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2018 CITY OF SAN JOSE – IAFF MOA NEGOTIATIONS

CITY PROPOSAL TO IAFF – INCORPORATION OF RETIREMENT MOA LANGUAGE

City Proposed Language:

ARTICLE 28 RETIREMENT – PENSION AND RETIREE HEALTHCARE

28.1 ~~Pension and retiree healthcare b~~Benefits of the Police and Fire Retirement Plan System are to be paid in accordance with the provisions of the Plan and the Memorandum of Agreement on Retirement between the City and the Union and the San José Police Officers’ Association. ~~These benefits are subject to change by the Alternative Pension Reform Settlement Framework dated July 15, 2015, between the City and the Union and the San Jose Police Officers’ Association.~~

~~28.7 There are Second Tier Retirement Benefits applicable to employees hired, rehired, or reinstated on or after January 2, 2015, as amended by Ordinance No. 29511. These benefits are subject to change by the Alternative Pension Reform Settlement Framework dated July 15, 2015, between the City and the Union and the San Jose Police Officers’ Association.~~

ARTICLE 29 RETIREE HEALTHCARE FUNDING

~~29.1 Article 29 is subject to change by the Alternative Pension Reform Settlement Framework dated July 15, 2015, between the City and the Union and the San José Police Officers’ Association.~~

~~29.2 The City and the Union agree to transition from the current partial pre-funding of fire retiree medical and dental healthcare benefits (referred to as the “policy method”) to pre-funding of the full Annual Required Contribution (ARC) for the fire retiree healthcare benefits plan (“Plan”). The transition shall be accomplished by phasing into fully funding the ARC over a period of five (5) years beginning June 26, 2011. 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, 2041 (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 3.36.575 (C) (1) and (2) 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 three to one. 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 Article.~~

~~29.3 The City and the Union further agree that the Municipal Code and/or applicable plan documents shall be amended in accordance with the above agreement and that the Union will support such amendments.~~

~~29.4 It is understood that in reaching this agreement, the parties have been informed by cost estimates prepared by the Police and Fire Department Retirement Plan Board's actuary, and that the actual contribution rates to reach full pre-funding of retiree healthcare will differ. The phase in to the ARC shall be divided in five steps (using a straight line method), each to be effective on the first pay period of the City's fiscal year in each succeeding year. The first increment of the phase in shall be effective on June 26, 2011. It is understood that because of changes resulting from future actuarial valuations, the amount of each increase may vary upward or downward. The City and Union agree that the Plan member cash contribution rate shall not have an incremental increase of more than 1.25% of pensionable pay in each fiscal year and the City cash contribution rate shall not have an incremental increase of more than 1.35% 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 5.25% of pensionable pay.~~

~~29.5 If, at any time the calculated Plan member cash retiree healthcare contributions exceed 10% of pensionable pay or the calculated City cash retiree healthcare contributions exceed 11% of pensionable pay for the City (excluding implicit subsidy), the parties shall meet and confer on how to address any retiree healthcare contributions above 10% of pensionable pay for Plan members or 11% of pensionable pay for the City in order to fund the full ARC. Such discussions shall include alternatives to reduce retiree healthcare costs. If the parties are unable to agree on the manner in which to fully fund the retiree healthcare ARC (contributions exceeding 10% of pensionable pay for Plan members or 11% of pensionable pay for the City, excluding implicit subsidy), applicable impasse dispute resolution procedures shall apply. Nothing in this Article shall be construed to obligate Plan members to pay more than 10% of pensionable pay or the City to pay more than 11% of pensionable pay to fund retiree healthcare.~~

~~29.6 The City will establish a qualified trust ("Trust") by July 1, 2011.~~