

Corbett – Active 10%, Retired 7%
Submitted by Joe Flynn – November 29, 2006

After an earlier email discussing the Corbett settlement and disability retirees, a number of you asked about the different percentages of Corbett payment to those who had already retired and to those still working. The question: "Why is it that the people who retired before July 1, 2000 receive a 7% Corbett payment but those who retire after that date may select a 10% increase in their final compensation figure, or one of the new retirement factors (i.e. the factor used to multiply your years of service to derive your pension as a percentage of final compensation.)" I too have scratched my head over these different percentages. But not long ago it was explained to me by a "heretofore reliable source," as they say in the newspapers. Now let me see if I can explain it for you.

For the math whizzes among you, put away your calculators, because that is what happened deep into the Corbett Settlement negotiations. The principle of the case was that all forms of compensation given to city employees were not being reflected in their highest one year salary -- the salary used to determine annual pension payments. But, as you can imagine, these forms of compensation were extensive and unique to each employee. These include the basics such as vacation and sick leave but also cover bi-lingual pay, shift differential, uniform allowance, etc., etc. These calculations would necessarily require extensive research on the work history of each individual in order to establish total compensation. Faced with that daunting task, the negotiators compromised on a nice round 10% for active employees to be added to their highest year. For those already retired, it was agreed to make a lump sum payment for the years 1995 to July 1, 2000, and then a 7% Corbett payment annually.

That was the basic agreement, but then a few options and contingencies were added. Active employees had an option upon retirement of adding 10% to their highest year salary, or selecting a different factor in multiplying their number of years service to generate the percentage of highest year to be paid in pension.

The contingency of course was for retirees. The Corbett payment was a "contingent payment" to be paid out of "excess earnings" and if they were not available, the payment would carry over to be paid in the next year that "excess earnings" were available. And if you have been retired for at least five years, you already know how that works.

In paragraph one, I said I would explain the difference between the 10% figure used for active employees and the 7% used for retirees. I have not

forgotten, but with all the twists and turns, the background above is necessary to set the stage.

Active employees received the higher, 10% factor because they were still working and would be contributing to the pension fund at the higher rate, as would the plan sponsor. Those retired before July 1, 2000 received the lower, 7% factor since they would not be making any additional contributions to the pension fund, nor would the plan sponsor be making contributions in their behalf. The lump sum payment for those already retired was intended to compensate for the differential. Rest assured that every effort was made to treat active and retired equally without necessitating an endless amount of research and calculation.

Currently, additional efforts are underway to simplify Corbett payments for retirees. In September, the Retirement Board voted to add both the Corbett payment and the 13th Check to the liabilities of the Pension fund, and to do away with the "waterfall" method of determining how and in what order a number of payments would be made. This move was intended to more accurately and more clearly account for plan liabilities and to comply with new Federal accounting standards. The Mayor and Council are also on record supporting elimination of the "waterfall." I have consistently supported this effort and have urged that we work towards the ultimate simplification; that is, including both the 13th Check and the Corbett payment as part of retiree's monthly pensions. We are headed in that direction.

Joe Flynn, Retiree Rep. to the Board