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March 5, 2012

VIA E-MAIL AND U.S. MAIL

Chris Platten
Wylie, McBride, Platten and Renner
2125 Canoas Garden Ave., Suite 120
San Jose, CA 95125

Nancy Ostrowski
Senior Business Representative
IFPTE, Local 21
4 N. Second Street, Suite 430
San Jose, CA 95113

Re: Retirement Reform Correspondence

Dear Chris and Nancy:

I write in response to letters from Chris and directly from IFPTE Local 21 dated February 28th (received via U.S. Mail on March 1st) and March 3rd, and your proposal dated March 2nd. (Enclosed.) I note that this proposal was received 22 days after our last day of mediation, and only one working day before the City Council is scheduled to vote on the proposed retirement ballot measure.

The City of San Jose appreciates your explicit recognition that “we must go to the voters to achieve lasting change and gain control of pension costs that have already cost city services and jobs.” We also appreciate your taking the time to put your post-mediation position in writing. We have carefully reviewed and considered this proposal as an attempt to break the current impasse between the parties. Unfortunately, your new proposal makes no change to the key elements on which the mediation foundered, and appears to be a step backwards in some regards from the parties’ previous discussions. This underscores the fact that the parties continue to be at impasse after 8 months of negotiation and mediation. Without wishing to disclose the discussions in mediation, here are some examples of areas in which the parties have been, and remain, far apart:



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- The proposal provides for salary reductions of 7.5% for employees who choose not to opt in tier. We are disappointed that your proposal falls far short of the cost-sharing contained in the proposed ballot measure before the City Council, which is capped at an additional 16%, (not to exceed 50% of the amortized cost of the unfunded liability.) This is an issue we could not bridge in several months of mediation, and your March 2nd proposal only underscores the wide gulf between the parties on this issue. However, we have noted that we are in agreement on the concept that employees who choose to stay in the current level of retirement benefits will have their total compensation adjusted--- either through additional retirement contributions or through salary reductions. The amount of these total compensation reductions have remained a sticking point in negotiations from the start.
- A central stumbling block between the parties has been the contribution to be paid by new employees. As we have discussed, the City views shared responsibility for the cost of any pension plan covering new employees as critical if the City is to continue offering defined benefit plans in the future. Although you are proposing that employees would pay 60% of normal cost, this change does not address the City's long-articulated belief that, for new employees, the full cost should be shared equally with employees. The City's proposed ballot measure on this core issue gives both the City and employees the same incentives to ensure that any plan adopted be affordable, and to make changes in the plan if it becomes unaffordable. In short, the City believes it is in all parties' interests to avoid the situation we now face with the Tier I plan, in which neither the City nor the employees, in the long run, can afford the benefits offered.

In your February 28th letter, you suggested that the language changes proposed by the City Manager -- provided to the Union in mediation -- require additional meet and confer. Suffice it to say the changes proposed by the City Manager are identical to those proposed in mediation, which were clearly insufficient to reach an agreement.

We are grateful to the IFPTE Local 21 negotiating team for truly engaging around and accepting the critical nature of the City's retirement issues. However, emerging from mediation, it appeared that the parties were apart on at least two critical issues (cost sharing for current and new employees), and your newest proposal highlights those differences. There are also other major elements of the City's proposed ballot measure which are not addressed in your recent proposal.

Finally, even if you believe the parties may break impasse on these critical issues, despite our unsuccessful efforts over the past eight months and despite your earlier rejection of the City's current proposal, the untimeliness of your proposal renders further bargaining impractical. We do not see how an agreement can be reached before March 6th -- the final City Council meeting before the last date to place this measure on the June 2012 ballot.



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In December, when the City Council previously intended to place a measure on the ballot (for a March 2012 election) IFPTE Local 21 argued that delaying the measure until June 2012 would enable the parties to reach an agreement. The City complied with IFPTE Local 21's request because it clearly reflected a sincere desire on IFPTE Local 21's part. We continue to appreciate IFPTE Local 21's efforts to reach an agreement, but, frankly, we do not see how issues that have separated the parties for eight months can be solved at this point. Nor do we understand why AEA, AMSP and CAMP failed to make this proposal at an earlier date, especially since on February 8th the City presented to you in mediation the proposal that is before the City Council on March 6th.

Sincerely,

Jonathan V. Holtzman

JVH/je

cc: Alex Gurza, Deputy City Manager

Enclosures



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

Sent via E-mail

March 3, 2012

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

RE: Pension Savings Guarantee Proposal of March 2, 2012

Dear Alex,

We agree that a negotiated solution alone will not solve our long-term pension problems. The City Charter guarantees minimum retirement benefits, and the only way to change the Charter is with a vote of the people. Thus, we must go to the voters to achieve lasting change and gain control of pension costs that have already cost services and city jobs.

We will be transmitting to you Charter change language that incorporates elements of our Pension Savings Guarantee Proposal and we urge that these Charter changes be put on the June 2012 ballot so that the voters can adopt our lawful pension reform proposal and eliminate the inevitable and costly legal battle.

In addition, we would propose that the parties agree that discussions from 10:00 AM on March 3, 2012 thru 11:59 PM on March 9, 2012 cannot be used by either party for the purpose of establishing compliance or non-compliance with bargaining obligations related to the City's proposed pension charter amendment.

With the City confirming that there will be a budget surplus for the first time in many years and the city's current ballot measure proposal stating that pension reform would not be implemented until July of 2013 there is ample time to adopt our proposal and ensure that future budget deficits are eliminated.

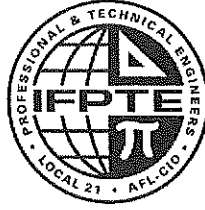
Our guarantee of savings within our proposals provides the City certainty and eliminates the need for the legally risky path the City is currently on.

We are available at any time to meet and answer any questions you may have.

Sincerely,

Nancy J. Ostrowski
IFPTE Local 21 Senior Staff
Chair of the San Jose Coalition

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



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

Sent via E-mail

March 2, 2012

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

Re: IFPTE Local 21 AEA, AMSP, CAMP Pension Reform Cost Savings Proposal

Dear Alex,

Attached you will find our proposal from IFPTE Local 21 on behalf of AEA, CAMP and AMSP with regard to pension and retirement reform. As you will see, our offer builds upon the successful momentum achieved in mediation. The proposal, if accepted, will provide the City of San Jose significant savings and will increase the strength and security of our pension system for employees, the City and the taxpayers.

Specifically, our offer contains items in alignment with the City's position in several areas:

- **A legally defensible “financial disincentive” for current employees** who choose not to opt into the new pension benefits created for Tier II. This will legally increase the City's savings over our previous offers.
 - **This includes a 7.5% maximum salary reduction achieved over three years at a maximum of 2.5% per year.**
- **Increasing the retirement age for current employees** from 55 to 60 and to age 65 for new hires.
- **Lowering the COLA from 3% fixed to a maximum of 1.5% based on CPI for Tier 2 and new hires.**
- **Changing the “Final Average Salary Calculation”** from highest single year to the average of the highest 3 years.
- **New hires would contribute more to the normal cost of their pensions than the City, 60% employees and 40% City.**
- **Elimination of SRBR** for current employees, Tier 2 and new hires.
- Modest financial incentives to encourage current employees to join Tier 2 and **ensure that the implemented pension reform is legal.**
- **A retiree health care proposal that will save the City millions of dollars** on healthcare benefits for current, future **and** current retirees.

This offer represents significant, aggressive, **legal pension reform** that will save the City of San Jose tens of millions of dollars annually from the date of implementation forward. As we state above, this offer builds upon the mediation sessions we held previously.

Litigation is assured if the City pursues its current course of action. We strongly urge you to join us in agreeing to legal, fair and reasonable pension reform.

Since we began negotiations on our MOA's, we have been very consistent that Local 21 favors significant, legal pension reform. This proposal is proof of our commitment. We sincerely hope this proposal is given thorough consideration and meets with the City Council's approval.

Sincerely,

A handwritten signature in black ink that reads "Nancy J. Ostrowski". The signature is written in a cursive, flowing style.

Nancy J. Ostrowski
IFPTE Local 21 Senior Staff
Chair of the San Jose Coalition

Attachments

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

IFPTE Local 21 AEA, AMSP, CAMP
Pension Reform Cost Savings Proposal to the City of San Jose
March 2, 2012

The International Federation of Professional and Technical Employees, Local 21, makes the following proposal to City of San Jose regarding resolution of outstanding pension and retirement benefits.

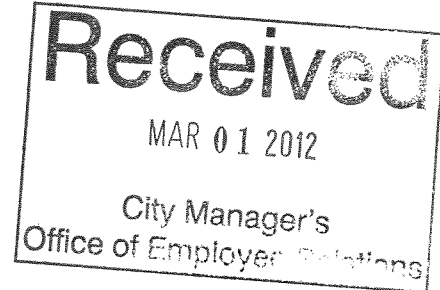
1. IFPTE Local 21 will agree to amendments to the current pension plan consistent with the provisions set forth in the attached Retirement Reform Chart.
2. IFPTE Local 21 will also agree to support changes to Article XV of the San Jose City Charter, as attached, in order to provide for the enactment of the reduced retirement benefits set forth in the attachment.
3. IFPTE Local 21 will agree to the following changes in the existing Memorandum of Agreement and pension plan provisions with respect to retiree health care as follows: The City's proposed high deductible Kaiser HMO plan will be recognized as the lowest price plan within the meaning of the MOA/MOU and the Municipal Code. The MOA/MOU will be amended to provide that the City contribution for medical care premiums will be the higher of 100% of the premium for the lowest priced plan or 85% of the premium for the second lowest priced plan, i.e., the current Kaiser plan. In addition, the provisions of the Municipal Code will be amended to provide that current retirees may participate in any plan offered to current employees, and shall receive contribution for medical care premium equivalent to that received by active employees for the second lowest price plan. The MOA/MOU will be further amended to provide that no unilateral changes in the designated lowest priced or second lowest priced plan will be made without agreement between the parties.

IFPTE Local 21 AEA, AMSP, CAMP
Pension Reform Cost Savings Proposal
March 2, 2012

	Tier 1	Tier 2/Opt In	Tier 3/New Hires
Max Benefit	75%	75%	70%
Accrual Rate	2.5% per year	2% per year (future years only)	2.0% per year
Age/Years of Service	55 w/5 years or 30 yrs any age	Increase the retirement age by 6 months annually beginning July 1, 2013, until the age of 60	Age 65 with 10 years of service
Early Retirement	NONE	Permitted, no earlier than age 55, with reduced payment that does not exceed the actuarial value of full retirement	NONE
Final Average Salary Calculation	Highest 1 year	Highest 3 years	Highest 3 years
COLA	3% Fixed	Max 1.5% based on CPI (Dec-Dec)	Max 1.5% based on CPI (Dec-Dec)
Normal Cost	Status Quo	Status Quo	City - 40%
Unfunded Liability	Status Quo	Status Quo	Employee 60%
SRBR	Eliminate SRBR	Eliminate SRBR	Status Quo Eliminate SRBR
Salary Reduction	7.5% max over 3 years; 2.5% max per year	NONE	NONE
Sick Leave Pay-Out	Eliminate June 30, 2013	See #2 Below	NONE
Incentives	NONE	<ol style="list-style-type: none"> 1. Retire at any age with 30 Years of Service 2. Sick Leave Payout w/final amount of total sick leave payout reduced by 10% 3. Non pensionable payment of \$1300 lump sum per year for three years, or \$50 per payperiod 	NONE

February 28, 2012

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



Re: Response to the City's Letter of February 21, 2012

Dear Alex:

We are in receipt of your letter dated February 21, 2012 enclosing a copy of a revised ballot measure. It appears that this version of the ballot measure is a *possible* ballot measure, which *may* or may not replace the ballot measure the Council already provided for placement on the ballot for June 2012 election. We note that the City Manager recommends to Council that it support these changes and authorize them to appear on a June ballot.

From IFPTE Local 21's initial review, this revision contains significant changes from the prior December 6, 2011 version. The City Manager, too, acknowledges "many significant changes and movement from earlier drafts."

IFPTE Local 21 has had not opportunity to bargain about this new ballot language. Previously, as the City Manager's memorandum acknowledges, this proposal was put forward in mediation. As you know, when that occurred, significant restrictions were placed on its acceptance.

Now, because the revised ballot measure is being presented for adoption for the ballot, IFPTE Local 21 requests to meet and confer about the new ballot language.

IFPTE Local 21 is available to meet as soon as possible to resume bargaining.

Very truly yours,


CHRISTOPHER E. PLATTEN

cc: Gina Donnelly, Deputy Director of Employee Relations
Nancy Ostrowski, IFPTE Local 21
Greg McLean Adam, Esq.