

Ballot Simplification Committee - DRAFT for Consideration on Monday, August 8, 2011

City Retirement Benefits and Health Care Benefits *(working title only, subject to change)*

THE WAY IT IS NOW:

The City provides its employees with retirement benefits through the San Francisco Employees' Retirement System (SFERS) and health benefits through the Health Service System (HSS). The Unified School District, Community College District and Superior Court also participate in SFERS and HSS, but not all of their employees receive benefits through these City systems. Some City employees receive retirement benefits through a contract between the City and the California Public Employees' Retirement System (CalPERS).

Retirement Benefits: SFERS pays defined benefits to eligible retired employees. Employee contributions, employer contributions, and investment earnings fund SFERS' payments. Most employees pay 7.5% of compensation to SFERS. Investment earnings and City contributions fund the balance.

Employees become eligible for "service retirement" benefits based on age and years of service:

- Police officers and firefighters ("safety employees") can retire at age 50 with 5 service years, with maximum benefits at age 55.
- Other employees and elected officials ("miscellaneous employees") can retire at age 50 with 20 service years or at 60 with 10 years, with maximum benefits at age 62.

These benefits are determined by final compensation, retirement age, and service length. Final compensation is a one or two year average.

Some employees who leave City employment before becoming eligible for service retirement can receive a "vesting allowance" when they reach age 50. Employees and the City both contribute to the costs of this benefit.

SFERS retirees may receive cost-of-living adjustments up to 3.5% annually depending on inflation and SFERS investment earnings.

Health Benefits: Retired City employees can obtain health care coverage from HSS. Retirees and the City contribute to this coverage. Employees hired after January 9, 2009 contribute 2% of their compensation into the Retiree Health Care Trust Fund, and the City contributes 1%.

The Health Service Board (HSB) oversees the HSS. The HSB has three appointed members and four elected members. It approves health care plans by a two-thirds vote. One plan permits HSS members to choose any licensed medical provider.

THE PROPOSAL:

Retirement Benefits: Proposition __ would change the way the City and current and future employees share in funding SFERS retirement benefits. The base employee contribution rate would remain the same—7.5% for most employees—when the City contribution rate is between 11% and 12% of City payroll. But employee contributions

would increase or decrease each year as the City's contribution rate goes up or down, as shown in the following table.

Adjustments to employee contribution as a percentage of employee salary

	City contribution at or under 11% of payroll	City contribution over 12% of payroll
All employees earning less than \$50,000	no change	no change
Miscellaneous employees and new safety employees earning \$50,000-\$100,000	decrease up to 4%	increase up to 4%
Miscellaneous employees and new safety employees earning over \$100,000	decrease up to 5%	increase up to 5%
Most current safety employees	decrease up to 6%	increase up to 6%

Proposition __ would require the City and unions for CalPERS members to negotiate terms of employment for employees to share costs or receive benefits comparable in value to adjustments required for SFERS employee contributions, as summarized in the table above.

Proposition __ would also create new retirement plans for employees hired on or after January 7, 2012, that would:

- raise the minimum retirement age for miscellaneous employees to 53;
- raise the age for maximum benefits to 58 for safety employees and 65 for miscellaneous employees;
- limit covered compensation for some employees and calculate final compensation from a three-year average, and
- limit the City's contribution to vesting allowances.

Proposition __ would also limit cost-of-living adjustments for SFERS retirees.

Health Benefits: Proposition __ would require that employees hired on or before January 9, 2009, contribute up to 1% of compensation to the Retiree Health Care Trust Fund, with a matching contribution by the City.

For former employees who left before June 30, 2001, and retire after January 6, 2012, Proposition __ would also decrease employer contributions for retiree health care, and increase retiree contributions.

Proposition __ would change the HSS and HSB, including the following:

- replace one elected member of the HSB with a member nominated by the City Controller and approved by the HSB;
- change HSB's voting requirement for approving member plans from two-thirds to a majority; and
- permit HSB to limit the network of medical providers.

Other Measure: Proposition __ states that if the voters adopt Proposition ____ and Proposition ____, only the measure with the most votes will become law.

A "YES" VOTE MEANS: If you vote "yes," you want to: adjust employee contribution rates based on the City's costs; reduce retirement benefits for future City employees;

limit cost-of-living adjustments to retirement benefits; decrease City contributions to retiree health care costs for certain former employees; require all employees to contribute to the Retiree Health Care Trust Fund; change the composition and voting requirements of the Health Service Board; and make other changes to the Retirement System and Health Service System.

A “NO” VOTE MEANS: If you vote “no,” you do not want to make these changes.

word count: 833 [suggested word limit: 300]