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FACT SHEET

SANDERS TAKES CITY PENSION REFORM TO VOTERS

MAYOR WILL ASK CITY COUNCIL TO ADVANCE FORWARD-LOOKING REFORM PROPOSAL TO NOVEMBER BALLOT SO VOTERS CAN DECIDE

Fulfilling his promise to bring comprehensive pension reform to City government, Mayor Jerry Sanders today announced the ballot proposal that he will ask the City Council to place on the November ballot for voter approval. Sanders' proposal is a hybrid retirement system that borrows elements from both the city's traditional defined benefit system as well as a new defined contribution plan. If adopted by voters, San Diego would become one of only a handful of government agencies to have curbed its run-away pension costs by implementing a hybrid retirement system that protects taxpayers. The proposal would apply to all non-public safety employees hired after July 1, 2009. Sanders will ask the Council to advance his proposal for the November ballot after meet-and-confer sessions with the affected labor unions.

The Mayor's proposal reduces costs and the excessive benefits associated with the current retirement system. If the Mayor's proposal were in place today and applicable to all non-public safety employees, taxpayers would save \$25.1 million per year. Over the first eleven years alone, taxpayers would save an accumulative \$53.6 million once this proposal is implemented. The City's expected long-term annual costs for General members are reduced almost in half from 16% of pay to 8.35% of pay.

To further reduce the expense to taxpayers, the Mayor's proposal dramatically reduces costly benefits by basing retirement pay on an average of the last three out of five years of compensation; disincentivizing early retirements by lowering the multiplier to make it unattractive to retire early; and mandating equal contributions by employees. Additionally, the Mayor's proposal lowers the cap on benefits that employees can receive from the City's defined benefit system from 90% to 75%.

At age 65 and after a thirty-year career with the City, employees can currently receive 119% of their pay in retirement. The new plan provides comparable benefits to the plans offered by CalPERS, the state employee retirement system, by lowering City employees' total retirement benefits to a more reasonable 80%, if they fully participate in saving for their retirement.

COMPARISON OF MAYOR'S BALLOT PROPOSAL TO CURRENT PENSION SYSTEM

	Current Pension Design	Mayor's Ballot Proposal
Age at Hire for Illustrative Member	35	35
Defined Benefit Multiplier		
Age 65	2.80%	2.30%
Age 62	2.65%	2.00%
Age 60	2.55%	1.64%
Age 55	2.50%	1.03%
Defined Benefit Cap	90%	75%
Years in Final Average Compensation	1	3
Defined Benefit Member Rate	10.07%	6.35%
Defined Contribution City Rate	6.05%	2.00%
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Income Replacement Ratio		
Retire at 65		
Defined Benefit	84.0%	65.9%
Defined Contribution	35.0%	14.8%
Total	119.0%	80.7%
Retire at 62		
Defined Benefit	71.6%	51.6%
Defined Contribution	28.6%	11.7%
Total	100.2%	63.3%
Retire at 60		
Defined Benefit	63.8%	39.2%
Defined Contribution	25.0%	9.9%
Total	88.8%	49.1%
Retire at 55		
Defined Benefit	50.0%	19.7%
Defined Contribution	17.0%	6.5%
Total	67.0%	26.2%
City Contribution Rates		
Defined Benefit	9.87%	6.35%
Defined Contribution	6.05%	2.00%
Total	15.92%	8.35%
Member Contribution Rates		
Defined Benefit	10.07%	6.35%
Defined Contribution	6.05%	2.00%
Total	16.12%	8.35%
Projected Annual Long-Term Savings (millions)		
Defined Benefit City Savings	N/A	\$12.2
Defined Contribution City Savings	N/A	\$14.1
Pre-65 LTD Program	N/A	\$(1.2)
Total Annual City Savings	N/A	\$25.1

Advantages for Taxpayers from the Mayor's Ballot Proposal:

- **Significantly Reduces Pension Costs:** Because the proposed plan significantly reduces the pension benefit that future employees are guaranteed in retirement, taxpayers will save approximately \$25 million annually once the plan is fully implemented. For comparison purposes, \$25 million is the existing budget of the main library.
- **Reduces Excessive and Expensive Benefits:** As a further safeguard to control costs, the new plan places a cap of 75% on the annual benefits that employees can receive from the defined benefit system and bases retirement pay on an average of three of the last five years of compensation. Employees can presently receive up to 90% of their annual compensation in retirement based on their highest one year of pay.

In accordance with the Charter, under the Mayor's ballot proposal, both the City and employees' contributions would be "substantially equal." The proposed plan also eliminates the current practice of the City "picking up" a portion of the employees' pension contribution.

Unlike the current system, the Mayor's plan reduces the rewards for retirements prior to age 65. The Mayor's proposal encourages employees to continue working to later ages by dramatically reducing early retirement subsidies.

- **Eliminates the Supplemental Retirement System:** Contributions to the new defined contribution element of the Mayor's proposal would become professionally managed by the San Diego City Employees Retirement System (SDCERS), as part of the City's existing 401(a) plan.
- **San Diego Leads Pension Reform in Local Government:** By enacting fundamental reform to the City's pension system, San Diego would become one of only a handful of local governments that have addressed out-of-control pension costs with major reform.