



## COUNTY OF MARIN RESPONSE TO GRAND JURY REPORT

**Report Title:** "Marin's Retirement Health Care Benefits - The Money Still Isn't There"  
**Report Date:** May 10, 2017  
**Response by:** Marin County Board of Supervisors

### FINDINGS

- We agree with the findings numbered: 1, 5-7.
- We disagree wholly or partially with the findings numbered: 2-4.

### RECOMMENDATIONS

- Recommendations numbered 1-2, 4, and 6-9 have been implemented.
- Recommendation number 3 has not yet been implemented, but will be implemented in the future.
- Recommendation numbered 5 will not be implemented because it is not warranted or is not reasonable.

Date: TBD Signed: \_\_\_\_\_

Number of pages attached: 4



Response to Findings and Recommendations  
“Marin’s Retirement Health Care Benefits - The Money Still Isn’t There”  
May 10, 2017

**FINDINGS**

- F1. Many of the municipalities have decreased their UAAL obligation since FY 2012.**

Response: Agree. The County of Marin has decreased its UAAL by \$88.3 million since 2012.

- F2. Some of the schools that have increased their UAAL obligation (since FY 2012) are setting aside OPEB contributions into reserve funds (rather than irrevocable trust funds).**

Response: The County of Marin cannot agree or disagree with findings involving other agencies.

- F3. Many of the special districts have increased their UAAL obligation since FY 2012.**

Response: The County of Marin cannot agree or disagree with findings involving other agencies.

- F4. Some of the agencies that stated they comply with their actuarial funding guidelines are not in compliance as shown in their CAFRs.**

Response: The County of Marin cannot agree or disagree with findings involving other agencies. We believe that the County of Marin is in compliance with its actuarial funding guidelines.

- F5. GASB 45 has increased the agency’s reporting transparency, but the information in these financial reports is difficult for the average person to understand.**

Response: Agree.

- F6. GASB 45 permits an agency with a full ARC funding policy in its GASB 45 valuation to increase its discount rate, thereby decreasing its OPEB liability and ARC payments.**



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Response: Agree.

**F7. Upcoming GASB 75 reporting will further improve an agency’s OPEB reporting transparency.**

Response: Agree.

## **RECOMMENDATIONS**

The 2016-2017 Marin County Civil Grand Jury recommends that:

**R1. Each agency should adopt a formal, written policy for contributions to its OPEB plan.**

Response: This recommendation has been implemented. The County has included an additional policy in its Financial Management Guidelines, published as part of the annual Proposed Budget, to codify that the County fully budgets and funds its Annual Required Contribution (ARC) toward OPEB liabilities, in addition to having established and annually funding an irrevocable OPEB trust. This new policy appears in the FY 2017-18 Proposed Budget adopted by the Board on June 20<sup>th</sup>, 2017.

**R2. Each agency’s standard practice should be to consistently satisfy its formal, written OPEB contribution policy.**

Response: This recommendation has been implemented.

**R3. Each agency’s OPEB contribution policy and practice should support a projection under GASB 75 that its OPEB plan assets will be sufficient to make all projected OPEB benefit payments.**

Response: This recommendation has not yet been implemented, but will be implemented in the future. The County’s next actuarial analysis will be conducted this fall and winter, for inclusion in the FY 2016-17 Comprehensive Annual Financial Report (CAFR) to be accepted by the Board early in 2018, and will fulfill new GASB 75 OPEB requirements.



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**R4. Each agency that uses special reserve funds for Postemployment Benefits should transition to a trust meeting the criteria of GASB 75.**

Response: This recommendation has been implemented. The County established an irrevocable trust in 2013 with the California Employers' Benefit Trust (CERBT).

**R5. Each term of service, elected or appointed official of each agency should take a public agency financial class.**

Response: This recommendation will not be implemented because it is not warranted or is not reasonable. The Board of Supervisors has implemented many of the recommendations of the Grand Jury to address the County’s unfunded retiree health obligations. The Board is fully aware of the seriousness of the issue and is taking proactive steps to limit the growth and have a plan to fully fund the liabilities using a retiree health trust.

**R6. Each agency should make its CAFRs, Audits, and GASB valuations more readily understandable by the general public.**

Response: This recommendation has been implemented. The County prepares fully compliant financial reports and audits, and strives to make such materials readily understandable to the public. The County must comply with federal and state audit requirements, as well as GASB and other legal requirements that often mandate a proscribed format.

**R7. Each agency should ensure that all of its public financial presentations are more readily understandable and scheduled during hours convenient for the public.**

Response: This recommendation has been implemented.

**R8. Each agency should have the following downloadable and text-searchable documents readily accessible on their website: the last five years of CAFRs/Audits and the last three actuarial reports.**



## Response to Findings and Recommendations

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Response: This recommendation has been implemented. While the County has for some time included CAFR/financial report documents on its Department of Finance website, as well as the most recent OPEB valuation, we now post at least the most recent three OPEB valuations online as well, available at: <http://www.marincounty.org/depts/df/actuarial-reports>.

**R9. Before the next round of bargaining begins, each agency should prioritize the cost containment strategies to be used, including reducing or eliminating OPEB benefits for future employees.**

Response: This recommendation has been implemented. Over the past decade, the County of Marin has made significant progress toward identifying and containing costs associated with retiree health care. In 2008, the County established a new lower cost tier of benefits for new employees that capped the County’s contributions to \$3,000 over 20 years of service. In 2013, the County established an OPEB trust fund to fully fund retiree health liabilities, and has fully budgeted and funded its ARC since FY 2007-08. As of the time of publication, Marin County has assets of \$86.1 million in its irrevocable trust dedicated toward retiree health obligations.