

February 1, 2012

Charlie Francis
Administrative Services Director/Treasurer
City of Sausalito
420 Litho Street
Sausalito, CA 94965

Re: LAFCO Reconsideration Document

Dear Mr. Francis:

You asked that Bartel Associates review specific items in the December 10, 2011 John Flavin and Linda Pfeifer Sausalito Fire Services Annexation to the Southern Marin Fire Protection District (SMFPD) LAFCO Reconsideration Document (reconsideration document). Below are our comments on these specific items.

Section A: Reciprocity

Per your request we reviewed the portions of the reconsideration document regarding reciprocity provisions and have the following comments.

Item 1:

The reconsideration document indicates that:

"a Sausalito firefighter who is eligible for CalPERS retirement could go through annexation and gain eligibility for reciprocity, then retire from CalPERS, and still double-dip with a District salary".

The scenario where someone retains reciprocity, retires from CalPERS, and continues to earn MCERA¹ benefits while drawing an SMFPD salary is not possible. Under reciprocity provisions a Sausalito firefighter who moves to SMFPD as part of the annexation will be eligible for reciprocity in that his MCERA employee contribution rate will be based on his entry date into CalPERS. However he is then subject to the requirement that he must start his MCERA and CalPERS retirement benefits on the same date. Thus he would not be able to receive his CalPERS pension, reciprocity, and a SMFPD salary at the same time. If the firefighter elects to begin his CalPERS pension while employed at the District, he loses reciprocity which means that he will pay a much higher MCERA member contribution rate and, upon retirement from SMFPD, will not be eligible for immediate payment of MCERA service retirement benefits until he has 10 years of MCERA service².

Southern Marin Fire Protection District participates in the Marin County Employees' Retirement Association (MCERA). Sausalito firefighters will earn benefits under MCERA for service with the District after the annexation date.

In some cases less that 10 years of MCERA service may be required - for instance in cases of industrial or ordinary disability or for members aged 70 or over. Also, MCERA benefits vest after 5 years of service. However, in the case of vesting the retirement benefit is not be payable before the date that, if the terminating employee had continued working for the District, he would have met the MCERA service retirement requirements, including the 10-year service requirement.

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Item 2:

The reconsideration document indicates that:

"If a Sausalito firefighter gets annexed to the District and then retires from CalPERS, but still works for MCERA for 1 year and then retires from MCERA, that firefighter is now entitled to an MCERA pension for the rest of his/her life (in addition to the CalPERS pension he/she already receives)."

See item 1 above, we do not believe that this scenario is possible because the Sausalito firefighter must either retire on the same date from both systems or waive reciprocity and work additional years at SMFPD until eligible to retire under MCERA.

Note: These are solely our interpretations of the relevant materials available from CalPERS and MCERA. We are not attorneys and not qualified to give legal opinions and we suggest that these opinions be reviewed by legal council. We also suggest that this be reviewed by MCERA staff.

Section B: Unfunded Actuarial Liability Impact

Per your request we reviewed the portions of Items 1 and 3 of the reconsideration document regarding CalPERS Unfunded Actuarial Liabilities and have the following comments.

Item 1: The reconsideration document says six firefighters would be eligible for retirement at an annual cost of \$400-500 thousand. Assuming the last day before annexation would be June 30, 2012 only three firefighters aged 50, 51, and 57 would be eligible for CalPERS immediate retirement. We believe the impact would be considerably less than the \$400-500 thousand per year given in the reconsideration document. However it would be necessary for us to prepare an actuarial study to quantify this difference and we have not prepared such a study. Please let us know if you would like us to proceed with this study.

Item 3: The reconsideration document says the City will pay for both CalPERS and MCERA asset losses. Whether this is or is not correct depends on the final basis for the negotiated settlement between the City and the District. We do not have the detail of the final settlement and would need that information in order to provide comments on this item.

If you have any questions or comments concerning this letter please let us know.

We have relied on demographic information supplied by the City. The undersigned is a member of the American Academy of Actuaries and meets Academy Qualification Standards to render the actuarial opinions in Section B. (Opinions in Section A are not actuarial in nature.)

Sincerely,

Marilyn M. Oliver, FSA, MAAA

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Vice President

C: John E Bartel

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