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Pension proposal: 'smart' or 'absurd'?

Water agency's timing in increasing benefits concerns S.D. officials

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San Diego, the reluctant poster child for pension strife, is fighting a proposal to pump up retirement benefits for employees of the region's water agency.

The Metropolitan Water District next week will consider boosting benefits by 25 percent at a time when the agency is charging 19 percent more for water, affecting customers across Southern California.

“Given the challenging economic climate, San Diego working families can ill afford these higher costs,” San Diego Councilman Carl DeMaio said in a letter to the agency yesterday protesting the proposed pension increase.

San Diego's actions in 1996 and 2002 to boost employee pension benefits without the money to pay for them caused problems that still affect the city's reputation — and afflict its budget.

Darren Pudgil, spokesman for San Diego Mayor Jerry Sanders, said the timing of the pension boost is troubling. Sanders plans to send a protest letter to the Los Angeles-based agency as well.

“In a word, it's absurd,” Pudgil said. “Any type of pension increase is the wrong thing to do when everyone else seems to be taking pay cuts and benefit cuts.”

Jeffrey Kightlinger, general manager of the Metropolitan Water District, defended the proposed increase, which is projected to cost the agency $70 million in the long term.

But Kightlinger noted that it's just one facet of a labor pact that also contains employee concessions. In the five years covered by the deal, the agreement would save the agency $26 million, he said, adding that the savings could minimize future rate increases.

“It's actually a very smart financial move,” Kightlinger said.

Concessions made by employees include giving up annual payouts for unused sick leave and vacation, losing one paid holiday and one personal day, and requiring new employees to work 20 years before receiving retiree medical insurance — up from the current five years.

In addition, current employees would contribute 2 percent of their salary toward a retiree medical insurance fund, and new employees 8 percent.

Kightlinger said the changes for new hires could result in major savings.

“The average age of our employees is 50 years old,” he said. “We are going to have a lot of folks retiring over the next decade.”

In exchange for the concessions, employees would enjoy more favorable pension payouts.

Under the current retirement formula, they get 2 percent of their final compensation multiplied by their years of service when they reach 55. For example, an employee who makes $100,000 and has 30 years of service currently receives a pension payment of $60,000 upon retirement at 55.

Under the proposed formula, the multiplier would be 2.5 percent at 55. That means that same employee would see his pension payment rise to $75,000 a year.

The multiplier currently grows over time, reaching 2.43 percent at age 63. Under the new plan, the multiplier would be fixed at 2.5 percent.

In San Diego, the benefits factor for most city employees hired before June 30 is 2.5 percent at age 55, but the city lowered that for new employees to 1 percent in an effort to undo past decisions.

Although other aspects of the water agency's five-year labor pact could be changed when it's up for renewal, the retirement benefits would be long-lasting.

“Pension benefits once granted cannot be withdrawn” from vested employees, said Michael Conger, a San Diego attorney who specializes in pension litigation.

The 37-member board of the Metropolitan Water District is scheduled to vote Tuesday in Los Angeles on the agreement with four unions representing 1,911 employees.

San Diego County has four representatives on the board. Two didn't return calls for comment: Jim Barrett, San Diego's director of public utilities, and Fern Steiner, a city appointee to the county Water Authority.

Bud Pocklington of Chula Vista, a delegate on the regional board, said he will vote against the pension deal.

“There could not be a worse time than now to change our pension system and add additional financial liabilities to MWD and its customers,” Pocklington said. “Unemployment rates in San Diego County are the highest we've had in over 20 years. People who have lost their jobs are hurting.”

By his estimate, the agency has raised rates by 34 percent in the past two years.

Keith Lewinger, general manager of Fallbrook Public Utility District and a member of the regional board, said he hasn't made up his mind.

Lewinger wonders if the employee concessions would be made permanent or could be undone by a future board. He noted the analysis by staff members showing that the employee concessions, if they stay in place for the long haul, would outweigh the cost of the pension increase.

“I'd rather look at the entire contract to see what the employees are proposing to give up in return for the benefits and see if it's advantageous to ratepayers,” Lewinger said. “If it is, I will support it. If not, I won't.”

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