What Jeff Adachi and Interim Mayor Ed Lee Aren’t Telling Voters: San Francisco Pension Reform Protects Top Earners, Punishes Over Half of City Employees!

Straight Facts from Employees and Fixed-Income Retirees Whom Adachi, the Mayor, Their Billionaire Backers, and the San Francisco Labor Council Refused to Meet With

Police and Firefighters’ Special Interests

The police’s DROP program collecting retirement while earning a second pay check has already cost San Franciscans $50 million. That program is now gone.

“Safety” (police, firefighters) employees recently struck another pension reform deal until 2015, announced only after Interim Mayor Lee officially entered the mayor’s race. Safety employees contribute 17% of money to the pension fund, but draw 36% of pension payouts. Non-safety “miscellaneous” employees contribute the balance, subsidizing generous “safety” pensions, an inequity unaddressed by either Prop’s. “C” or “D.”

Prop. “C” cap “safety” employee pensions at $183,750 and cap “miscellaneous” employees at $208,230.

Management Salaries Gobble Pensions

The big lie from City Hall is the claim that the City’s 27,000 employees average $93,000 in salaries, driving up pensions.

That’s simply untrue. There were 36,644 employees in 2010, including full- and part-time; the City Controller converts over 10,000 part-time employees into “full-time equivalents.” Of the 36,644 City employees in calendar year 2010, 18,972 (52%) earned less than $70,000, representing $665.7 million (25.6%) of payroll. Their average total salaries were just $35,091.

In stark contrast, the 11,838 employees (32.3%) earning over $90,000 in total pay, costing $90,000 to $100,000, represent $1.47 billion (56.5%) of payroll. Their average total salaries were $123,874!

Skyrocketing management salaries since 2003 inflate management pensions. These inverted ratios disproportionately penalize 52% of lower-paid employees.

In 2003, there were 2,918 City employees earning over $90,000 in total pay, costing $314 million. In 2010, the City’s 11,838 employees earning over $90,000 is an increase of 8,920 such highly-paid employees, a staggering 305.7 percent change since calendar year 2003!

Billionaires Set Six-Figure City Pension Caps

San Francisco employee’s retirement system is relatively healthy. It earned a 12.55% investment return last year — $1.65 billion — not the 7.75% annual return Jeff Adachi’s and Mayor Ed Lee’s flawed proposals are based on.

But tell that to billionaire backers Warren Hellman, George Hume, and Michael Moritz, who are backing Lee and Adachi.

These billionaires helped Lee’s Prop. “C” cap “safety” pensions at $183,750 and cap “miscellaneous” pensions at $208,230. The billionaires helped Adachi’s Prop. “D” cap pensions at $140,000. Both ballot measures failed capping pensions at $80,000.

Prop. C discriminates against lower-paid City employees, requiring a flat 10% pension contribution for those earning $50,000 to $100,000.

Prop “D” uses a sliding scale, but employees earning below $70,000 may pay up to 13% while those earning $100,000 to $200,000 pay only 15.5%.

Inflation of salaries since 2003 inflated management pensions — driven by overly-generous top salaries — isn’t addressed in either pension reform ballot measure, or discussed by City officials. Neither measure reigns in top management salaries.

Salary reform — the key to curtailing excessive pensions for managers — must come first, before pension reform!

Vote “No” on Prop. C and Prop. D! Salary Reform Must Come First!

Prop. C Targets Health Service Board Membership

In November 2004, San Francisco voters approved a City Charter change to transfer the Health Service Board (HSB) from the City’s Human Resources Department to a new City department — the Health Services System.

Voters authorized changing HSB’s membership in 2004, converting the City Attorney appointee into a fourth seat elected by current employees and retirees.

Millions in health benefit funds “went missing” prior to 2004 when the HSB operated under the four-member City “management” majority.

The 2004 measure was put on the ballot by then Board of Supervisors Chris Daly, Tom Ammiano, Fiana Ma, Bevan Duffy, Jake McGoldrick, Matt Gonzalez, Michela Alioto-Pier, Tony Hall, and Gerardo Sandoval.

The HSB selects medical and dental plans for current City employees and retirees, and the amounts employees and retirees pay for the health plans.

Supervisor Elsbernd helped introduce into Mayor Lee’s “consensus” pension reform measure two poison pills.

The first poison is a provision specifying if Prop. “C” gets the most votes, it will make null and void the entirety of Public Defender Jeff Adachi’s pension measure “D,” including sliding-scale pension payments.

Elsbernd also talked Mayor Lee into adding Prop. C’s second poison: A Charter change to convert the fourth elected HSB member with a City Controller appointee. Elsbernd wants the City to get its hands on (to raid?) $65 million in the healthcare trust fund’s assets, assets that belong to plan members not to the City.

Help maintain fairness of HSB’s membership: Vote “No” on “C”!

Prop.’s “C” and “D” Punish Those Who Can Least Afford It

The San Francisco Labor Council joined forces with San Francisco’s Chamber of Commerce, calling Prop. C a “spirit of shared sacrifice,” or alternatively, the “Fairness Float,” ironically misnamed since wholly unfair.

While they urge you to Vote “Yes,” here’s why you should “Vote No” on “C” and “D”.

The table below shows fully half (50%) of the City’s 36,644 employees earned a $65,000 average salary, or less. Over one-third (37%) of City employees average salaries of less than $45,000.

Similarly, while the City’s pension system data shows 1,218 retirees (6.1%) earned pensions more than $100,000:

- 41% (8,143 retirees) earned pensions less than $25,000.
- 32% (6,369 retirees) earned pensions less than $20,000.
- 22.5% (4,480 retirees) — nearly one quarter — earned pensions less than $15,000.
- Another 30% (5,876 retirees) earn pensions of between $25,000 and $50,000.

Current employees may face paying 16% to 20% of their wages, plus unknown health care cost increases, if either “C” or “D” passes. Fixed-income retirees will also see their health care costs soar, and will lose the supplemental COLA.

Those at the lowest end of City salaries can least afford a 6% pension contribution increase, nor can retirees, who may be forced into dropping dependent coverage for minor children or elderly parents, if either Prop.’s “C” or “D” passes.

The “shared sacrifice” is a myth. Top wage earners and top retiree’s share little sacrifice! Vote “No” on both measures!

Scapegoating Public Employees

Public employees didn’t cause the national economic recession, and shouldn’t be scapegoated for it, here or nationally.

But the San Francisco Weekly just published an article by reporter Joe Eskenazi on August 31, in which he claims the defeat of Jeff Adachi’s pension reform measure “Prop. B” in November 2010 led to a “direct result” that Moody’s lowered the City’s credit rating from Aa1 to Aa2. Eskenazi blames the credit rating downgrade only on defeat of Prop. B, which is patently untrue!

By omission, Eskenazi doesn’t tell the full story since Moody’s cited numerous reasons, including in its report that the credit downgrade:

- “Primarily reflected” the City’s very narrow financial position.
- Occurred just before the City sought to peddle $80 million in new general obligation bonds, on top of $2.6 billion in outstanding general obligation.
- Involved “extraordinarily thin” cash reserves, due in part to the $1.3 billion in outstanding principal and interest on another long-term debt financing scheme known as “Certificates of Participation,” which spending voters have no say over since it requires just a stroke of the Board of Supervisors pens to enact.
- Was due in part on the City’s reliance on one-time solutions, including draws on reserves to close structural budget gaps.
- Was due to defeat of revenue measures in 2010 that might have helped stabilize the City’s budget projections, and passage of the volatile and unpredictable real estate transfer tax.

Then there’s the $1.47 billion in skyrocketing salaries noted on the front of this flier. This represents $5.4 billion between salaries and long-term debt that City employees didn’t create — that neither Prop. “C” nor Prop. “D” addresses.

The City’s lowest-paid employees shouldn’t be scapegoated for the Moody’s credit rating downgrade.

Vote “No” on Prop. C and Prop. D! For That Matter, Vote “No” on “B” Through “G”

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