Comparison of Retirement Benefits for PG&E Non-Union vs Union

Traditional Pension only. Note that none of this applies to employees hired on or after 1/1/2013. For those employees, the pension and 401(k) are identical for union and non-union (except that 401k match begins after 30 days for non-union and after 1 year for union).

	Non-Union	**Union**
Base for Pension	Average of last 36 months pay	Pay 30 days prior to retirement date
Multiplier	1.7% per years of service	1.5% for years 1-25 1.6% per year for years beyond 25
Early Retirement	Must have 35 years of service	Must have 30 years of service
401(k) Match (Traditional Pension Only)	75% on first 6%	50% on first 6%

Blended Pension:

- Management Formula for years in management, plus union formula for years in union.
- Problem with Blended pension: the management portion is based on the last 36 months in management. So, if you join ESC on Jan 1, 2020 and you retire in say 2025, the management portion of the blended pension is still based on the 36 months ending on Jan 1, 2020. We call this the "time capsule effect" and it erodes the value of the blended pension quickly – after two to four years, the Union Pension is general worth more than the Blended Pension.
- But, depending on assumptions for base pay increases, the Union Pension can also be worth more than the Management Pension after only two years.

"Back of the Envelope" Pension comparison:

Assume 30 years in management. The difference in pension multiplier is .02%*25 + .01%*5, or 10% in favor of management. If the average management increase is 3%/year, then the difference in pension base is about 3% (one year's raise) in favor of union. So the management pension is maybe 7% better. If the Union can deliver 7% or more in base pay increases above what you would expect in management, then you would come out ahead in terms of pension alone. This is an oversimplification but it shows which factors you need to consider.

"Back of the Envelope" 401(k):

Management's match is 75% of 6% = 4.5%; Union match is 50% of 6% = 3%. So the difference is 1.5%. If the Union can deliver 1.5% base pay increase more than what you would expect in management, then the increase in salary offsets the loss in 401(k) match. True the salary would be taxed, but you can put it in an IRA. Also the increased base salary means an increase in 401(k) match in the union formula.