

## RESPONSE TO GRAND JURY REPORT FORM

Report Title: **Marin's Retirement Health Care Benefits: The Money Isn't There**

Report Date: May 22, 2013

Public Release Date: June 3, 2013

Response by: **Debra Stutsman** Title: **Town Manager**

### FINDINGS

- I (we) agree with the findings numbered: **F1, F4, F8, F9**
- I (we) disagree wholly or partially with the findings numbered: **F2, F3, F5, F6, F7, F10**  
(Attach a statement specifying any portions of the findings that are disputed; include an explanation of the reasons therefor.)

### RECOMMENDATIONS

- Recommendations numbered **R6** have been implemented.
- (Recommendations numbered **NONE** have not yet been implemented, but will be implemented in the future.
- Recommendations numbered **R4** require further analysis.  
(See attached explanations.)
- Recommendations numbered **R1, R2, R3, R5** will not be implemented because they are not warranted or are not reasonable.

Date: **July 23, 2013**

Signed: \_\_\_\_\_

  
\_\_\_\_\_

Mayor

Number of pages attached 3

**TOWN OF SAN ANSELMO  
RESPONSE TO RECOMMENDATION  
MARIN COUNTY CIVIL GRAND JURY  
MARIN'S RETIREMENT HEALTH CARE BENEFITS: THE MONEY ISN'T THERE**

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

Response to Finding 2: The Town of San Anselmo disagrees wholly or partially with the finding. We agree by not prefunding retiree health care benefits for future retirees will lead to generation shifting of the payment responsibility. However, the San Anselmo Town Council does not have an opinion, nor does the report provide sufficient information to indicate that failure to prefund is either unethical or a breach of fiduciary responsibility. The Town of San Anselmo has a capped retiree health care benefit (\$225 per month per retiree) that ensures that costs into the future are predictable and manageable.

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

Response to Finding 3: The Town of San Anselmo disagrees wholly or partially with the finding. It is true that the decision to utilize a 30-year amortization period will defer a portion of the current liability to future generations. The current liability, in the case of the Town of San Anselmo, is reasonable and doable on a pay-as-you-go annual basis.

Finding 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 the employees and their employer.

Response to Finding 5: The Town of San Anselmo disagrees wholly or partially with the finding. For the Town, limiting retiree health benefits to a capped \$225 per month has not been a recruitment issue. But such benefits may at times be unnecessary for attracting and retaining employees. A balanced benefit plan, where costs are managed and shared by the employer and the employee, can and should be used to attract and retain quality employees.

Finding 6: Marin entities using "Pay-Go" funding are paying only the current year health care benefits of those already retired. This ignores the reasonably known rising costs to cover future retirees who are already heading for retirement. Some actuarial valuation reports the Grand Jury studied provide 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 the costs can know those costs.

Response to Finding 6: The Town of San Anselmo disagrees wholly or partially with the finding. San Anselmo utilizes the "Pay-Go" funding because its costs into the future are known and reasonable, in that retiree health benefits are limited to \$225 per month and the number of retirees remains fairly constant each year.

Finding 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 with employees and their representatives.

Response to Finding 7: The Town of San Anselmo disagrees wholly or partially with the finding. The age of eligibility should be decided based on many factors, which include but are not limited to the employee classification, level of benefit, years of service, etc. The report did not provide adequate information regarding the appropriate age for benefit eligibility.

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

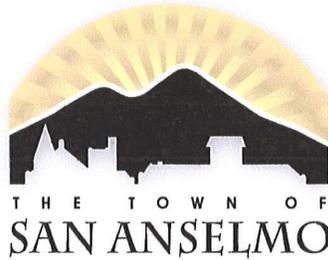
Response to Finding 10: The Town of San Anselmo disagrees wholly or partially with the finding. There has been considerable debate regarding proper discount rates. The report does not contain sufficient information for the Town of San Anselmo to provide an opinion on whether some agencies “are using higher and highly questionable rate assumptions that are not justified by the investments...” For the Town, a discount rate is not applicable in that retiree benefits are capped at \$225 per month and the number of retirees remains fairly constant.

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

Response: The recommendation requires further analysis. Currently the retirement age for the commencement of retiree health care benefits is regulated by CalPERS and the Public Employees Medical and Hospital Care Act (PEMHCA).

Kay Coleman  
Mayor

Jeff Kroot  
Vice Mayor



Liz Dahlgren  
Councilmember

Ford Greene  
Councilmember

Tom McInerney  
Councilmember

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July 23, 2013

The Honorable Judge James Ritchie  
Marin County Superior Court  
P. O. Box 4988  
San Rafael, CA 94913-4988

SUBJECT: Marin's Retirement Health Care Benefits: The Money Isn't There

Dear Honorable Judge Ritchie,

Attached is the response from the Town of San Anselmo to the Grand Jury report entitled "Marin's Retirement Health Care Benefits: The Money Isn't There."

Sincerely,

A handwritten signature in blue ink that reads "Kay Coleman". The signature is written in a cursive, flowing style.

Kay Coleman  
Mayor

Copy: Rich Treadgold, Foreperson  
Marin County Grand Jury  
3501 Civic Center Drive, Room #275  
San Rafael, CA 94903