

**CITY OF SAN JOSE – ALP
TENTATIVE AGREEMENT**

CITY PROPOSAL – RETIREE HEALTHCARE

Proposed Language:

ARTICLE 15 RETIREE HEALTHCARE

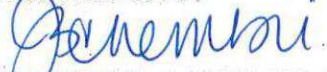
- 15.1 The City and Association agree that they must address a number of issues regarding the retiree healthcare benefit. For this reason, the retiree healthcare benefit is subject to the reopener in Subsection 4.1.3 of this Agreement, and the parties intend to continue negotiating and working together to address these issues. This provision reflects the current status of the retiree healthcare benefit pending an interim and/or long term resolution of the issues.
- 15.2 Eligibility for the retiree healthcare benefit is determined in accordance with the San Jose Municipal Code.
- 15.3 On April 21, 2009, the City started implementing a plan to transition to full pre-funding of the retiree healthcare benefit for unrepresented Executive Management employees (Unit 99). At the time, all of the member classifications currently in ALP were unrepresented and in Unit 99. ALP was formed as a bargaining unit after the City's imposition of the full pre-funding plan. The full pre-funding plan that the City currently is implementing is set forth in Resolution No. 74882, entitled "A Resolution of the Council of the City of San Jose Approving Agreements Between the City of San Jose and Several Bargaining Units Regarding Retiree Healthcare Funding, and Implementing Retiree Healthcare Funding for Units 99 and 82," and the April 7, 2009, Memorandum to the Mayor and City Council attached as Attachment A thereto.
- 15.4 The City and employees represented by the Association began to transition from the current partial pre-funding of retiree medical and dental healthcare benefits (referred to as the "policy method") to pre-funding of the full Annual Required Contribution (ARC) for the retiree healthcare plan ("Plan"). The transition began on June 28, 2009. The Plan's initial unfunded retiree healthcare liability shall be fully amortized over a thirty year period so that it shall be paid by June 30, 2039 (closed amortization). Amortization of changes in the unfunded retiree healthcare liability other than the initial retiree healthcare liability (e.g. gains, losses, changes in actuarial assumptions, etc.) shall be determined by the Plan's actuary. The City and Plan members (active employees) shall contribute to funding the ARC in the ratio currently provided under Section 3.28.385 of the San Jose Municipal Code. Specifically, contributions for retiree medical benefits shall be made by the City and members in the ratio of one-to-one. Contributions for retiree dental benefits shall be made by the City and members in the ratio of eight-to-three. When determining the contribution rates for the Plan, the Plan actuary shall continue to use the Entry Age Normal (EAN) actuarial cost method and a discount rate consistent with the pre-funding policy for the Plan as outlined in this section.

**CITY OF SAN JOSE – ALP
TENTATIVE AGREEMENT**

- 15.5 The City and the Association agree that the Municipal Code and/or applicable plan documents shall be amended to the extent necessary in accordance with this agreement and that the Association will support such amendments.
- 15.6 The phase-in to the ARC shall be effective on the first pay period of the City's fiscal year in each succeeding year, the first increment which was effective on June 28, 2009. It is understood that because of changes resulting from future actuarial valuations, the amount of the ARC may vary upward or downward. The City and the Association agree that the ~~Plan member cash contribution rate shall not have an incremental increase of more than .75% of pensionable pay in each fiscal year and the City cash contribution rate shall not have an incremental increase of more than .75% of pensionable pay in each fiscal year.~~ For example, if the members' contribution rate is 4% of pensionable pay, the subsequent fiscal year's contribution rate for retiree healthcare cannot exceed 4.75% of pensionable pay, retiree healthcare contribution rates as of June 20, 2015 will remain in effect until December 19, 2015. ~~Notwithstanding the limitations on the incremental increases,~~ The City and plan members shall be contributing the contribution rate based upon the full Annual Required Contribution, beginning on ~~June 21, 2015~~ December 20, 2015. In subsequent fiscal years, the City and the plan members shall be contributing the full Annual Required Contribution in the ratio currently provided under Section 3.28.385 of the San Jose Municipal Code.

This agreement is considered tentative and shall not be considered final or binding until ratified by the membership and approved by the City Council. This document sets forth the full agreements of the parties reached during these negotiations. Anything not included in this document is not part of the Tentative Agreement. The provisions set forth above shall be incorporated in any successor Memorandum of Agreement.

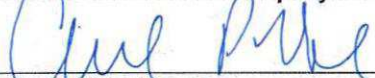
FOR THE CITY:



Jennifer Schembri
Interim Director of Employee Relations

5/1/15

Date




Cheryl Parkman
Executive Analyst
Office of Employee Relations

5/1/15

Date

FOR THE UNION:



Vera Todorov
President
ALP

29 April 2015

Date