



Pension Update

Budget Oversight Committee

August 31, 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



Estimated Potential Savings - MISCELLANEOUS - 2%@60

* NEW *

Scenario: Create new tier for new employees with lower benefit formula, highest 3 years of salary, and employees pay full employee share

NEW EMPLOYEES ONLY (in Thousands)

ESTIMATED SAVINGS	MISCELLANEOUS - 2%@60				
	Year	Formula Change + Highest 3 Yrs of Salary	No City Pick Up	ALL FUNDS TOTAL	GENERAL FUND TOTAL
	FY 11	\$ 641	\$ 1,147	\$ 1,788	\$ 1,055
	FY 12	1,216	2,175	3,391	2,001
	FY 13	1,791	3,204	4,995	2,947
	FY 14	2,369	4,235	6,604	3,896
	FY 15	2,950	5,275	8,225	4,853
	5 Year Total	8,967	16,036	25,003	14,752

* Assumes implementation of new tier by all 6 Miscellaneous Bargaining Units as of October 1, 2010



Estimated Potential Savings - SAFETY - 3%@55

* NEW *

Scenario: Create new tier for new employees with lower benefit formula, highest 3 years of salary, and employees pay full employee share

NEW EMPLOYEES ONLY (in Thousands)

ESTIMATED SAVINGS	SAFETY - 3%@55			
	Year	Formula Change + Highest 3 Yrs of Salary	No City Pick Up	ALL FUNDS TOTAL
FY 11	\$ 184	\$ 417	\$ 601	\$ 355
FY 12	376	852	1,228	724
FY 13	583	1,323	1,906	1,125
FY 14	804	1,823	2,627	1,550
FY 15	1,034	2,346	3,380	1,994
5 Year Total	2,981	6,761	9,742	5,748

* Assumes implementation of new tier by all 3 Safety Bargaining Units as of October 1, 2010



Estimated Potential Savings - SAFETY - 2%@55

* NEW *

Scenario: Create new tier for new employees with lower benefit formula, highest 3 years of salary, and employees pay full employee share

NEW EMPLOYEES ONLY (in Thousands)

ESTIMATED SAVINGS	SAFETY - 2%@55			
	Year	Formula Change + Highest 3 Yrs of Salary	No City Pick Up	ALL FUNDS TOTAL
FY 11	\$ 329	\$ 408	\$ 737	\$ 435
FY 12	673	833	1,506	889
FY 13	1,044	1,293	2,337	1,379
FY 14	1,439	1,782	3,221	1,900
FY 15	1,852	2,292	4,144	2,445
5 Year Total	5,337	6,608	11,945	7,048

* Assumes implementation of new tier by all 3 Safety Bargaining Units as of October 1, 2010



Total Estimated Potential Savings * NEW *

Scenario: Create new tier for new employees with lower benefit formula, highest 3 years of salary, and employees pay full employee share

NEW EMPLOYEES ONLY (in Thousands)

Year	TOTAL ESTIMATED SAVINGS (Misc - 2%@60, Safety - 2%@55)	
	All Funds	General Fund
FY 11	\$ 2,525	\$ 1,490
FY 12	4,897	2,889
FY 13	7,332	4,326
FY 14	9,825	5,797
FY 15	12,369	7,297
TOTAL	36,948	21,799



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