

Ballot Simplification Committee

APPROVED Digest – 3:10 p.m. on Monday, August 8, 2011 – Packard, Fraps, Fasick, Jorgensen

Retirement Benefits for City Employees (working title only, subject to change)

Any Requests for Reconsideration due Tuesday, August 9, at 3:15 p.m.

THE WAY IT IS NOW:

The City provides its employees and elected officials with retirement benefits through the San Francisco Employees' Retirement System (SFERS). The Unified School District, Community College District and Superior Court also participate in SFERS, 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).

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. Police officers and firefighters pay more. Investment earnings and City contributions fund the balance. The City has sometimes paid the employee contribution.

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 with 30 years of service.
- 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 with 32.6 years of service.

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

Some employees who leave City employment before becoming eligible for service retirement can receive a "vesting allowance" when they reach age 50. The City matches employee contributions 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.

THE PROPOSAL:

Proposition D is a Charter amendment that would change the way the City and current and future employees share in funding SFERS pension benefits. City employees who receive retirement benefits from CalPERS would not be affected by any changes in this

proposal. All employees would pay a minimum contribution. The minimum contribution rate, as a percentage of compensation, would be:

- 6.0% for most future employees,
- 7.5% for most current employees,
- 8.0% for future police and firefighters, and
- 10% for current police and firefighters.

Employees making \$50,000 or more would pay an additional amount when the City contribution rate is at least 10% of City payroll. The rate for the additional amount would range from 1.0-8.5% of employee compensation, depending on the City contribution rate and the employee's compensation level.

Proposition D would change SFERS service pension benefits for all employees hired after December 31, 2011 by:

- For all employees, limiting covered compensation to base salary, and calculating final compensation from a five-year average.
- For safety employees, increasing the years of service requirement to 10 years at age 50. Those employees who retire at age 50 would receive 2% of compensation for each year of service, increasing to a maximum of 2.7% at age 57.
- For miscellaneous employees, increasing the minimum retirement age to 55 with 20 years of service or 65 with 10 years. Those employees who retire at age 55 would receive 1.3% of compensation for each year of service, increasing to a maximum of 2.3% at age 65.
- Limiting the maximum annual pension to the lesser of 75% of final compensation or \$140,000, adjusted for inflation.

Some employees who leave City employment before becoming eligible for service retirement can receive a "vesting retirement."

Proposition D would provide that for those safety employees in SFERS plans created in 2010 who receive a vesting retirement, the years of service requirement would be increased from five to ten years. The percentage per year of credited service would be the same as for the new service pension plan.

For those miscellaneous employees in SFERS plans created in 2010, the minimum age to receive a vesting retirement would rise to age 55 and, when applicable, the percent per year of credited service would be the same as for the new service pension plan.

Proposition ___ would also:

- limit cost-of-living adjustments for SFERS retirees;
- prohibit the City from paying any employee's contribution;
- permit current employees to participate in the lower contribution/ lower benefit plans that apply to new employees,
- permit all employees participating in such plans to pay lower contribution rates under certain circumstances; and

- for current and future employees, permit the City and unions to negotiate a supplemental retirement plan with defined City and employee contributions.

A “YES” VOTE MEANS: If you vote "yes," you want to:

- increase retirement contribution rates for most current City employees based on City costs;
- reduce retirement contribution rates and retirement benefits for future City employees;
- limit cost-of-living adjustments to retirement benefits;
- prohibit the City from paying any employee's contribution; and
- make other changes to the Retirement System.

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

word count: 783 [suggested word limit: 300]