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To: SCMTD Board of Directors
From: Committee of Adjustment, UTU Local 23
Date: 4/19/02
Subject: Proposed revision to retirement formula for District employees

I. Recommended Actions

- Offer an additional two years of service credit to anyone retiring within the designated period.
- Allow the workers to decide whether they want to take on the financial impact of modifying their retirement formula to the "2.7% @ 55" option, or at least to the "2.5% @ 55" option.

II. Discussion

- For each senior Operator at the top accrual rate (17 years and above) that retires, the District will realize a cost savings of approximately \$13,500 (see attached) in the FY 02-03, with continued savings for years to come.
- After reviewing the seniority roster and polling those most likely to be able to take advantage of early retirement incentives, it appears that 10 or more Operators may exercise that option or move into positions vacated by others retiring.
- Under the current retirement formula, the same low rate of retirements should be expected to continue (between 2 and 4 per year) for at least the next five years.
- According to the Staff report projections, even with the current formula in place, the cost to the District will reach the cap in FY 04-05. From that point on, the District's share of cost should remain stable.
- The District will experience an increase in expense, however, the majority of the increased costs will be borne by the employees, should they elect to ratify the proposed modification in the retirement formula.

- Operating a transit coach over years takes a toll on the body. There appears to be a correlation between long-term employment as an Operator and back, shoulder, and other debilitating injuries that result in expensive worker's compensation claims and disability retirements. Improving the retirement formula will allow people to retire earlier in life and by choice, rather than working until they are physically no longer able to perform their duties. The District would benefit with continued savings from higher turnover in the most senior Operators, which allows for an increased number of Operators earlier in the wage step progression.

- Without retirement incentives, the costs (over \$70,000) involved in training the most recently hired Operators will have been wasted.

It may be of value to understand how the current division of costs came about: The 6% that the District pays of the 7% of the "employee" share was negotiated in lieu of a raise when the District was "cash poor" in the early '90s. In contract negotiations in 1999, the District added language in Article 5.06C citing that the "employers share" was 3.235%, and that the District would pay anything up to that amount.¹ The contention that the District is experiencing an increase in cost that should be passed along to the employees seems to contradict that intent.

¹ UTU/SCMTD negotiations transcript 4/14/99 pgs. 25-26