

Legislation will be introduced for City Council approval

Mayor Scott Avedisian announced today proposed changes to the city's pension system, which, if approved by the City Council, would save the city millions of dollars annually over time. The legislation is expected to be co-sponsored by a number of City Council members, and would affect any employee hired on or after July 1, 2012.

He also announced separate legislation that will establish a schedule of co-payments, based on years of service, for any employees hired on or after July 1, 2012 upon their retirement.

Avedisian's pension-related proposal targets the age at which individuals can retire, the formula for determining what percentage of salary one will receive in retirement, annual cost of living (COLA) increases given to pensioners and the length of time someone can receive a disability pension.

Retirement age – Currently, Police and Fire employees can retire with a pension equal to 50 percent of their salary once they accrue 20 years of service, regardless of their age at retirement. This means that a public safety employee could theoretically retire in his or her early 40s and collect a pension for 40 or more years. Municipal employees also have two early retirement provisions in their pension system, one of which allows them to retire as young as 48 years of age provided they have 30 years of service.

The proposal would change the Police and Fire retirement age to 50 with at least 25 years of service. Municipal employees would have to reach age 59 with at least 25 years of service before they can retire. This will significantly reduce the costs of pensions over time.

Percentage of salary in retirement – All of the city's pension plans use a formula of 2.5 percent of salary for each year of service (which accounts for 50 percent for police and fire employees with 20 years of service). Municipal employees can currently retire with an unreduced pension at any age after 30 years of service or at any point where their age and years of service adds up to 80.

Avedisian is proposing that the percentage be reduced to 2 percent for all new pension plans. For example, that would mean that a public safety or municipal employee who retires after 27 years of service would be eligible for a pension equal to 54 percent of their pay, not 67.5 percent under the current formula.

COLAs – For public safety employees there is currently a 3 percent fixed annual COLA on pension benefits. The municipal plan is somewhat more complex and is based on the performance of the plan's invested funds, but generally over the past 30 years the COLA has been 3 percent.

Under the revised plan, public safety employee COLAS would be based upon 75 percent of the Consumer Price Index or 3 percent, whichever is lower. The municipal plan would remain the same.

Disability Pensions – This is one of the greatest factors in the high cost of public safety pensions for police and firefighters who become disabled in the line of duty.

Under Avedisian's proposal, these employees would still be eligible for disability pensions but would only receive that pension until they would have reached 25 years of service, after which their pension will be converted to a regular pension. (Disability pensions are tax-free). This change alone, he said, will save the city millions of dollars in the future.

Avedisian is also proposing a change to the retirees' health care benefit. Currently, retirees do not pay anything toward the cost of their health care.

Avedisian's proposal would establish the following co-payments, for any employees hired on or after July 1, 2012.

Under the plan, an employee who retired with less than 10 years of service would receive no health insurance, as is the case currently. Those who retired with 10 to 20 years of service would pay 75 percent of their health care; pensioners with 20 to 24 years of service would pay 50 percent; those with 25 to 30 years of service at retirement would pay 25 percent; and those with 30 or more years would pay whatever active employees pay.

However, no retiree would pay less than what he or she paid as an employee at the time of his or her retirement, Avedisian said.