

Governor Brown's & the City of San Jose's Retirement Reform Proposals

Governor Jerry Brown's 12-point pension reform plan shares many similarities to the reforms that have been proposed (or implemented) by the City of San Jose. Given the depth of its own pension and budget problems, the City of San Jose is also pursuing two additional reforms that are necessary to bring the City's skyrocketing pension costs under control. While these two reforms are not included in the Governor's plan, Gov. Brown has acknowledged that individual cities and jurisdictions may need to go further to address their specific pension problems.

<u>Retirement Reform</u>	<u>Gov. Brown</u>	<u>San Jose</u>
Equal Sharing of Pension Costs / Increased Employee Contributions	✓	✓
Optional Lower Cost Plan <i>(for Current Employees)</i>	No	✓
"Hybrid" Risk-Sharing Pension Plan <i>(for New Employees)</i>	✓	✓
Increased Retirement Ages <i>(for New Employees)</i>	✓	✓
Three-Year Average Compensation to Stop Spiking <i>(for New Employees)</i>	✓	✓
Pensions Based on Regular Pay to Stop Spiking <i>(for New Employees)</i>	✓	✓
Temporary Suspension of Automatic Cost of Living Increases <i>(for Retirees)</i>	No	✓
Limiting Post-Retirement Employment	✓	✓
Felons Forfeit Pension Benefits	✓	✓
Prohibiting Retroactive Pension Increases	✓	✓
Prohibiting Pension Holidays <i>(both Employees & Employers)</i>	✓	✓
Prohibiting the Purchase of Additional Service Credit	✓	✓
Increasing Pension Board Independence and Expertise	✓	✓
Reducing Retiree Health Care Costs	✓	✓

The attached "scorecard" further outlines the similarities and differences between the Governor's and San Jose's proposed retirement reforms.

For more detailed information on the retirement reform plans, please visit the following websites:
 - Governor Brown's Proposal: <http://gov.ca.gov/docs/Twelve Point Pension Reform 10.27.11.pdf>
 - The City of San Jose's Proposal: <http://www.sanjoseca.gov/mayor/goals/budget/RetirementReform.asp>

Retirement Reform Proposal “Scorecard”

A Comparison of Governor Brown’s plan & the City of San Jose’s plan

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	<p align="center">Governor Brown’s 12-Point Pension Reform Plan <i>(released 10/27/11)</i></p>	<p align="center">City of San Jose’s Fiscal Reform Ballot Measure & Related Proposals <i>(as of 12/5/11)</i></p>
<p>Equal Cost Sharing / Increased Employee Contributions</p>	<p align="center"><u>YES</u></p> <p>Would apply to both current and new employees</p> <p>Higher employee contributions would be phased in until they reach at least 50% of the annual cost of their pension benefits.</p>	<p align="center"><u>YES</u></p> <p>Current employees’ contributions would rise by 5% per year until they cover 50% of the unfunded liability or 25% of employee pay.</p> <p>New employees would pay at least 50% of the total cost of their retirement benefits.</p>
<p>Optional Lower-Cost Plan</p>	<p align="center"><u>NO</u></p> <p><i>Governor Brown’s plan does not address a lower-cost plan for current employees.</i></p>	<p align="center"><u>YES</u></p> <p>Current employees who do not want to pay more could “opt in” to a lower-cost tier of retirement benefits.</p>
<p>A “Hybrid” Plan for New Employees</p>	<p align="center"><u>YES</u></p> <p>The plan would include a smaller defined benefit, a defined contribution component, and Social Security (when applicable).</p>	<p align="center"><u>YES</u></p> <p>The plan may include any combination of: Social Security, a smaller defined benefit and a defined contribution component.</p>
<p>Increased Retirement Ages</p>	<p align="center"><u>YES</u></p> <p>Would apply to new employees only:</p> <ul style="list-style-type: none"> • 67 for most employees • Lower for public safety (TBD) 	<p align="center"><u>YES</u></p> <p><i>New employees: 60 for sworn public safety employees & 65 for other others</i></p> <p><i>Current employees who “opt-in” to a lower cost tier of benefits: 57 for sworn public safety officers & 62 for other employees.</i></p>
<p>Three-Year Average Compensation</p>	<p align="center"><u>YES</u></p> <p>For new employees, pensions would be calculated using an employee’s highest average annual salary over a 3-year period.</p>	<p align="center"><u>YES</u></p> <p>For new employees and current employees who “opt in” to a lower cost tier of benefits, pensions would be based on their highest average annual salary over a 3-year period.</p>
<p>Pensions Based on Regular Pay</p>	<p align="center"><u>YES</u></p> <p>For new employees, benefits would be calculated on base pay only (excludes bonuses, overtime, other perks, etc.)</p>	<p align="center"><u>YES</u></p> <p>The City of San Jose already calculates pension benefits on base salary only.</p>
<p>Temporary Suspension of Cost of Living Adjustments (COLAs)</p>	<p align="center"><u>NO</u></p> <p><i>Governor Brown’s proposal does not discuss adjustments to retiree COLAs. However, CO, ME, MN, NJ, RI & SD have temporarily suspended COLAs to protect the solvency of their pension funds.</i></p>	<p align="center"><u>YES</u></p> <p>The City Council would have the ability to temporarily suspend the guaranteed 3% annual COLA during a fiscal emergency.</p>

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	Governor Brown’s 12-Point Pension Reform Plan <i>(released 10/27/11)</i>	City of San Jose’s Fiscal Reform Ballot Measure & Related Proposals <i>(as of 10/27/11)</i>
Limit Post-Retirement Employment	<u>YES</u> Retirees would be limited to working 960 hours per year for a public employer.	<u>YES</u> The City of San Jose already limits retired City employees from working more than 960 hours per year.
Felons Forfeit Their Benefits	<u>YES</u> Public employees or officials convicted of a felony related to their office/duties would forfeit their pension and related benefits.	<u>YES</u> The City of San Jose municipal code already allows the retirement boards to terminate payment of benefits to felons.
Prohibiting Retroactive Pension Increases	<u>YES</u> Public employers would be banned from applying pension benefit enhancements retroactively for any employees.	<u>YES</u> The City Council would be prohibited from prospectively or retroactively enhancing pension benefits without voter approval.
Prohibiting Pension Holidays	<u>YES</u> All public employers would be prohibited from suspending employer and/or employee pension contributions.	<u>YES</u> The City of San Jose has never taken a pension holiday and the City Council has a policy to always pay its annual required contribution to the pension systems.
Prohibiting the Purchase of Additional Service Credit	<u>YES</u> Public employees would not be allowed to buy additional retirement service credit for time not actually worked.	<u>YES</u> The City of San Jose already prohibits employees from purchasing additional credit towards their retirement benefits.
Increasing Pension Board Independence & Expertise	<u>YES</u> Two independent board members with financial expertise would be added to the CalPERS board. The State Personnel Board representative would also be replaced by the Director of the California Department of Finance.	<u>YES</u> The City of San Jose has already reformed the structure of its two retirement boards. A majority of both boards are now made up of independent members of the public with financial expertise. Also, Councilmembers no longer sit on the retirement boards.
Reducing Retiree Health Care Costs	<u>YES</u> New state employees would have to work at least 15 years to earn retiree health benefits and at least 25 years to earn the maximum contribution to retiree healthcare premiums.	<u>YES</u> The City of San Jose already requires that employees work at least 15 years to receive retiree healthcare benefits. The City is also exploring reforms to reduce retiree healthcare costs by 25%.