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FACT SHEET

Reforms Retirement Plans for All Employees

The Comprehensive Pension Reform Initiative reforms the retirement plans for ALL City of San Diego government employees. It is custom-designed for San Diego to address the community's unique needs.

Ends "Pension Spiking"

Currently, City of San Diego employees can have their life-long pensions calculated on not only their base salaries, but various specialty pays, bonuses, and other forms of compensation. The CPR Initiative bans that practice and requires pensions for existing and new employees be based strictly on base salaries. This measure also reduces the cap on pension payouts for sworn police officers to 80% of their highest consecutive 36-month salary.

401 (k)-style Plans for New Hires and City Politicians

The CPR Initiative eliminates traditional pensions for new employees – excluding police recruits – and replaces them with 401(k)-style plans, with contribution rates based on private sector benchmarks.

City Employees to Pay Fair Share of Pension Costs

After years of taxpayers assuming a disproportionate share of the cost - *and risk* - of government pensions, the CPR Initiative imposes fair cost-sharing between the city and city employees.

Caps Pensionable Employee Compensation for 5 Years

The CPR Initiative imposes a cap for five years on individual pensionable compensation. An individual pensionable compensation cap produces bona-fide savings by reforming pensions for existing employees.

Online Disclosure of Pension Payouts

Taxpayers deserve to know the levels of pension payouts being made by city government. To ensure accountability and transparency, the CPR Initiative requires the city to annually post online the total pension payout per individual retiree (without names) and the last job classification held by the individual.

Prevents City Government Unions from Blocking Reforms

Currently, government employee unions may vote to block any action by City Council to reform pension benefits. The CPR Initiative would eliminate that de-facto veto ability by government workers.

Guarantees Death and Disability Benefits for All Public Safety Personnel, Including Police Officers, Firefighters and Lifeguards

This measure ensures any city employee who puts their life on the line to keep the public safe is protected with death and disability benefits for them and their family.



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CPR Savings Data Sources & Assumptions

In developing the savings analysis for the CPR initiative, the following assumptions and sources were used:

➤ **5-Year Pensionable Pay Freeze**

Cheiron, the pension actuary for the San Diego City Employees Retirement System (SDCERS), issued estimates that outline projected reductions to the City's Annual Required Contribution (ARC) resulting from a 5-year freeze on pensionable pay. The savings within the CPR financial analysis include those that would result from the SDCERS Retirement Board adopting an assumption change based on the reduction of anticipated pay increases.

(See Column E)

➤ **Closing of Pension System to General, Firefighter, Lifeguard Employees**

On May 18, 2011, SDCERS Chief Executive Officer Mark Hovey issued a memorandum detailing the impact to the City's ARC payment from closing the defined benefit pension plan to new general, firefighter and lifeguard employees. The memorandum states: "Closing the plan triggers an accelerated amortization of the Unfunded Actuarial Liability (UAL)." This payment schedule, absent the cost of the 401(k) plan, has been incorporated into the CPR savings calculations.

(See Columns C & D)

➤ **New 401(k) Pension Plan**

The City's share of costs related to the new 401(k) pension plan established under the CPR measure will vary depending on the number of employees that enter the system, employee salaries and type of employee (general vs. public safety). When producing the analysis for the CPR measure, several assumptions were made in respect to these points to provide both a high and low range.

(See Column H)

- To determine the number of employees who will presumably enter the 401(k) pension plan, we reviewed the average number of general and public safety employees leaving the defined benefit pension plan between fiscal years 2005 and 2010, and assumed the same number of employees will be entering the new 401(k) pension plan. This equates to 223 general employees and 40 public safety employees annually.
- To determine the average salary of both general and public safety employees, we assumed both a low and a high salary for each employee group to outline a salary range. We assume a salary range of \$40,000 to \$75,000 for general employees and \$60,000 to \$100,000 for public safety employees. These ranges are based on the average pensionable wages over the past five years. For the high savings projection, salaries are assumed to remain flat for the first five years and increase by 2 percent annually thereafter. For the low savings projection, we assume an annual 4 percent increase each year beginning in year six.
- These figures also assume the City will provide the full share of costs outlined within the CPR measure: 9.2 percent for general employees and 11 percent for public safety employees.

➤ **Elimination of Off-Sets**

The CPR measure calls for the elimination of the ability for the City to provide “off-sets” to employees by paying for a portion of their retirement costs. Currently, the offsets provided to employees cost the City \$1.2 million annually. It is assumed the \$1.2 million annual savings remains flat for the first five years, then increase annually by 4 percent each year thereafter. Not included within the analysis are the savings from the 6 percent temporary compensation reductions agreed upon by the City and labor unions. While the CPR Initiative would codify the reductions, savings are included in the Mayor’s 5-Year Financial Outlook and therefore are not included in these projections.

(See Column G)

➤ **Death & Disability Benefits**

The CPR measure requires the City to provide death and disability benefits for public safety employees and leaves it to the City Council’s discretion for general employees. Currently, the cost of providing this benefit to public safety employees within the defined benefit system is approximately 3.72 percent of payroll. The cost for general employees is approximately 1.13 percent of payroll. The calculations assume the benefit is provided to both new public safety employees (firefighters and lifeguards) and general employees in the new 401(k) system.

(See Columns I & J)

➤ **Other Factors not Included in Calculating Savings**

- Savings assumes 27 years instead of 30 years
- Assumes City contributes maximum allowed under CPR initiative to 401(k) plan
- Potential savings from moving to a reformed Defined Benefit pension plan for police officers not included

Savings Summary Table

Savings Amount (millions)		
	Low	High
5 year	\$90.1	\$105.7
10 year	\$396.0	\$462.6
20 year	\$949.8	\$1,326.9
27 year	\$1,255.3	\$2,146.9

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The San Diego County Taxpayers Association compiled the financial analysis with input from actuary Bill Sheffler and data from a number of sources, including the City and the San Diego City Employees Retirement System.

**Projected ARC Savings/(Costs)
Plan Closed for All Employees but Police
Low Savings Scenario (in millions)**

A	B	C	D	E	F	G	H	I	J	K	L
Year	Current ARC	ARC - Closed For All Employees Except Police Officers	Rev. Payment Sched. Savings/(Costs) (B-C)	Syr Freeze ARC Reduction per Cheiron	After Salary Freeze Savings/(Costs) (D+E)	Elimination of Retirement Offsets	Projected Total 401(k) Costs	Death & Disability Benefit Costs (Safety)	Death & Disability Benefit Costs (General)	Net Savings/(Costs) (F+G)-(H+I+J)	Accum. Savings
1	\$276.2	\$301.8	(\$25.6)	\$29.0	\$3.4	\$1.2	\$2.0	\$0.1	\$0.2	\$2.3	\$2.3
2	\$294.7	\$312.8	(\$18.1)	\$30.9	\$12.8	\$1.2	\$4.0	\$0.3	\$0.4	\$9.3	\$11.6
3	\$312.5	\$322.2	(\$9.7)	\$32.9	\$23.2	\$1.2	\$5.9	\$0.4	\$0.6	\$17.5	\$29.1
4	\$329.8	\$330.1	(\$0.3)	\$34.8	\$34.5	\$1.2	\$7.9	\$0.6	\$0.8	\$26.4	\$55.5
5	\$346.8	\$337.0	\$9.8	\$35.2	\$45.0	\$1.2	\$9.9	\$0.7	\$0.9	\$34.6	\$90.1
6	\$363.8	\$343.2	\$20.6	\$35.6	\$56.2	\$1.2	\$12.3	\$0.9	\$1.2	\$43.0	\$133.2
7	\$380.8	\$348.9	\$31.9	\$36.0	\$67.9	\$1.3	\$15.0	\$1.1	\$1.4	\$51.6	\$184.8
8	\$397.9	\$354.2	\$43.7	\$36.5	\$80.2	\$1.3	\$17.8	\$1.3	\$1.7	\$60.7	\$245.5
9	\$415.4	\$359.0	\$56.4	\$37.0	\$93.4	\$1.4	\$20.8	\$1.6	\$2.0	\$70.4	\$316.0
10	\$433.2	\$363.8	\$69.4	\$37.4	\$106.8	\$1.5	\$24.1	\$1.8	\$2.3	\$80.0	\$396.0
11	\$451.4	\$368.6	\$82.8	\$37.9	\$120.7	\$1.5	\$27.5	\$2.1	\$2.6	\$90.0	\$486.0
12	\$468.0	\$372.9	\$95.1	\$38.5	\$133.6	\$1.6	\$31.2	\$2.4	\$3.0	\$98.6	\$584.7
13	\$362.1	\$339.6	\$22.5	\$39.1	\$61.6	\$1.6	\$35.2	\$2.6	\$3.4	\$22.0	\$606.7
14	\$372.8	\$341.9	\$30.9	\$39.8	\$70.7	\$1.7	\$39.4	\$3.0	\$3.8	\$26.3	\$633.0
15	\$366.8	\$339.0	\$27.8	\$40.5	\$68.3	\$1.8	\$43.9	\$3.3	\$4.2	\$18.7	\$651.7
16	\$186.7	\$109.8	\$76.9	\$41.2	\$118.1	\$1.8	\$48.7	\$3.7	\$4.7	\$62.9	\$714.6
17	\$180.5	\$100.0	\$80.5	\$42.0	\$122.5	\$1.9	\$53.9	\$4.1	\$5.1	\$61.3	\$775.9
18	\$176.6	\$92.2	\$84.4	\$42.8	\$127.2	\$2.0	\$59.3	\$4.5	\$5.7	\$59.8	\$835.7
19	\$174.7	\$86.2	\$88.5	\$43.7	\$132.2	\$2.1	\$65.1	\$4.9	\$6.2	\$58.1	\$893.8
20	\$174.4	\$81.6	\$92.8	\$44.6	\$137.4	\$2.2	\$71.3	\$5.4	\$6.8	\$56.1	\$949.8
21	\$175.5	\$78.2	\$97.3	\$45.5	\$142.8	\$2.2	\$77.8	\$5.9	\$7.4	\$54.0	\$1,003.8
22	\$177.8	\$75.8	\$102.0	\$46.5	\$148.5	\$2.3	\$84.8	\$6.4	\$8.1	\$51.6	\$1,055.4
23	\$181.0	\$74.2	\$106.8	\$47.6	\$154.4	\$2.4	\$92.2	\$6.9	\$8.8	\$48.9	\$1,104.3
24	\$185.1	\$73.3	\$111.8	\$48.7	\$160.5	\$2.5	\$100.1	\$7.5	\$9.6	\$45.8	\$1,150.1
25	\$190.0	\$73.1	\$116.9	\$49.9	\$166.8	\$2.6	\$108.4	\$8.2	\$10.4	\$42.5	\$1,192.6
26	\$195.6	\$73.4	\$122.2	\$51.1	\$173.3	\$2.7	\$117.2	\$8.8	\$11.2	\$38.8	\$1,231.5
27	\$186.1	\$69.3	\$116.8	\$52.4	\$169.2	\$2.8	\$126.6	\$9.5	\$12.1	\$23.8	\$1,255.3
Nominal Dollars			\$1,634.1	\$1,097.1	\$2,731.2	\$48.7	\$1,302.3			\$1,255.3	

Notes:

Year 1 = Fiscal Year 2014
 Low Savings Summary scenario incorporates High Salary Scenario figures
 Retirement offsets assumed to remain flat for first 5 years than increase by 4% annually thereafter
 Death & Disability Benefits costs assumed at 3.72% of payroll for public safety employees & 1.13% for general employees

**Projected ARC Savings/(Costs)
Plan Closed for All Employees but Police
High Savings Scenario (in millions)**

A	B	C	D	E	F	G	H	I	J	K	L
Year	Current ARC	ARC - Closed For All Employees Except Police Officers	Rev. Payment Sched. Savings/(Costs) (B-C)	5yr Freeze ARC Reduction per Cheiron	After Salary Freeze Savings/(Costs) (D+E)	Elimination of Retirement Offsets	Projected Total 401(k) Costs	Death & Disability Benefit Costs (Safety)	Death & Disability Benefit Costs (General)	Net Savings/(Costs) (F+G)-(H+I+J)	Accum. Savings
1	\$276.2	\$301.8	(\$25.6)	\$29.0	\$3.4	\$1.2	1.1	\$0.1	\$0.1	\$3.3	\$3.3
2	\$294.7	\$312.8	(\$18.1)	\$30.9	\$12.8	\$1.2	2.2	\$0.2	\$0.2	\$11.4	\$14.7
3	\$312.5	\$322.2	(\$9.7)	\$32.9	\$23.2	\$1.2	3.3	\$0.3	\$0.3	\$20.5	\$35.3
4	\$329.8	\$330.1	(\$0.3)	\$34.8	\$34.5	\$1.2	4.3	\$0.4	\$0.4	\$30.6	\$65.9
5	\$346.8	\$337.0	\$9.8	\$35.2	\$45.0	\$1.2	5.4	\$0.4	\$0.5	\$39.8	\$105.7
6	\$363.8	\$343.2	\$20.6	\$35.6	\$56.2	\$1.2	6.6	\$0.5	\$0.6	\$49.7	\$155.4
7	\$380.8	\$348.9	\$31.9	\$36.0	\$67.9	\$1.3	7.9	\$0.7	\$0.7	\$59.9	\$215.3
8	\$397.9	\$354.2	\$43.7	\$36.5	\$80.2	\$1.3	9.2	\$0.8	\$0.9	\$70.7	\$286.1
9	\$415.4	\$359.0	\$56.4	\$37.0	\$93.4	\$1.4	10.6	\$0.9	\$1.0	\$82.4	\$368.4
10	\$433.2	\$363.8	\$69.4	\$37.4	\$106.8	\$1.5	12.0	\$1.0	\$1.1	\$94.2	\$462.6
11	\$451.4	\$368.6	\$82.8	\$37.9	\$120.7	\$1.5	13.4	\$1.1	\$1.2	\$106.5	\$569.1
12	\$468.0	\$372.9	\$95.1	\$38.5	\$133.6	\$1.6	15.0	\$1.2	\$1.4	\$117.6	\$686.6
13	\$362.1	\$339.6	\$22.5	\$39.1	\$61.6	\$1.6	16.5	\$1.4	\$1.5	\$43.8	\$730.5
14	\$372.8	\$341.9	\$30.9	\$39.8	\$70.7	\$1.7	18.1	\$1.5	\$1.7	\$51.1	\$781.6
15	\$366.8	\$339.0	\$27.8	\$40.5	\$68.3	\$1.8	19.8	\$1.6	\$1.8	\$46.8	\$828.4
16	\$186.7	\$109.8	\$76.9	\$41.2	\$118.1	\$1.8	21.6	\$1.8	\$2.0	\$94.6	\$923.0
17	\$180.5	\$100.0	\$80.5	\$42.0	\$122.5	\$1.9	23.4	\$1.9	\$2.2	\$96.9	\$1,019.9
18	\$176.6	\$92.2	\$84.4	\$42.8	\$127.2	\$2.0	25.3	\$2.1	\$2.3	\$99.5	\$1,119.4
19	\$174.7	\$86.2	\$88.5	\$43.7	\$132.2	\$2.1	27.2	\$2.2	\$2.5	\$102.3	\$1,221.7
20	\$174.4	\$81.6	\$92.8	\$44.6	\$137.4	\$2.2	29.2	\$2.4	\$2.7	\$105.2	\$1,326.9
21	\$175.5	\$78.2	\$97.3	\$45.5	\$142.8	\$2.2	31.3	\$2.6	\$2.9	\$108.3	\$1,435.2
22	\$177.8	\$75.8	\$102.0	\$46.5	\$148.5	\$2.3	33.4	\$2.7	\$3.1	\$111.6	\$1,546.8
23	\$181.0	\$74.2	\$106.8	\$47.6	\$154.4	\$2.4	35.6	\$2.9	\$3.3	\$115.0	\$1,661.7
24	\$185.1	\$73.3	\$111.8	\$48.7	\$160.5	\$2.5	37.9	\$3.1	\$3.5	\$118.5	\$1,780.2
25	\$190.0	\$73.1	\$116.9	\$49.9	\$166.8	\$2.6	40.3	\$3.3	\$3.7	\$122.1	\$1,902.3
26	\$195.6	\$73.4	\$122.2	\$51.1	\$173.3	\$2.7	42.7	\$3.5	\$4.0	\$125.8	\$2,028.1
27	\$186.1	\$69.3	\$116.8	\$52.4	\$169.2	\$2.8	45.3	\$3.7	\$4.2	\$118.8	\$2,146.9
Nominal Dollars			\$1,634.1		\$2,731.2	\$48.7	\$538.6			\$2,146.9	

Notes:

Year 1 = Fiscal Year 2014
 High Savings Summary scenario incorporates Low Salary Scenario figures
 Retirement offsets assumed to remain flat for first 5 years than increase by 4% annually thereafter
 Death & Disability Benefits costs assumed at 3.72% of payroll for public safety employees & 1.13% for general employees
 Projected 401(k) costs assume 2% salary increases for all employees beginning in Year 6

Low End Salary Scenario - 401(k) Projection (in millions)

Incorporated within Columns H, I & J of High Savings Scenario

A	B	C	D	E	F	G	H
Year	General Employees			Safety Employees (firefighters & lifeguards)			Projected Total DC/SS Costs
	Added General Employees	Projected Salary	Projected DC/SS Costs at 9.2%	Added Safety Employees	Projected Salary	Projected DC/SS Costs at 11.0%	
1	223	8.9	0.8	40	2.4	0.3	1.1
2	446	17.8	1.6	80	4.8	0.5	2.2
3	669	26.8	2.5	120	7.2	0.8	3.3
4	892	35.7	3.3	160	9.6	1.1	4.3
5	1115	44.6	4.1	200	12.0	1.3	5.4
6	1338	54.6	5.0	240	14.7	1.6	6.6
7	1561	65.0	6.0	280	17.5	1.9	7.9
8	1784	75.7	7.0	320	20.4	2.2	9.2
9	2007	86.9	8.0	360	23.4	2.6	10.6
10	2230	98.5	9.1	400	26.5	2.9	12.0
11	2453	110.5	10.2	440	29.7	3.3	13.4
12	2676	123.0	11.3	480	33.1	3.6	15.0
13	2899	135.9	12.5	520	36.6	4.0	16.5
14	3122	149.2	13.7	560	40.2	4.4	18.1
15	3345	163.1	15.0	600	43.9	4.8	19.8
16	3568	177.5	16.3	640	47.7	5.3	21.6
17	3791	192.3	17.7	680	51.7	5.7	23.4
18	4014	207.7	19.1	720	55.9	6.1	25.3
19	4237	223.6	20.6	760	60.2	6.6	27.2
20	4460	240.1	22.1	800	64.6	7.1	29.2
21	4683	257.2	23.7	840	69.2	7.6	31.3
22	4906	274.8	25.3	880	73.9	8.1	33.4
23	5129	293.0	27.0	920	78.8	8.7	35.6
24	5352	311.9	28.7	960	83.9	9.2	37.9
25	5575	331.4	30.5	1000	89.2	9.8	40.3
26	5798	351.5	32.3	1040	94.6	10.4	42.7
27	6021	372.3	34.3	1080	100.2	11.0	45.3
							538.6

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High End Salary Scenario - 401(k) Projection (in millions)

Incorporated within Columns H, I & J of Low Savings Scenario

A	B	C	D	E	F	G	H
Year	General Employees			Safety Employees (firefighters & lifeguards)			Projected Total DC/SS Costs
	Added General Employees	Projected Salary	Projected DC/SS Costs at 9.2%	Added Safety Employees	Projected Salary	Projected DC/SS Costs at 11.0%	
1	223	16.7	1.5	40	4.0	0.4	2.0
2	446	33.5	3.1	80	8.0	0.9	4.0
3	669	50.2	4.6	120	12.0	1.3	5.9
4	892	66.9	6.2	160	16.0	1.8	7.9
5	1115	83.6	7.7	200	20.0	2.2	9.9
6	1338	104.4	9.6	240	25.0	2.7	12.3
7	1561	126.6	11.6	280	30.3	3.3	15.0
8	1784	150.5	13.8	320	36.0	4.0	17.8
9	2007	176.1	16.2	360	42.1	4.6	20.8
10	2230	203.5	18.7	400	48.7	5.4	24.1
11	2453	232.8	21.4	440	55.7	6.1	27.5
12	2676	264.1	24.3	480	63.2	6.9	31.2
13	2899	297.6	27.4	520	71.2	7.8	35.2
14	3122	333.3	30.7	560	79.7	8.8	39.4
15	3345	371.4	34.2	600	88.8	9.8	43.9
16	3568	412.0	37.9	640	98.5	10.8	48.7
17	3791	455.2	41.9	680	108.9	12.0	53.9
18	4014	501.3	46.1	720	119.9	13.2	59.3
19	4237	550.3	50.6	760	131.6	14.5	65.1
20	4460	602.4	55.4	800	144.1	15.8	71.3
21	4683	657.8	60.5	840	157.3	17.3	77.8
22	4906	716.7	65.9	880	171.4	18.9	84.8
23	5129	779.3	71.7	920	186.4	20.5	92.2
24	5352	845.7	77.8	960	202.3	22.2	100.1
25	5575	916.2	84.3	1000	219.1	24.1	108.4
26	5798	990.9	91.2	1040	237.0	26.1	117.2
27	6021	1,070.2	98.5	1080	256.0	28.2	126.6
							1,302.5

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Projected Salaries & Employees for 401(k) Cost Assumptions

Incorporated within Columns H, I & J

Projected Average City Salaries General Employees vs Public Safety

Year	Low End Scenario		High End Scenario	
	General	Safety	General	Safety
1	40,000	60,000	75,000	100,000
2	40,000	60,000	75,000	100,000
3	40,000	60,000	75,000	100,000
4	40,000	60,000	75,000	100,000
5	40,000	60,000	75,000	100,000
6	40,800	61,200	78,000	104,000
7	41,616	62,424	81,120	108,160
8	42,448	63,672	84,365	112,486
9	43,297	64,946	87,739	116,986
10	44,163	66,245	91,249	121,665
11	45,046	67,570	94,899	126,532
12	45,947	68,921	98,695	131,593
13	46,866	70,300	102,643	136,857
14	47,804	71,706	106,748	142,331
15	48,760	73,140	111,018	148,024
16	49,735	74,602	115,459	153,945
17	50,730	76,095	120,077	160,103
18	51,744	77,616	124,881	166,507
19	52,779	79,169	129,876	173,168
20	53,835	80,752	135,071	180,094
21	54,911	82,367	140,474	187,298
22	56,010	84,014	146,093	194,790
23	57,130	85,695	151,936	202,582
24	58,272	87,409	158,014	210,685
25	59,438	89,157	164,334	219,112
26	60,627	90,940	170,908	227,877
27	61,839	92,759	177,744	236,992

Number of Active Members in SDCERS				
FY	General		Safety	
		Change		Change
2005	6,808		2,628	
2006	6,409	(399)	2,478	(150)
2007	6,072	(337)	2,422	(56)
2008	5,980	(92)	2,507	85
2009	5,826	(154)	2,447	(60)
2010	5,694	(132)	2,426	(21)

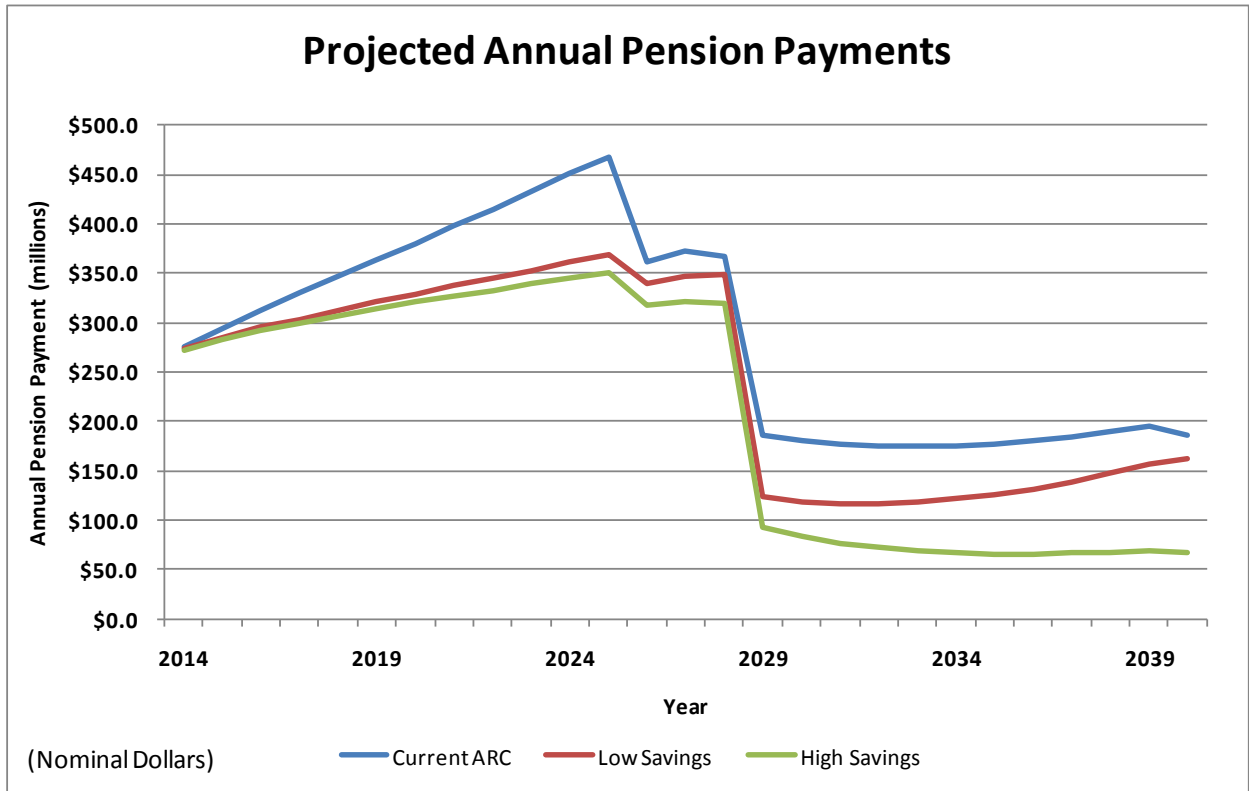
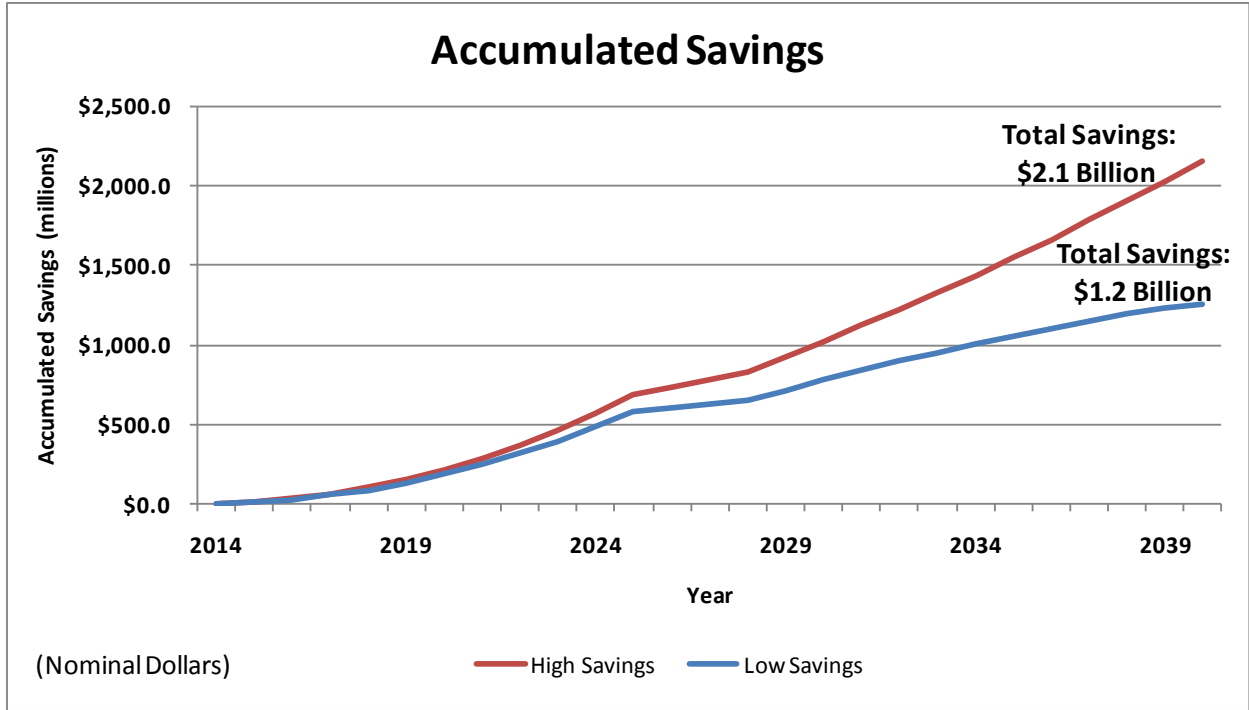
(222.80) (40.40)

of employees assumed to enter 401(k) system annually

Average Pensionable Wage Per Employee		
FY	General	Safety
2005	\$53,042	\$74,779
2006	\$54,314	\$75,062
2007	\$54,563	\$74,786
2008	\$56,741	\$78,366
2009	\$57,311	\$82,836
2010	\$57,665	\$83,220
Avg	\$55,606	\$78,175

Salaries are assumed to remain flat for the first five years, and then increase by 2% annually thereafter. For the high end scenario, we assume an annual 4% increase each year beginning in year six.

Paid for by Comprehensive Pension Reform for San Diego (CPR for San Diego) with major funding by The Lincoln Club of San Diego County and San Diegans for Pension Reform, advocates for responsible city finances. 7185 Navajo Road Suite P – San Diego CA 92119



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