



Town of Windsor
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August 17, 2006

The Honorable Melinda A. Cabral, Foreperson
Sonoma County Grand Jury 2005-2006
County of Sonoma, Hall of Justice
600 Administration Drive
Santa Rosa, California 95403

Subject: Town of Windsor Response to Recommendations of Sonoma
County Grand Jury Final Report Dated June 27, 2006

Dear Foreperson Cabral:

This letter is in response to the recommendations contained in the 2005-06 Sonoma County Grand Jury Final Report: The Windsor Town Manager was asked to respond to the following report and recommendations: The Impact of Yesterday's Promises – R1, R2, R3, R4 and R5.

R1. The grand jury recommends that Supervisors, Council members and financial officers should verify that health or other lifetime benefit promises are secured properly and in compliance with reserve funding standards.

Response to R1. The Town of Windsor provides pension benefits for Town employees who are eligible to be members of the California Public Employees Retirement System (CalPERS). The Town's retirement plan is a component of the CalPERS Miscellaneous 2% at 55 Risk Pool and has been certified under California law to be administered in conformance with generally accepted accounting principles and actuarial standards as prescribed by the CalPERS Board of Administration. Accordingly, plan valuations and funding methods are certified to be in compliance with appropriate standards. The Town does not provide or pay for any other post-employment benefits. Because the recommendation has been implemented, no action is warranted at this time.

R2. The grand jury recommends that the Board of Supervisors and/or City Councils enlist actuarial expertise to audit this asset/obligation disclosure.

Response to R2. The Town of Windsor relies on the CalPERS Board of Administration for actuarial expertise and auditing services as required under California law. Further, the Town hires an independent auditor that reviews the GASB 27 pension disclosure prepared by CalPERS. The GASB 27 disclosure is an integral part of the Town's basic financial statements. Because the recommendation has been implemented, no action is warranted at this time.

R3. The grand jury recommends that the advice of an expert should be solicited to consider the fairest most equitable way to offer health care benefits to public employees. This should be disclosed.

Response to R3. Currently, the Town of Windsor provides health insurance benefits to eligible active employees in accordance with negotiated agreements with Town employee bargaining units. In turn, the Town provides eligible employees with health insurance benefits through annual contracts with Blue Cross, Kaiser Permanente, Delta Dental Plan and Vision Service Plan. Health insurance professionals have negotiated these contracts on the Town's behalf to provide the most economical value to both the Town and its employees. In recent years, Town medical insurance plans have included employee-paid deductible contributions to help control health insurance costs for both the Town and its employees. Because the recommendation has been implemented, no action is warranted at this time.

R4. The grand jury recommends to build a secure structure for maintenance of employee benefits should not be deferred.

Response to R4. Through CalPERS, the Town of Windsor has a secure structure to maintain its employee retirement plan. CalPERS is required by law to value and fund the Town's employee retirement plan in accordance with generally accepted accounting principles and actuarial standards. Because the recommendation has been implemented, no action is warranted at this time.

R5. The grand jury recommends full disclosure of each entities total benefit obligations along with information describing provisions to secure them. We are requesting this information between the end of each entities current fiscal year and December 31, 2006.

Response to R5. As requested, the Town of Windsor is pleased to provide the following information to the Sonoma County Grand Jury:

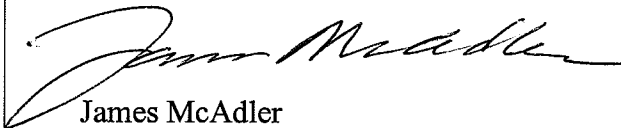
- Number of employees eligible for pension premiums: According to the certified CalPERS actuarial valuation as of June 30, 2004 for the fiscal year ending June 30, 2007, 86 active Town of Windsor employees are enrolled in CalPERS.
- Number of retired employees receiving pension benefits: According to records maintained by the Town of Windsor Human Resources Division, ten (10) Town of Windsor employees have retired and are currently receiving CalPERS retiree benefits as prescribed by the Town's employee retirement plan.

- Financial obligation: According to the CalPERS actuarial valuation as of June 30, 2004 for the fiscal year ending June 30, 2007, employer contributions of \$621,833, or 11.822 percent of projected payroll, and employer paid member contributions of \$368,184, or 7 percent of projected payroll, are required to fund the CalPERS retirement Plan for the fiscal year ended June 30, 2007. Contributions to CalPERS are budgeted and routinely paid every other week concurrent with payroll. Further, the actuarial valuation reports an unfunded liability of \$285,151,012 as of June 30, 2004 according to GASB 27 disclosure rules.
- What reserves are in place to insure these pension obligations: According to the certified CalPERS actuarial valuation as of June 30, 2004 for the fiscal year ending June 30, 2007, actuarial assets are reported to be \$2,372,879,034 as of June 30, 2004 in conformity with GASB 27 disclosure rules.
- Obligation for health care coverage: The Town of Windsor provides health insurance benefits to eligible active employees in accordance with negotiated agreements with Town employee bargaining units. By agreement, health insurance costs are allocated to both the Town and the employees. Town contributions are appropriated through the adopted Town budget and employee contributions are deducted from payroll.
- Reserve amount in place: The Town of Windsor's employee health insurance benefits are provided on a pay-as-you-go basis. Premiums are paid monthly to service providers and no reserve amounts are in place.
- Amount required by federal authorities to secure those health care benefits: The federal government is not obliged to secure any health care benefits provided by the Town of Windsor.

Because the recommendation has been implemented, no action is warranted at this time.

Please contact me at 707-838-5354 if you have any questions regarding the Town's responses.

Respectfully submitted,



James McAdler
Administrative Services Director

cc: Windsor Town Council