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City of San Jose Non-Management Retirement Coalition

October 22, 2011 VIA EMAIL, this date

Gina Donnelly, Deputy Director
CITY OF SAN JOSE
Office of Employee Relations
200 East Santa Clara Street
San Jose, CA 95113

RE: Non-Management Retirement Coalition Proposal for Opt-In Plan

Dear Gina:

I am writing to you on behalf of the Non-Management Retirement Coalition. Attached you will find our proposal for a true "Opt-In" retirement plan for City employees – this is the best solution to reduce retirement costs because it is fair, legal, and will save City of San Jose taxpayers millions of dollars.

This proposal, combined with our proposal for newly hired employees, reduces City retirement costs by approximately $160 million dollars from FY13 – FY16.

Our proposal significantly reduces retirement costs for the City of San Jose. It does this in a manner that is legally sound, meets IRS requirements, protects the retirement security of middle class families, and upholds the values of our community.

To date, City of San Jose employees have given pay and benefits that saves the City $86 million per year – or $344 million over the next four years. City workers are prepared to step-up again to help the City by offering changes to the Federated Retirement system that will generate an additional $160 million in savings.

These savings include:

- $67 million from "other gains" which include reduction of pay, asset gains, and other changes.
- $68 million from an opt-in plan.
- $7 million from savings as outlined in our "New Hire-Tier 3" proposal, beginning FY 2014.
- $18 million from eliminating SRBR.
- In addition, there would be savings on retiree health care costs due to the proposed increase in the retirement age included in the opt-in.

The City's plan to spend millions of taxpayer dollars on a special election can be avoided if we can come together to find win-win solutions in a collaborative manner. By coming together to reach an agreement, this money can instead go towards neighborhood services. Our communities must remain safe, vibrant and clean for the residents of San Jose. Keeping libraries, parks and community centers open, and police officers on the streets should be everyone's priority.

We, along with our pension expert, look forward to meeting with you on Wednesday, October 26, 2011, to further explain our proposal.

Sincerely,

Yolanda A. Cruz

Yolanda A. Cruz
City of San Jose Non-Management Retirement Coalition
President, AFSCME-MEF

cc: Tom Brim, President, ABMEI
LaVerne Washington, President, AFSCME-CEO
Bill Pope, Business Agent, OE-3
Dan Rodriguez, Business Agent, IBEW
Charles E. Allen, Business Agent, AFSCME
Gregory C. Ramirez, Business Agent, AFSCME
Non-Management Retirement Coalition Bargaining Team

Opt-in Retirement Proposal from Non-Management, Rank and File Unions

This is our proposal for an opt-in plan. This proposal combined with our proposal for newly hired employees, reduces city retirement costs by approximately $160 million dollars from FY13 – FY16.

We propose to reduce costs by creating a new tier of benefits that current workers can voluntarily choose. Employees would be given an incentive to opt-in, but would not be forced to do so or be pressured with threats of adverse consequences.

In addition our proposal achieves savings in the Federated Plan in a manner that complies with the law and avoids the need for IRS approval. Our opt-in proposal is a solid solution that reduces costs while preserving a secure retirement for employees.

The key points are:

- Developing a less expensive benefit level for future service that an employee would have the option of selecting.
- Employees would be given an incentive to opt-in, but would not be forced to do so or pressured with threats of adverse consequences.
- The modified benefit would be applicable to future service only, and no accrued benefits would be changed by opting into the new tier.

Description of Opt-in Proposal

Proposal #	Details
1.	***Benefit Accrual Rate*** - Reduce the current retirement accrual rate from 2.5% to 2% per year for future service.
2.	***Retirement Age*** – Increase full retirement age from 55-years to 60-years. • Maximum multiplier retirement eligibility would be achieved either by having reached age 60 years (proposed increase from the current 55 years of age) or upon 30 years of service.
3.	***Cost of Living Allowance (COLA)*** – Modify guaranteed 3% COLA. Return to a 3% cap on retirement COLA. • COLA would be based on the Bay Area Consumer Price Index (not less than zero or greater than three percent)
4.	***Final Average Salary Calculation*** – Increase from the highest 12 months to the average of the highest 36 months.
5.	***Normal Cost Split*** – Normal Cost split would remain 8-3 for employees opting-in to the lower benefit plan. • Contribution levels for workers would not change if one opted-in to the new tier. The 3/11ths contribution would be calculated in aggregate for everyone in the current plan, those opting-in and those not. Both groups will continue to pay an equal percentage of pay into the pension plan. This should avoid the need for IRS approval.
6.	***SRBR*** - Eliminate

Important Considerations Regarding Incentives for an Opt-in Plan

The value of the incentives should be set at a level which would reasonably be expected to entice participation, but also produce savings. Incentives should be carefully decided through discussion with all Federated Bargaining groups and the City. Incentives may include, but not be limited to:

- A lump sum payment (based on demographics, specifically age and years of service)
- Enhanced pay either over a limited period of time or a workers' future service
- Retention of sick leave payout
- Other incentives that may be determined during discussions