pension system rate increases in narratives that accompany our budget reports to the governing board of the school district. We present information regarding projected rates of each pension system, the payrolls to which they apply, the total pension contribution for the fiscal year and the overall cost of pension contributions as a percentage of budgeted salary.

Finally, the net pension liability for each system is reported in our government wide audited financial statements, along with required footnote disclosures that provide significant detail regarding the assumptions utilized to estimate the liability.

The District's budgets and audited financial statements are posted to our website and can be found at (*insert website link here*).

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 has not yet been implemented.

The District is currently updating its website. When that is completed, the audit report and other financial documents will be available.

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 require further analysis.

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 retire the unfunded liabilities at the time of termination, but would create a significant financial burden on the school districts' budget. In addition, any such change would need to be negotiated with the relevant collective bargaining units.

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 raising 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.

Within this context, the district will explore whether or not the introduction of defined contribution plans is feasible. We will make this determination by December 5, 2017.