

2011 City Manager Pension Survey

The League of California Cities (League) City Managers Department in January 2011 sent a survey to the 481 cities in California and asked that they respond to questions that would help in determining the latest trends in pension changes across the state. This is the first in what will be an annual survey conducted by the League. For other pension resources and information please visit the League's Pension Information Center at www.cacities.org/pensions.

DEMOGRAPHIC INFORMATION

Survey Respondents: 296 out of 449 cities that contract with CalPERS

Regional Division Representation:

Every regional division in the League was represented

Divisions with more than 20 cities responding include:

Central Valley (23)
East Bay (26)
Los Angeles County (49)
North Bay (26)
Orange County (22)
Peninsula (23)
Sacramento Valley (33)

Divisions with fewer than 10 cities responding include:

Imperial County (1)
Redwood Empire (5)
Riverside County (9)

TIERING

Cities were asked to indicate whether they adopted a new tier of benefits and when the new tier was adopted. They were also asked to indicate both the previously offered benefit level as well as the new level of benefits.

- 22% of cities responding have adopted a new pension tier and it appears that most of the new tiers were adopted in the last two years.
- 73% of the new tiers adopted are for miscellaneous employees.

Trends in Fire Plans

Most cities that negotiated changes to their fire plans reduced benefit levels. Most cities that provided the 3% at 50 plan adopted a lower benefit of 3% at 55 plan. The 2% at 50 plan is the second most commonly adopted new formula.

Trends in Police Plans

Most cities that negotiated changes to their fire plans reduced benefit levels. Most cities that provided the 3% at 50 plan adopted a lower benefit of 3% at 55 plan. The 2% at 50 plan is the second most commonly adopted new formula.

Trends in Miscellaneous Plans

The survey indicates that there is no commonly offered benefit level to miscellaneous employees. The 2% at 55, 2.5% at 55, and the 2.7% at 55 plans were equally provided by cities that responded. However, what is common among miscellaneous employees is that they are being offered a lower benefit level of 2% at 60.

COST SHARING

Cities were asked to provide information on whether they had negotiated an increase in employee cost sharing of pension costs.

- 38% of cities responding have adopted some form of cost sharing with many of those changes occurring over the last two years.

Trends in Fire Plans

57% of cities that said they negotiated an increase in employee cost sharing indicated that their fire units will be picking up more of the pension costs. Formerly the common trend among these employees was to contribute 0% toward pension costs and now they are contributing 9%.

It also appears that 10% of these agencies have asked their fire units to pick up a portion of the employer contribution rate. Agencies have negotiated a 2—4% pick up of the employer contribution.

Trends in Police Plans

73% of cities that said they negotiated an increase in employee cost sharing indicated that their police units will be picking up more of the pension costs. Formerly the common trend among these employees was to contribute 0% toward pension costs and now they are contributing 9%.

It also appears that less than one-percent of these agencies have asked their police units to pick up a portion of the employer contribution rate. Agencies have negotiated a 1—4% pick up of the employer contribution.

Trends in Miscellaneous Plans

89% of cities that said they negotiated an increase in employee cost sharing indicated that their miscellaneous employees will be picking up more of the pension costs. Formerly the common trend among these employees was to contribute 0% toward pension costs and now they are contributing 8%.

It also appears that just about one-percent of these agencies have asked their miscellaneous employees to pick up a portion of the employer contribution rate. Agencies have negotiated a 2—6% pick up of the employer contribution.

FINAL AVERAGE EARNINGS (FAE)

Cities were asked to provide information on changes they negotiated to the FAE formula (also referred to as the final compensation calculation).

- 12% of cities responding have negotiated changes to their final compensation calculations. It appears that an overwhelming majority of these cities negotiated a change in formula from the highest one-year to an average of the highest three years for future fire, police, and miscellaneous employees.

CONCLUSION

There is strong indication that we will continue to see changes adopted at the local collective bargaining table. The survey results show that 62% of responding cities are currently considering negotiating changes to their pension offerings.

CONTACT

For questions regarding this survey please contact Natasha Karl, legislative representative, at nkarl@cacities.org.