

**Pension Recommendation for 9/6/2018 Budget Workshop**

Increase to City Contributions	Changes to Benefits/Eligibility	Increase Employee Contributions
4%	<p align="center">3.9 %</p> <p>Immediate changes:                      2.8% - Replace current 2% simple and ad hoc COLAs with a 1% simple COLA                      .5% - Eliminate 1% COLA for future service                      .3% - Eliminate service credit for future accruals of major medical and sick leave                      .3% - Establish minimum retirement age (55) for future service of Fire and General</p> <p><b>Automatic risk sharing mechanism</b>, if necessary, after a successful vote and full implementation of employee contributions and benefit changes:</p> <ul style="list-style-type: none"> <li>• If combined level of City and employee contributions is less than ADC for two consecutive years, but no sooner than 2023, the following will occur                             <ul style="list-style-type: none"> <li>○ The City and the employee contributions will be increased by the City Council as required to meet two thirds of the deficit up to 2% of pay in one year or 4% of pay in total, split 60%/40% between City/employees.</li> <li>○ The COLA will be reduced as necessary to make up 33% of the deficit.</li> <li>○ Such additional contribution increases may be unilaterally reduced by the City Council, without approval by the members, upon receipt of two consecutive actuarial valuations that demonstrate that ADC will be achieved without those contributions.</li> </ul> </li> <li>• If the maximum contribution increase and COLA reduction have been applied, and the following actuarial valuations indicate the contributions are still insufficient to meet the ADC, the City Council must consider additional benefit reductions</li> </ul> <p><b>Conditional gain-sharing mechanism</b>, if available:</p> <ul style="list-style-type: none"> <li>• The City Council will consider increasing the COLA from 1% up to 2%, in the event of the following:                             <ul style="list-style-type: none"> <li>○ The valuation reflects a 30-year closed amortization period;</li> <li>○ Any necessary employee/employer contribution increases enacted as part of the automatic risk-sharing mechanism have been rescinded;</li> <li>○ The Fund's discount rate assumption does not exceed the average rates for public employee retirement plans as reported by two independent sources agreed to by the City and the Fund.</li> <li>○ The Fund has an 80% funded ratio; and,</li> <li>○ The Fund is projected to continue to achieve the ADC after the implementation of the increase.</li> </ul> </li> <li>• The increase would only be applicable to members who are currently eligible and for service periods prior to the effective date of this ordinance unless the City Council explicitly applies it to additional recipients.</li> <li>• Any increase thereafter would be decided on an annual basis.</li> </ul>	<p align="center">2.6%</p> <ul style="list-style-type: none"> <li>• General: 1.1% + .7% (Blue Service)</li> <li>• Police/Fire: 3.8%</li> <li>• Police 25 and out: .9%</li> </ul>

**Key Attributes:**

- **Increases the City's contribution** from 3% to 4%
- **Preserves 1% COLA** for all current retirees and past service of active employees
- Begins to **smooth out benefits for active employees** by suspending COLA's for future service for employees with blue service (which was supported by the POA)
- **Reasonable contribution increases** for employees, improving likelihood of a successful vote among those with only orange service; allows **phasing in** of employee contribution increases; and for Generals, reflects benefit differences between new and long-serving employees
  - Generals: 1.1 - 1.8% in May 2019
  - Fire: 1.8% in May 2019 and 3.8% in January 2020
  - Police 1.8% in May 2019, 3.8% in January 2020, and 4.7% in January 2021
- Provides **automatic risk sharing** contribution and COLA adjustments in the future if the proposed changes are insufficient
- Formalize a **gain-sharing** mechanism to grant future ad hoc COLAs or other retiree increases based on affordability and minimum funded status criteria, including 80% Funded Ratio, meeting the ADC, and Board and Council approval

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**Employee Group Proposals:**

	Increase to City Contribution	Changes to Benefits/Eligibility	Increase to Employee Contribution	Comments
<b>Police</b>				
#1 Preserve <u>Entire COLA</u> for all eligible members	5.25%	1.0% <ul style="list-style-type: none"> <li>.3% - eliminate future accruals</li> <li>.7% - minimum retirement age (55) for Fire and General</li> <li>.2% - increase vesting period to 10 years (no immediate impact)</li> </ul>	4.15% <ul style="list-style-type: none"> <li>General: 3.5%</li> <li>Police/Fire: 5.5%</li> </ul>	<ul style="list-style-type: none"> <li>Requires additional 1.25% from City</li> <li>Fails to assess police the additional 1.5% for 25 and out.</li> <li>Meets gap only if the additional 1.5% in contribution increases from Police for 25 and out is added</li> <li>New General and Fire employees paying their total normal cost and Police nearly all</li> <li>Assumes new employees should contribute the same as longer serving employees</li> </ul>
#2 Preserve <u>Entire COLA</u> <u>except future service</u>	4.5%	2.0% <ul style="list-style-type: none"> <li>.3% - eliminate future accruals</li> <li>.7% - minimum retirement age (55) for Fire and General</li> <li>.2% - increase vesting period to 10 years (no immediate impact)</li> <li>1% - Eliminate Future Service COLA for Tier 1 Members</li> </ul>	3.9% <ul style="list-style-type: none"> <li>General: 3.25%</li> <li>Police: 5.35%</li> <li>Fire: 5%</li> </ul>	<ul style="list-style-type: none"> <li>Requires additional .5% from City</li> <li>Fails to assess police the total additional 1.5% for 25 and out.</li> <li>Meets gap only if the additional 1.15% in contribution increases from Police for 25 and out is added</li> <li>New General and Fire employees paying their total normal cost and Police nearly all</li> <li>Assumes new employees should contribute the same as longer serving employees</li> </ul>
<b>Fire</b>				
Preserve <u>Entire COLA</u> for <u>all</u>	5%	.3% <ul style="list-style-type: none"> <li>Allowing DROP eligibility to continue at Rule of 80 eliminates any significant savings from the age 55 requirement.</li> <li>.3%-eliminate future accruals (verbally agreed to)</li> </ul>	4.4% <ul style="list-style-type: none"> <li>General/Police/Fire: 5.2%</li> <li>Police .6% extra assumed agreed to</li> </ul>	<ul style="list-style-type: none"> <li>Requires additional 1% from City</li> <li>Only solves 9.7% of the gap</li> <li>Blends contribution increases for all employee groups</li> <li>Doesn't factor in additional Police premium for 25 and out since age 55 modifications eliminate savings</li> <li>General employees paying significantly more than their total normal cost, Fire a bit more, and Police nearly all</li> <li>Assumes new employees should contribute the same as longer serving employees</li> </ul>
<b>General</b>				
<ul style="list-style-type: none"> <li>Supported City Manager's recommendation for a 1% COLA presented at 8/16 workshop, although it has since been modified to also eliminate COLA for future service of eligible members.</li> <li>Prefers more portable plan for Generals but understands constraints.</li> <li>Supports differential in General and Police/Fire contributions because of cost differentials.</li> <li>Does not support significant increase in employee contributions that result in employees paying near or all of normal costs.</li> </ul>				
<b>Retirees</b>				
<ul style="list-style-type: none"> <li>Primarily concerned with preservation of 2% COLA for existing retirees.</li> </ul>				