

**For Immediate Release:**  
December 2, 2011

**Contact:**  
Michelle McGurk, 408-535-4840 or 408-655-7332 (cell)  
David Low, 408-535-4857 or 408-499-8328 (cell)

## **Mayor Reed Releases Recommendations for Dec. 6 Vote on Retirement Reform Ballot Measure**

*San José, Calif.* – On December 2, the independent Police and Fire Department Retirement Board approved an Experience Study and Actuarial Valuation – *conducted by Cheiron, the board's independent outside actuary* – that suggests the City's pension rates will be significantly lower than had been previously estimated (the updated numbers have not yet been finalized and will not be available until January 2012).

While this is welcome news and could significantly reduce next year's deficit, it remains unclear if/how this improvement in next year's costs relates to the City's long-term retirement cost projections, which are expected to grow significantly. It also appears that one of the main causes of this change was the significant reductions in police officer and firefighter positions that the Council was regrettably forced to implement this past summer.

Based on this new development, Mayor Reed, Vice Mayor Nguyen, and Councilmembers Constant, Herrera and Liccardo have released the following recommendations regarding the upcoming Dec. 6 vote on retirement reform:

- ***The City Council should defer consideration of the declaration of a Fiscal and Service Level Emergency until after Cheiron has provided an update of the City's five-year retirement cost projections and other questions about their actuarial analysis have been answered.*** This will allow the Council to have a fuller understanding of if/how this change relates to the City's overall fiscal situation.
- ***The proposed retirement reform ballot measure should be revised so that the temporary suspension of retiree COLAs would only take effect if this, or any future, Council ultimately decides to declare a fiscal and service level emergency*** (a decision that now will be deferred until Cheiron is able to provide additional information to the Council).
- ***The City Council should place the retirement reforms before the voters during the June 5, 2012 presidential primary election.*** This will allow time for the City to seek IRS approval of a new "opt-in" pension plan for existing employees and save the costs of a special election. With the lower projections for Police and Fire retirement costs in the 2012-2013 fiscal year, some of the City's worst short-term fiscal needs may be alleviated. However, the projections do not erase next year's shortfall nor the need for serious retirement reforms. Securing voter approval of the proposed reforms in June would still generate immediate savings that may allow the City to avoid service reductions in July.

- more -

Notwithstanding the potential decrease in next year's retirement costs for the Police and Fire Plan, the City's overall retirement costs have already tripled over the past 10 years. With retirement costs now consuming more than 20% of the General Fund (compared to less than 10% just four years ago), San Jose's current service levels remain far below those needed to serve the needs of the community.

As a result, the proposed reforms (with the revisions described above) will still be necessary to bring the City's retirement costs back to a sustainable level and to begin restoring police and fire department staffing, library and community center hours, street maintenance and other essential services to acceptable levels.

*Read the recommendations from Mayor Reed, Vice Mayor Nguyen, and Councilmembers Constant, Herrera and Liccardo:*

[http://www.sanjoseca.gov/mayor/news/memos/11Dec/PensionReformBallotMeasure\\_12062011.PDF](http://www.sanjoseca.gov/mayor/news/memos/11Dec/PensionReformBallotMeasure_12062011.PDF)

*Read the memo from the City Manager explaining this latest development:*

<https://www.piersystem.com/external/content/document/1914/1249643/1/12.06.11%20Item%203.3%20SUPPLEMENTAL.pdf>

# # #