# City and County of San Francisco Department of Human Resources

## **Proposition B:**

Changing Qualifications for Retiree Health and Pension Benefits and Establishing a Retiree Health Care Trust Fund

## Pension/Healthcare Reform – Old Rules

- 5 years of "qualified" service fully vested retiree health.
- No requirement that must retire within any period after separation
- No employee retiree health contribution.

## Pension/Healthcare Reform – New Rules

#### Length of City Service—Graded Schedule for Retiree Health Coverage

- Covered:
  - Hired on 1/10/09 or after:
  - As-Neededs that have never worked 1040+ in a rolling 12 month period on or before 1/9/09;
  - Employees that separated from City on or before 1/9/09 without 5 years of certified service
- New Vesting Schedule:
  - 5 years access to City Health Plans
  - 10 years access to City Health Plans with 50% of City Contribution
  - 15 years access to City Health Plans with 75% of City Contribution
  - 20 years access to City Health Plans with 100% of City Contribution
- Retirement within 180 days of Separation: Employees that separate employment with the City must elect retirement within 180 days of that separation to maintain eligibility of retiree health coverage. Employees, however, do not lose service credit in the event of re-employment for retiree health coverage vesting purposes.
- Application: CCSF, CCD, SFUSD and Court employees

#### New Employee Retiree Health Trust Fund Contribution Equivalent to the "Normal Cost."

- Employees that "commence employment" on or after January 10, 2009, shall make a contribution equivalent to the "Normal Cost" of healthcare in the previous fiscal year, capped at 2% of salary. When the City's Annual Required Contribution (ARC) liability is retired, the City shall split the Normal Cost with Employees. "Normal Cost" is a defined term within GASB that reflects the average percent of payroll needed to fund retiree health care costs on an actuarial basis.
- The City will contribute 1% of salary, as well, until the ARC liability is retired.
- Application: Only CCSF employees



## Pension/Healthcare Reform – New Rules

Determining whether the employee fits under the A8.428(a) definition of "Hired on or Before January 9, 2009" requires that you answer the following questions:

- (1) Was the employee hired on or before January 9, 2009?
  - A. NO. If the employee was first hired on or <u>after January 10</u>, 2009, then the employee falls under the new 5-10-15-20-year vesting system.
  - B. YES. If the employee was first hired on or <u>before</u> January 9, 2009, then the employee falls under the old 5-year vesting system, <u>unless</u>:
    - 1. The employee is an as-needed employees who have never earned 1,040 or more hours of compensation during any 12-month period ending on or before January 9, 2009; and/or
    - 2. The employee has separated from the CCSF, CCD, SFUSD or Courts, on or before January 9, 2009, and has less than 5 years of Credited Service.

# Pension/Healthcare Reform - Examples

#### TE, AN employee

#### Example 1

- Separated on or before 1/9/09 (regardless of whether worked 1040 hours in a rolling 12 month period, provided does not have 5 years of credited service),
- Returned to work for the City on or after 1/10/09,
- → Employee Pays 2% Contribution and New Vesting Schedule

#### Example 2

- Never worked more than 1040 hours in a rolling 12 month period on or before 1/9/09,
- Continues to work for the City on and after 1/10/09,
- → Employee Pays No Contribution and New Vesting Schedule

#### Example 3

- Worked more than 1040 hours in a rolling 12 month period on or before 1/9/09,
- Continues to work for the City on and after 1/10/09,
- → Employee Pays No Contribution and Old Vesting Schedule

#### Example 4

- Worked more than 1040 hours in a rolling 12 month period on or before 1/9/09,
- Separates on or after 1/10/09 and is then rehired
- → Employee Pays <u>2%</u> Contribution and <u>Old</u> Vesting Schedule

## Pension/Healthcare Reform - Rules

- Cost of Living Adjustment (COLA) All SFERS Retirees
  - 1. Basic COLA 2% simple → 2% compounded
  - 2. Supplemental COLA supplemental COLA up to an additional 1.5% (i.e., 0.5% increase) for a total of 3.5% for both the Basic and Supplemental
- Pension Benefit Schedule applies to Miscellaneous only; 2%@60 → 2.1%@60, topping out at 2.3% at 62 (effective 1/11/09).
- <u>Wage Freeze</u> Most miscellaneous unions agree to one year MOU extension which includes no wage increases

# Pension/Healthcare Reform - Examples

## PCS Employee Hired on 1/15/06

- If continues employment, 100% retiree health on 1/15/11 and pays no employee contribution
- If separated on 1/15/08 (i.e., with less than 5 years of service) and rehired on 1/15/09, 100% retiree health on 1/15/27 and pays employee contribution
- If separates on 1/15/10 (i.e., with less than 5 years of service) and rehired on 1/25/10, 100% retiree health on 1/25/11 and pays employee contribution as of 1/25/10

# Pension/Healthcare Reform - Other

#### Holdovers

- Involuntary Leave An Employees placed on leave status pursuant to be placed on a hold over list on or before 1/9/09 and who is re-employed with the City on or after 1/10/09 will be treated as though no break in service as were on leave pursuant to hold over status.
  - → Employee Pays No Contribution and Old Vesting Schedule
- Involuntary Layoff However, if employee elects to cash-out his/her vacation and obtain his/her contributions to retirement, they are considered to have severed with the City.
  - → Employee Pays 2% Contribution and New Vesting Schedule (unless had 5 years of service credit and vested prior to being placed on the hold over roster)

# Pension/Healthcare Reform - Other

- Multiple Appointments as long as continuous employment, addition/subtraction of positions will not require one to pay the 2%
- Retirees if hired 1/10/09 or later, must pay 2%
- USD, CCD and Court Employees if transfer to the City 1/10/09 or later, must pay 2%
- Employees on Leave does not count as a separation

