What Jeff Adachi and Interim Mayor Ed Lee Aren't Telling Voters:

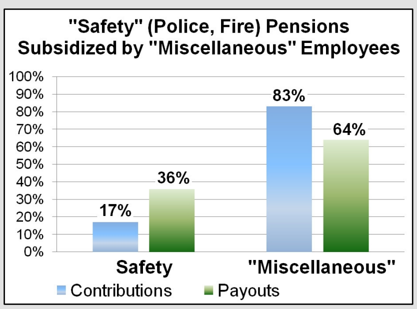
San Francisco Pension Reform Protects Top Earners, Punishes Over Half of City Employees!

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*

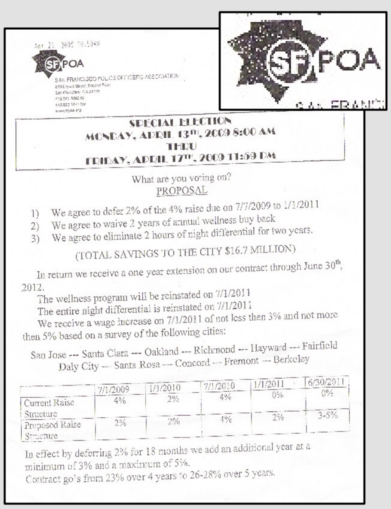
Police and Firefighters' Special Interests

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.'



Source: San Francisco Employees' Retirement System *Annual Report Year Ended June 30, 2010*, and Jeff Adachi



SF POA

SAN FRANCISCO POLICE OFFICERS ASSOCIATION

SPECIAL ELECTION
MONDAY, APRIL 13TH, 2009 8:00 AM
THRU
FRIDAY, APRIL 17TH, 2009 11:59 PM

What are you voting on?

PROPOSAL

1) We agree to defer 2% of the 4% raise due on 7/7/2009 to 1/1/2011
2) We agree to waive 2 years of annual wellness buy back
3) We agree to eliminate 2 hours of night differential for two years.

(TOTAL SAVINGS TO THE CITY $16.7 MILLION)

In return we receive a one year extension on our contract through June 30th, 2012.

The wellness program will be reinstated on 7/1/2011

The entire night differential is reinstated on 7/1/2011

We receive a wage increase on 7/1/2011 of not less then 3% and not more then 5% based on a survey of the following cities:

San Jose --- Santa Clara --- Oakland --- Richmond --- Hayward --- Fairfield
Daly City --- Santa Rosa --- Concord --- Fremont --- Berkeley

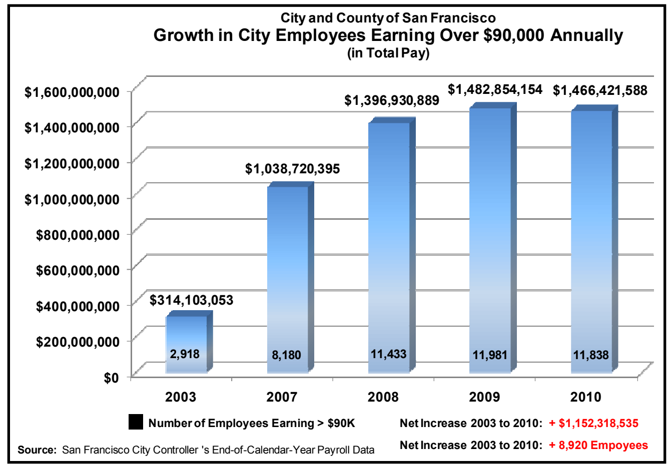
	7/1/2009	1/1/2010	7/1/2010	1/1/2011	6/30/2011
Current Raise Structure	4%	2%	4%	0%	0%
Proposed Raise Structure	2%	2%	4%	2%	3-5%

In effect by deferring 2% for 18 months we add an additional year at a minimum of 3% and a maximum of 5%.

Contract go's from 23% over 4 years to 26-28% over 5 years.

A Police Office Association flier in April 2009 indicated their pay raises would go "from 23% over 4 years to 26%–28% over 5 years." That's before they just struck a new deal with **Interim Mayor Ed Lee**.

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 employees; 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 *gobbled* fully $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!

Clearly, the unfunded salary increases affect escalating management pensions — largely 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!

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 only15.5%.

Adachi's sliding scale has five $10,000 ranges for those earning $50,000 to $100,000, but only three $50,000 ranges for those earning over $100,000. Each $50,000-step increases only half a percent, which is patently unfair to low-wage earners.

Service pensions average $79,347 for firemen; $70,932 for police officers; and $27,623 for "miscellaneous" employees (inflated by $100,000+ salaries of "some miscellaneous" staff).

Employees earning $60,000 with 13 year's service at age 62 earn small $18,213 pensions. Highly-paid managers and safety employees earning over $100,000 ***continue collecting six-figure pensions***.

Vote "No" on Prop. C and Prop. D! *Salary Reform <u>Must</u> Come First!*

While You're At It … Vote "No" on Propositions "B" Through "G," Too … Vote "Yes" on Prop. "A," The School Bonds!

Over

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**, Fiona **Ma**, Bevan **Dufty**, 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 payment increases.

Supervisor Sean Elsbernd snuck health benefits changes onto Mayor Ed Lee's Prop. C "pension" reform ballot measure.

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!

Table 1: Average City Salaries and Pensions, by Union Representing Employees

Union Representing	# Current Employees	Average Salary	# of Retirees	Average Pension
MEA - Police Department Chiefs	7	$ 271,408	12	$ 165,269
MEA - Fire Department Chiefs	9	$ 261,623	36	$ 148,008
Firefighters	1,464	$ 135,986	1,028	$ 79,347
Police Officers Association	2,359	$ 126,502	1,367	$ 70,932
Municipal Attorney's Association	454	$ 140,481	115	$ 68,306
Teamsters, Local 856 Supervising Nurses	129	$ 144,554	166	$ 60,341
TWU 200, SEAM (Transit Managers and Supervisors)	281	$ 110,929	273	$ 59,327
Municipal Executive Association	1,065	$ 120,417	464	$ 56,430
Local 21, Professional & Technical Engineers	3,976	$ 82,824	1,467	$ 41,849
SEIU Local 1021 Staff & Per Diem Nurses	2,929	$ 70,024	812	$ 39,453
TWU 250-A, 9163 Transit Operators	2,256	$ 65,649	1,352	$ 34,062
SEIU Local 1021, Miscellaneous	13,392	$ 45,710	6,289	$ 24,098

Sources: City Controller's payroll data year ending December 2010, and Retirement System pension amount data September 2011; extract showing 12 of some 40 unions.

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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