

PUBLIC EMPLOYEES COMMITTEE, SAN FRANCISCO LABOR COUNCIL

August 5, 2010

Request for Reconsideration of Approved Digest

Edited Digest: requested changes shown with underlining/strike-out

(bracketed numbers refer to accompanying notes)

City Retirement and Health Plans *(working title only, subject to change)*

The Way It Is Now: The City and County of San Francisco, the Unified School District, the Community College District and the Superior Court [1] ~~provides pension and~~ [2] retirement and health benefits to most [3] employees and retirees through it's the San Francisco Retirement System and health benefits through it's the San Francisco Health Service System. ~~Both the City and~~ These four employers, most covered employees and retirees [4] contribute to funding these the two benefit systems.

~~The Unified School District, Community College District and Superior Court participate in either the City's Retirement System, or Health Service System or both.~~

The uniformed members of the Sheriff's Department and certain other employees participate in the California Public Employees Retirement System and not in the City's Retirement System.

The Charter sets the contribution rate employees must pay to the Retirement System. For most City employees, that rate is 7.5% of compensation. The City and other participating employers pay the balance needed to fund the system. Under collective bargaining agreements, the City sometimes has agreed to pay the Charter-required employee contribution to the Retirement System.

The City Health Service Board [5] averages the amounts paid by California's 10 most populated counties to set, which establishes the minimum [6] amount that the ~~City and other participating~~ four employers contribute ~~to the Health Service System for employee health care coverage.~~ [7] Participating employees and retirees pay the balance needed to fund the system. Under some collective bargaining agreements, participating the four employers have agreed to pay additional costs for employee and dependent medical, vision and dental coverage.

The Proposal: Proposition __ is a Charter amendment that would increase employee contributions to the Retirement System, increase employees' and retirees' payments to

the Health Service System, [8] decrease employers' contributions to the Health Service System that system, and change rules for arbitration proceedings about City collective bargaining agreements. If a court invalidates any part of Proposition __, any increase in employee compensation wages or benefits [9] for affected City employees would be prohibited for five years.

Proposition __ would increase required employee contributions to the Retirement System, and reduce the City's share of funding that system, as follows:

- Uniformed members of the police and fire departments (but not of the Sheriff's department) would contribute up to 10% of their compensation to fund retirement benefits. This increase would not exceed the amount needed to pay the added costs of increased police and fire retirement benefits resulting from the 2002 Charter amendment. (Prop H, see "Words You Need to Know")
- Other employees in the Retirement System would contribute 9.0% of their compensation to fund retirement benefits.
- In future collective bargaining agreements with City employees, the City, but not the other three employers, [10] would not be permitted to pay prohibited from paying [11] any portion of the employee contribution.

Proposition __ would decrease the employers' contribution to the Health Service System, and increase the employees' and retirees' share of funding payments to that system, as follows:

- For employee medical care coverage plans, all four employers would could be prohibited from paying pay only more than the amount that of the 10-county average requires. [12]
- ~~The City could not agree to pay any additional costs for employee and dependent coverage.~~
- For employee dependent health care coverage, require the City, but not the other three employers, would to reduce its contribution to no more than 50% of the cost of the least expensive plan the Health Services System offers for that level of coverage.
- For dental plans, require the City, but not the other three employers, would to contribute reduce its contribution to no more than 75% of the cost of employee coverage and 50% of the cost of dependent coverage.

In any arbitration to resolve disputes in collective bargaining over City employment with the City (but not with the other three employers), Proposition __ would require the arbitrator to make findings about the current and projected costs to the City of

retirement and health benefits and take those costs into account in deciding compensation.

If a court invalidates any part of Proposition ___, any increase in employee bargained compensation for affected City employees of the City (but not of the other three employers) would be prohibited for five years. If an arbitrator awards an increase in wages or benefits, such increases shall be presented to the voters for approval for a period of five years after the expiration of any collective bargaining agreement in effect as of November 2, 2010 covering such employees. [13]

~~Proposition ___ also states that if the City or an arbitrator awards an increase in wages or benefits for covered employees, the increase shall first be subject to voter approval.~~

Proposition ___ would take effect on January 1, 2011. Some provisions would take effect only when current collective bargaining agreements expire.

A "YES" Vote Means: If you vote "yes," you want to:

- increase the employee contributions to the Retirement System for ~~pension and retirement benefits,~~
- increase employees and retirees' payments to the Health Service System and [14] decrease employer contributions to the Health Service System for health benefits for employees, retirees and their dependents,
- change rules for arbitration proceedings about City collective bargaining agreements, and
- prohibit any increase in employee ~~compensation~~ wages or benefits for affected City employees for five years if a court invalidates any part of this measure.

A "NO" Vote Means: If you vote "no," you do not want to make these changes to the Charter.

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Notes to Proposed Edited Digest

The PEC requests that the order of topics (Retirement, Health) be interchanged (Health, Retirement) throughout the Digest. It is clear that the health provisions of the Initiative will have the greatest impact on City government financially as well as the greatest significance to impacted employees. For those two reasons, we strongly believe that Health should be discussed first everywhere in the digest.

[1] The Public Employees Committee (PEC) requests that the four affected employers (City and County of San Francisco, the San Francisco Unified School District, the San Francisco Community College District and the San Francisco Superior Court) be named here at the beginning of the Digest, rather than in the second paragraph, which was confusing. This way, the reader will better understand references to the "four employers" throughout the Digest.

[2] The PEC requests that the word "pension" be removed from the Digest for three reasons:

- Neither the Charter nor the Retirement System uses the term "pension". There is no "pension" benefit provided by the Retirement System: instead, there is a "service retirement benefit", a "disability retirement benefit", and a "vesting retirement allowance". By using the phrase "pension and retirement" benefits, the Digest would mislead and confuse voters: there are *not* two kinds of benefits at issue here, one "pension" and the other "retirement". There are only retirement benefits as defined by the Retirement System.
- The word "pension" is not used in any of the substantive provisions of the Digest for the reason that it is *not* used in the corresponding sections of the Initiative itself (sections A8.490-(a), (b) and (c)). Rather, in each such instance, the Initiative calls for employee contributions "to the Retirement System": the word "pension" is absent.
- The word "pension" prejudices the voter, as the word has recently been abused in attacks on public workers throughout the state.

[3] The PEC recommends use of the word "most" here primarily due to the fact that some employees (e.g., the certificated employees of the School District) are enrolled in other retirement programs (CalPERS, STERS). Most employees of all four employers,

however, are enrolled in SFERS, and all are enrolled in HSS. We believe that "most" is therefore accurate, and allows for a brief description.

[4] The PEC requests inclusion of the phrase "and retirees" for the reasons explained by the Director of the Health Service System at the hearing on August 4, 2010: retirees pay into the Health Service System as well as employees, and their payments will be affected by the Initiative.

[5] The PEC requests that "City" be changed to "Health Service Board" as under the Charter, it is the latter which conducts the 10-County survey.

[6] The PEC requests insertion of the word "minimum" to conform to the fact, as mentioned in the Digest, that the employers can and do pay amounts to HSS that exceed the 10-County average.

[7] The PEC believes that voters will understand what it means to contribute for employee health care coverage more readily than what it means to contribute "to the Health Service System".

[8] The PEC requests insertion of the phrase "increase employees and retirees' payments to the Health Service System" to make this section consistent with, and parallel to, similar descriptions that appear in the Digest. The Initiative both increases employee payments and decreases employer contributions to HSS.

Here and below, the PEC also believes that use of the word "payment" rather than "contributions" is more accurate when describing the obligation of employees to fund the system: employee payments to the Health System are not, like their payments to the Retirement System, properly characterized as "contributions" as they are not deducted from payroll and then contributed by the employer, but rather paid directly by employees in various forms. Additionally, the word "contributions" is more technical, and more difficult to understand, than "payment".

[9] We believe that "wages and benefits" is a more accurate description of what will be impacted by an invalidation of the measure.

[10] Here and below, the PEC requests that the coverage of the various provisions of the Initiative be clearly articulated. The Initiative broadly affects employee benefits for employees of all four employers, and it is of fundamental importance to inform the voters to which workers the various provisions apply.

[11] We recommend using "prohibited from paying" to make this more closely parallel to other similar phrases in the Digest.

[12] The PEC recommends the phrase “employee medical care coverage” over “medical plans” because the latter phrase is technical and less readily understood by voters.

The PEC recommends omitting the word “requires” because the “10-county average” does not itself *require* anything: other sections of the Charter establish the 10-county average as a minimum employer contribution, as discussed above.

[13] The PEC requests that the ‘voter approval’ reference be reworded and placed at the end of this paragraph, rather than in a separate paragraph. This is one of the most confusing provisions in the Initiative, which appears (by its placement in section A8.490(i), though not by its express language) to be intended to apply only when an arbitrator awards compensation increases during a 5-year ‘litigation penalty’ period described in the preceding sentence of A8.490(i). We believe that by placing this reference right after the sentence describing the litigation penalty and more closely tracking the language actually used in the Initiative, as we have suggested here, is the only way to provide the voters with fair notice of this obscure but important provision.

[14] See note [7] above.