November 17, 2011

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RE: "Unions Grand Bargain Proposal"

During our Retirement Reform negotiation session scheduled on November 15, 2011, you provided a "Grand Bargain Proposal." We appreciate the proposal made by the unions; however, as we indicated to you during our meeting, the City is unable to accept this package proposal.

The package proposal includes a new tier of retirement benefits for new employees that is identical to the proposal you made on July 29, 2011, and makes no additional movement. This proposal for new employees maintains many aspects of the current benefit levels, including a 2.5% benefit accrual rate for each year of service, a maximum benefit of 75% and a guaranteed 3% cost of living adjustment (COLA.)

The package proposal you provided also includes an opt-in program, however, again, no changes have been made from the prior opt in proposal provided on October 22, 2011. The opt in program, includes a lower level of benefit for future years of service, specifically a 2% benefit accrual rate for each future year of service as well as a COLA based upon San Jose-San Francisco-Oakland U.S Bureau of Labor Statistics Consumer Price Index (CPI) limited to 3% annually.

In comparing the proposal for new employees and the opt-in program, new employees would receive a richer pension benefit than current employees who opt in.

We appreciate the recognition that retiree healthcare needs to be addressed to reduce the City and employee costs. Your proposal includes the addition of an unspecified new plan that is lower than the current lowest priced plan and addresses the issues we have with plan members than don't enroll in Medicare Part A and B at age 65.

While we appreciate the effort put forth by the coalition, the package proposal falls significantly short of the savings that need to be achieved to address a critical financial problem, which, if not addressed in time for the coming fiscal year, will result in devastating cuts to public services and loss of jobs. Further, your package proposal is contingent on the passage of a ballot measure that would result in a ¼ cent sales tax increase as well as the City issuing $600 million in pension obligation bonds to fund retiree healthcare benefits.

In reviewing the package proposal made to the City, the parties remain clearly far apart on the issues of retirement reform. Therefore, we are informing you that the City is declaring impasse on the following issues:

- Pension benefits for new employees
- Retiree healthcare benefits for new employees
- Medicare Part A and B enrollment
- Healthcare Plan Design/Cost Sharing

The City's proposals on the above issues were provided during bargaining, but they may also be accessed at the link below:

http://www.sanjoseca.gov/employeeRelations/RetirementReform.asp

Pursuant to the Employer-Employee Relations Resolution #39367, the City is amenable to participating in mediation, if the Unions are agreeable to participating. Please notify our office no later than Monday, November 21, 2011, by 5:00 p.m., if the Coalition is interested in participating in mediation on the issues listed above.

Sincerely,

Gina Donnelly
Deputy Director of Employee Relations

c: Alex Gurza, Deputy City Manager
       Charles Allen, AFSCME
       Frank Crusco, IBEW