

City Negotiation Update

Over the past few months, the City has been making concessions in its negotiations with SEIU, reducing its two year contract proposal by nearly \$2 million each year. Below is a chart that details the City's latest proposal (September 22) and shows how it compares to the SEIU contract that expired in June 2009.

While other cities have resorted to layoffs, the City of Palo Alto is pursuing cost savings and taking every possible step to avoid employee layoffs.

COMPARISON: Current benefits versus City's latest proposal

	Current Benefit	City's most recent proposal (9/22)
Retirement Formula	<p>2.7% at 55</p> <p>For example, if an employee works for 30 years and retires at 55, the employee would receive 81% of his/her salary (2.7% of salary for each year of service)</p>	<p>Continue 2.7% at 55 for all current employees.</p> <p>2% at 60 for new hires on or after January 1, 2010.</p>
Retirement Benefits	<p>Funding equivalent to 25% of employee's salary contributed annually to retirement plan.</p> <p>City pays 23% and the employee pays 2% toward employee retirement plan.</p>	<p>Funding equivalent to 25% of employee's salary contributed annually to retirement plan.</p> <p>City pays 18% and the employee pays 7% toward employee retirement plan.</p> <p>(Actual net impact to this change, including pre-tax deductions, would mean a married couple with 1 child making an average SEIU salary of \$72,660 would pay an additional \$108 each bi-weekly paycheck, or 3.9% of salary).</p>
Tuition Reimbursement (job-related tuition, books, professional memberships, computer equipment)	\$1,000 per fiscal year	<p>\$400 per fiscal year</p> <p>Personal computer purchase allowed once every 36 months.</p>

	Current Benefit	City's most recent proposal (9/22)
Furlough Days	No existing furlough program	2 days of furlough in FY 2010; no furlough in FY 2011
Salary Adjustments	No salary increase (previous contract expired)	No salary increase is proposed; no salary wage cut proposed
Health Care Benefits	<p>City pays full premium for employee and dependents. Premium cost for family coverage is \$1,500 per month (\$18,012 annually)</p> <p>City is responsible for all future premium increases.</p>	<p>No change in current City-paid premiums. (1)</p> <p>Effective with the increase in premiums adopted by PERS after January 31, 2010, the City and employee will equally share in any cost increases to premiums; employee share will be capped at a maximum increase of 5% per year.</p> <p>PERS typically adopts premium increases effective January 1 each calendar year. It is likely this cost sharing program will not take effect until January 2011.</p> <p>The City will contribute the value of the employee contribution in any year to the irrevocable retiree medical trust. (2)</p>

	Current Benefit	City's most recent proposal (9/22)
Retiree Health Care Benefits (future retirees)	<p><i>Employees hired before 1/2005:</i> City pays full premium for retirees, vesting schedule for dependents. In 2011 City pays 90% of dependent premiums.</p> <p><i>Employees hired after 1/2005:</i> City pays 50% of employer contribution for retiree and dependents after reaching 10 years vesting requirement. Benefit increases each subsequent year by 5%.</p>	<p>No change in either benefit currently paid by City (before 2005/after 2005) (1)</p> <p>Effective with the increase in premiums adopted by PERS after January 31, 2010, the City and new retirees will equally share in any cost increases to premiums; retiree share will be capped at a maximum increase of 5% per year.</p> <p>PERS typically adopts premium increases effective January 1 each calendar year. It is likely this cost sharing program will not take effect until January 2011.</p> <p>The City will contribute the value of the retiree contribution in any year to the irrevocable retiree medical trust. (2)</p>

Notes

(1) The FY 2010 Health Care Premium will be established as the base year. Thereafter, the City will pay 100% of the base year premium, and the City and the employee will share equally in any cost increases to premiums, with the employee share capped at a maximum 5% of any yearly increase. Any additional cost increases will be paid by the City.

For example, if the health care cost increase in FY 2011 is 2.99% (the current year cost increase of Blue Shield, the plan used by the largest number of SEIU employees), the employee share would be 1.5%.

Example: Future cost sharing effect for SEIU employee:

For a family plan base premium that costs the City \$1,500 per month, the premium would increase to \$1,545 per month. The City would pay \$1,522.50. The employee would pay \$22.50 per month. The \$22.50 value provided by the employee would go into the retiree medical trust fund, to help secure funding for the employee's future retiree medical liability and provide more long term security. (Kaiser, the next most popular plan had a 4.77% increase this year).

(2) The irrevocable retiree medical trust was set up by the city to fund future retiree health care costs. The City's most recent actuarial study (January 2009) of our retiree medical costs, as required by GASB 45, shows an unfunded retiree medical liability of \$105 million. (For more information visit <http://www.cityofpaloalto.org/civica/filebank/blobload.asp?BlobID=16668.>)