

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

Retirement Benefits for City Employees (*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). The Unified School District, Community College District and Superior Court also participate in SFERS, but not all of their employees participate.

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. 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. Safety employees who retire at age 50 receive 2.4% of final compensation for each service year, increasing with age to a maximum of 3.0% at age 55, not to exceed 90% of final compensation.
- Other employees and elected officials ("miscellaneous employees") can retire at age 50 with 20 service years or at 60 with 10 years. Miscellaneous employees who retire at age 50 receive 1% of final compensation for each service year, increasing with age to a maximum of 2.3% at age 62, not to exceed 75% of final compensation.

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.

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

THE PROPOSAL:

Proposition __ would change the way the City and current and future employees share in funding SFERS retirement benefits. All employees would pay a minimum contribution; some would pay an additional amount. The minimum contribution rate, as a percentage of compensation, would be:

- 6.0% for most future employees,
- 7.5% for most current employees,
- 8% for future police and firefighters, and
- 10% for current police and firefighters.

Employees making at least \$50,000 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 __ would reduce service retirement benefits for most 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 a reduced percentage of 2% of compensation for each service year, increasing to a reduced maximum of 2.7% at age 57.
- For miscellaneous employees, increasing the minimum retirement age to 55 with 20 service years or 65 with 10 years. Those employees who retire at age 55 would receive 1.3% of compensation for each service year, increasing to a maximum of 2.3% at age 65.
- Limiting the maximum annual retirement to the lesser of 75% of final compensation or \$140,000, adjusted for inflation.

Proposition __ would provide that for safety employees in SFERS plans created in 2010 who receive a vesting retirement, the percent per year of credited service would be the same as for the new service retirement plan described above. For miscellaneous employees in SFERS plans created in 2010, the minimum age to receive to receive a vesting retirement would rise to 55, and when applicable, the percent per year of credited service would be the same as for the new service retirement plan described above.

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.

word count: 747 [suggested word limit: 300]