Published December 4th, 2013

Soaring Pension Debt Confirmed

By Nick Marnell

For the second consecutive district meeting, a guest speaker told the Moraga-Orinda Fire District board news that it did not want to hear.

The latest retirement charge foisted on MOFD by its pension plan manager stunned the district with a nearly $2 million expense increase next fiscal year; the district will pay 80 cents for each dollar of non-overtime payroll into its retirement fund, up from 53 cents this year. To verify this inconvenient truth, the district hired Bartel Associates, LLC of San Mateo to do a review of the actuarial valuation of its pension plan. Company president John Bartel delivered his analysis to the MOFD board on Nov. 20, but his lengthy presentation was short on good news.

Bartel explained that the MOFD pension plan is heavily weighted toward retired members; 80 percent of the district's pension obligation is committed to retirees and 20 percent is earmarked for active employees. "That is one of the highest ratios we've ever seen when it comes to pension benefits," he said. Because the number of active district employees is going down, while the number of retirees - and the benefits due them - continues to rise, the percentage of payroll required to fund the retirement account necessarily rises.

The largest driver of the district's required contribution increase is the lowered discount rate applied to pension liabilities by the Contra Costa County Employees' Retirement Association, the district's pension plan manager; the rate dropped from 7.75 percent to 7.25 percent in 2013. As of Dec. 31, the district had accrued a pension liability of $165 million, offset by only $120 million in assets, resulting in an unfunded liability of $45 million.

One possibility for reducing the district's contribution rate is for the district to ask CCCERA to take into account the actual changes in the MOFD employment figures, which are lower than those projected by Segal Company, the county's actuary. But Bartel said that any change in the district employment numbers would not make much of a dent on the overall county totals, on which CCCERA bases its assumptions. CCCERA probably would not respond to the district's request anyway "because they do not consider you as their client," he told the board.

Bartel concluded by stating that the increased retirement plan contribution demanded for fiscal year 2014-15 seemed consistent with the district's demographics and the assumptions made by CCCERA.

The reality is that, if MOFD remains a participant in the CCCERA system, the district has no recourse and is stuck with the increased retirement charges. As a partial offset the district has eliminated a battalion chief's position and has implemented firefighter staffing cuts to save more than $800,000 so far this fiscal year.

The board need not be concerned about more bad news arising at its next scheduled meeting; the district canceled the Dec. 4 public session.

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