

**Wong, Linda (BOS)**

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**From:** Lee, Christina (CON)  
**Sent:** Wednesday, June 19, 2013 4:21 PM  
**To:** Yee, Norman (BOS); Cohen, Malia; Breed, London; Farrell, Mark  
**Cc:** Wong, Linda (BOS); Prescott, Emily; Huish, Jay; Rapoport, Erik; Howard, Kate; Rosenfield, Ben; Montejano, Jess; Stevenson, Peg  
**Subject:** Controller's cost statement for Charter Amendment - Retiree Health Care Trust Fund  
**Attachments:** Controller Letter OPEB- Retiree Health Care Trust Fund Rules Committee 061913.doc

Supervisors,

Please find attached the Controller's cost statement for the Charter Amendment - Retiree Health Care Trust Fund measure that will be discussed in the Rules Committee tomorrow. This is the cost statement at this time and will be revised as we move forward in the process. We welcome your feedback.

Thank you,

Christina M. Lee  
Office of the Controller  
City & County of San Francisco  
415.554.5224  
[christina.m.lee@sfgov.org](mailto:christina.m.lee@sfgov.org)

I am out of the office on Fridays.



**CITY AND COUNTY OF SAN FRANCISCO**  
**OFFICE OF THE CONTROLLER**

**Ben Rosenfield**  
**Controller**

**Monique Zmuda**  
**Deputy Controller**

June 19, 2013

Ms. Angela Calvillo  
Clerk of the Board of Supervisors  
1 Dr. Carlton B. Goodlett Place Room 244  
San Francisco, CA 94102-4689

RE: File 130481- Charter amendment - City Retiree Health Care Trust Fund

Dear Ms. Calvillo,

Should the proposed Charter amendment be approved by the voters, in my opinion, the City's ability to withdraw from the Retiree Health Care Trust Fund (the "Trust Fund") to offset short term budgetary costs would be limited. As a result, the Trust Fund will more rapidly accumulate a balance that, when combined with investment income and required City and employee contributions, will provide significant operating budget savings to the City in the longer term.

The City currently pays for the health care benefits of retired employees on a "pay-as-you-go" basis essentially paying for the cost of these benefits as they come due each year. These expenses currently total approximately \$150 million annually, or approximately 6 percent of payroll expenditures, but are expected to grow over time to approximately 10 percent of payroll expenses, or approximately \$250 million in current dollars.

As a sound financial management practice, employers can instead set-aside funds as retiree health benefits are earned during an employee's active career and use investment income to reduce the future budgetary cost of the provided benefits.

The most recent actuarial analysis estimates that the cost of future retiree health care costs earned by current and future retirees as of July 1, 2010 is \$4.4 billion, of which only \$3.2 million has been set-aside. As a result of previous voter-adopted Charter provisions, the City has established a Retiree Health Care Trust Fund into which both the City and employees are required to contribute funds as retiree health care benefits are earned. Currently, these Trust deposits are only required on behalf of employees hired after 2009, and are therefore limited, but will grow as the workforce retires and this requirement is extended to all employees in 2016. While no withdrawals are currently permitted from the Trust Fund until 2020, ensuring that the balance will grow until that time, no such prohibitions are in place following that date.

The proposed Charter measure prohibits withdrawals from the Trust Fund following 2020 until sufficient funds are set-aside to equal future retiree health care costs, as determined by an actuarial study. Limited withdrawals prior to accumulating sufficient funds are permitted if City retiree health care costs rise above 10 percent of payroll expenses, with these withdrawals limited to no more than 10 percent of the Trust Fund balance. The City's external actuary has estimated that given these provisions, the Trust Fund will be fully-funded in approximately 30 years, at which time City costs will decline to approximately 2 percent of payroll expenses, or approximately \$50 million in current

dollars. These projections are dependent on assumptions of future medical inflation, investment returns, and other future trends, which will likely differ from those assumed. Higher rates of medical inflation or lower rates of investment returns will delay the shift to a fully-funded plan. The proposed Charter measure allows for revisions to these funding limitations and requirements on the recommendation of the Controller and an external actuary, and if approved by the Retiree Health Care Trust Fund Board, 2/3rds of the Board of Supervisors, and the Mayor.

The proposed Charter measure also (1) further clarifies the required segregation of moneys within the Trust Fund for other participating employers, (2) limits withdrawals from these sub-trusts by other participating government employers until their governing board has adopted a funding strategy by a 2/3rds vote, and (2) allows the Treasurer, Controller, and General Manager of the Retirement System to serve on the Trust Fund Board, rather than appoint members to the Board.

Sincerely,

Ben Rosenfield  
Controller

Note: This analysis reflects our understanding of the proposal as of the date shown. At times further information is provided to us which may result in revisions being made to this analysis before the final Controller's statement appears in the Voter Information Pamphlet.

**From:** Board of Supervisors  
**To:** BOS-Supervisors  
**Subject:** For distribution to entire BOS  
**Attachments:** FarrellHealthCharter.docx

**From:** Denise LaPointe [<mailto:denise@lapointeassociates.com>]  
**Sent:** Thursday, May 30, 2013 2:28 PM  
**To:** Board of Supervisors  
**Subject:** For distribution to entire BOS

To Whom it May Concern:

On behalf of Larry Barsetti, please distribute his letter to Supervisor Farrell to the entire Board of Supervisors.

Thank you for your time and attention.

Sincerely,

Denise LaPointe

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San Francisco, California 94114

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PO Box 320057  
San Francisco, CA 94132

*Dedicated to Protecting,  
Preserving and Enhancing the  
Benefits of San Francisco  
Retired Employees.*

May 23, 2013

The Honorable Mark Farrell  
Member, Board of Supervisors, District 2  
City and County of San Francisco  
1 Carlton B. Goodlett Place  
San Francisco, CA 94102

Dear Supervisor Farrell,

Thank you once again for taking the time to meet with, and informing, us of the details of your proposed ballot measure on unfunded Health Service System liabilities. Our May 17, 2013 meeting was extremely gratifying to us as you made it abundantly clear from the start that you were concerned for the best interests of retirees as well as recognizing that retiree support was critical to passage of your charter change draft proposal.

Vice-Chair Sharon Johnson, Committee Member Herb Weiner and I couldn't help but feel excited about your remedy to the political problem created by the GASB reporting standards regarding city provided retiree health care. We also thank you for making yourself available to us over the weekend to clarify and fully explain your draft proposal. You made it much easier for our committee to finally endorse your proposal.

During the meeting, and in telephone communications with committee members after, you made it clear that you would keep our committee in the loop and advise us of any changes proposed by other members of the Board of Supervisors. We want to make it clear that we will support the charter change *as it is presently written* and will withdraw support if changes are made that adversely affect retirees.

Again, thank you for listening to our concerns and keeping those concerns in mind while drafting the charter change draft proposal.

Respectfully,

Larry P. Barsetti  
Chair, Protect Our Benefits

C-PAGES  
BOS-11  
FILE # 130481

**From:** Board of Supervisors  
**To:** BOS-Supervisors  
**Subject:** Full Protection of Benefits for Retirees

**From:** MARK [mailto:jamzenski@gmail.com]  
**Sent:** Friday, June 28, 2013 12:34 PM  
**To:** Board of Supervisors  
**Cc:** reccsf@ntt.net  
**Subject:** Full Protection of Benefits for Retirees

Dear Clerk of the Board:

I am emailing you to share my concerns, that the Board of Supervisors for SF continue to honor its prior contractual obligations with City retirees. I do support, along with the POB organization, Supervisor Farrell's proposed charter amendment, only as written as of May 20 2013.

I am a retired City Employee (32.5 years, in a variety of Departments and in a variety of capacities -- Health, SFUSD, MTA, PUC). We retirees served the City and its citizens diligently, for many years. The BOS should neither remove or abrogate earned, promised remuneration, for those whose careers are over, and whose contributions are complete. That would be absolutely unfair. To attack our retiree benefits to compensate for poor political and administrative/management decisions of your prior peers, is unfair and disingenuous.

Please do not penalize those who have left City service, for the malfeasance, poor direction, and reprehensible budget/decision making, that has occurred, in the past, from time to time, at the policy level. (This is not to say that all such decision making was and is always flawed - that isn't what I'm saying). Please do not blame or apply retribution for the mistakes of your past policy level peers, on those who did not have a choice in this process, and who served the City well and diligently. If you must make adjustments, do so, going forward, with better budget decision making, and sound application of common sense.

Also, please consider a tighter reorganization of City functionality -- reducing the number of extraneous Commissions, or combining them more appropriately (do we really need Commissions on Aging, Status of Women, and Children? As a progressive, I understand the focus here, but organizationally think it achievable in a leaner fashion). Couldn't one Human Services Commission provide oversight?

Additionally, you might consider more thorough training and application of best business practices, early on, for all employees, including managers (and all elected officials, too). Yes, there are costs, but the benefits obtained downstream warrant consideration. One area that I found woefully inadequate, throughout my career, was the level of training and organizational integration, afforded employees (at any time, during their careers, and utterly inadequate as new employee orientation).

Perhaps such training could occur, in advance, through City College, for potential future public servants, or through matriculation of current SF employees. Perhaps with a programmatic approach, Ca State reimbursement might be viable for funding.



Governance, which provides for a wide array of services does not have the option of focusing narrowly, in comparison, let's say, to private sector manufacturing. So, adequate training becomes requisite – and shouldn't be an afterthought, as it was throughout my career in Civil Service.

Adequate pedagogy required consistent curriculum, and professional instruction. The City has failed at configuration control – developing a compendium of written procedures, reviewed and updated by diverse City professionals, continually, over time, which would be the core of all City and Departmental activities – and by which one manages, trains employee, and implements and evaluates work – where employees could offer up amended procedures, considered by a overarching review groups (FYI, there was a nascent effort in this regard at Muni, under the aegis of the Safety Dept – though it was mostly ignored and avoided by MTA policy makers and leadership, despite the state PUC mandate; interestingly, had the utility PG&E had adequate configuration control, they might have avoided the San Bruno disaster, as well – I add this thought for emphasis).

Feel free to follow up with me on these notions, if you would like, but don't try to mitigate poor decision making and budgeting problems on the backs of those who already gave their all. Thanks you for your consideration of these words.

Sincerely

Mark Goldstein, retired MTA ('10)

cell; 925-330-6929