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PROFESSIONAL & TECHNICAL ENGINEERS, LOCAL 21, AFL-CIO
An Organization of Professional, Technical, and Administrative Employees

Hand Delivered and Sent via E-mail

January 8, 2013

Alex Gurza
Deputy City Manager
City of San Jose
200 East Santa Clara Street
San Jose, CA 95113

Re: Retiree Healthcare Negotiations Request for Information

Dear Alex,

We are supplementing our original Information Request dated December 17, 2012 with this more detailed request regarding the City of San Jose's proposal dated December 12, 2012. We understand you have questions regarding our original request and believe this more detailed request may provide a more useful and clear request.

We are committed to responding to your proposal in a timely manner, but can only do so when we have the underlying information and assumptions being made by the City in its proposal. We have gone through the proposal and have the following questions, related to each section referenced.

Information Request:

Section 12.2

1. Under what circumstances might it be necessary or not necessary to amend the Municipal Code and/or applicable plan documents?

Section 12.2

2. Can you specify which component of the ARC may vary upward or downward and how that is different from "the amount of each increase"?

Section 12.4

1. We see that the 10% member contribution in this section is based on pensionable pay. Can you please provide us with a breakdown of what you take into account when calculating "pensionable pay"? What is the dollar equivalent of 10% of pensionable pay?

2. What is the current percentage for member contribution based on or derived from? In other words, what is the base from which the current member contribution percentage is calculated from?
3. What is the quantitative difference, in dollar amount and percentages, of what employee contribution is now and what the planned contribution is? In other words, please provide us the percent and dollar amount contributed for retiree health care by both members and the City for the last five years.
4. When you use the term "implicit subsidy," what does that mean?
5. Please provide us with a breakdown of what the 10% of pensionable pay for the City (excluding implicit subsidy) is in dollar amounts and what the source of that subsidy is currently and for the last five years.
6. How does the 10% paid by the City measure up to the 10% paid by members in dollar amounts? Please provide us with a breakdown of what the dollar equivalents are now and what they will be under your proposal. Does the 10% paid by the City equal the 10% paid by members in dollar amounts?
7. What are examples of "alternatives" that might be discussed to reduce retiree healthcare costs? We would appreciate a clarification of what this could be.
8. Please provide information and substantiation of how this provision provides a cap similar to the one in place for Police and Fire? How are they similar? What are their caps?
9. How often have the City and Police and Fire exceeded these caps in the last ten years, and what has been the contractual procedure in situations when the ARC cap has been exceeded? Please provide us with an annual breakdown for the last ten years. In the cases where the cap was exceeded, what has been the outcome of these processes on outcome of Police and fire member contribution?

Section 12.5

10. Please provide us with a plan description of the 115 trust fund and any documentation supporting your decision to establish this 115 trust fund.
11. Please provide documents to describe what the referenced IRS limits on existing medical benefits account are.
12. What is your estimation of the date by which there will be any potential of reaching the IRS limits on existing medical benefits account?
13. Specifically, in what ways are the City and/or members impacted or affected by these IRS limits on existing medical benefits account?
14. What sort of advice is the City anticipating from Tax Counsel about the proposal in 12.5 and when do you expect this information?
15. What, if any, IRS rulings does the City have that contributions can be treated as pre-tax? Have you requested from IRS a ruling of any kind that contributions can be treated as pre-tax? Please provide us with all supporting documentation, including when such requests were made, and any documentation received from IRS.

Section 12.7

16. What studies have you relied on to support the proposal that switching to a defined contribution plan for new members will be beneficial?
17. In light of the recent report by the City of San Jose on the negative trends in recruitment and retention, have you analyzed the potential negative impacts of this new plan on recruitment and retention of a highly qualified workforce?
18. What studies and/or documents do you have on the impacts this new plan, and the subsequent freezing out of contributions from new members, may have on ARC? In other words, please provide us with any and all documentation you have looked at that addresses the likely increase in overall ARC that will result as a result of no new money coming in, and what the effect will be on City and member contributions.
19. If this plan were in effect today and the City were contributing 1% along with an employee contribution of 1%, what percentage of salary would new employees have to provide to receive the same benefits as received by current members? For the next five years, what is the projected dollar amount and percentage of salary equivalent that new members would have to pay to match to effectively have the same quality of retirement health benefits as current members?
20. What would a 1% match from the City equate to in dollar amount today for new members under this proposal?
21. What are the criteria for the City to match up to 1%?

Section 11.1

22. Why are you instituting a 4 Tier rate structure?
23. What is the basis, from an insurance premium point of view, of making a distinction between these four tiers?

Please contact me if you have any questions or concerns.

Regards,



Michael R. Seville
IFPTE Local 21 Interim Senior Representative

Cc: AEA Bargaining Team
AMSP Bargaining Team
CAMP Bargaining Team
Christopher Platten, Esq.