



**COALITION
for PENSION
REFORM**

*CPR UPDATE, II
December 21, 2007*

Retirement Reform:
Labor Coalition Introduces
Retirement Reform
Package

Since our last update in early December, the Coalition for Pension Reform (CPR) has spent countless hours meeting with City representatives to develop an employee-friendly Charter Amendment that recognizes two equally compelling and challenging goals: finding an equitable way to control escalating retiree health care costs, and implementing a long-overdue pension improvement for miscellaneous employees.

Despite these efforts, when the initial deadline to submit ballot measures to the Board of Supervisors for the June '08 ballot came, CPR and the Mayor's office submitted two separate ballot measures that deal with both issues in very different ways. Although the failure of the parties to submit one ballot proposal reflects serious differences and rising tensions, the formal process allows until February 22, 2008 for the parties to discuss, amend, or combine any proposals which have already been submitted.

Every major city union has joined CPR because of the obvious need to control retiree health care costs before risking all of our promised health benefits. Our challenge is illustrating to the City that there are two interrelated problems -- not one: retiree health *and* inadequate pension benefits. It's CPR's position that any viable solution must recognize that both crucial elements of retirement – pension and health care – have to be addressed in tandem. Approaching each in a vacuum will ultimately result in bad public policy that undermines the City's recruitment and retention efforts for years to come. The City's retiree health liability wasn't created overnight and it's naive to think it can be solved in one day.

In numerous formal and informal discussions over the last few months, CPR has insisted on an agreement that acknowledges three basic principles:

1. There will be no cut back in active or retiree healthcare benefits – providing sustainable health care to career employees – active and retired – is an obligation.
2. CCSF competes with other public agencies for the same limited workforce – recruiting and retaining career employees is both economically and organizationally beneficial.
3. City unions will oppose irresponsible, one-sided short-term "fixes" – good public policy often requires complex long-term solutions for complex long-term problems.

Mayor Proposes Retirement Boost for New Employees Only

As last minute talks with the City broke down, CPR worked with Board of Supervisor's President Aaron Peskin to introduce an alternative ballot measure as a placeholder, that makes moderate improvements in city employee retirement benefits to offset temperate reductions in new employee health benefits after retirement. The ballot measure introduced by Supervisor Elsbernd and the Mayor featured more drastic cuts to future retiree health insurance benefits, new employee contributions to help fund reduced benefits, and a pension improvement that only applies to future hires. The City's package relies on a *two tier system that punishes current employees by doing nothing to address the historical pension inequity among miscellaneous employees.*

Months ago, CPR unions anticipated these discussions could become very acrimonious. A strategy was designed to better respond to these foreseeable breakdowns and hostility toward current employees:

- A coalition (CPR) was formed so members of every union would have more power in dealing with retiree health and pension equity issues as a united group.

- The unions in CPR committed to pooling finances (\$400,000) *up front* to oppose or support any ballot measure that went forward in June '08.
- Actuaries and lawyers were hired to increase CPR's knowledge on retirement options and protect legal rights.
- A commitment was made to take whatever action is necessary to reach an equitable agreement. This included united political action to oppose any proposition that was unfair to active members or new city employees.

More Talks to Come

With the clock running, talks between CPR and the City will continue through the holidays. CPR is committed to finding common ground, but because the key to any acceptable solution is two-fold – to reduce retiree health care costs *and* address the ongoing pension inequity – the city must accept that it will not save money overnight. By putting together a package that addresses retiree health care, recruitment and retention, pension equity, and the potential threat posed by the unfunded liability under GASB, CPR has taken a position that is reasonable and achievable.

Comparison of June 2008 Proposed Charter Amendments

Retiree Health Care (for employees hired after 6/30/08)	Current	City Proposal	CPR Proposal
1. Qualifications for Retiree Medical – New Hires as of date TBD			
a) <i>Time Allowed After Separation To Retire</i>	None	<= 120 days	<= 2 yrs
b) <i>Age at which City subsidy applies</i>	>= Age 50	>= Age 55	>= Age 50
c) <i>Years of Service</i>	>= 5 yrs	>= 10 yrs	>= 5 yrs
d) <i>Limitation on Reciprocity Retirement from SF</i>	None	No reciprocity	Reciprocity after 5 yrs
e) <i>Employee Contribution towards retiree health</i>	None	Up to 3%	None
2. Percent of Full City Contribution for Qualified Retirees based on Service:			
a) >= 5 yrs; < 10 yrs	100% of employer contribution	0%; access to benefit	50% of employer contribution
b) >= 10 yrs; < 15 yrs	100%	50%	75%
c) >= 15 yrs; < 20 yrs	100%	75%	100%
d) >= 20 yrs	100%	100%	100%
e) >= 5 yrs, does not satisfy 1.a CCSF OR CPR	100%	0%; access to benefit	0%; access to benefit

Pension	Current	City Proposal (for hires after 1/9/09)	CPR Proposal (for current & future employees)
Age/Top Rate x yrs of service	60/2%	61/2.1%; 62/2.2%; 63/2.3%; 64/2.4%; 65/2.5%	60/2.1%; 61/2.2%; 62/2.3%; 63/2.4%; 64/2.5%; 65/2.6%
Yrs of Service for Improved Benefit	N/A	20 yrs	>=20 @ age 50; >=10 @ age 60
Maximum % of Salary	75%	80%	80%
Basic COLA	Max 2% simple int.	Max 2% simple int.	Max 2% compounded
Supplemental COLA	Add'l 1% compounded	Add'l 1% compounded	Add'l 1.5% compounded
COLA Rounding:	NEAREST 1%	NEAREST 1%	NEAREST 0.5%
COLA Bank	CPI > 2% applied to yrs of COLA	CPI > 2% applied to yrs of < 2% COLA	CPI > 2% applied to yrs of < 2% COLA
Employee Contribution	7.5%	7%	7.5%

The Coalition for Pension Reform (CPR) includes:

IAFF Local 798, IBEW Local 6, IFPTE Local 21, Machinists Local 1414, MEA, Plumbers Local 38, POA, SEIU 1021, SFBTC, TWU Local 200, and TWU Local 250-A.

