

## Town of Tiburon Pension and Other Post-Employment Benefits

Local government pension and Other Post Employment Benefit (OPEB) sustainability has been a topic of discussion and debate over the past several years. The Town has developed this webpage to provide “at a glance” information regarding the Town’s pension and OPEB benefits, their funding status and what the Town has implemented over the past several years to reduce costs.

### **PENSIONS**

The Town of Tiburon provides its employees a pension through the California Public Employees’ Retirement System (CalPERS). Town employees fall into either the category of “Local Miscellaneous” or “Local Safety” for the purpose of pension benefits.

Annually, around the end of October, CalPERS prepares an actuarial valuation report which, among other things, provides the Town’s retirement plan funded status. Using the most recent actuarial valuation report dated October 2012, for the Fiscal Year ended June 30, 2011, CalPERS reports the following information for the Town’s two pension plans:

	Miscellaneous 2% @ 55	Safety 3% @ 55	Total
Actuarial Accrued Liability	\$12,289,898	\$11,738,062	\$24,027,960
Actuarial Value of Assets (AVA)	10,850,864	10,299,145	21,150,009
Unfunded Liability (AVA Basis)	1,439,034	1,438,917	2,877,951
Funded Ratio (AVA Basis)	88.3%	87.7%	88.0%
Market Value of Assets (MVA)	\$ 9,712,968	9,223,232	18,936,200
Unfunded Liability (MVA Basis)	2,576,930	2,514,830	5,091,760
Funded Ratio (MVA Basis)	79.0%	78.6%	78.8%
Employer Contribution Rate FY 2013-14	10.781%	20.774%	
Employee Contribution Rate	7.000%	9.000%	

### **Measures the Town Has Taken to Reduce Pension Costs**

Like most governmental agencies, the Town of Tiburon historically paid the employee’s contribution towards their pension plan. For Miscellaneous employees the rate was 7% of earnings, and for Safety it was 9%. Through the bargaining process, on July 1, 2010 all employees, except six, began paying the entire portion of their retirement costs. In return, the employees received a pay increase to offset 50% of the cost, either 3.5% or 4.5% based on coverage group. On July 1, 2011, the remaining six employees in a separate union, agreed to the same concession. This employment contract amendment saves the Town approximately \$240,000 per year.

In December 2011, the Town Council approved paying off the Side Funds for both pension plans. Side Funds were created in 2004 when smaller agencies, such as Tiburon, were required to enter into pension risk pools. The Side Fund, which is another form of unfunded pension liability, was created to account for the difference between the funded status of the pool and the funded status of the Town's plan. Each Side Fund was being amortized over a period of time and charged a 7.75% interest rate. By repaying the Town's Side Funds of approximately \$650,000, the Town will realize savings of approximately \$358,735. The Town did not issue any debt to repay these Side Funds.

**OTHER POST EMPLOYMENT BENEFITS (OPEB)**

At retirement eligible retirees who choose to remain under a CalPERS medical plan at their own expense are entitled to the minimum CalPERS medical benefit, which was \$112 per month in 2012. In addition to the above, retirees with 15, 20, or 25 years of service with the Town are entitled to receive a monthly benefit based on the premium charged by CalPERS for Kaiser Permanente single person coverage. The benefit amount is the percentage of the Kaiser premium and is fixed at the time of retirement and does not increase. This benefit continues only for the life of the retiree.

15-19 years of Town service	50% of Kaiser single rate
20-24 years of Town service	75% of Kaiser single rate
25 or more years Town Service	100% of Kaiser single rate

As required by the Government Accounting Standards Board Statement No. 45, every three years the Town retains an outside consultant to conduct an actuarial study of the Town's OPEB plan. The most recent actuarial valuation report, prepared by Nicolay Consulting, was as of July 1, 2011 and provided the following information:

Actuarial Accrued Liability	\$2,900,736
Actuarial Value of Assets <sup>1</sup>	0
Unfunded Actuarial Accrued Liability	\$2,900,736
Funded Ratio	0.00%

**Measures the Town has taken to Reduce OPEB Costs**

Except for the required minimum CalPERS medical benefit, the additional benefit amount has been eliminated for Management/Mid-Management employees hired after July 1, 2009; for Tiburon Police employees hired after July 1, 2010, and for Public Works field staff hired after July 1, 2011.

**CONCLUSION**

Like most pension and OPEB plans in California, current obligations exceed current assets, creating an unfunded liability. Based on the two above actuarial reports, as of July 1, 2011 the Town of Tiburon had a combined total of \$7,992,496 in unfunded liabilities using the Market Value of Assets basis, or \$5,778,687 using the Actuarial Value of Assets basis.

<sup>1</sup> As of July 1, 2011, the Town of Tiburon had set-aside \$384,513 in a General Fund Reserve account for the specific purpose of funding future OPEB costs. Since these funds are not held by a third party trustee the Town does not receive credit for these assets in the actuarial valuation report.