

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

Report Date: May 22, 2013

Public Release Date: June 3, 2013

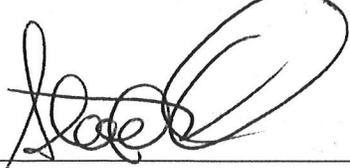
Response by: Tiburon Fire Protection District

FINDINGS

- I (we) agree with the findings numbered: F1,2,3,4,6,8,9,10
- I (we) disagree wholly or partially with the findings numbered: F5,7,
(Attach a statement specifying any portions of the findings that are disputed; include an explanation of the reasons therefor.)

RECOMMENDATIONS

- Recommendations numbered R1,2,3,4 have been implemented.
(Attach a summary describing the implemented actions.)
- Recommendations numbered R6 have not yet been implemented, but will be implemented in the future.
(Attach a timeframe for the implementation.)
- Recommendations numbered _____ require further analysis.
(Attach an explanation and the scope and parameters of an analysis or study, and a timeframe for the matter to be prepared for discussion by the officer or director of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This timeframe shall not exceed six months from the date of publication of the grand jury report.)
- Recommendations numbered R5 will not be implemented because they are not warranted or are not reasonable.
(Attach an explanation.)

Date: 8-14-13 Signed: 

Number of pages attached _____

FINDINGS

- F1. We find that many of Marin's local governments and special districts are failing to pre-fund future costs for retired employees by making investments to cover promised benefits for active employees. This jeopardizes the certainty that retiree health care benefits promised to current employees will be paid.

Agreed.

- F2. 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.

Agreed.

- F3. 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.

Agreed.

- F4. By capping retiree health care benefits, the City of San Rafael has reasonable certainty as to what those costs are. Other entities studied here that promise to pay for future retiree health care with uncertain and likely rapidly increasing costs are accepting an unknown and potentially very costly risk.

Agreed.

- F5. 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.

Disagree. It has been our experience that benefits play a key role in attracting and retaining quality employees. The District has made a concerted effort to remain competitive in the workplace, while ensuring the long range financial success of the organization. As a note, it is quite costly to recruit, train, outfit and maintain a highly qualified workforce. Additionally, we are in competition, not only with other Marin agencies, but agencies throughout the greater bay area, state and western region.

- F6. 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.

Agreed.

- F7. 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.

Disagree. The Public Employee Pension Reform Act (PEPRA) recently adjusted retirement ages for both Safety and Miscellaneous members. Previous negotiations resulted in capping of medical expense and vesting after 20 yrs. of service. Safety personnel greater than age sixty are challenged to meet functional physical capacity for the positions.

F8. The results of retiree health care actuarial cost analyses are summarized if at all only in obscure notes to annual financial statements. The public is entitled to more readily accessible explanation of these costs because the public will bear those costs.

Agreed. It is the practice of the Tiburon Fire Protection to review OPEB obligations monthly with the Finance Committee and quarterly with the Board of Directors.

F9. There is a wide range of retiree health care benefits offered among the entities studied in this investigation. No clear explanation for the range from minimal to extremely generous is readily available. Those entities that are promising relatively generous benefits should provide clear justifications to their citizens and customers.

Agreed. This is responsible local governance.

F10. Most of the entities the Grand Jury investigated are using fairly reasonable discount rates 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 have made to grow and fund the future benefits. The result is to understate the total funding needed today and in future years, to pay for those future benefits.

Agreed. The District contracts for actuarial services as outlined by GASB 45. These studies have been consistent with projections.

RECOMMENDATIONS

The Grand Jury recommends that each Marin County local government, special district and school district:

R1. Begin setting aside in separate investment accounts, if it is not already doing so, each year's funds for amortizing its retiree health care benefits' UAAL, in addition to its "Pay-Go" funding of those benefits for present retirees.

Previously implemented.

R2. Begin a program to lower the amortization period for funding its retiree health care benefits UAAL from as much as 30 years presently, to approach (within 10 years), the commonly used 17-year amortization period for retiree pension funding.

Previously implemented.

R3. Negotiate caps on the amounts it commits to pay existing and new employees for retiree health care benefits.

Previously Implemented.

R4. Negotiate a higher retirement age than the currently applicable age for the commencement of retiree health care benefits.

Previously implemented through the Public Employee Pension Reform Act (PEPRA)

R5. Require active employees to make a contribution towards the cost of their retiree health care benefit.

Benefits are presently capped; changes to contributions are made through negotiations.

- R6. Place a link on its website to provide the latest actuarial valuation of its AAL, its UAAL, its consequent percent funded, its discount rate (annual percentage) used to determine these values, and a projection of outlays ("Pay-Go") for retiree health care benefits for each of the current and subsequent 10 years.

The District is currently retooling its website. District finances will have a dedicated tab on the new site.



TIBURON FIRE PROTECTION DISTRICT

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RICHARD PEARCE, FIRE CHIEF
August 15, 2008

Rich Treadgold
Foreperson
Marin Civil Grand Jury
3501 Civic Center Drive, Room 275
San Rafael, CA 94903

Subject: Grand Jury Report:

“Marin’s retirement Health Care Benefits: The Money Isn’t There”

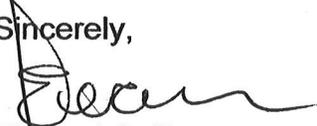
Dear Mr. Treadgold.

I have been directed by the Board of Directors of the Tiburon Fire Protection District to respond to the Marin Civil Grand Jury Report titled **“Marin’s retirement Health Care Benefits: The Money Isn’t There”**, dated May 22, 2013. Attached, please find our response.

The Tiburon Fire Protection District conducted this response in accordance with Penal Code section 933 (c) and was subjected to the notice, agenda, and open meeting requirements of the Ralph M. Brown Act.

Should you have any question or require additional information, please contact me at your convenience.

Sincerely,


Richard S. Pearce
Fire Chief