Proposed New Tier 2 Pension Benefit

- Accrual: 2% per year of service at normal retirement age of 62 years old. Accrual formula: 2% x years of service x "final salary." **(p.3)**
- Year of Service: 2080 hours including the same categories of pensionable pay as Tier 1 employees. **(p.3)**
- Final Salary: Final three-year average salary. **(p.3)**
- Minimum retirement age: 55 years old. **(p.3)**
- Early retirement: 5% per year reduction (not compounded) in pension for each year prior to age 62. **(p.3)**
- Pension Cap: 70% cap on pension benefit. **(p.3)**
- Vesting: Vested at 5 years. **(p.3)**
- Cost Sharing: In the event an unfunded liability accumulates, it shall be amortized separately over 20-year period and split 50/50 between the City and employees. Under such circumstances employee contributions will be increase by a maximum of .33% per year to "ramp-up" to a 50/50 split. The City is responsible for any shortfall until the 50/50 split is attained. **(pp.3-4)**
- COLA: The lower amount of the CPI (San Francisco-Oakland-San Jose) or the following COLA formula. **(pp.4-5)**

T2 Employees	New Hires
1-20 years of service: 1.5%	1-10 years of service: 1.25%
21-25 years of service: 1.75%	11-20 years of service: 1.5%
26 + years of service: 2.0%	21-25 years of service: 1.75%
	26 + years of service: 2.0%

- Disability Pension: 2% x years of service x "final salary" (final 3-year average salary) with minimum benefit floor at 40% of final salary and maximum benefit at 70% of final salary. **(p.5)**
- Survivorship: Joint and Survivor benefit at 50% of the retiree's pension. **(p.5)**
- Returning Tier 1: A Tier 1 employees who left City employment and returns will go back into Tier 1 pension. **(p.6)**

<u>Tier 1</u>

- Classic PEPRA transfers: Shall go into Tier 1 pension. **(p.6)**
- GPP: Guaranteed Purchase Agreement. Pension benefit shall be re-calculated annually and benchmarked to CPI to establish the benefit "purchasing power" at retirement. If purchasing power falls below 75% of inflation, Retiree will receive supplemental payment to bring them up to 75% of purchasing power. **(pp.14-16)**