

Summary of Measure B vs. Recent TA Settling Measure B Litigation

PENSION:

Tier 1 – **NO CHANGE**

Tier 2 - Employee was hired after September 30, 2012.

	Current Measure B Tier 2	New Tier 2
Formula	2.0% per year	2% per year
Maximum	65%	70%
Vested	No	Yes
Final average salary	3 Years final average salary	3 Years final average salary
Eligible age for unreduced pension benefit	65	62
Eligible age for a reduced pension benefit	NA	55-61
Vesting period	5 years	5 years
Cost of Living Adjustment (COLA)	CPI up to 1.5%	CPI up to 2% (graduated formula)
Service purchase options	No	Yes (same as Tier 1)
Joint & survivor benefits	No	50% (PEPRA formula)
Non work-related disability benefit	No	Yes
Normal cost	Split 50/50 between employee and employer	Split 50/50 between employee and employer
Unfunded liability	Split 50/50 between employee and employer	If exceeds 50% an increase can be no more than 0.33% per year until unfunded liability is shared 50/50 again
Rehired employees	Placed in Tier 2	Former Tier 1 employees rehired as Tier 2 or rehired after effective date of this TA will be placed in Tier 1 pension plan

RETIREE HEALTH CARE

Retire Healthcare

Tier 1 Employees: Shall be given a one-time, irrevocable choice between:

- 1) Opt-out into a VEBA.

OR

- 2) Remain in a modified Defined Benefit (DB) plan.

Tier 2 and New Hires: Participate in a retiree health care benefit (VEBA)

Modified DB Plan:

- Terms and condition locked-in for 10 years. **(p.2)**
- Employee contribution rate: 7.5% **(p.10)**
 - The difference between the defined benefit contribution rate 7.5% and the VEBA opt-out contribution rate 4.5% will be taxable income
- City contribution rate up to: 14.0% **(p.10)**
- New low cost plan tied to ACA “Silver Plan” **(p.7)**
- ACA “Silver Plan” becomes the new lowest cost defined retirement health care benefit, which must provide at least 70% of health care expenses. **(p.7)**
- New “in lieu” benefit: Retirees can choose to receive a credit, equal to 25% of monthly premium of low cost plan that can be carried over and used to cover future healthcare premium payments. **(p.8)**

Voluntary Employee Beneficiary Association (VEBA) Option:

- Employee contribution rate:
 - Tier 1 employees who opt-out of DB plan: 4.5% **(p.9)**
 - Tier 2 employees and new hires: 2.0% **(p.9)**
- For Tier 1 and Tier 2(a & c): City will return amount equivalent to employee retiree healthcare contributions and deposit into VEBA. **(pp.10-11)**
- VEBA is portable and can be used for medical expenses.
- Contribution rate are nontaxable
- Medical expenses are nontaxable.
- VEBA funds can be used to purchase into City Health and Dental Plans. **(p.9)**