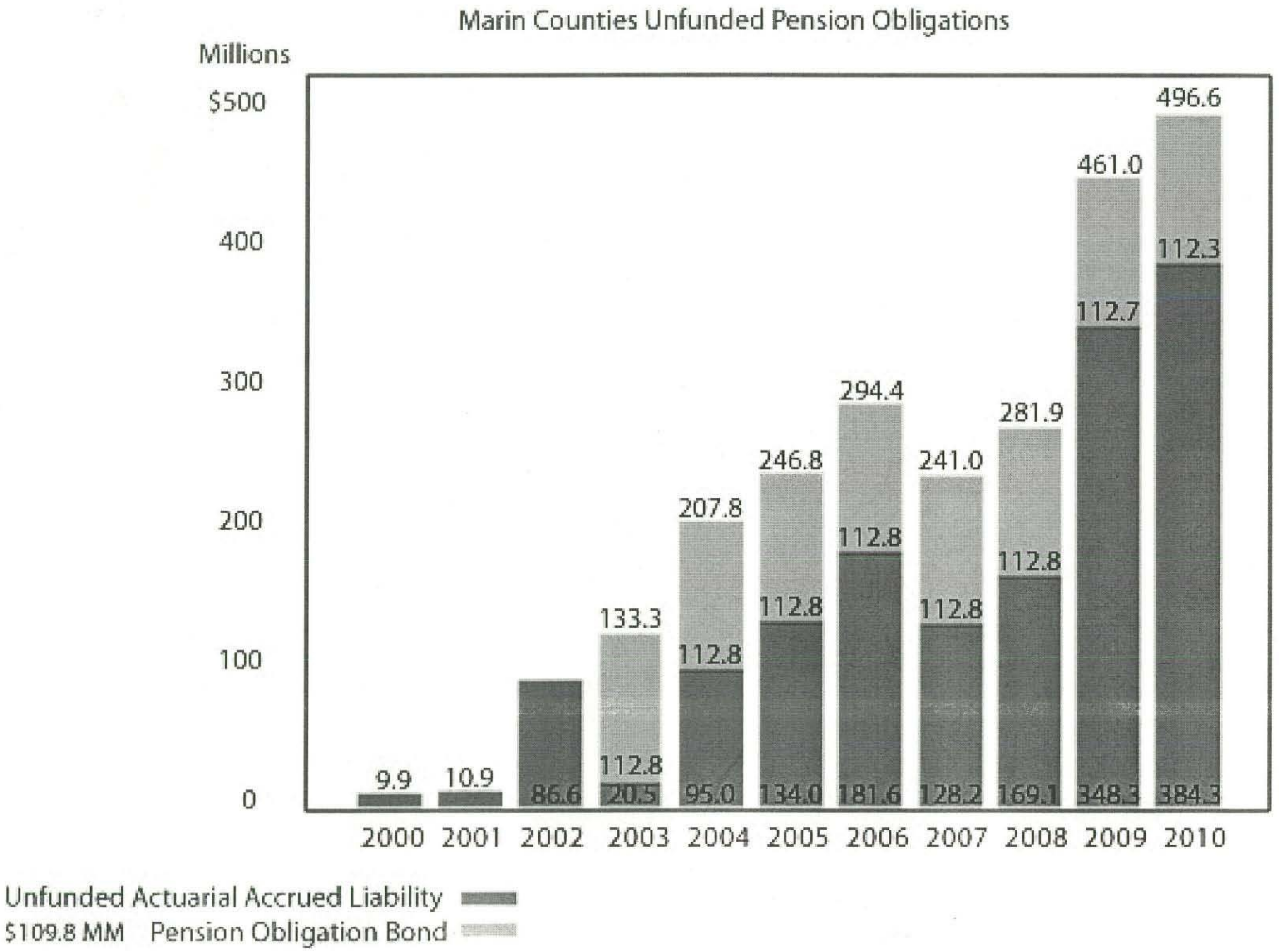
Marin County's Retirement Plan C

April 2012

Marin County's Unfunded Pension Obligations

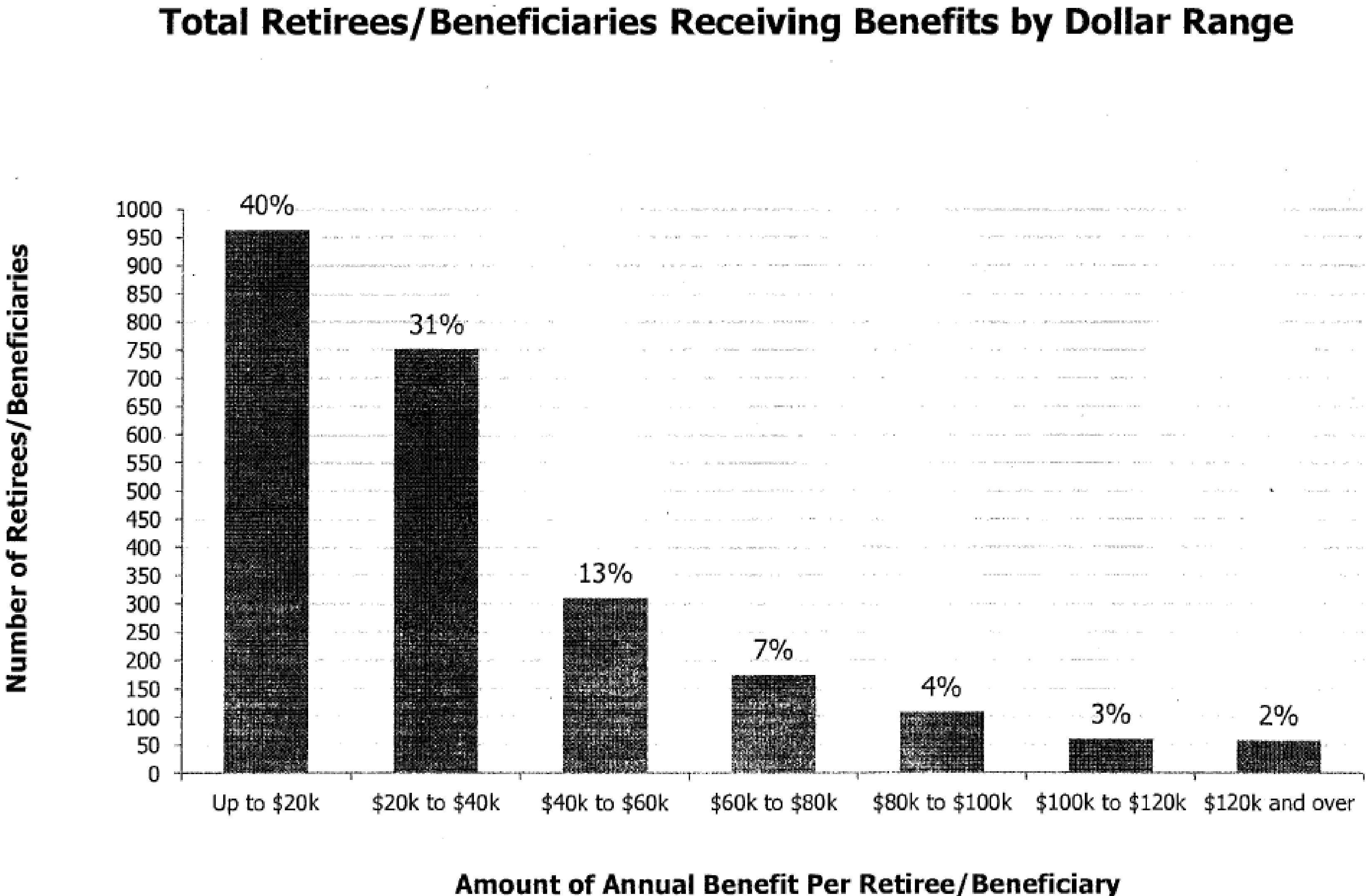


Marin Retirement Benefit Chart

Data for Fiscal Year	EMPLOYEES' RETIREMENT PLAN						EMPLOYEES' POST-EMPLOYMENT HEALTHCARE PLAN		
	Actual 1 Year Return	Actual 3 Yrs Return Blended	Actual 5 Yrs Return Blende	Assumed Return	Unfunded Accrued Acturial Liability ("UAAL")	UAAL as % of Covered Payroll	Unfunded Actuarial Accrued Liability ("UAAL")	UAAL as % of Covered Payroll	Notes
2000				8.25%	$ 9,850,000	9.00%			
2001				8.25%	$ 10,903,000	8.90%			
2002	-6.3	0.32	5.53	8.25%	$ 86,615,000	63.20%			
2003	1.18	-2.68	2.42	8.25%	$ 20,545,000	14.90%			Marin issued $112,805,000 in Pension Obligation bonds; sent $109,826,000 to MCERA
2004	18.48	3.94	3.89	4.00%	$ 95,042,000	66.40%			Decreased assumed rate of return by more than half
2005	10.13	9.70	3.75	4.00%	$134,043,000	94.90%	$310,945,000	239.63%	
2006	12.63	13.69	6.85	4.00%	$181,578,000	121.40%			
2007	18.75	13.78	12.04	4.00%	$128,193,000	80.50%	$378,183,000	291.40%	Says in Note 11.D that this was "July 1, 2005 funded status" —first year under GASB 45!
2008	-6.12	7.62	10.34	4.00%	$169,091,000	97.33%	$378,183,000	291.40%	Note 11 to Post-Employment Benefits Plan says this is "based on July 1, 2005"
2009	-19.32	-3.52	2.18	4.25%	$348,310,000	195.65%	$359,934,000	222.25%	Assumed rate of return was increased
2010	8.88	-6.26	1.91	4.25%	$384,276,000	217.30%			

Sources: Marin County Annual Financial Statements, June 30, 2000-June 30, 2010; Annual Reports of Marin County Employees' Retirement Association, June 30, 2001-June 30, 2010.

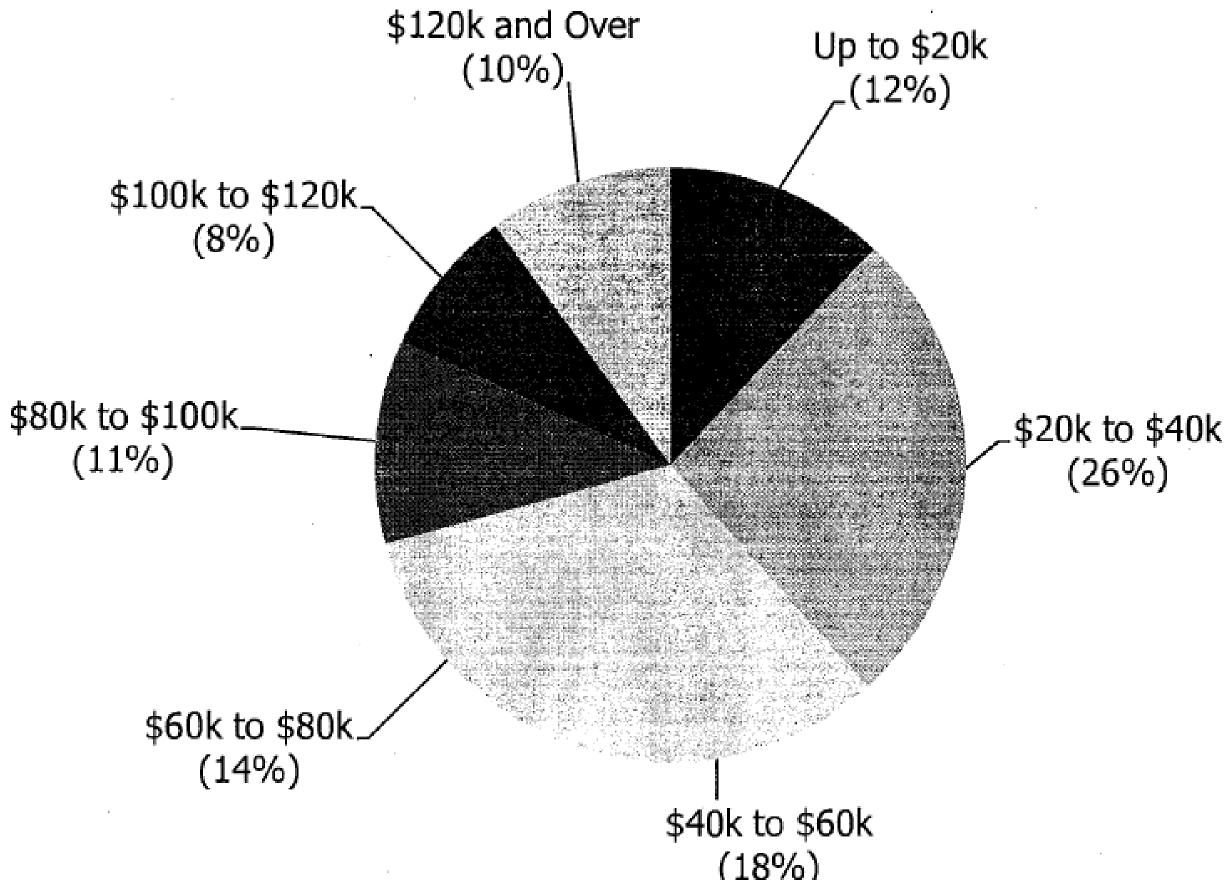
Distribution of Annual Benefits Paid



Data as of June 30, 2010

Distribution of Annual Benefits Paid

Total of Overall Benefits Paid by Dollar Range



Data as of June 30, 2010

Two Myths and One Half-Truth About Marin's Retirement Benefits

Myth #1: "If Marin didn't offer such benefits, it couldn't compete for the best talent" FACT: There's no objectively-verifiable evidence of any talent being either lost or gained as a result of Marin's retirement benefits

Myth #2: "Marin's pension problems stem from the stock market decline of 2008-2009" FACT: Marin's real average rate of return was below its assumed rate of return 6 out of 9 years during 2001-2009, and it is entirely unrealistic even now

A Half-Truth: "Only Orange County has received authority to allow employees to opt into a hybrid plan". Accurate so far as it goes. BUT Marin has NEVER ASKED for such legislative authority

Gov. Brown's Twelve Point Pension Reform Plan

Governor Jerry Brown's pension reform plan would apply to all California state, local, school and other public employers, new public employees, and current employees as legally permissible. "It also will begin to reduce the taxpayer burden for state retiree health care costs and will put California on a more sustainable path to providing fair public retirement benefits."

1. <u>Equal Sharing of Pension Costs: All Employees and Employers</u>

   Many public employees make some contribution to their retirement—state employees contribute at least 8 percent of their salaries—but some make none. Their employers pay the full amount of the annual cost of their pension benefits.

   Brown's plan will require that all new and current employees transition to a contribution level of at least 50 percent of the annual cost of their pension benefits.

Twelve Point Pension Reform Plan

2. "Hybrid" Risk-Sharing Pension Plan: New Employees

   Under a defined benefit pension plan, the employer (and ultimately the taxpayer) guarantees annual pension benefits and bears all of the risk of investment losses under those plans. Most private sector employers, and some public employers, offer only 401 (k)-type defined contribution plans that place the risk of loss on investments on employees and deliver no guaranteed benefit. "All public employees should have a pension plan that strikes a fair balance between a guaranteed benefit and a benefit subject to investment risk." Brown's "hybrid" plan would include a reduced defined benefit component and a defined contribution component that will be managed professionally to reduce the risk of employee investment loss. The hybrid plan would combine those two components with Social Security and envisions payment of an annual retirement benefit that replaces 75 percent of an employee's salary.

   For employees who don't participate in Social Security (such as Marin), the goal will be that the defined benefit component will make up two-thirds, and the defined contribution component will make up the remaining one-third, of the targeted retirement benefit.

Twelve Point Pension Reform Plan

3. Increase Retirement Ages: New Employees

   Over time, enriched retirement formulas have allowed employees to retire at ever-earlier ages. When the state created its retirement system, the retirement age for non-safety workers was 65. Now many non-safety employees can retire at age 55, and many safety employees at age 50, with full retirement benefits. This means taxpayers are being required to pay benefits over increasingly longer periods of time.

   With a growing life expectancy, the pay-out for pensions is not just a few years, but several decades, making public employers (taxpayers) pay pension benefits over much longer periods of time. Many years can separate retirement age from the age when an employee actually stops working. "No one anticipated that retirement benefits would be paid to those working second careers."

   Brown's plan would align retirement ages with actual working years and life expectancy, by requiring the retirement age for most new public employees to be set at the Social Security retirement age, which is now 67. "The retirement age for new safety employees will be less than 67, but commensurate with the ability of those employees to perform their jobs in a way that protects public safety."

Twelve Point Pension Reform Plan

4. Require Three-Year Final Compensation to Stop Spiking: New Employees

   NOTE: Marin has already gone to a three-year highest salary average

5. Calculate Benefits Based on Regular, Recurring Pay to Stop Spiking: New Employees

   Brown's plan would require that compensation be defined as the normal rate of base pay, excluding special bonuses, unplanned overtime, payouts for unused vacation or sick leave, and other pay perks.

Twelve Point Pension Reform Plan

6. Limit Post-Retirement Employment: All Employees

   "Retirement with a pension should not translate into retiring on a Friday, returning to full-time work the following Monday, and collecting a pension and a salary." Brown's plan would limit all retiring public employees to working 960 hours or 120 days per year for a public employer. Also will prohibit all retired employees who serve on public boards and commissions from earning any retirement benefits for that service.

7. Felons Forfeit Pension Benefits: All Employees

Twelve Point Pension Reform Plan

8. Prohibit Retroactive Pension Increases: All Employees

   The Plan would ban the practice of increasing benefits for work already performed by current employees and retirees. This practice has caused billions of dollars in unfunded liabilities.

9. Prohibit Pension "Holidays": All Employees and Employers

   During the unrealistic "bubble" periods on Wall Street, when unsustainable investment returns supported "fully-funded" pension plans, many public employers stopped making annual pension contributions and gave employees a similar pass. Brown's plan will prohibit such practices.

Twelve Point Pension Reform Plan

10. Prohibit Purchases of Service Credit: All Employees

    Many pension systems allow employees to buy additional retirement service credit for time not actually worked. Brown's plan will prohibit this. (Marin already prohibits such practice.)

11. Increase Pension Board Independence and Expertise

    Lack of independence and financial sophistication on public retirement boards has contributed to unaffordable pension benefit increases. Brown's plan calls for the CalPERS board and other government entities that control public retirement boards to make changes to achieve greater independence and greater sophistication.

Twelve Point Pension Reform Plan

12. Reduce Retiree Health Care Costs: State Employees

Brown would require more state service for a state employee become eligible for health care benefits at retirement. New state employees would be required to work for 15 years to become eligible for the state to pay a portion of their retiree health care premiums. They would be required to work for 25 years to become eligible for the maximum state contribution to those premiums. The plan also would change the anomaly of retirees paying less for health care premiums than current employees.

(NOTE: Incredibly, Marin County's health plan has been operated on an unfunded, "pay-as-you-go" basis.)

Pension Reform—Assemblyman Jared Huffman Position

"Marin County faces rising pension benefit costs without the required property tax revenue to pay for them. The benefits, promised to county employees, have been supported in the current economic crisis through cuts in local services and reduction in workforce . .

"I agree with the Governor that 'it's time to fix our pension systems so that they are fair and sustainable over a long time horizon.' The Governor's statewide proposals present fresh solutions to the pension problem, . . . And I look forward to working with local elected officials, citizens groups and state legislators to take steps to ensure these proposals are implemented."

What Should You Do?

- Urge your elective representatives to take actions to support the Governor's 12-point proposal.
- Support development of a hybrid plan for Marin to take effect in 2013.
- Support putting the unfunded liability on a County's balance sheet using a realistic rate of return. (GASB 27)
- Support creation of a Trust Fund for Marin's unfunded retiree health benefits.
- Support any initiative—-statewide or local—-that will enact limitations on pensions and post-retirement health benefits