

August 5, 2011

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RE: August 2, 2011, Letter from AEA, AMSP and CAMP

Dear Nancy, John, Dale and Cay Denise:

We are in receipt of your letter dated August 2, 2011. We wanted to respond to your information requests as well as provide clarification regarding some aspects of your letter.

What is the Normal Cost projection of your proposal for New Hires and Current Employees?

The City's opening proposal for New Hires is a hybrid consisting of Social Security and a defined contribution match of up to 1% of an employee's base salary into a 457 Deferred Compensation Plan. The U.S. Social Security Administration determines the contribution rates for participants, which currently are 6.2% of base wages up to a maximum of \$106,800 annual earnings. The City is not in possession of any information regarding the "Normal Cost" of Social Security. Furthermore, there is no "Normal Cost" associated with a defined contribution plan so again, the City does not have any information responsive to this request. It should be noted that this information was provided to you during negotiations when the City provided its opening proposals.

What is the Normal Cost of Councilmember Constant's proposal?

This information was provided at the June 24, 2011, Council Meeting (please see slide #30) and again to you during our negotiation session on July 19, 2011. Per the direction of the City Council, the City determined the Normal Cost of the retirement reform scenario suggested by Councilmember Constant to be 19.76% for the Police and Fire Department Retirement Plan and 8.93% for the Federated City Employees Retirement System. Your continued reference to Councilmember Constant's "proposal" leads us to believe that there is continued confusion regarding the direction regarding labor

negotiations provided by the City Council. We do again want to reiterate that Council did not include the scenario suggested by Councilmember Constant in its direction regarding labor negotiations and this is not a proposal that has been presented by the City in negotiations.

What are the projected cost savings of our March 2011 proposal if all employees chose to opt-in?

The City is perplexed by this request for information. First, this is a question that has been posed by the City to you numerous times, to which we have yet to receive a response. Secondly, your assertion that you have completed a "costing out" of your proposal would lead one to believe that you are already in possession of this information. In accordance with Section 6 of our Framework Agreement, the City would appreciate receiving your estimated cost savings and the associated analysis and data and the City will review this information and attempt to verify your projections.

What are the projected savings of Councilmember Constant's proposal?

This information was provided at the June 24, 2011, Council Meeting (please see slide #33) and again to you during our negotiation session on July 19, 2011. Per the direction of the City Council, the City determined the projected savings of the retirement reform scenario suggested by Councilmember Constant to be \$38 million per year for the Police and Fire Department Retirement Plan and \$21 million per year for the Federated City Employees Retirement System. We do again want to reiterate that Council did not include the scenario suggested by Councilmember Constant in its direction regarding labor negotiations and this is not a proposal that has been presented by the City in negotiations.

While there were several assertions in your letter that caused us concern, one in particular warrants addressing further. Your letter suggests that the City team has utilized "IRS jargon" as a "barrier". Ensuring the tax qualification of any changes to the current retirement plans is critical to providing sustainable retirement benefits for employees now and into the future. Loss of tax qualification status would be disastrous for employees and retirees.

We look forward to our next negotiation session and receiving responses to the proposals provided by the City.

Sincerely,



Gina Donnelly
Deputy Director of Employee Relations