

Benefits and Compensation Expense Reduction Recommendations 2014

Passive	Financial and/or Productivity Impact	Fund Impact	14	Source
Freeze COLA until Plan reaches 100% Funded Status	No COLA in 2014 reduces unfunded liability by \$15.4M Savings based on 1.5%, 1% and .5% COLA	Pension	X	PwC and City
Pension Asset Allocation changes: Up Real Estate from 5% to 10%	Real Estate Expected to produce better returns than U.S. Stocks	Pension	X	PwC and City
Move all pension employees with less than 10 years service to DC Plan	PwC conducting cost/benefit analysis	Pension		PwC and City
Employee Medical				
Adjust 2014 Medical Premiums by \$11.5M to match 2014 expenses and 70/30 split	City savings of \$3.45M (employee's/retirees' 30% share of the \$11.5M)			
Introduce consumerism plan design: Increase Deductibles for existing Plans, Increase Co-Insurance Payments for existing plans, Add Value Plan, Enhance Wellness Programs, Promote Biometric Screenings and Health Risk Assessments	Financial impact TBD	General	X	Mercer
OPEB				
Mandatory Medicare Part B for retirees after Jan. 1, 2014	City savings of \$10M to \$16M over 5 years or \$2.6M in 2014 (\$13M/5)	Healthcare	X	Mercer
Eliminate Retiree's medical	City savings of \$19.3M	General	X	City
Eliminate Retirees' dependents' medical	City savings of \$9.7M	General	X	PFM
Paid Leave				
Bonus Days - 1 Day per fixed quarter with no sick leave taken	Productivity impact TBD			
Eliminate 1 of 13 paid holidays	City savings of \$800,765 from holiday checks to commissioned employees (3,908); 3,000 additional eight-hour shifts from non-commissioned employees (2,996).	General	X	City
Sick Leave - 1 Day per month; Cap at 60 days *	Capping sick leave at 60-days, based on 2012 utilization by eight-hour employees, would net an estimated 79,887 hours or 10,000 additional eight-hour shifts	General	X	City
Eliminate 75 Sick days payout for retirees	City savings of \$2.5M	General	X	City
DROP Employees will not accrue paid leave time during the DROP term	TBD	General	X	City
Other Personnel Cost Reductions				
Eliminate 4.6 restoration granted at Impasse and other MOU financial items approved at Impasse	City savings of \$12M on 4.6 and \$600K on other items	General	x	
Reduce HC by 10% ( 620FTEs at \$50k average salary and \$13K average benefit cost.	City savings of \$31M in wages plus \$8.06M in fringe benefits	General/Pension/OPEB	x	PFM
Eliminate College Incentive Pay	City savings of \$6.2M	General	x	City
Eliminate Longevity Pay	City savings of \$1.7M	General	x	City
Vacation - Years 1-14 (10 days) Years 15-19 (15 Days) Years 20+ (20 Days)	Net increase of 25,108 additional eight-hour shifts (3.6 days per employee).	General	X	City
Prior Years' Initiatives				
The City implemented two major initiatives in late 2011-2012 to address Pension and OPEB Unfunded Liabilities. See below:				
* December 2011 Medicare Buyback (moved non-Medicare Participants into Medicare Plan)	Will reduce OPEB Unfunded Liability by \$90.6M	OPEB		City
* July 2012 Pension Reforms reducing benefit accrual rate for new hires and increasing contribution levels by Commissioned Police and Fire Employees	An analysis performed prior to the July 1, 2012, effective date of the changes projected 2013 accrued liability, reflecting one year of new entrants accruing benefits at the lower levels, of roughly \$3M. Looking ahead the projected 2040 accrued liability, which reflects 28 years of new entrants accruing benefits at the lower levels, the decrease in the accrued liability is roughly \$420M	Pension		
* In January 2013, Employees' and Retirees' share of medical premiums increased from 27% to 28.5%. City recommended the employees' and retirees' move to 30%; council approved 28.5%	Increase employee/retiree contributions by \$923K in 2013	Healthcare/OPEB		City