

Teamsters Pension Trust Replacement Proposal

Summary: The City is proposing that we move from the Teamsters Pension Trust to the deferred compensation program (DCP) offered by Washington DRS for a variety of reasons.

First, many new hires and existing employees have expressed frustration when they received their first paycheck with the pension diversion because they did not truly understand the impact of the \$1.25 per hour that they were moving from wages to pension. This presents a difficult financial burden for employees.

Second, the pension is a one-size-fits-all approach with no ability to customize. Employees have asked if they can opt out or reduce their contribution, and they cannot.

Third, it takes five years to vest in the pension and thus all funds sent to the Trust on behalf of any employee that does not stay at the City for five years is wasted.

Fourth, money sent to the Trust is not earmarked for specific employees. It is not "their" money. They cannot take it to another employer, and they cannot withdraw it, roll it over, or take loans out on it. If staff leave the City before being vested, they must only go to another employer who has the same Teamsters pension (which is limited) to maintain any eligibility to draw from the pension.

The DCP plan, in contrast, offers immediate vesting and all money contributed belongs to the employee themselves. The DCP also offers flexibility throughout the year (with plenty of notice) and allows employees to adjust their contributions based on what is right for them. Different employees are in different stages of their careers and should not be required to divert the same amount of their paychecks to a retirement program. For example, new employees with young kids might need more money in their pockets now vs. employees who are closer to retirement or have no kids at home and might be able to contribute more.

The City proposal would result in larger City contributions on the employees' behalf and smaller contributions from employees as demonstrated in the table below.

City Proposed Contract Language to replace pension provisions (9.7 through 9.9)

The City will contribute a matching amount of up to one-hundred and twenty dollars (\$120) per month to the deferred compensation program offered through Washington DRS.

Example – Assuming 2080 hours per year

Plan	Employer Annual Contribution	Employee Annual Contribution
Teamsters	0.25 x 2080 hrs = \$540	1.25 x 2080 hrs = \$2,600
DCP	Up to \$120/mo. x 12 months = \$1,440	\$120/mo. x 12 months = \$1,440*

** Assuming the employee does the full match. Employees can contribute less or more, and adjust throughout the year.*