



## Most Frequently Asked Questions: CPR-City Joint Proposition on Pension & Retiree Health

### 1. Is this agreement final?

An understanding between both parties has been reached, but it requires 3 additional steps before being finalized and implemented.

1. Every major union has to agree to an extension of their existing contract.
2. The Board of Supervisors must grant final approval on February 22, 2008 to put the measure on the June 2008 ballot.
3. San Francisco voters must approve the ballot measure.

### 2. What happens if it fails at any one of these steps?

The proposition and the understandings reached will dissolve and the interested parties will need to figure out what action to take next. The problem of rapidly escalating retiree healthcare costs and a growing \$4.3 billion liability will not go away. The City and other interests within the City will surely try another approach. Some CPR leaders are concerned that we could see a petition-qualified ballot proposition that cuts retiree health more drastically and gives City employees nothing in return.

### 3. How will my retiree healthcare be impacted by this?

No changes will be made to any employees' retiree medical benefits. The only changes will be to the vesting period required to obtain benefits, and the pre-tax contribution required. Both of these changes will only apply to new City employees hired after January 9, 2009. Existing employees will retain their current vesting schedule and will continue to not make any contributions toward retiree medical benefits.

### 4. Will I have to begin contributing to help fund retiree health insurance?

No current City employees will have to make any contributions. Only those employees hired after January 9, 2009 will have to contribute 2% (pre-tax), and the City will contribute 1% toward pre-funding as well.

### 5. If new employees pay for retiree healthcare and current employees don't, won't that create a two-tier system, and aren't unions opposed to two-tier?

All City employees (current, and those hired after January 9, 2009) will receive the same amount and quality of retiree medical benefits – there will not be two-tiers in the level of benefits offered. The new proposition can only be considered "two-tier" within the scope of vesting periods and pre-tax contribution rates that apply to new hires. As union leaders, we were reluctant to agree to any two-tier arrangements but see no way around that at the current time. We did not want to take money away from current employees or give up future raises in order to share the cost throughout the City workforce. Anyone considering future employment with the City will know the conditions before they

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accept employment – that would not be the case if we start going backwards by asking current City employees to give up pay.

**6. I don't want to stay with the City until I'm 60, so why does the pension improvement only apply to employees aged 60 to 62?**

While you can justify an improvement for younger employees because CCSF lags in that area, any increase in pension for employees less than 60 years of age would have been enormously expensive both in terms of actual cost and by further adding to retiree health care costs by encouraging people to retire earlier. An improvement that occurs before 60 is economically and politically unrealistic at this point in time. In addition, the average miscellaneous plan retirement age currently is 62.2 so it will positively impact most city employees. Finally, the COLA increases apply to everyone at all age groups. Employees who wish to retire as early as age 50 will see an increase in their pension benefit due to the change in the basic COLA from simple to compounded.

**7. What are the changes to the COLA?**

There are three changes to the COLA. The first converts the payout of the 2% CPI-based COLA from simple to compounded, the second increases the amount available via the supplemental (investment based) COLA from 3% to 3.5% and the third allows the supplemental COLA to be paid at three levels 2.5%, 3% and 3.5% thus increasing the high end in good market years and creating a new opportunity for payout in lesser years.

**8. So, the COLA improvement applies to everyone at all ages – including current retirees?**

Yes. It will increase pensions for everyone who has already retired and all current City employees when they do retire – including new employees yet to be hired.

**9. Isn't the city saving money by reducing retiree healthcare costs for new city employees?**

Yes, but those savings won't be realized for many years – until new city employees come to work and eventually retire. In contrast, the expense to improve the retirement program is equal to 3.55% and begins immediately.

**10. What are we losing by extending our contracts?**

Most City employees have two more raises scheduled between now and the beginning of the moratorium. They range from 5% to 5.5% and will not be impacted by the agreement. CPR leadership believes additional raises (above and beyond what has already been negotiated) during the moratorium period are not likely given the city's deficit and the downturn in the economy. Some unions were even worried about take backs and felt the extension provided protection by mandating that our contract terms and conditions remain intact regardless of how bad the economy gets in the next two years.

**11. What happens to the Wellness Program that was set to expire in 2009?**

The Wellness Program will be extended – a very important consideration for many long term City employees.

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