

## **Proposed Retirement Reform Ballot Measure Fact Sheet**

On December 6, the City Council voted to place retirement reforms before San Jose voters during the upcoming June 2012 election. Here is a summary of the current version of the ballot measure.

### **New Employees would be placed in a new, lower-cost, hybrid retirement plan**

- New employees would pay for at least 50% of the total cost of the new plan and the City's contribution would be capped at 9% of an employee's salary (*the City's currently contributes more than 50% of an employee's salary for retirement benefits*).
- The hybrid plan could consist of: 1) Social Security, 2) a defined benefit component, and/or 3) a defined contribution component. *Any defined benefit component would have to meet the following requirements:*
  - Retirement Age: 60 for public safety employees and 65 for all others; employees would have the option to retire earlier with reduced benefits.
  - Accrual Rate: limited to 1.5% of salary per year of service.
  - Cost-of-Living-Adjustments: capped at 1% per year
  - Benefit would be based on the highest average salary over a 3-year period.

### **Current employees would be given the option to either: a) pay more to keep their current retirement plan or b) opt-in to a new, lower-cost retirement plan**

- *Option 1:* Employees would contribute an additional 5% of their salary starting in FY 2012-13 to help pay off the pension plan's unfunded liabilities. These additional contributions would increase by another 5% each year until they cover half of the cost of paying off the unfunded liability (or reach 25% of pay).
- *Option 2:* Employees would keep benefits earned to date under the current plan. Going forward, benefits would accrue at a lower rate and the retirement age would increase:
  - Retirement Age: 57 for public safety employees and 62 for all others (increase would be phased in over 14 years); employees would have the option to retire earlier with reduced benefits.
  - Accrual Rate: 2.0% of salary per year for future years of service.
  - Cost-of-Living-Adjustments: based on CPI, capped at 1.5% per year.
  - Benefit would be based on the highest average salary over a 3-year period.

### **Retirees would have their Cost of Living Adjustments (COLAs) temporarily suspended during a fiscal and service level emergency**

- The City Council would have the ability to suspend the guaranteed 3% COLA for up to 5 years if it declares a fiscal and service level emergency (*Retirees would not see their pension payments reduced*).

### **Disability retirement rules would be reformed to prevent abuses**

- Determinations of disability would be made by an independent panel of medical experts.
- The City may provide matching funds for disability insurance for employees who do not qualify for disability retirement but incur lost wages.

### **“Bonus” Pension Checks from the Supplemental Retiree Benefit Reserve would be discontinued**

### **The City Council would be prohibited from enhancing retirement benefits without voter approval**