

#4 10-0558



Pension Update

Budget Oversight Committee

August 4, 2010



Current Challenges

- PERS lost an entire quarter (24.8 percent) of its investment portfolio in FY 09, totaling \$59 billion
- The City is facing an estimated \$68 million increase (of which approximately \$37 million will impact the General Fund) in pension costs over the next several years starting in FY 12
- Even if no salary increases were given in the out-years, PERS costs are estimated to increase by \$30 million by FY 14 in the General Fund due to PERS rate increases alone.



Options for Pension Change

- Decrease PERS benefit formula
- Change formula for final compensation - use highest 3 year average vs. highest single year
- Discontinue reporting the Employer Paid Member Contribution (“pick up”) as a “persable” wage
- Increase the amount employees pay towards the Employee Share

ALL CHANGES MUST BE NEGOTIATED

Review of Benefit Formula

MISCELLANEOUS

AGE	2%@60	2%@55	2.5%@55*	2.7%@55
50	1.092	1.426	2.000	2.000
53	1.296	1.742	2.300	2.420
55	1.460	2.000	2.500	2.700
60	2.000	2.262	2.500	2.700
61	2.134	2.314	2.500	2.700
62	2.272	2.366	2.500	2.700
63+	2.418	2.418	2.500	2.700

* Current benefit formula for new employees

Review of Benefit Formula

SAFETY

AGE	2%@55	2%@50	3%@55	3%@50*
50	1.426	2.000	2.400	3.000
51	1.522	2.140	2.520	3.000
52	1.628	2.280	2.640	3.000
53	1.742	2.420	2.760	3.000
54	1.866	2.560	2.880	3.000
55+	2.000	2.700	3.000	3.000

* Current benefit formula for new employees

Potential Savings

Scenario: Create new tier for new employees with lower benefit formula, highest 3 years of salary, and no reporting of EPMC as a “persable” wage

NEW EMPLOYEES ONLY ALL FUND SAVINGS (in Thousands)

ESTIMATED SAVINGS	MISCELLANEOUS - 2%@55				
Year	Formula Change	Highest 3 Years of Salary	Excluding EPMC	TOTAL	
FY 11	\$ 349	\$ 92	\$ 137	\$ 578	
FY 12	662	174	261	1,097	
FY 13	976	256	383	1,615	
FY 14	1,290	339	507	2,136	
FY 15	1,606	422	632	2,660	
5 Year Total	4,883	1,283	1,920	8,086	

Potential Savings

Scenario: Create new tier for new employees with lower benefit formula, highest 3 years of salary, and no reporting of EPMC as a “persable” wage

NEW EMPLOYEES ONLY ALL FUND SAVINGS (in Thousands)

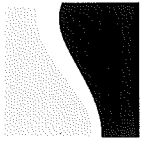
ESTIMATED SAVINGS	MISCELLANEOUS - 2%@60				
Year	Formula Change	Highest 3 Years of Salary	Excluding EPMC	TOTAL	
FY 11	\$ 559	\$ 82	\$ 126	\$ 767	
FY 12	1,061	155	239	1,455	
FY 13	1,562	229	352	2,143	
FY 14	2,067	302	465	2,834	
FY 15	2,573	377	579	3,529	
5 Year Total	7,822	1,145	1,761	10,728	

Potential Savings

Scenario: Create new tier for new employees with lower benefit formula, highest 3 years of salary, and no reporting of EPMC as a “persable” wage

NEW EMPLOYEES ONLY ALL FUND SAVINGS (in Thousands)

ESTIMATED SAVINGS	SAFETY - 3%@55				TOTAL
Year	Formula Change	Highest 3 Years of Salary	Excluding EPMC		
FY 11	\$ 141	\$ 43	\$ 72	\$	256
FY 12	288	88	147		523
FY 13	447	136	229		812
FY 14	616	188	315		1,119
FY 15	792	242	406		1,440
5 Year Total	2,284	697	1,169		4,150



Total Potential Savings

NEW EMPLOYEES ONLY
TOTAL SAVINGS (in Thousands)

Year	TOTAL ESTIMATED SAVINGS (Misc - 2%@60, Safety - 3%@55)	
	All Funds	General Fund
FY 11	\$ 1,023	\$ 604
FY 12	1,978	1,167
FY 13	2,955	1,743
FY 14	3,953	2,332
FY 15	4,969	2,931
TOTAL	14,878	8,778



Next Steps

- Analysis of savings for 2%@55 for Safety (Mayor's Recommendation)
- Analysis of savings related to not reporting EMPC as a "persable" wage for current employees
- Meeting with Associations on August 10 with actuary to discuss status of PERS plan



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