

## CITY CLERK'S IMPARTIAL ANALYSIS OF MEASURE F

Measure F would amend the San Jose City Charter to change employee retirement contributions and benefits, and retiree healthcare benefits.

**Background.** The City administers “defined benefit” retirement plans for its employees. The City and employees each contribute to the plans. Employees who reach retirement age and complete sufficient years of service become eligible for monthly retirement benefit payments using a formula based on years of service and a percentage of salary, as well as certain healthcare benefits.

**Measure B (2012).** At the June 2012 election, San Jose voters adopted Measure B. Among other things, Measure B required employees to make additional retirement contributions. Measure B also required the City Council to adopt a retirement program under which employees who “opted in” to a lower retirement formula would not be required to make the additional retirement contributions, and would retain some existing benefits and have others reduced. It required the City to adopt a retirement plan for new employees that could include social security, a defined benefit plan and/or a defined contribution plan, and included caps on the retirement benefits of new employees. It also limited disability retirements.

**Measure B Litigation:** A number of City unions and a retiree association challenged Measure B in court on numerous grounds. Some provisions of Measure B were invalidated (including the increased employee contributions and the “opt in”), and some were upheld (including the elimination of the Supplemental Retiree Benefit Reserve, or SRBR). The City and unions agreed the legal challenges would be dismissed if this Charter amendment were approved by voters. The retiree association has not yet reached such an agreement.

**Measure F:** This measure would make the following changes to City retirement plan and retiree healthcare plans, which would supersede the modifications made by Measure B:

- Retirement benefits for Tier 2 members would be improved to levels similar to other Bay Area agencies as well as providing that the costs of the benefit are shared 50/50 between the City and employees in specified increments.
- The defined benefit retiree healthcare plan that established levels of healthcare benefits would be closed to new members.

- Tier 1 Employees who return after leaving the City would be Tier 1 Employees.
- The pre-Measure B definition of disability would be reinstated.
- An independent medical panel would be created to determine eligibility for disability retirements.
- The elimination of the SRBR would continue and be replaced with a Guaranteed Purchasing Power benefit to protect retirees against inflation.
- Both City and employees would be required to make the full annual required plan contributions calculated by the Retirement Board.
- Voter approval would be required for any future enhancements to defined retirement benefits.
- Retroactive benefit enhancements would be prohibited.

This measure was placed on the ballot by the City Council.

A “yes” vote is a vote to approve the changes described above.

A “no” vote means that no changes would be made to the Charter’s retirement provisions.

/s/ Toni Taber

City Clerk

City of San Jose

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