



CPR and City Reach Agreement: CPR Presents Package that Includes Contract Extensions in Exchange for 20% Pension Improvement

What's fair? What can the City afford? How do we slowdown an already staggering \$4.3 billion City liability for retiree health care and improve a pension that has not seen a formula increase since before 1976?

For over three months, Coalition for Pension Reform (CPR) negotiators, representing over 40 City employee unions, and City negotiators struggled with these and other far reaching questions in an effort to craft an agreement to reform retiree health care coverage and improve city employee pension benefits. During that period the economy worsened, the City's deficit emerged, and the cost of even modest pension increases was revealed to be higher than expected. Yet, both parties persevered and an agreement was reached that is encompassed in a charter amendment which was formally presented to the Board of Supervisors (BOS) on Tuesday, February 5, 2008.

The agreement includes modifications in retiree health for City employees hired after January 9, 2009. There was simply no way to avoid the reality that something had to be done to deal with rapidly escalating retiree healthcare costs that endanger the City's general fund, City jobs, funding for City programs and salaries and the long-term viability of current and future health care for active and retired City employees.

The challenge was to convince the City to moderate the changes and to recognize that there were two problems to solve, not one: Escalating retiree healthcare costs *and* the serious lag in City employee retirement benefits compared to other public jurisdictions.

There will be no changes to the level of retiree health benefits received by any employees. Changes will only be made to vesting requirements and pre-tax contributions for new employees hired after January 9, 2009 –requiring 20 years of service to receive 100% of the of the employer's contribution – with 50% at 10 years and 75% at 15 - and a 2% pre-tax employee contribution. The City would also have to contribute 1% into the trust fund set up for retiree health care costs. Currently, no employee contributions are required for retiree health benefits, and employees vest at 100% with five years of paid service. Future employees will have access to retiree health benefits with 5-10 years of service but will be required to pay 100% of the premium cost. No changes were made to disability requirements.

Pension Improvements: Part of the Package

Finally, after 10 years of trying and watching numerous improvements to San Francisco police and fire pensions, the City has relented and agreed to modest improvements in the schedule beginning at age 60.

- New service credits are 2.1% @ 60, 2.2% @ 61, and 2.3% @ 62
- Each bump up (.1%) equates to a 5% increase in benefit levels
- On top of the 15% enhancement in the schedule, the retiree COLA formula will improve in several different ways that will result in a nearly 20% improvement overall in our retiree benefit levels

The Coalition for Pension Reform (CPR) includes:

IAFF Local 798, IBEW Local 6, IFPTE Local 21, Machinists Local 1414, MEA, Plumbers Local 38, POA, SEIU 1021, SFBTC, TWU Local 200, and TWU Local 250-A

Tim Paulson, San Francisco Labor Council Executive Director and CPR Coordinators and Spokesperson announced the agreement and added, "No one believes the City can continue to provide retiree health with no employee contribution and five short years to qualify, without endangering the City's general fund to the point where we will be losing hundreds of City employee positions, finding it harder and harder to negotiate salary increases and endangering the health benefits for both active and retired employees."

Paulson also noted, "City employees need to hear that the proposed outcome is light years ahead of the outcome we would have seen if the city did not meet stiff resistance from CPR leadership. A 20% bump up in a public sector defined benefit pension plan at this point in time is an impressive outcome, especially compared to where these talks started. I credit the unity and effectiveness of the CPR leadership team for this success."

Five important conditions to remember:

1. Before this agreement becomes final, each union must agree to a contract extension with a moratorium on new raises between July 1, 2009 and December 31, 2010.

Note: If any major union decides not to approve the extension by February 22, 2008 the agreement will be derailed. The money saved on wage increases in the moratorium period will be used to off set the cost of the pension improvements which are equal to 3.55% of payroll.

2. All previously negotiated raises (ranging from 5% to 5.5% depending on the union) for FY 08-09 will go into effect.
3. While contracts covering most City employees expire June 30, 2009, a few are open now or expire later. Those contracts with other expiration dates will remain unchanged.
4. If the extension is approved by all major unions *and* the BOS adopts the proposition on February 26, 2008, the charter amendment *must* be approved by San Francisco voters in June 2008 to become effective.
5. Watch for announcements from your union. CPR representatives are available for departmental meetings to answer questions and provide information.

Note: CPR and all the member unions are dedicated to transparency including all discussions with the City, proposals made, and agreements reached. You may read the draft proposition in its entirety by going to www.ifpte21.org/retire/subpage.shtml

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CCSF-CPR Proposed Joint Charter Amendment – February 4, 2008

RETIREE HEALTH CARE (for employees hired after 1/9/09)	STATUS QUO	JOINT PROPOSAL
1. QUALIFICATIONS FOR EMPLOYEE CONTRIBUTION TO RETIREE MEDICAL – New Hires after 1/9/09	Hired up to 1/9/08	Hired after 1/9/09
<i>a) Time Allowed After Separation and Before Retirement</i>	NO LIMIT	180 DAYS
<i>b) Age at which City subsidy applies</i>	AGE 50	AGE 50
<i>c) Years of Service for City subsidy</i>	5 YRS	10 YRS
<i>d) Limitation on Reciprocity Retirement from SF</i>	NONE	NO RECIPROCITY
<i>e) New Pre-tax Employee Contribution towards retiree health</i>	NONE	Up to 2% of new employee payroll
<i>f) Employer Pre-funding Contribution towards retiree health</i>	NONE	1% of new employee payroll
2. PERCENT OF CITY CONTRIBUTION FOR QUALIFIED RETIREES BASED ON SERVICE:		
<i>a) 5-10 years</i>	100% OF EMPLOYER CONTRIBUTION	ACCESS TO BENEFIT - NO EMPLOYER CONTRIBUTION
<i>b) 10-15 years</i>	100%	50%
<i>c) 15-20 years</i>	100%	75%
<i>d) 20 years or more</i>	100%	100%
<i>e) 5 years or more but does not satisfy 1.a or 1.b above</i>	100%	ACCESS TO BENEFIT – NO EMPLOYER CONTRIBUTION

PENSION	STATUS QUO	JOINT PROPOSAL (for all employees)
AGE/TOP RATE x YRS OF SVC	60/2%	60/2.1; 61/2.2%; 62/2.3%
MAXIMUM % OF SALARY	75%	UNCHANGED
BASIC COLA	MAX 2% SIMPLE INT.	MAX 2% COMPOUNDED
SUPPLEMENTAL COLA	ADDT'L 1% COMPOUNDED	ADDT'L 1.5% COMPOUNDED
SUPPLEMENTAL COLA ROUNDING:	NEAREST 1%	NEAREST 0.5%
COLA BANK	CPI > 2% APPLIED TO YRS OF < 2% COLA	UNCHANGED
EMPLOYEE CONTRIBUTION	7.5%	UNCHANGED

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COLLECTIVE BARGAINING:	STATUS QUO	JOINT PROPOSAL
CONTRACT EXTENSIONS	Bargaining for most major agreements in 2009	Extend contracts for one year to 2010
DEFERRAL OF WAGES TOWARDS PENSION INCREASE	Previously bargained FY08-09 increases remain in effect	New wage increases (except steps) for 2010-2011 in 2 nd half of FY

RETIREE HEALTH CARE TRUST FUND	STATUS QUO	JOINT PROPOSAL
RETIREE HEALTH CARE TRUST FUND	None	Form Irrevocable Trust Fund
BOARD of TRUSTEES:	None	Five (5) – Three (3) named by Controller, City Treasurer and SFERS and two (2) elected by active and retired employee members.
ADMINISTRATION:	None	Retiree Health Care Trust Fund Board
PRE-TAX EMPLOYEE CONTRIBUTION TO PRE-FUNDING:	None	Up to 2% of payroll to offset "Normal Costs"
EMPLOYER CONTRIBUTIONS TO PRE-FUNDING:	None	1% of payroll
DISBURSEMENTS:	None	After January 1, 2015 or later TBD by Retiree Health Care Trust Fund Board

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