



San Diego and Coronado City Employees Union

American Federation of State, County, and Municipal Employees, AFL-CIO, CLC

3737 Camino del Rio South ♦ 4th Floor ♦ San Diego, CA 92108 ♦ (619) 640-4939 ♦ Fax (619) 640-8171

E-mail: local127@afscme127.com



February 3, 2022

What's the "7% Penalty" Check for Local 127 Members Who Switch From SPSP-H to SDCERS?

Why Is There a 7% Penalty?

- If you are represented by Local 127 and were hired between July 20, 2012 and July 9, 2021, you were unlawfully put into the SPSP-H retirement plan. o You now have the opportunity to join the SDCERS plan, which every other Local 127 employee is in.
- If you DO join the SDCERS plan, you will not only be credited in SDCERS for all your years of eligible employment with the City at no cost to you, but you will ALSO be entitled to additional compensation.
- This is because when the Public Employment Relations Board ruled that the City violated the law by imposing the SPSP-H plan, there were two parts of its order: o The City has to "make employees whole" and allow them to join the SDCERS system
- o The City ALSO has to add 7% to the cost of whatever it takes to make employees whole – *but this part of the order was very generalized and it was unclear who specifically it needed to affect*

How Will the 7% Penalty Be Calculated?

- The City first proposed that the 7% penalty just be extra money added to a *small group* of employees' SDCERS accounts. o Under the City's proposal, only about 33% of Local 127-represented employees would have gotten *any* money as part of the penalty, put into their SDCERS account.
- Local 127 pushed back and negotiated for a different way to calculate the 7% penalty, so that every employee who joins SDCERS receives some payment and receives it DIRECTLY in September 2022.
- The 7% penalty will be calculated as follows: o The City will compare all of the contributions that *should have* been made for Local 127 members to the SDCERS plan over the past nine years versus what contributions were made to SPSP-H.

- • Contributions are based on each employee's base compensation, and are made by the City and the employee.
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- o From that number, the City is allowed to deduct a small number of negotiated "credits."
- o The City then calculates 7% of this total number, compounded across all the years the City did not allow Local 127 members to join SDCERS.
 - o This compounded 7% number is then divided among *every* Local 127 member who joins SDCERS this summer. • The number is also divided so that it is proportional for each year that the employee wasn't allowed to join SDCERS.
 - • In other words, an employee who has been working in an eligible position for the City for 3 years will get 3 times as much as an employee working for the City for 1 year.
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- o NOTE: This is a SUMMARY and does not include every detail of the formula.
- o First, the City will need to see how many Local 127 members decide to join SDCERS. The more that do, the more money *each* employee will receive!
- o Second, the City needs to gather data on employees' actual base compensation over the past 9 years.
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- • Right now, we can't calculate the exact amount each employee will receive as part of the 7% penalty.

How Does this Compare to What MEA Is Getting?

- • The formula the City is using for calculating the 7% penalty for Local 127 members is the exact same as the formula it is using for MEA.
- However, the *first* part of the calculation is generally bigger for MEA members due to MEA salaries. o When the City is looking at the TOTAL of what *should have been* contributed to SDCERS versus what was, those numbers are based on the usually-higher compensation of MEA jobs.
- Everything else is the same: the City is deducting all of the same "credits" for MEA members as it is for Local 127 members, etc.