

Sustainable Public Employee Pensions

County of Marin

April 3, 2012
Community Forum

Tonight's topic

Retirees from public employment get benefits:

- Pensions upon retirement
- Health care benefits

Public Employee Pensions an issue at all levels:

- State
- County
- Cities, Schools & Special Districts

County offers “defined benefit” pensions

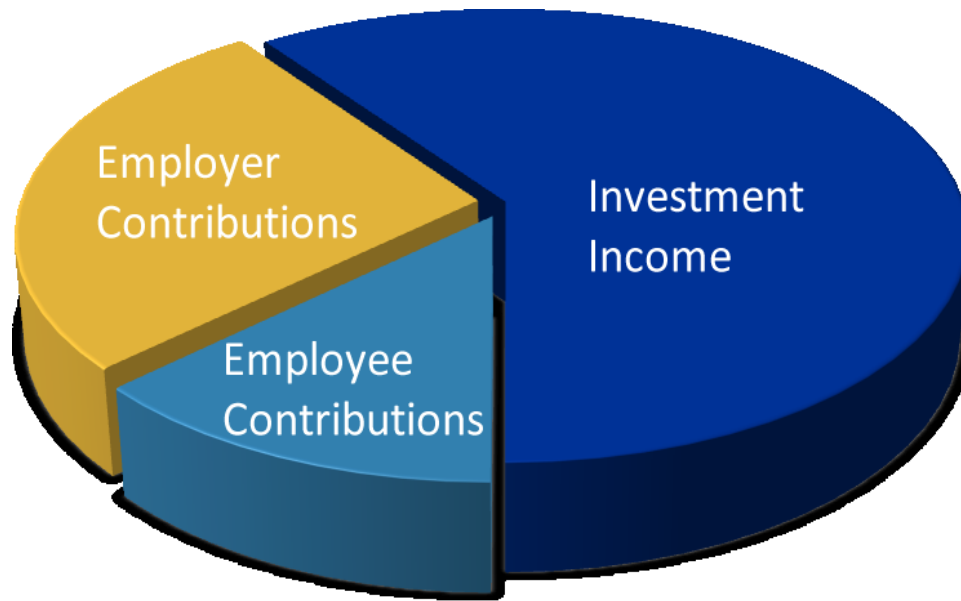
- Pensions are defined by state laws and local labor agreements with employee unions
- Different agreements with “Miscellaneous” and Safety employees; sorted by different “tiers”
- Amount of “defined benefit” based on years of service, retirement age and a benefit “formula” of what percent of salary
- Different than “defined contribution” where amount put in is known and payout varies based on investment earnings

Marin County's retirement system

- Marin County pensions administered by the Marin County Employees' Retirement Association (MCERA), per County Employees' Retirement Law (CERL) of 1937
- Marin one of 20 CERL counties; not in CalPERS
- Marin cities are part of CalPERS, except San Rafael; other local agencies are in MCERA (county, special districts, courts)
- Marin County employees do not participate in Social Security

Three sources pay for pensions

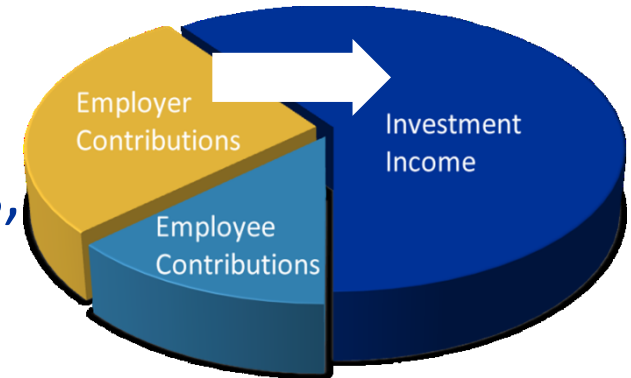
- Employee contributions - mostly fixed
- Investment income - variable
- Employer contributions* - fluctuates



*from taxpayer; to MCERA

Main reasons for increased pension cost

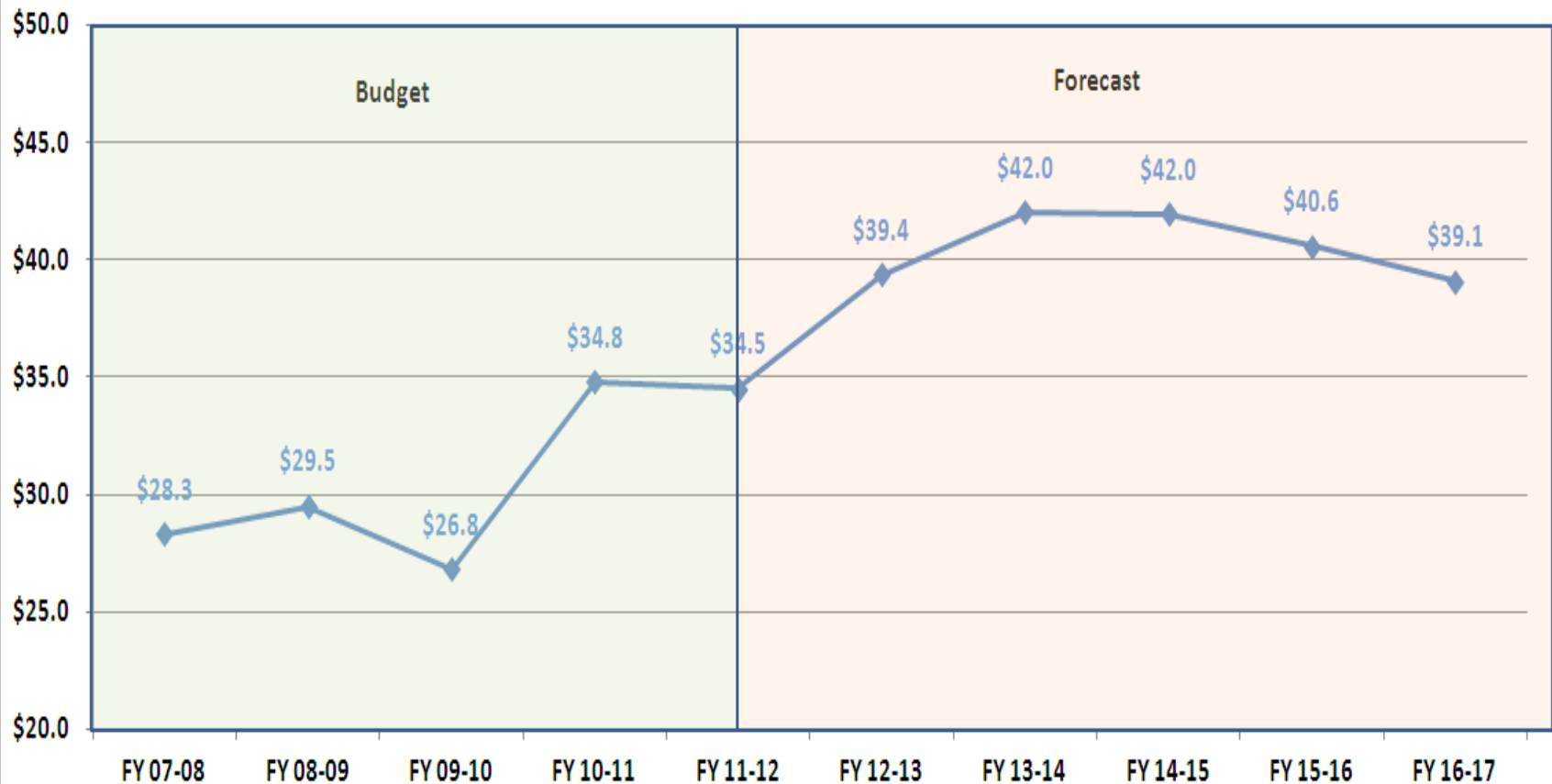
- If employee contributions and investments don't create enough income to pay projected benefits, the employer makes up any difference



- Main reasons for Marin pension cost increases:
 - Significant investment losses in 2008-2009
 - Retroactive benefit increases negotiated in 2002 and 2005
 - Retirees living longer

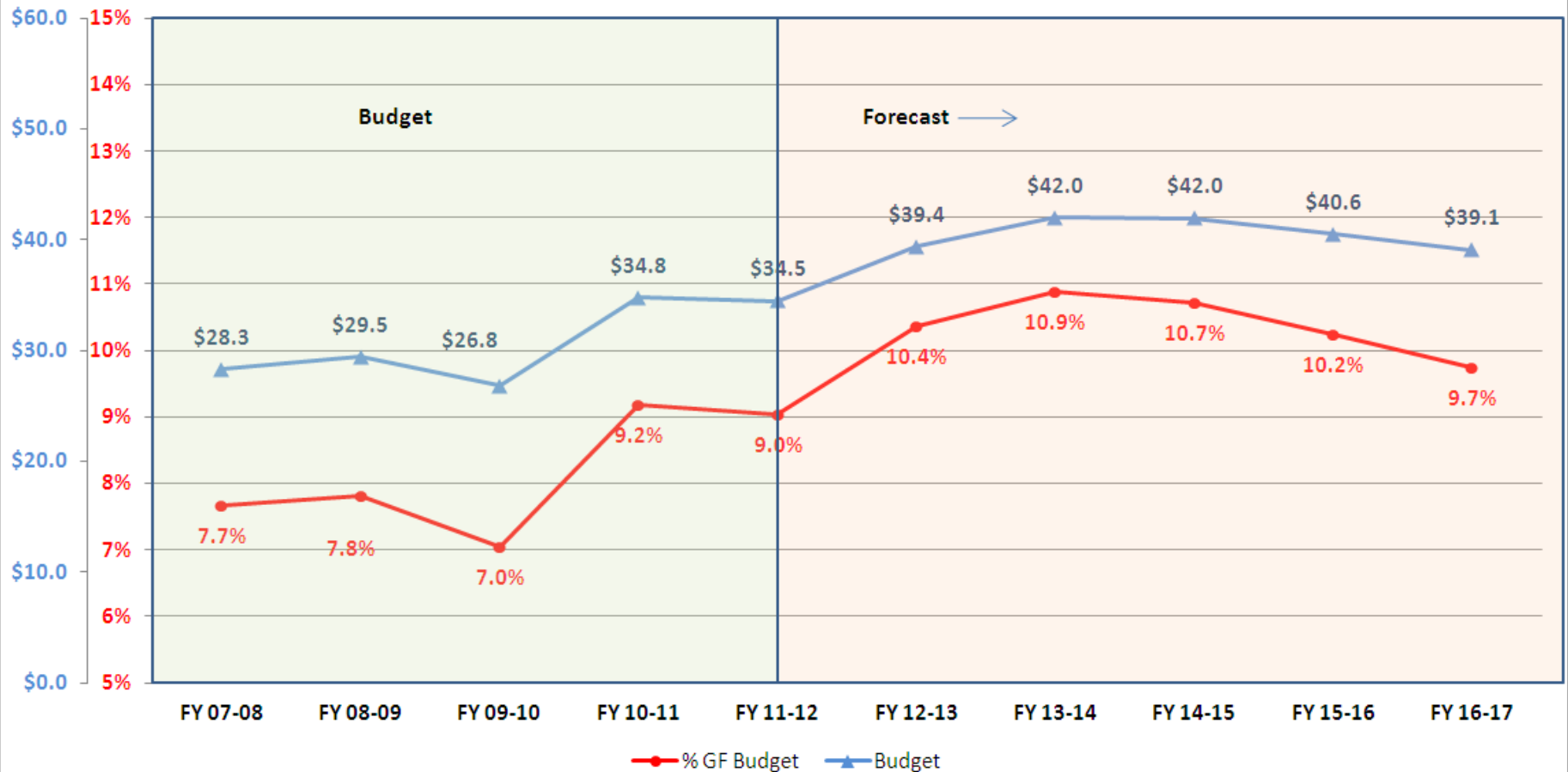
Projected pensions costs

General Fund Employer Pension Cost - Proposed Budget
(\$ Millions)



Projected pensions costs

Employer Cost as Percent of Gen. Fund Budget
(\$ Millions)



Pension payments have two parts

“Normal” cost to meet obligations

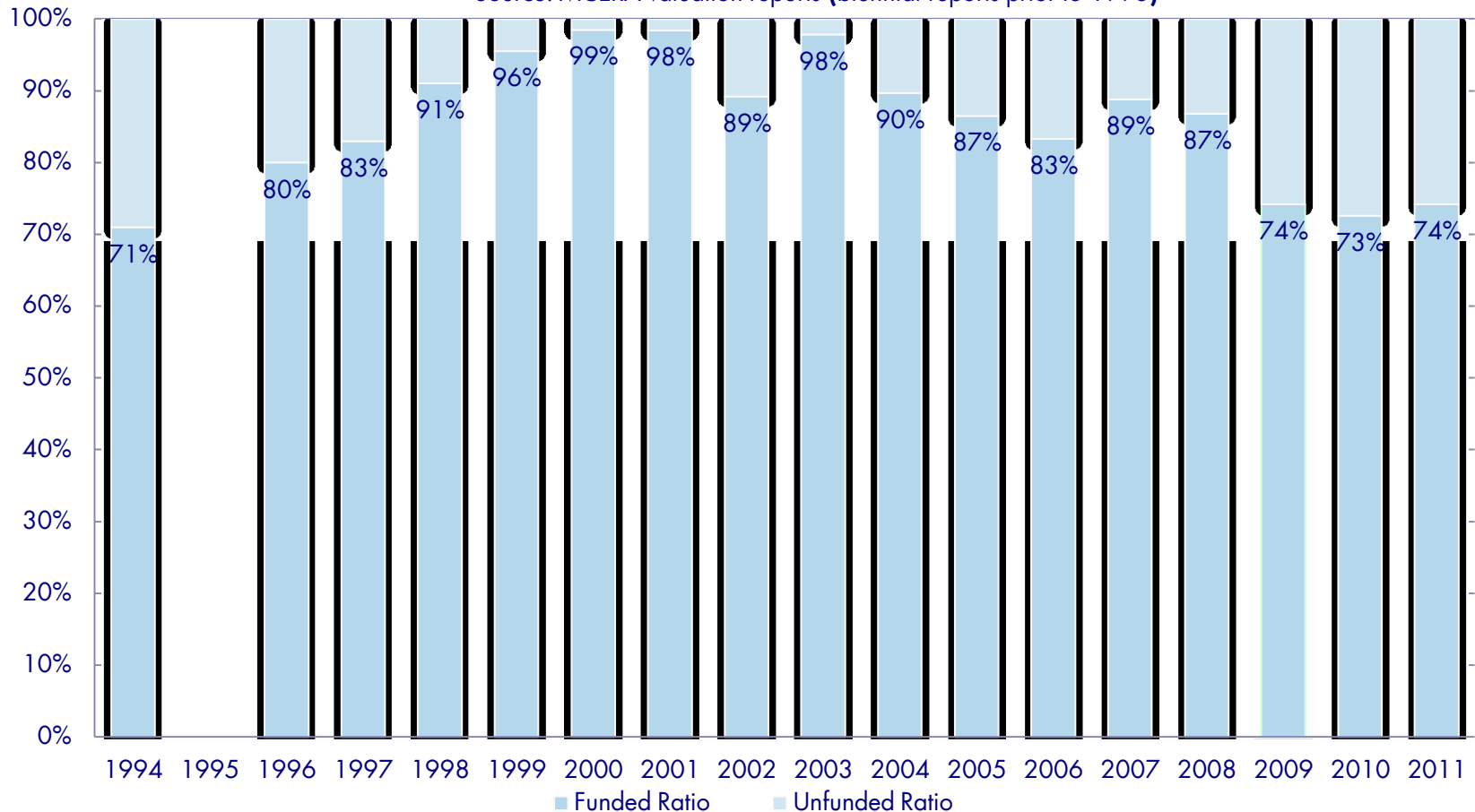
UAAL – unfunded actuarial accrued liability over a period of time

- MCERA’s forecast of Marin County’s current unfunded pension liability was \$384.3 million as of June 30, 2010.
- Adding retiree health care costs brings the total to about \$700 million.

Pension funding levels have varied

Funded Ratio Actuarial Accrued Liability for County of Marin 1994-2011

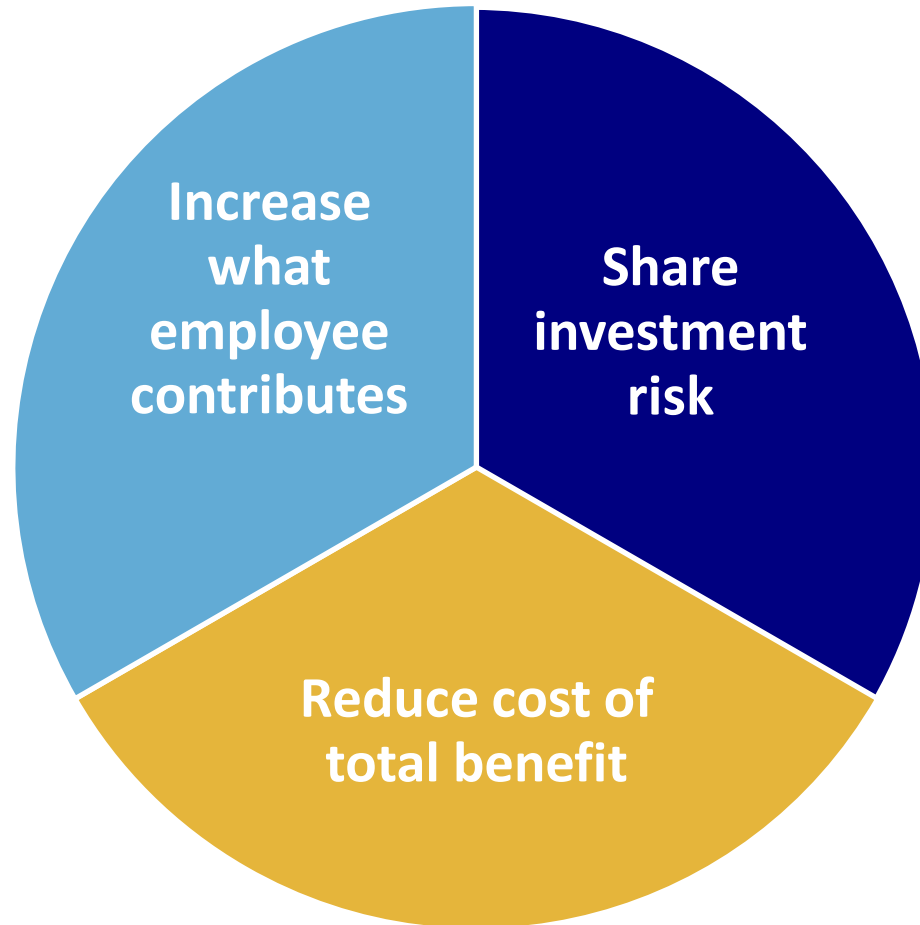
Source: MCERA valuation reports (biennial reports prior to 1996)



Areas of different interpretation

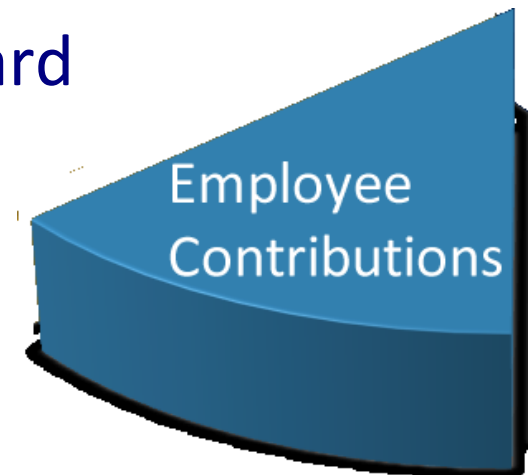
- How quickly should unfunded liability be paid off?
- What “discount rate” to use?
- What are employees’ rights for benefits? (“vested doctrine”)
- What leeway does county government have to act with and without state action?

Three categories to reduce pension costs



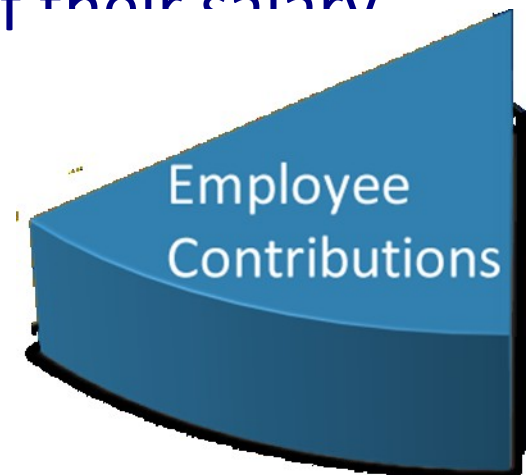
Employee contribution to their pension

- Employer negotiates benefit level as a part of total compensation
- MCERA determines employee contribution based on age of entry and “tier”
- Employer can pick up a share of employee contribution (as “fringe benefit”)
- Amount from employer going toward employee share just capped at 2%

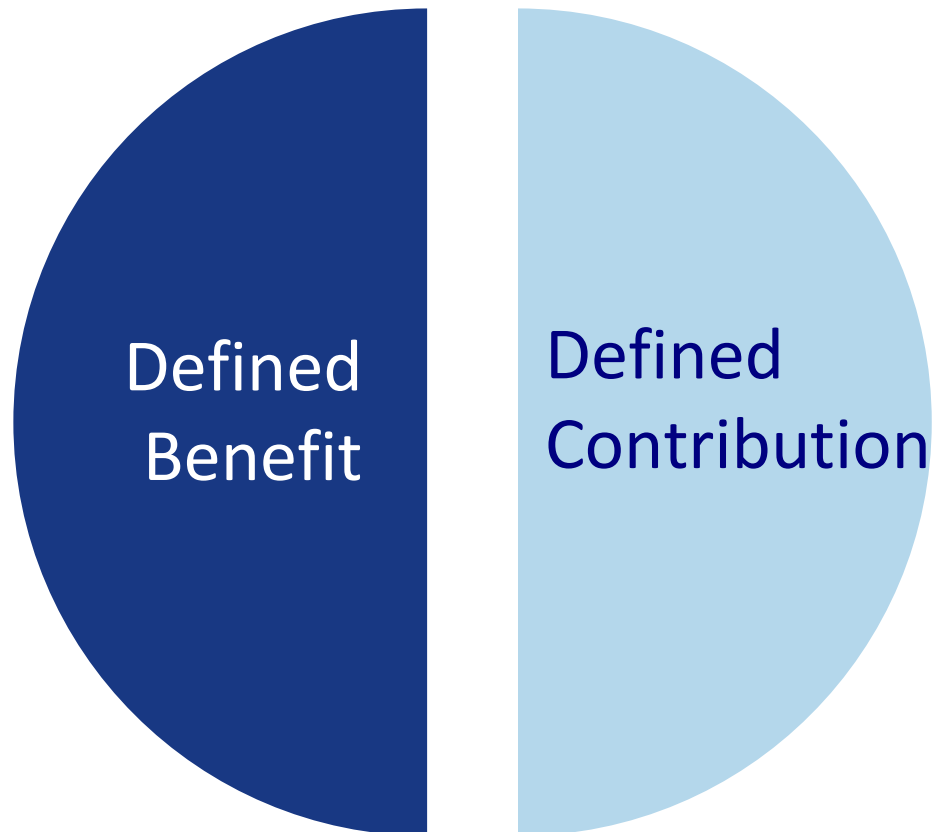


Employee contribution to their pension

- Employee share of their pensions is 6-18% of salary (depends on start date); average employee share is 9.7%
- County has been paying an average of 2.6% of this as part of flexible benefits; amount of this “employee pick up” varies by individual
- On average, employee pays 7.1% of their salary toward pension (9.7% minus 2.6%)



Hybrid Plan



Share investment risk

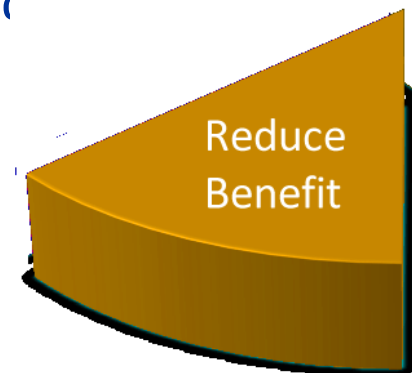
- In a “defined contribution” plan, employee puts in set amount, employer contributes and the outcome depends on market results
- A “hybrid” plan shares the risk of market losses but sets a minimum level of defined benefits regardless of market performance
- Hybrid plan requires changes in state law; only Orange County has received authority to allow new employees to opt into hybrid plan



Main variables in total benefit cost

- Earliest eligible retirement age
- Years of service
- “Pensionable” salary
- Benefit formula (% applied to years of service, multiplied by salary)
- COLA (cost of living adjustment)

Can also look at a cap on benefits (as % of salary or dollar amount). Some of these changes require legislation.



Panelist Topics

- Governor's proposed pension reform plan
- Options available to Marin County, with and without state action
- Different thoughts about the pros and cons of various possible pension changes

Table discussion

Exploring
shared
values:

- Sustainable
- Equitable

Your
suggestions
for:

- State and/or local action
- Public education on this issue

County information about pensions

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Marin County Pension Information

Welcome to the County of Marin's page for community members interested in information about the cost of public employee pensions and how to make that more sustainable over time. We welcome your questions and suggestion about how to make this information useful to as many Marin residents as possible.

If you a retiree looking for information about pension benefits, visit [MCERA](#), the organization which administers public employee pensions for the County of Marin.

Pension Forum (April 3, 2012)

The Marin County Board of Supervisors is convening an [educational forum](#) on the evening of April 3, 2012 at the Osher Marin Jewish Community Center, 200 North San Pedro Road, San Rafael, on the topic of county employee pensions. In December, the Board of Supervisors adopted pension reform guidelines, which endorse the Governor's recently-released 12-point pension reform plan. This builds on successful negotiations last year to adopt lower cost pension benefits for non-safety employees. As the Governor's plan is debated in the Legislature, this is a perfect time to help develop a shared understanding of the facts that can be agreed upon and also identify key differences in opinion among various audiences in the county.

We hope you will consider attending this event as an opportunity to learn more about the choices facing Marin County government and to share your questions and suggestions. Download a copy of the flyer [here](#). For more information or to RSVP, please contact Janis West at JWest@marincounty.org or (415) 473-6358.

Next Steps after this forum

- Community information will be updated and enhanced based on tonight's discussion
- Report and video will be posted at County web page about pensions
- Supervisors invite additional community input – comments and questions can be emailed to *pensions@marincounty.org*.