



MEA NEWSLETTER

May Day 2011

- An Open Letter to MEA Members Regarding Benefit Reform

MEA Members:

To date, Public Defender Jeff Adachi has submitted six proposals for Charter amendments that would significantly increase retirement contributions for current employees and undermine retirement security for future employees. Meanwhile, MEA has been working in coalition with other City employee unions to develop a ballot measure for the November election that would provide a fact-based, equitable alternative that curbs rising retirement costs and sustains retirement security for past, current, and future city employees. The unions' ballot measure will likely include four very significant changes to city employee retirement benefits.

As you learn more about potential changes to the City's retirement benefits, we want to provide an overview of the major changes under consideration and an easy, electronic way to weigh in on these options. ***Please keep in mind that this is a collaborative process and what will ultimately be included in a ballot measure will be decided through consensus*** with other City employee unions, the Mayor's Office, and the Board of Supervisors.

MEA remains committed to developing a joint Union-City ballot measure that will help manage the City's retirement costs and most importantly, provide a sustainable retirement benefit for future generations of City employees.

San Francisco Employees' Retirement System (SFERS) lost over \$3 billion in the 2008 Wall Street crash. To bring the fund back into financial balance, City retirement costs will increase more than \$100 million each year over the next few years peaking in 2014-15. The increased cost to the general fund has the potential to devastate public services and result in hundreds of layoffs of City employees. Over the next three years, City costs for retirement benefits are expected to reach close to 28% of payroll or nearly \$800 million.

The anti-public employee and anti-pension political atmosphere is fueling Public Defender Jeff Adachi's self-serving campaign to unilaterally alter our pension plan. Adachi is collecting signatures for a ballot measure that would increase the average MEA member's pension contribution by 75% and reduce the retirement benefits for future employees by more than 25%. For some MEA represented employees the initiative would actually more than double their contribution level.

This reality requires that we take action to put forward a meaningful alternative that would lower the City's retirement costs and protect retirement benefits.

Since retirement benefits are determined through the San Francisco Charter and **not** through collective bargaining, we believe it is important to offer voters a fact-based equitable alternative to Adachi's opportunistic attack on public workers. There are four significant changes that are under serious consideration by all City employee groups:

1. Increase the active employee contribution from the current 7.5% up to a ceiling of 11% for Miscellaneous and 11.5% for Safety if the City's costs rise to 22.5% of payroll for retirement benefits. Adachi's measure, by comparison, includes increases up to 18.5% in active employee contributions for some employees.
2. Reduce benefits for new employees hired after January 1, 2012 by implementing a higher age at which maximum retirement benefits are given, a \$160,000 cap on retirement payments, a reduced vested retirement benefit, and a three-year averaging of final compensation. The new employee plan will be competitive, but less generous than the retirement benefit that current employees have.
3. Modify the newest part of the retiree COLA package, the "supplemental COLA", which is an additional up to 1.5% paid to retirees in years when the retirement plan has excess investment earnings. The current structure has provided retirees with an additional 1.5% in benefits at a time when the fund is trying to recover and active employees are experiencing salary reductions. The proposed structure would link the payment to fund performance **and funding levels**. The "basic COLA" benefit of 2% would remain unchanged.
4. Require active employees to contribute to the Retiree Health Care Trust Fund starting in 2015. This contribution would be linked to a wage increase.

Additionally, we are advocating for sound and prudent actuarial changes to the SFERS' funding policy that would account for investment gains and losses over a 10-year period rather a 5-year period. This is a crucial component of the package we are considering as it would help stabilize retirement costs for both the City and employees over the next 20 years.

The details of the retirement changes under consideration are very complex, and specific proposals change from day to day. For more details about the changes under consideration, please contact the MEA office. Your input is crucial in helping to define MEA's position in these discussions.

There are many other less critical changes under discussion, but we believe that co-sponsoring an alternative ballot measure with the major changes outlined above is the best way to secure your retirement and protect the defined benefit model for future employees.

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