

**For Immediate Release:**

September 9, 2011

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## **City of San José Modifies Proposed Fiscal Reform Ballot Measure as Part of Negotiations with City Unions**

*San José, Calif.* - Under the revised ballot measure language that the City of San José has submitted to its unions for consideration, current employees would have the choice to either “opt-in” to lower cost benefits (subject to IRS approval) or make additional contributions to help pay for the pension plans’ unfunded liabilities.

The changes were based in part on feedback offered during the course of negotiations and in an effort to reach agreement on possible ballot language.

“The City cannot afford to pay the ever increasing costs of retirement benefits,” said Mayor Reed. “Since our unions have told us they will not agree to changing benefits for current employees, the new opt-in plan offers each individual employee a choice: keep current benefits as they are and pay more, or take modestly reduced benefits and pay less.”

Employees who do not wish to change to the lower cost benefits would have to make additional contributions to pay for 50% of the pension plans’ unfunded liabilities (the City is currently paying 100% of the pension plans’ unfunded liabilities). Under the revised ballot measure language, the additional contributions would start at 5% of pay in 2012 and could grow up to a maximum of 25% of pay over 5 years.

The new optional set of benefits would allow current employees to keep the benefits they have already earned and accrued, but future accruals would be at lower rates and the age for retirement would increase over time:

- Pension benefits would accrue at the rate of 1.5% per year of service
- Retirement ages would increase over 20 years to 60 for police and fire and 65 for others
- Pension benefits would be calculated on the average of the highest three years of pay
- Cost of living increases would be limited to 1% per year

The revised ballot language maintains many of the other significant elements of the original proposal, such as: limiting cost of living increases for current and future retirees to 1% per year and placing new employees in a hybrid plan that caps the city’s total contribution at 9% of an employee’s pay.

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The City has provided its employee unions with the new draft ballot language and will be discussing the changes in greater detail at the bargaining table.

Negotiations with the city unions over the ballot measure language are scheduled to be completed by October 31. In late November or early December, the City Council will consider making a Declaration of Fiscal and Service Level Emergency and placing the proposed fiscal reform ballot measure before the voters in March 2012. Securing voter approval in March would allow the City to realize immediate savings that could help reduce service cuts in FY 2012-13, when the City is projecting an \$80-\$100 million deficit.

“Skyrocketing retirement costs are destroying our ability to provide basic services,” said Mayor Reed. “These proposed reforms are crucial to breaking the never-ending cycle of budget cuts and restoring essential services like police patrol, fire response, street maintenance, libraries and community centers.”

Retirement costs to the city have grown from \$73 million ten years ago to \$245 million this year, causing major reductions in the City’s staffing and service levels. Retirement costs are projected to increase to \$430 million in 2016 and continue growing for 10 to 15 years after that.

If approved by the voters, the fiscal reform ballot measure could save the city more than \$25 million/year in 2012, increasing to more than \$100 million/year by 2015. The ballot measure is part of the Fiscal Reform Plan approved by the City Council to generate more than \$200 million/year to offset increases in retirement costs, restore city service levels to those of January 2011, and open the new libraries, community centers, and police substation that have been built but are closed for lack of funding.

View the text of the revised ballot language:

<http://www.sanjoseca.gov/employeeRelations/retirementreform/ProposedBallotMeasuresProposals/RevisedDraftProposedBallotMeasuredated09.09.11.pdf>

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