

Pursuant to an order of the San Francisco Superior Court, portions of one subsection of Proposition B have been stricken from the original text of Proposition B as proposed by Proposition B's proponents. The stricken language would have prohibited any increase in the cost of bargained compensation for five years for those employees covered by a court's judgment if a court issued a final judgment determining that any portion of Proposition B could not be enforced.

Original, marked with Court-Ordered changes

CHARTER AMENDMENT REQUIRING CITY EMPLOYEES TO CONTRIBUTE
ADDITIONAL AMOUNTS TO FUND THEIR PENSIONS AND MEDICAL
COSTS, TO PRESERVE VITAL CITY SERVICES AND TO SUSTAIN THE
RETIREMENT AND HEALTH SERVICE SYSTEMS

Note: Additions are *italics, Times New Roman, single underlined*.

Be it ordained by the People of the City and County of San Francisco that:

The People of the City and County of San Francisco hereby enact "The Sustainable City Employee Benefits Reform Act," to ensure that the City's retirement and health service systems are properly funded and that the City's annual costs are balanced with reasonable City employee contributions to their retirement and health plans.

Section 1: FINDINGS

The City's cost of pension fund contributions and health insurance for active and retired employees has increased by 85% over the past five years, from \$419 million in fiscal year 2004-2005 to a budgeted \$776 million for fiscal year 2009-2010. These costs come at a time when the City is facing substantial budget deficits. In 2010, the City faced a \$522 million budget shortfall, and is expected to face large deficits in coming years.

The City's cost of pension fund contributions and health insurance for active and retired employees is projected to exceed \$1.1 billion by fiscal year 2012-2013. These costs will significantly impair the City's ability to provide basic services to its residents such as police and fire services, street repair and cleaning, park and recreational facilities, and medical care for the indigent.

DEPARTMENT OF ELECTRICITY
2010 APR 21 AM 9:06
FILED
SAN FRANCISCO
1

At the same time, the City currently has an unfunded actuarially accrued liability for retiree health insurance reported at \$4 billion. The reported actual cost estimate for full funding of the liability was \$431 million for the year ending fiscal year 2008-2009, of which only \$120 million was actually paid in that year for premiums of current retirees. This means that the City's retiree health care liability grew by over \$300 million in that year, and is likely to grow by even larger amounts in the future.

The cost of the City's share of pension benefits for City employees is projected to rise from 5% of salary in fiscal year 2008-2009 to more than 19% of salary in fiscal year 2012-2013. Currently, City employees pay between 0 - 7.5% of their salaries into the pension fund. For fiscal year 2010-2011, the City contribution is 13.5% of wages, representing 64% of the total contributions when employees contribute the full 7.5% contribution. It is anticipated that by fiscal year 2012-2013, the City's contribution will further increase to a minimum of 72% of the contributions to the retirement fund.

In 2002, voters approved a Charter Amendment which provided enhanced benefits for uniformed ranks of police and fire. The Amendment allowed police and fire employees to receive 90% of their highest year's compensation if they retire at age 55 with 30 years of service, *provided that* any increased pension costs of such benefits be shared by the employees and that the City implement cost-sharing agreements with unions representing uniformed members of the police and fire departments to effectuate a material reduction of the employer contribution, subject to certain limits.

By this amendment, the voters find and declare that the City has failed to achieve a material reduction of the cost impact of employer contributions on the City's general fund as required by the 2002 Charter Amendment.

Further, equity requires police and fire employees to absorb the additional costs of providing retirement benefits.

In 2007, the voters enacted improvements in the City's retirement plan for miscellaneous employees that increased the City's cost of that plan by at least 3.5%. Although Charter section A8.525 authorizes City employees to pay up to 10% of salaries for pension benefits, miscellaneous employees pay between 0-7.5% of salary toward their own retirement benefits.

By this amendment, the voters find and declare that equity requires miscellaneous employees to absorb additional costs of providing retirement benefits.

These amendments are intended to strengthen the finances of the City and the retirement system to ensure their sustained ability to pay promised benefits upon retirement. These amendments do not to reduce the pension benefits paid to retirees, or promised to current employees upon retirement.

Section 2. The San Francisco City Charter is hereby amended by adding the following section:

A.8.490 EMPLOYEE CONTRIBUTIONS TO PENSION AND MEDICAL PLANS

(a) Notwithstanding any provision of this Charter, all active employees who are uniformed members of the police and fire departments shall contribute 10% of each payment of compensation from participating Retirement System employers to the Retirement System, to be credited to the individual account of the member.

(b) Notwithstanding any provision of this Charter, all active miscellaneous employees who are members of the Retirement System shall contribute 9% of each payment of compensation from participating Retirement System employers to the Retirement System to be credited to the individual account of the member.

(c) This section shall govern any memorandum of understanding (MOU) or collective bargaining agreement (CBA) between the City and County of San Francisco (City) and any employee organization representing actively employed members of the system reached after the November 2010 general election. The City may not pay or otherwise "pick up" any portion of the employee contribution to the Retirement System.

(d) The increase in pension contributions for uniformed ranks of police and fire departments from a current level of 7.5% shall not exceed the increase in cost (including amortization of increased actuarially accrued liability) resulting from the voters' enhancement of police and fire retirement benefits effective January 1, 2003. For the purpose of this paragraph, additional cost shall be calculated for uniformed police and fire employees separately from miscellaneous employees. The calculation shall include both "normal" costs and actuarially accrued liability.

(e) In addition, the voters declare that, with respect to employer contributions for employee medical care coverage, Charter sections A8.423, A8.428 (b)(2), and related

provisions concerning the "ten county survey" shall prevail over Charter sections A8.409 et seq. and A8.590 et seq., and that the employer contribution determined pursuant to section A8.423 shall constitute the sole contribution for medical care made by the City in the Health Service System for active employees who are members of the system. For dependents, in any MOU or CBA between the City and employee organizations representing members of the Health Service System reached after the November 2010 general election, or any arrangement with unrepresented officers or employees, the City is authorized to pay or otherwise "pick-up" no more than 50% of the cost at each level of dependent coverage. The maximum amount of coverage for dependents of active employees paid by the City in the Health Service System pursuant to this subsection shall be determined based upon the lowest cost plan offered by the Health Service System.

(f) In any MOU or CBA between the City and employee organizations representing City employees reached after the November 2010 general election, or any arrangement with unrepresented officers or employees, the City may contribute no more than 75% of the cost of employee dental coverage and 50% of dependent dental coverage.

(g) Except as specifically provided herein, this section shall become effective January 1, 2011. This section shall apply to all then current employee members of the Retirement and Health Service Systems, as well as to employees hired on or after passage; provided, however, that any adjustments to the medical plan rate charged to employees resulting from this provision shall be made in conjunction with a regularly scheduled open enrollment period. To the extent any provision of this section is contrary to the terms of a MOU or CBA executed on or before November 2, 2010 between a participating employer

and a recognized employee organization, any increased employee contribution to the retirement system or for medical care shall become effective for employees covered by such MOU or CBA immediately upon expiration of such MOU or CBA.

(h) In any arbitration involving employees of the City and County of San Francisco under Charter section A.8.409-4 or A8.590-5, the arbitrator shall be bound by the above provisions. In addition, the arbitrator shall make specific findings regarding the actual annual costs to the City of pension, health and retiree health benefits attributable to employees at issue for each year of the prior agreement and projected costs for each year of the successor agreement. In determining wages and other forms of compensation pursuant to this section, the arbitrator shall consider as increased compensation any increase in the cost of pension, health and retiree health contributions paid or projected to be paid by the City. Compliance with this provision shall be mandatory.

(i) It is the express intent of the voters that employers participating in the Health Service System and Retirement System, as well as active employees who are members of those systems, each pay an equitable share of pension and medical care costs. ~~With respect to City employees, should a court of competent jurisdiction render a final judgment determining that any portion of this section cannot be enforced, then there shall be no increase in the cost of bargained compensation for a period of five years after the expiration of any memorandum of understanding in effect as of November 2, 2010 covering employees covered by such judgment. If, notwithstanding the voters' intent, an arbitrator awards an increase in wages or other economic benefits for employees under section A8.409-4 or A8.590-5, or the City is otherwise compelled to negotiate or arbitrate wage or benefit increases, such increases shall be presented to the voters for approval~~

before they may become effective, for a period of five years after the expiration of any memorandum of understanding in effect as of November 2, 2010 covering such employees.

Section 3: Severability. This Charter Amendment shall be interpreted so as to be consistent with all federal and state laws, rules, and regulations. If any section, sub-section, sentence, or clause ("portion") of this Amendment is held to be invalid or unconstitutional by a final judgment of a court, such decision shall not affect the validity of the remaining portions of this Amendment. The voters hereby declare that this Amendment, and each portion of the Amendment, would have been adopted irrespective of whether any one or more portions of the Amendment are found invalid. If any portion of this Amendment is held invalid as applied to any person, circumstance, employee or category of employee, such invalidity shall not affect any application of this Amendment which can be given effect. If any portion of the Amendment is held invalid as to existing employees, it shall not affect its application to employees hired after the effective date of this measure. This Amendment shall be broadly construed to achieve its stated purposes. It is the intent of the voters that the provisions of this Amendment be interpreted or implemented in a manner that facilitates the purposes set forth herein.

Section 4: Effective date. Except as specifically set forth in the text, this Charter Amendment shall be effective January 1, 2011.