

## Pension Reform Recommendations for CalPERS Members

Approved by the SDCTA Board of Directors June 11, 2009

For nearly a decade, the San Diego County Taxpayers Association has reviewed and weighed in on the issue of unsustainable retirement benefits and warned of the negative impact the system would have on future budgets. For most of this time, the Association was primarily focused on the City of San Diego and County of San Diego. More recently, during the evaluation of sales tax increase measures proposed in 2006, 2008 and 2009 the Association weighed in more visibly and vocally on the impact pension costs were having on other municipal budgets.

At the request of the local City Managers Association, we have prepared pension reform recommendations specific to CalPERS (California Public Employee Retirement System) members.

The recommendations are separated into actions which can be implemented via the bargaining process and result in immediate savings and those which result in long-term savings.

### **Recommendations which result in immediate savings:**

- **Employee contribution rates:** Current employees should be required to pay contributions at least equal to the normal employee contribution rate.
- **Risk sharing:** When employer contribution rates exceed the “normal cost”, employees should pay a portion of the employer rate.<sup>1</sup>
- **Employer Paid Member Contributions (EPMC):** Stop reporting EPMC as PERS-able wages.

### **Recommendations which result in long-term savings:**

- **Second Tier Retirement Proposal:** Until such time that legislative changes are adopted, a two-tier system should be created wherein the second tier pension plan proposal contains the following:
  - a. Safety employees – 2% @ 55 formula (most conservative option available)
  - b. Miscellaneous employees – 2% @ 60 formula (most conservative option available)
  - c. Average of highest consecutive three years: The period for determining the average monthly pay rate when calculating retirement benefits should be the 36 highest paid consecutive months.

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<sup>1</sup> League of California Cities. “Pension Reform in California.” 1 March 2005.



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Reduce or eliminate other “ancillary benefits” for new hires (e.g. Post Retirement Survivor Allowance).