



A Tradition of Stewardship
A Commitment to Service

Board of Supervisors

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Mark Luce
Chairman

June 24, 2014

FILED

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Clerk of the Napa Superior Court
By: C. Baerman
Deputy

The Honorable Rodney Stone
Presiding Judge
Superior Court of California, County of Napa
825 Brown Street
Napa, CA 94559

Dear Judge Stone:

As required by Penal Code Section 933(c), enclosed is the response to the 2013-2014 Final Report on A Review of Public Employee Retirement Benefits for Each Napa County Jurisdiction Working Together for a Sustainable Future. Grand Jury activity takes place over the course of a number of months. As such, their findings and recommendations often address issues which county departments have already identified as problems and to which solutions are in the process of being developed.

The Board acknowledges the members of the 2013-2014 Grand Jury for the time they have devoted in preparing their report.

Sincerely,

Handwritten signature of Mark Luce in black ink.

Mark Luce, Chairman
Napa County Board of Supervisors

Enclosure

cc: Foreman, 2013-2014 Grand Jury

Brad Wagenknecht
District 1

Mark Luce
District 2

Diane Dillon
District 3

Bill Dodd
District 4

Keith Caldwell
District 5

NAPA COUNTY
RESPONSE TO THE GRAND JURY REVIEW OF PUBLIC
EMPLOYEE RETIREMENT BENEFITS FOR EACH
NAPA COUNTY JURISDICTION
APRIL 3, 2014

The Grand Jury requested responses from the Napa County Board of Supervisors.

Finding 1. Pension and OPEB benefits amount to less than 10% of Napa County and its jurisdictions' total annual budgets.

Board of Supervisors Response: The Board of Supervisors agrees in part with this finding. In Napa County, pension and Other Post Employment Benefit (OPEB) costs represent approximately 6% of the All Funds appropriation for FY 13-14. However, because the Board has no independent way to verify the information regarding other jurisdictions, it defers to those jurisdictions regarding responses to this finding.

Finding 2. Napa County jurisdictions had pension liability funding levels that ranged from 70.3% in Calistoga to 84.3% in St. Helena for the 2012/2013 fiscal year.

Board of Supervisors Response: The Board of Supervisors agrees in part with this finding. In Napa County for FY 2012/2013, the pension liability funding level was 83.8% for its Miscellaneous plan. The Safety plans are funded at 73.7% for the 3% at 50 plan and 75.7% for the 3% at 55 plan. However, because the Board has no independent way to verify the information regarding other jurisdictions, it defers to those jurisdictions regarding responses to this finding.

Finding 3. All jurisdictions have introduced employee sharing of pension (PERS) costs, although many of those plans only apply to future employees.

Board of Supervisors Response: The Board of Supervisors agrees in part with this finding as it relates to Napa County. However, the Board has no independent way to verify the information regarding other jurisdictions. Napa County negotiated cost sharing with all of its employees dating back to 2004 – it does not apply only to future employees.

Finding 4. Some jurisdictions are phasing in employee share for OPEB where possible via memorandums of understanding but will only apply to new employees.

Board of Supervisors Response: The Board of Supervisors neither agrees nor disagrees with this finding because it has no independent way to verify the information regarding other jurisdictions. With respect to Napa County, the Board has taken actions to limit its liability for retiree medical costs and continues its policy to fully fund its OPEB liability on a 20 year amortization schedule.

Finding 5. Jurisdiction OPEB funded ratios are estimated to range from 27.8% to 35%.

Board of Supervisors Response: The Board of Supervisors neither agrees nor disagrees with this finding because it has no independent way to verify the information regarding other jurisdictions. With respect to Napa County, the current market value of plan assets in April 2014 represents a 56% funding ratio as compared to the projected June 30, 2013 Actuarial Accrued Liability.

Finding 6. Napa County was able to bring its OPEB funded ratio up to 46.6% in the fiscal year ending in 2013.

Board of Supervisors Response: The Board of Supervisors agrees with this finding at the time information was provided to the *Grand Jury*. However, more current information provided by CalPERS brings the County's OPEB funded ratio as of June 30, 2013 to 56% as mentioned in Finding 5.

Finding 7. Most Napa County jurisdictions are trying to achieve full funding of their OPEB liability well before 2040, the 30 year amortization rate recommended by the Government Finance Officers Association in March, 2013.

Board of Supervisors Response: The Board of Supervisors agrees with this finding as it relates to Napa County because it has no independent way to verify the information regarding other jurisdictions. Board policy, originally adopted in 2007 and amended in 2009, calls for fully funding the County's OPEB liability over a 20 year period and is contributing 100% of its annual required contribution each fiscal year, with the obligation fully funded by 2029.

Recommendation No. 1: Napa County Board of Supervisors and the incorporated Napa jurisdictions form a pension/OPEB committee with appropriate financial and human resource management to establish a communication process and a planning best practices platform to share insights and collaborate on strategies for addressing and managing pension/OPEB funding.

Board of Supervisors Response: The recommendation will not be implemented because it is impractical with regard to pension and OPEB funding due to the unique obligations and circumstances of each agency. While the Board acknowledges the benefits of collaborating with other public agencies in the County, varying budget circumstances, employee bargaining groups, and other factors make the development of common strategies difficult if not impossible. Managers and financial officers of the County jurisdictions currently meet on a regular basis (both formally and informally) where items such as pension and OPEB are discussed. The Board does support and encourages collaboration on efforts such as training and other areas of mutual benefit.

Recommendation No. 2: Napa County Board of Supervisors and the incorporated Napa jurisdictions through the pension/OPEB committee issue an annual report that summarizes each entity's pension/OPEB funding status at the end of each fiscal year.

Board of Supervisors Response: The recommendation will not be implemented. Each year the County receives an actuarial report from CalPERS summarizing its funding status. In addition, the County's consultant prepares regular projections which assist staff in making recommendations regarding the funding of both pension and OPEB during the budget process. Finally, the Auditor-Controller prepares and issues the Comprehensive Annual Financial Report (CAFR) in December of each for the prior fiscal year. The report includes the funding status of both pension and OPEB.