



EMPLOYEE RELATIONS & PUBLIC SAFETY COMMITTEE



AUGUST 7, 2012

PUBLIC EMPLOYEE PENSIONS





EMPLOYEE RELATIONS & PUBLIC SAFETY COMMITTEE



WELCOME & INTRODUCTIONS –

Chairman Barnett



AUGUST 7, 2012





EMPLOYEE RELATIONS & PUBLIC SAFETY COMMITTEE



EMPLOYEE PENSIONS SYSTEM OVERVIEW –

Eric Tsao,
Finance Director



AUGUST 7, 2012



PENSION OVERVIEW

- **Social Security**
 - 4.2% Employee/6.2% Employer
 - Employee temporarily reduced by 2%
 - Fire/Police Not participating
 - Medicare - 1.45%
- **Public Employees Pension System (PERS)**
 - Police, Fire, Misc
- **Public Agency Retirement Services (PARS)**
 - Selected Groups
 - Fully paid by employees
 - Engineers/Fiscal & TPSA



PENSION OVERVIEW

- **Deferred Compensation**
 - Primarily through Employee Contributions
 - 457, 401a & RHSP
- **Retiree Health**
 - Non Safety \$112 per month
 - Fire \$294
 - Police \$645



PERS BACKGROUND

- Contract with PERS for Pension & Health
- Actuary performed annually
- Rate Lags by two years
 - FYE June 2008 (2007/08)
 - Sets July 2010 rates (2010/11 FY)
 - State of CA – July 2009
- Assumptions
 - Retirement age, mortality, earnings, payroll growth, inflation, etc..



PERS RETIREMENT FORMULA OPTIONS

• Local Miscellaneous

- 2% @ 60
- **2% @ 55**
- 2.5% @ 55
- 2.7% @ 55
- 3.0% @ 60

- Misc 10/00
- From 2% @ 60

• Local Safety

- 2% @ 55
- 2.5% @ 55
- 2.0% @ 50
- 3.0% @ 55
- **3.0% @ 50**

- Police 7/1/02
- Fire 10/03 & 12/05
- From 2% @ 55



PERS RATES

- **Rate**

- **Employee Members Contribution**

- 9% Safety; 7% Misc
- Current employees paid by City
 - Bargained benefit
 - » New employees pay full share

- **Employers Share**

- Normal Cost
 - Current Cost
- Amortized Cost
 - Unfunded Liability



2012-2013 PERS RATES

	<u>Police</u>	<u>Fire</u>	<u>Misc</u>	<u>Total</u>
Rate	46.03	39.98	12.24	
Normal	22.34	18.34	7.58	
Amortization	23.69	21.64	4.66	
Actuarial Value				
Assets	283,982,909	201,498,456	399,023,962	884,505,327
Liabilities	385,210,666	263,921,128	437,477,717	1,086,609,511
Funded Ratio	73.7%	76.3%	91.2%	81.4%
Unfunded Liability	101,227,757	62,422,672	38,453,755	202,104,184
Annual Cost	12,807,591	7,501,085	8,320,811	28,629,487 *
Normal	6,214,949	3,440,800	5,154,423	14,810,172
Amortization	6,592,642	4,060,285	3,166,388	13,819,315

* Approx. 10.5% of City Operating Budget of \$271.5M

PERS RATE HISTORY

<u>FYE</u>	<u>Misc.</u>	<u>Police</u>	<u>Fire</u>	<u>Earnings</u>
2013	12.24	46.03	39.98	3.90
2012	12.19	44.94	39.22	(31.20)
2011	10.47	37.93	33.92	(21.70)
2010	10.26	38.38	33.77	11.40
2009	10.73	38.54	32.54	4.60
2008	10.67	38.26	33.85	5.00
2007	10.82	38.35	33.62	9.00 *
2006	12.02	42.87	31.72 *	(4.40) *
2005	7.56	39.10	32.93	(14.20)
2004	-	30.95	24.85 *	(15.50)
2003	-	12.42	18.61	2.30
2002	-	16.66	18.31	4.30
2001	-	19.06	21.10	11.30
2000	-	15.82	16.50	11.90
1999	6.97	22.20	25.42	7.10

* Benefit Change/Investment Rate change

FUNDES STATUS HISTORY

<u>FYE</u>	<u>Misc.</u>	<u>Police</u>	<u>Fire</u>
2013	91.2	73.70	76.30
2012	91.0	74.50	77.00
2011	94.8	78.50	80.30
2010	94.9	77.80	80.40
2009	93.7	76.90	81.50
2008	93.4	76.40	78.70
2007	93.1	76.20	78.00
2006	94.7	77.40	81.90
2005	106.1	78.90	83.10
2004	121.2	89.30	93.10
2003	128.0	102.90	97.60
2002	125.8	97.60	93.60
2001	124.4	93.00	88.40
2000	113.5	89.70	86.40

* Benefit Change

Active Members vs Retired Members & Beneficiaries



FYE AM RM&B	Misc. 958 897	Police 215 315	Fire 145 181
2013	1.07	0.68	0.80
2012	1.12	0.73	0.86
2011	1.14	0.76	0.84
2010	1.22	0.77	0.85
2009	1.25	0.81	0.90
2008	1.28	0.85	0.94
2007	1.37	0.85	0.99
2006	1.45	0.93	1.11
2005	1.44	1.04	1.16
2004	1.44	1.01	1.12
2003	1.44	1.11	1.22
2002	1.45	1.12	1.22
2001	1.50	1.19	1.35
2000	1.47	1.12	1.32
RMB chg	276 44%	122 63%	61 51%

History of PERS Earnings

YEAR	FY RETURN	AVERAGE %		
		<u>20 yr</u>	<u>10 yr</u>	<u>5 yr</u>
2012	1.0%	8.4%	7.0%	1.0%
2011	20.9%	9.0%	6.3%	4.7%
2010	11.6%	8.2%	3.5%	2.9%
2009	-23.4%	8.1%	3.4%	3.2%
2008	-4.9%	10.1%	7.0%	11.2%
2007	19.1%	10.5%	9.4%	12.9%
2006	12.3%	10.3%	9.5%	7.9%
2005	12.7%	10.9%	9.8%	4.0%
2004	16.7%	12.0%	10.2%	3.6%
2003	3.9%	11.0%	8.7%	2.8%



PENSION REFORM

- **Mandatory subject of bargaining**
 - Required by state law
 - City cannot unilaterally act on matters related to wages, hours and working conditions
- **Good faith bargaining**
 - City required to meet and confer in good faith with representatives of employee organizations
- **Things City must bargain on**
 - Wages, changes in work hours, holidays
 - Modification to retirement benefits



PENSION REFORM

Proposed Changes	San Diego's Prop. B	San Jose's Measure B	Governor's 12-Point Plan	Torrance's
Limiting pensionable compensation to only base pay and exclude specialty pays from computation of retirement allowance	X (prospective service for existing employees)	X (for future employees)	X (for future employees)	Determined by PERS
Salary freezes for the next five years	X			History of Raises Meet & Confer
Establishment of new defined contribution retirement plan which will be the only plan for all future employees	X (except for sworn police officers)			Determined by PERS
Establishment of a "hybrid" plan incorporating a defined benefit and defined contribution plan and/or Social Security as the only plan for all future employees		X	X	Determined by PERS
Voluntary option for current employees to opt into new retirement plan for prospective service	X	X (see below)		Determined by PERS



PENSION REFORM

Proposed Changes	San Diego's Prop. B	San Jose's Measure B	Governor's 12-Point Plan	Torrance's
Establishment of a new voluntary defined benefit retirement plan for current employees providing lesser benefits for prospective service		X (one-time voluntary enrollment)		Determined by PERS
Make employer and all employee contributions to retirement plan substantially equal for the costs of a normal retirement allowance	X (except for City liabilities for past service)	X (for future employees; incremental increase for existing employees)	X	Determined by PERS
Prohibit employers from "picking-up" employee contributions to retirement plan	X	X (City's cost for new Tier 2 defined benefit plan shall not exceed 50% of total cost)	X	All new employees pay employee share



PENSION REFORM

Proposed Changes	San Diego's Prop. B	San Jose's Measure B	Governor's 12-Point Plan	Torrance's
Loss of retirement allowance for any officer or employee convicted of a felony relating to their employment duties	X		X	Determined by PERS
Online posting of retirement allowance paid to each retiree identified by classification last held	X		(Considered public record already)	Determined by PERS
Limits on maximum amount of defined benefit retirement allowance for future employees	X (for sworn police: 80% of comp at age 55 decreasing by 3% for each year prior to age 55)	X (2% per year of service not to exceed 65% of comp)		Determined by PERS
Increase in minimum retirement age for full defined retirement benefit for future employees		X (age 60 for safety; 65 for general)	X	Meet and Confer Determined by PERS Vesting Rights Issue



PENSION REFORM

Proposed Changes	San Diego's Prop. B	San Jose's Measure B	Governor's 12-Point Plan	Torrance's
Retirement allowance for any defined benefit plan will be based only on average of highest three consecutive years of service for future employees	X (for sworn police)	X	X	Meet and Confer
Require voter approval for any increase in pension and/or retiree healthcare benefits		X		Require Legal Opinion
Redefining eligibility criteria for disability retirement		X		Determined by PERS
Suspension of cost-of-living adjustments for retirees upon declaration of fiscal and service level emergency		X		Determined by PERS
Requiring that new and existing employees contribute a minimum of 50% of the cost for future retiree healthcare		X		Employees provided minimum \$112 a month Meet and Confer
Specific provisions which provide that no retirement plan or retiree healthcare plan shall create a vested right		X		Require Legal Opinion



PENSION REFORM

Proposed Changes	San Diego's Prop. B	San Jose's Measure B	Governor's 12-Point Plan	Torrance's
Further limits on post-retirement employment with public employers			X	Determined by PERS
Prohibit employers from suspending employer and/or employee contributions necessary to fund annual pension costs			X	Currently the City does not have that choice
Prohibit purchase of service credit for time not actually worked			X	Determined by PERS



HISTORY OF PAY RAISES

Employee Group	Date of Last Raise	Expiration of Contract
TFFA, TFCOA, TPOA, TPCA, Safety Management	Jan. 2011	Dec. 31, 2013
AFSCME, Fiscal, Engineers, TLEA, TPPREO, TPSA	Jan. 2009	June 30, 2012
TCEA & TRREO	Feb. 2009	June 30, 2012
Crossing Guards	June 2009	June 30, 2012
Certain Full Time & Certain Part Time	Feb. 2009	N/A (Resolution)
City Manager and City Attorney	Nov. 2008	N/A (Resolution)
City Treasurer and City Clerk	Aug. 2008	N/A (Resolution)
Executives and Managers	July 2008	N/A (Resolution)





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LEGAL IMPLICATIONS OF CHARTER AMENDMENTS IN SAN JOSE & SAN DIEGO

John Fellows,
City Attorney



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PUBLIC COMMENTS





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COMMITTEE QUESTIONS/DISCUSSION



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ADJOURNMENT

AUGUST 7, 2012

