



**NOTICE OF SPECIAL MEETING OF  
THE BOARD OF DIRECTORS COMPENSATION COMMITTEE\***

Notice is hereby given that a Special Meeting of the Board of Directors of the Marin Municipal Water Districts' Compensation Committee will be held as follows:

**DATE OF MEETING:** Tuesday, April 8, 2014

**TIME:** 9:30 AM

**LOCATION:** MMWD Board Room, 220 Nellen Avenue,  
Corte Madera, CA

Times below are  
approximate

**AGENDA**

- CALL TO ORDER** 9:30 a.m.
- ADOPT AGENDA** 9:33 a.m.
- PUBLIC EXPRESSION** *Anyone wishing to speak on an item other than those listed on this agenda will be recognized at this time. All persons wishing to be heard should come to the podium to address the board. Please state your name and address for the public record. A 3-minute limit is customary; however the meeting chair has the prerogative to determine the actual time allotted to accommodate the number of speakers.* 9:35 a.m.

**RECOMMENDATION**

- 1. Minutes of August 29, 2013 Meeting *Approve* 9:40 a.m.
- 2. Compensation Committee Update *Information* 9:45 a.m.

Stephanie Eichner-Gross  
Secretary

**MMWD BOARD OF DIRECTORS:** Armando Quintero, President; Liza Crosse, Vice President; Jack Gibson; Cynthia Koehler; Larry Russell. \*The designated committee members are Directors Larry Russell and Jack Gibson. Other board members may attend as they wish.

**ADA NOTICE AND HEARING IMPAIRED PROVISIONS:** The board room is equipped with sound amplifying units for use by the hearing impaired. The units operate in conjunction with the room's sound system. You may request the personal sound amplifier from the District Secretary for use during meetings.

In accordance with the Americans with Disabilities Act and California Law, it is the policy of the Marin Municipal Water District to offer its public programs, services and meetings in a manner that is readily accessible to everyone, including those with disabilities. If you are disabled and require a copy of a public hearing notice, or an agenda and/or agenda packet in an appropriate alternative format; or if you require other accommodation, please contact Stephanie Eichner-Gross at (415) 945-1448, at least two days in advance of the meeting. Advance notification within this guideline will enable the district to make reasonable arrangements to ensure accessibility.

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**FUTURE COMMITTEE MEETINGS:**

To be determined.

MMWD Board Room



**MARIN MUNICIPAL  
WATER DISTRICT**

**AGENDA ITEM STAFF REPORT**

**ITEM NO. 1**

**MEETING DATE:** April 8, 2014

**MEETING:** Board of Directors/  
Compensation Committee

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**SUBJECT:** Compensation Committee Update

**SUBMITTED BY:** Mark Williamson, Human Resources Manager

**RECOMMENDED ACTION:** Approve

**EXECUTIVE SUMMARY:**

Minutes from August 29, 2013 meeting are attached.

**ATTACHMENTS**

Minutes

**THE BOARD OF DIRECTORS OF MARIN MUNICIPAL WATER DISTRICT  
COMPENSATION COMMITTEE**

Minutes of the special meeting of the Board of Directors/Compensation Committee held on Thursday, August 29, 2013, at 220 Nellen Avenue, Corte Madera, California.

Directors present: Directors Crosse (arrived at 10:08 a.m.), Gibson, Koehler Quintero (arrived at 10:09 a.m.) and Russell.

Directors absent: None

**CALL TO ORDER**

The meeting was called to order at 10:06 a.m.

**MINUTES OF OCTOBER 20, 2011 MEETING**

On motion of Director Gibson, seconded by Director Koehler, the Committee approved the Minutes of March 4, 2013. (Directors Crosse and Quintero absent)

**MMWD EMPLOYEE COMPENSATION AND BENEFIT PROGRAM REVIEW**

Mark Williamson, Human Resources Manager, gave an overview on employee benefits. He said the District's overall benefit program is similar to other public agencies, but the pension plan is more conservative in that it has always required a three-year average for determination of the pension. He said with passage of the Public Employee Pension Reform Act, a 2% at 62 formula is currently in effect for new employees without CalPERS membership status. He said the District's pension plan is funded at 76%.

Krishna Kumar, General Manager, said over the last eight months, the number of employees hired under in the new pension plan was 7 or 8. Additional discussion followed that focused on pension funding.

Director Russell said he wanted to see a plan to reduce the District's unfunded liability and increase the funding level to 80%. Discussion followed on defined contribution plan options, unfunded liability for retiree medical and funding for Other Post Employment Benefits (OPEB) trust fund.

Oreen Delgado, Finance Manager, said unfunded liability for the pension plan was \$41.2 million and \$33 million for OPEB.

Director Russell requested statistical data on retiree medical costs, age distribution and alternatives to reduce costs to the District.

Directors Quintero and Koehler expressed concern about taking an uneven approach on benefits for retired employees versus current employees. Additional discussion on retiree health benefits followed.

Director Crosse requested a comparison with retiree health benefits at other agencies and information on the effect of the growing lifespan of retirees. Additional discussion that focused on life expectancy followed.

Mark Williamson gave an overview on health insurance contributions at East Bay Municipal Utilities for its current employees and retirees. He also gave an overview of pension plan tiers for City of Mill Valley employees.

**MMWD EMPLOYEE DEMOGRAPHIC INFORMATION**

Mark Williamson presented the staff report and reviewed demographic information on the District’s workforce which has an average age of 47 years.

The Committee scheduled the next meeting for November 14, 2013.

**ADJOURNMENT**

There being no further business, the meeting of August 29, 2013, was adjourned at 11:00 a.m.

\_\_\_\_\_  
Compensation Committee Chair

ATTEST:

\_\_\_\_\_  
Secretary



**MARIN MUNICIPAL  
WATER DISTRICT**

**ITEM No. 2**

**MEETING DATE:** April 8, 2014

**AGENDA ITEM STAFF REPORT**

**MEETING:** Board of Directors/  
Compensation Committee

**SUBJECT:** Compensation Committee Update

**SUBMITTED BY:** Mark Williamson, Human Resources Manager

**RECOMMENDED ACTION:** Information only

**EXECUTIVE SUMMARY:**

This report continues the ongoing updates to the Committee regarding MMWD retirement benefits and evolving benefit issues.

**FISCAL IMPACT?** YES \_\_\_\_\_ **No**  \_\_\_\_\_ **FISCAL YEAR:** \_\_\_\_\_

<b>EXPENDITURES</b>		<b>FUNDING SOURCES</b>	
Budgeted Amount	\$	Operating Fund	\$
Budget Augmentation Requested	\$	Capital Fund	\$
	\$	Other	\$
	\$	Operating Reserves	\$
<b>TOTAL EXPENDITURES</b>	<b>\$</b>	<b>TOTAL SOURCES</b>	<b>\$</b>

**FISCAL IMPACT NARRATIVE:**

This is an informational item only.

**BACKGROUND**

At the last Compensation Committee meeting on August 29, 2013, much of the discussion focused on retirement benefits. Staff has prepared a summary of retirement medical and pension benefits and updates on any relevant new issues regarding retirement benefits.

As of December 2013 the district has approximately 205 retirees, allocated among demographic groups as: Age 30-59: 32; Age 60-69: 75; Age 70-79: 68; Age 80+: 30.

## **Retiree Health Benefits**

The District provides medical and dental benefits to eligible retirees and a dependent. Medical insurance benefits are provided by the CalPERS health plan. Retiree medical and dental benefits are provided to employees if they retire from the district on or after age 50 and are eligible for a CalPERS pension. Medical benefits through CalPERS cover the employee and their one dependent from the retirement date for life. Dental benefits are administered by a private insurance carrier, with the District paying actual costs, up to the maximum. Dental coverage is from retirement until the employee reaches age 65, but only if the retiree has worked for the District for 10 years at the time of retirement.

Retirees are obligated to contribute to the medical plan or dental coverage costs if the medical or dental plan costs exceed the district maximum contribution.

## **Medical Premiums**

Medical premium costs for the retiree vary by plan. Below is a summary of the maximum monthly premium costs for the district and retiree. Actual costs depend on the plan selected by the retiree. As with employees, most retirees enroll in Kaiser, which is usually near the middle of costs.

For the current calendar year, retiree medical costs range from \$720.04 (retiree only) to \$1440.08 (retiree plus one). When the retiree or dependent reaches age 65 the coverage will switch to the Medicare supplement and the premium costs decrease. The monthly premium costs to the retiree for retiree only coverage range from \$193 – \$341/month and for retiree and dependent ranges from \$386 – \$682/month (depending on their plan). “Combination plans” are used when either the retiree or spouse is over 65 and the other is under 65.

Whether the spouse of a retiree maintains health insurance after the death of the retiree depends on the payment option the retiree selects for their pension. If they choose a reduced pension per month so that the spouse continues to receive payments after their death, then the spouse would also retain health insurance.

## **Dental Coverage**

If the retiree has worked for the District for at least ten years, dental coverage is paid by the district for the retiree plus one dependent until the retiree reaches age 65. Coverage stops after the retiree reaches age 65. The maximum annual coverage paid by the district is \$2,500 for a retiree and \$5,000 for retiree plus one dependent. District costs may be less, as the annual cost is based on actual services received by the retiree and, if applicable, their dependent.

## Retirement Benefits and Actuarial Valuations

In 2012 the state legislature passed the Public Employee Pension Reform Act (PEPRA). PEPRA added a second retirement formula to the existing CalPERS retirement benefit formulas. For miscellaneous, non-safety members, the additional plan is 2% @ 62. Prior to PEPRA, the district's only plan was 2.7% @ 55 formula.

Identifying which pension formula applies to an employee is based on when the employee became a CalPERS or reciprocal plan member. If the employee was a CalPERS or reciprocal plan member prior to January 1, 2103 they are under the 2.7% @ 55 benefit formula. Employees who became CalPERS members on or after January 1, 2013 have the 2% @ 62 benefit formula. Under either formula, for each full year of service with the district, the employee retirement benefit is the percentage applied to the annual average of their three highest year's salary.

Currently, of the district's 230 employees eligible for a CalPERS pension, 219 (95%) are under the 2.7% @ 55 formula. 11 (5%) employees (hired since January 1, 2013) are enrolled in the new 2% @ 62 pension plan.

## Actuarial Valuations

CalPERS actuarial valuations are completed annually and calculate the plan assets and liabilities based on the existing active and retired members. The most recent CalPERS valuation utilized member data as of 6/30/12. Per the valuation, the unfunded liability as of 6/30/12 was \$41.7 million, which is a .5% decrease over the prior year.

Below is a summary of the last three years of actuarial valuations comparing the plan assets to the accrued liability for the district plan.

### CalPERS Retirement Plan Funded Status of Plan (Unaudited)

Actuarial Valuation Date	Actuarial Value Plan of Assets	Actuarial Accrued Liability	Funding Excess/ (Unfunded Liability)	Actuarial Funded Ratio
6/30/2010	\$127,387,127	\$160,834,354	(\$33,447,227)	79.2%
6/30/2011	\$134,063,850	\$175,305,381	(\$41,241,531)	76.5%
6/30/2012	\$139,318,468	\$180,984,198	(\$41,665,730)	77.0%

As of 6/30/11 the funded ratio decreased by 2.7% from the prior year, due to changes in actuarial assumptions. Starting with the 6/30/11 valuation the assumed rate of return

was decreased from 7.75% to 7.5% and amortization periods for gains/losses was decreased. The funded ratio increased in 2012 and it is projected that the funded ratio will increase again for the 6/30/13 valuation based on projected contributions from adding active members and improved market returns in 2013.

In addition to valuing the plan assets and liabilities as of 6/30/12, CalPERS also provides projected employer rates for the next two fiscal years. A summary of the current and projected employer rates for both pension formulas, by fiscal year: 2013/14: 20.975%, 2014/15: 23.324% *projected*, 2015/16: 24.800% *projected*.

### **Pension Financial Reporting Standards**

The Governmental Accounting Standard Board (GASB) has issued a new pension reporting standard Statement No. 68 Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27.

The statement will be effective for the district in the fiscal year ending 6/30/15 and modifies the reporting of the district's defined benefit plan with CalPERS. The goals of GASB Statement No. 68, when initiated in 2006, were to improve the transparency, consistency, and comparability of the pension information reported by state and local governments and pension plans.

GASB Statement No. 68 will require the district to report the unfunded net pension obligation on the statement of net position (balance sheet) as a liability as of 6/30/15. Current standards require the District to report only the Annual Required Contribution (ARC) as an operating expense. The calculation for the unfunded net pension is calculated as:

$$\text{Unfunded Net Pension} = \text{Total Pension Liability} - \text{Actuarial Value of Plan Asset}$$

For example, based on the CalPERS Actuarial Valuation Report as of 6/30/12, the unfunded net position was \$41.7 million. Calculated as: \$41.7 million = \$181.0 million - \$139.3 million. For the future it is likely that a similar GASB pronouncement will be made for reporting unfunded net position for other post employment benefits (OPEB) in the next 5-7 years.

### **Impact of Affordable Care Act (ACA)**

The impact of the ACA has thus far been minimal for CalPERS plans; the medical plans offered by the District meet the minimum requirements. With only a small number of non-benefited employees (seasonal watershed aides, etc.), the District will have to monitor hours worked for these short-term employees to monitor their eligibility for benefits, though the limitations imposed by CalPERS are similar.

## **Evolving issues: Pension reform**

PEPRA, designed to lower pension costs in the long run, created a second tier for all new CalPERS members hired after January 2013. The ability to change pensions for current employees on a going-forward basis is still in flux. A proposed “Pension Reform Act of 2014” (initiated by the mayor of San Jose) would have amended the California Constitution to give government agencies authority to negotiate changes to existing employees’ pension or retiree healthcare benefits on a strictly going-forward basis. The measure proposed allowing changes to pension and retiree healthcare benefits for current employee’s future years of service, either through collective bargaining or by a vote. The measure would prohibit CalPERS from charging high termination fees to employers who modify their retirement plans.

Status – As of March 14, 2014, it was reported that the proposal will not be placed on the 2014 ballot. San Jose Mayor Chuck Reed and supporters gave up attempts to place the item on the ballot this year after a judge rejected Reed’s challenge to the language describing the measure for purposes of signature collection. Mayor Reed of San Jose had filed a lawsuit against California Attorney General Kamala Harris to edit the language used to describe the measure, contending that it was written to bias voters against it. Reed has said that he will return with a pension initiative in 2016.

### **ATTACHMENTS**

None