

Get to Know Your Retirement Plan

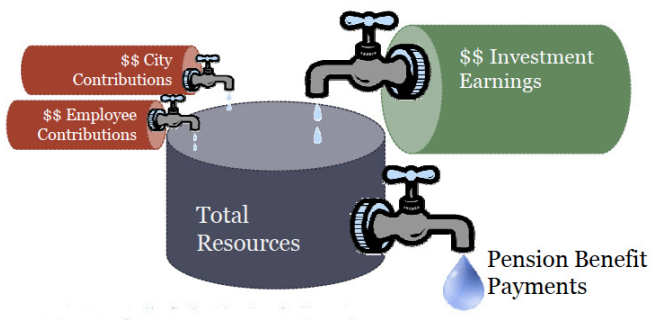
The City's retirement plan will be an important item as we negotiate our next contract. City negotiators are expected to bring proposed changes to the retirement plan to the table. While we are unsure what their specific proposal might be, we will be fighting hard to protect what we have, and to ensure that all of our members have a defined benefit plan. Below are some frequently asked questions:

Why might the retirement plan be a bargaining issue?

During the recent recession beginning in 2008, the City of Seattle lost a large percentage of the net value of the retirement fund through investment losses. Much of this loss was due to the economy and the market in general; some of it was due to poor investment decisions. Though the market has been rebounding, the losses were so significant that the rebound of the market alone is likely insufficient to replenish the funding that was lost within an acceptable, responsible time frame. The City has stated that the cost of continuing the plan for new hires, in addition to raising their contributions sufficiently to fund the remaining deficit for current members, is too high for them.

How does the retirement plan work?

In general, the plan works by combining contributions from both the City and employees with investment earnings on the almost \$2 billion in assets in the fund. With that money, the City then pays retirees a defined benefit that is guaranteed for the rest of their lives.



The current plan grants 2% of salary in retirement per year of service; employees who work 30 years can retire with 60% of the average of their highest 24 consecutive months of salary guaranteed for the rest of their lives. In addition, there is a 2X match formula available that gives some retirees more than the usual 60% of final average salary.

How much do the City and employees contribute to the plan?

Starting in 2011, employee contributions were raised from 8.03% of salary to 9.03%, and then in 2012 they were raised to 10.03%. The City cannot raise employee contributions any further without negotiating changes to the collective bargaining agreement; and those changes would have to be ratified by our members.

The City is obligated to match these employee contribution increases, and it did. The City raised its own contributions to preserve the integrity of the plan by paying more into the system. In 2013, the City contribution level is 12.89%.

What has the City done to improve its investment strategies?

Since the recession, the City Retirement Board has been working on improving their use of best practices for investing. This has included avoiding investments in brand new start-ups until there is sufficient time to determine their viability. Several other steps have also been taken.

What changes might the City present to Local 17 during negotiations?

In 2011, the City hired an actuarial firm to research different options for retirement plans that would be more financially sustainable for future hires. They created a 144-page report, released in April 2012, which you can find on the Retirement Board Chair's webpage: http://www.seattle.gov/council/burgess/attachments/201204retire_idt_report.pdf. You can read the Executive Summary on pp. 7-11.

The report discusses possible scenarios for changes to retirement benefits, particularly for new hires, ranging from modest changes, to implementing a separate defined contribution (not a defined benefit/pension) plan. No proposals have been made regarding the changes. The City will need to make a proposal and respond to Local 17's and the Coalition of City Union's requests for information. We will continue to be in communication with you as more is known.