

CITY OF SAN JOSÉ

SJPOA and IAFF Alternative Pension Reform Settlement Framework

Background

- Measure B approved by the voters in June 2012
- SJPOA and individuals represented by IAFF, Local 230 filed suit against the City
- Superior Court ruling
- Public Employment Relations Board (PERB) hearings and decisions
- Appeals pending

Background (cont'd)

- Council direction to pursue global settlement with all litigation plaintiffs
- Retirement Reform Savings Achieved

Retirement Reform Estimate (FY 14-15)	GF Savings
Implemented	
SRBR Elimination	\$13 M
Retiree Healthcare Changes (lowest cost plan)	\$7 M
New Tier 2 Retirement Plans	\$5 M
<i>Subtotal Implemented</i>	<i>\$25 M</i>

- Began settlement discussions in April 2015
- Agreement on July 15th

Revised Tier 2 – Key Points

- Backloaded 2.7% at 57 formula, 80% max

Years of City Service	Benefit Accrual Rate
1-20	2.4%
21-25	3.0%
26+	3.4%

- CPI or max 2.0% Cost of Living Adjustment
- 50/50 Cost Sharing of Normal Cost and Unfunded Liability
 - Ramp up of 0.33% per year for Unfunded Liability
- Retroactive for current sworn Tier 2
- Rehired former Tier 1 go back into Tier 1

Retiree Healthcare – Key Points

- Close retiree healthcare plan and establish a Voluntary Employee Beneficiary Association (VEBA) for new and current Tier 2

Employee Contribution Rate	City Contribution Rate
4%	N/A

- Tier 1 opt-out to VEBA
 - One-time irrevocable election

Plan	Employee Contribution Rate	City Contribution Rate
VEBA	5%	N/A
Defined Benefit	8%	ARC

- The difference (3%) between the VEBA contribution rate for those who opt-out and the defined benefit plan is post tax

Retiree Healthcare – Key Points (cont'd)

- New lowest cost healthcare plan
 - Kaiser NCAL 4307 Plan
 - \$3000 deductible
 - Qualifies for a Health Savings Account (HSA)
 - Floor for lowest cost healthcare plan established
 - Cannot be lower than the current ACA “silver” plan (provide at least 70% of healthcare expenses)
 - Mandatory enrollment in Medicare Parts A and B
- Retiree Healthcare In-Lieu Premium Credit
 - 25% credit for the monthly premium of the lowest cost healthcare and dental plan
 - No cap – cannot be taken in cash

Disability Process and Definition

- Reinstate previous disability definition
- 3-member independent medical review panel
 - Appointed by retirement board
- Applications for disability retirement must be:
 - Submitted within one (1) month of separation, and
 - Cannot be deferred past four (4) years
- Tier 2 workers' compensation offset – \$10,000 max per employee
- New *Public Safety Wellness Improvement Committee* with goals to streamline the process, reduce costs, increase prevention, and expedite return to work

Supplemental Retiree Benefit Reserve (SRBR) – Guaranteed Purchasing Power (GPP)

- Continue elimination of the SRBR and preserve savings
- Guarantee current and future retirees can maintain 75% purchasing power of pension benefit
 - Currently, approximately 56 retirees in Police & Fire Plan under 75%

Proposed Implementation Plan

- Before quo warranto process begins in court, the ballot measure language will be agreed on

- November 2016 ballot measure will include:
 - Ensure actuarial soundness
 - Only voter-approved retirement benefit enhancements
 - Guarantee no retroactive retirement benefit enhancements
 - Any other mutually agreed upon language

Proposed Implementation Plan (cont'd)

- Propose a stipulated agreement in the *quo warranto* case that Measure B should be invalidated
 - Settlement will be non-precedential setting
 - This order will not include a finding that the City acted in bad faith
- Contingent on Federated bargaining units and retirees agreeing to a global settlement
- Request a stay of all litigation and PERB matters related to Measure B
- POA and IAFF agree to oppose any 3rd party litigation
- If the *quo warranto* fails or the other parties do not agree, the November 2016 ballot measure would implement the Framework Agreement