



October 24, 2012

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VIA EMAIL AND REGULAR MAIL

Charles D. Sakai, Esq.
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350 Sansome Street, 3rd Floor
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**Re: New Employee Retirement
File No. 039166**

Dear Charles:

I write to continue our discussions on the above-referenced subject and to repeat the POA's request to meet with the City. In fact, we would like not only to meet with the City, but also to meet with representatives of the Retirement Board, as explained below. I understand that the City has some urgency to move to arbitration on this matter; however, the POA continues to find itself hamstrung by the ambiguities in the City's proposal. We have submitted extensive questions and are still awaiting a response. We think it would be much more productive for the parties to meet together in one room going through these issues. I understand that the City will be meeting with representatives of Local 230 for similar purposes. The City's unwillingness to meet with the POA for the same purpose is a bit baffling.

The questions submitted in my letter of October 2 raise some fundamental preliminary questions about the nature of the benefit, and the guarantees attaching to it, that the City is proposing. There will inevitably be follow up questions. If we were all in the same room, when we receive the answers to these questions, we could undoubtedly articulate follow up questions immediately.

In addition, the POA would like to discuss possible ways to reduce the cost of whichever program we end up with for both the City and the employee. It appears, for example, from our discussions, that the high cost of the San Jose plan is attributable to some of the assumptions put in place by the Retirement Board. The POA is interested in meeting with the City, with representatives of the Retirement Board present, to discuss what pension related factors are potentially subject to negotiation/change. Or, if not "negotiable" as such, subject to potential change through a bilateral proposal

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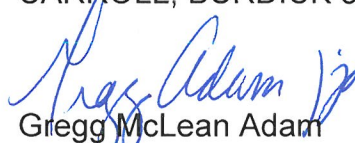
by the City and the POA to the Retirement Board. For example, if the cost of the City's 2% at 60 proposal (or a POA proposal (as you know, we have discussed something similar to the safety tiers in the Governor's new retirement act)) is affected in any way by (what I assume is the 16-year) amortization period, can that be "negotiated?" Or can the parties jointly approach the Retirement Board to seek a longer amortization period—which would potentially reduce each side's cost—particularly given a new plan that ought not to have any unfunded liability.

We are also interested in the City's response to the questions submitted by Mr. Platten on behalf of Local 230.

Please consider our request for the parties to convene in person and to invite representatives of the Retirement Board to be present.

Very truly yours,

CARROLL, BURDICK & McDONOUGH LLP



Gregg McLean Adam

Dictated by him, but signed in his absence.

GMA:jo

cc: Jim Unland, President, SJPOA
John Robb, Vice President, SJPOA
Franco Vado, Chief Financial Officer, SFPOA