2012 Pension Sustainability Survey

The League of California Cities (League) City Managers Department in December 2011 sent a survey to the 482 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 second time this survey has been conducted by the League, and it will continue to be conducted annually. For other pension resources and information please visit the League’s Pension Information Center at www.cacities.org/pensions.

DEMOGRAPHIC INFORMATION
Survey Respondents: 321. There are 482 cities in California, of which, 449 contract with CalPERS.

Regional Division Representation: Every League Division had a least one city respond to the survey.

Divisions with more than 20 cities responding include:
- Central Valley (20)
- East Bay (26)
- Los Angeles County (62)
- North Bay (23)
- Orange County (20)
- Peninsula (21)
- Sacramento Valley (31)

Divisions with fewer than 10 cities responding include:
- Desert Mountain (9)
- Imperial County (3)
- Redwood Empire (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. The following is a summary of the responses we received.

- 47% (152) of all survey respondents have adopted a new pension tier and it appears that most of the new tiers were adopted in the last three years.

152 cities responded to the question on whether they adopted a new tier of benefits. Of those respondents 71 cities indicated they made a change in 2011. Though there were 152 responses to this question, 25 cities indicated they adopted a new tier but did not provide a date for that adoption, and 6 cities provided answers that were indeterminable.
Trends in Plans

Overall, the survey indicates that cities are reducing benefit levels for new hires. The extent of those reductions varies somewhat in fire and police plans, and varies widely with miscellaneous plans. The following is a snapshot of the trends in fire, police, and miscellaneous plans based on the answers from cities that responded to the survey.

Fire: A majority of survey respondents were previously providing the 3% at 50 plan, but it appears that a majority have reduced that benefit level for new hires to 3% at 55. The 2% at 50 plan is the second most commonly adopted lower benefit.

Police: A majority of survey respondents were previously providing the 3% at 50 plan, but it appears that a majority have reduced that benefit level for new hires to 3% at 55. The 2% at 50 plan is the second most commonly adopted lower benefit.

Miscellaneous: The survey indicates that the benefit levels previously offered by cities to miscellaneous employees varied widely. Though, majority of respondents said they previously provided the 2.7% at 55 benefit plan. The second most common previously offered benefit level was the 2% at 55 formula. The third most common previously offered benefit level was 2.5% at 55. The common thread among cities in this category is that most have adopted the lower benefit formula of 2% at 60. The second most commonly negotiated lower benefit is 2% at 55.

Comparing 2011 and 2012 Survey Data

From 2011 to 2012, there was a 25% increase in the percentage of respondents that indicated that they have adopted a new tier of benefits. The chart below illustrates that increase.

COST SHARING

Cities were asked to provide information on whether they negotiated any increases in the amount paid by employees toward pension costs. The following is a summary of the responses we received.

- 64% (205) of survey respondents asked employees to pay more toward pension costs. Many of those changes occurred over the last three years.

Trends in Plans

Overall, it is very clear that cities are asking for greater cost sharing. What is not clear is whether the trends in greater cost sharing apply to current employees or new hires. The survey did not give respondents the option to indicate who these changes apply to.
Fire: A majority of survey respondents that adopted new cost sharing for fire employees indicated that their employees did not previously contribute toward pension costs (0%). A majority of respondents report their employees picking up between 9-15% with most indicating 9%. This shows that there is a developing trend of asking employees to pick up the employee share of pension costs. Additionally, the survey shows that some agencies have asked their employees to pick up a portion of the employer cost of pensions.

Police: A majority of survey respondents that adopted new cost sharing for police employees indicated that their employees did not previously contribute toward pension costs (0%). A majority of respondents report their employees picking up between 9-15% with most indicating 9%. This shows that there is a trend of asking employees to pick up the employee share of pension costs. Additionally, the survey indicates that some agencies have asked their employees to pick up a portion of the employer cost of pensions.

Miscellaneous: A majority of survey respondents that adopted new cost sharing for miscellaneous employees indicated that their employees did not previously contribute toward pension costs (0%). A majority of respondents report their employees picking up between 7-15% with most indicating 8%. This shows that there is a trend of asking employees to pick up the employee share of pension costs. Additionally, the survey indicates that some agencies have asked their employees to pick up a portion of the employer cost of pensions.

Comparing 2011 and 2012 Survey Data
From 2011 to 2012, there was a 26% increase in the percentage of respondents that indicated that they have adopted increased cost sharing. The chart below illustrates that increase.
**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).

- 32% (102) of survey respondents have negotiated changes to their FAE calculations. It appears that cities are negotiating from the highest 1 year to an average of the highest 3 years.

**Comparing 2011 and 2012 Survey Data**

From 2011 to 2012, there was a 20% increase in the percentage of respondents that indicated that they have made a change to their FAE calculation. The chart below illustrates that increase.

![Pie chart showing comparison between 2011 and 2012 survey data.]

**CONCLUSION**

There is strong indication that we will continue to see changes adopted at the local collective bargaining table. The survey results show that 47% of the cities that responded to the survey are currently considering negotiating changes to their pension offerings.

**CONTACT**

For questions regarding this survey please contact Natasha Karl at nkarl@cacities.org or Meghan McKelvey at mmckelvey@cacities.org.