



Montecito Union School District

– A California Distinguished School –

Tammy Murphy, Superintendent

August 11, 2011

The Honorable Arthur A. Garcia
Assistant Presiding Judge
Santa Barbara Superior Court
312 East Cook Street
P.O. Box 5369
Santa Maria, CA 93456-5369

cc: Joni Gray, Chair, Santa Barbara County Board of Supervisors
cc: Kathryn, D. McKee, Foreperson, 2010-2011 Santa Barbara County Civil Grand Jury

Re: Response to Grand Jury Findings and Recommendations: “Local Government Post Employment Benefits in Santa Barbara County – Complicated and Costly.”

Dear Honorable Judge Garcia,

Following are Montecito Union School District’s responses to findings 1a, 1b, 1c, 1d 1e and recommendation 1, findings 2a, 2b and recommendations 2a and 2b of the Grand Jury’s report regarding local government post employment benefits.

Please contact me at 805-969-3249 x 401 if further information is needed.

Thank you very much for the opportunity to respond to the selected findings and recommendations.

Sincerely,

Tammy Murphy
Superintendent

Montecito Union School District

Response to Grand Jury Findings and Recommendations:

“Local Government Post Employment Benefits in Santa Barbara County – Complicated and Costly”

Finding 1a

Most public agencies in Santa Barbara County are participants in large defined benefit pension plan pools, which provide diversification, cost efficiency, spreading of risk, centralized management and centralized investment strategy.

Response: Agree

Finding 1b:

Public agencies in Santa Barbara County participating in defined benefit pension pools know their current year required contribution and an estimate of the following year’s contribution.

Response: Agree

Finding 1c

Fitch Ratings is a global rating agency that has announced new disclosure requirements because current disclosure requirements make it impossible for Fitch to accurately allocate a cost-sharing multiple-employer system’s unfunded pension liability to the numerous participating employers that use pools to provide pensions to their employees. Moody’s Investor Service has begun to recalculate the states’ debt burdens in a way that includes unfunded pensions. The Governmental Accounting Standards Board has stated that each government agency participating in a cost-sharing pension plan should report a net liability based on its proportion of the unfunded obligation of all the participating governments.

Response: Agree

Finding 1d

Unfunded long-term liability can have an important impact on future funding requirements that the ratepayer, taxpayer and each individual agency need to know.

Response: Agree

Finding 1e

Public agencies in Santa Barbara County participating in defined benefit pension pools do not know their individual long-term unfunded liability.

Response: Agree

Recommendation 1

That no later than January 1, 2012, all local government agencies that belong to multiple-employer pension pools obtain, and for each year thereafter make publicly available estimates of their individual unfunded actuarial liability from an actuary or the plan sponsor.

Response

- a. It is not possible to implement the recommendation because this action is not within the scope of our District's capabilities. This information is not available to us.
- b. The Montecito Union School District is part of the schools statewide CalPERS and CalSTRS pools, and employer contributions are set at the same rate for all school district members of that pool.
- c. The unfunded liability of the state schools pools impacts the employer contribution rate, and this unfunded liability is made available to the general public annually in the CalPERS *Comprehensive Annual Financial Report* and the CalSTRS *Comprehensive Annual Financial Report*.

Finding 2a

As of June 2010, public agencies in Santa Barbara County had a total unfunded actuarial liability for post employment healthcare of approximately, \$316,000,000.

Response: Agree based on the data contained in the Grand Jury report.

Finding 2b

Some agencies pay all or a portion of the healthcare premium costs for employees.

Response: Agree

Recommendation 2a

That, not later than January 1, 2012, in the best interest of ratepayers and taxpayers, each government agency that contributes some or part of healthcare premium for employees, adopt an implementation plan to reduce those contributions.

This action has been implemented. Montecito Union School District capped post retirement health care benefits for employees. The district allows retirees to participate in the District's group healthcare plans to age 65 (retirement must occur between the ages of 55 and 64). The District contributes a percentage, up to 50%; of the premium based on the number of years the employee has served the District. The District's contribution remains fixed as of the date of retirement and the retiree covers all future increases.

Recommendation 2b

That, no later than January 1, 2012 in the best interest of ratepayers and taxpayers, each government agency that provides healthcare premiums for employees, implement prefunding their currently unfunded healthcare liability.

Montecito Union School District's unfunded liability is \$296,571. The District has implemented a plan to start funding this liability. At its June 2011 meeting, the Board of Trustees approved to establish Fund 20 to designate funds for the funding of the post retirement benefits; however, the District still maintains flexibility to borrow from these funds if necessary.