

5/29/12

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Please provide ALP with the documents identified below per the Public Records Act.

Vera M. Todorov  
President  
ALP

**QUESTIONS FOR THE CITY OF SAN JOSÉ:**

**ADMINISTRATION OF BALLOT MEASURE B**

The Board of Administration of the Federated City Employees' Retirement System is charged with administering the benefits the City provides to its retired members. The Board respectfully submits the following questions to the City of San José for the purpose of assisting the Board's understanding of Measure B on the June 5, 2012 City ballot, and its ability to prudently administer the proposed changes to the Federated retirement plan.

SECTION	PROVISION	ADMINISTRATIVE QUESTIONS
<b>1502-A</b>	<b>Intent</b>	
1502-A 1505-A 1508-A (h) 1512-A (b)	Intent and Reservation of Rights – City Council retains authority to amend, change, terminate all benefit programs; no vested rights	May the City change future benefits for active employees and/or retirees at any time?  If so, how do we know how much to collect in contributions?
1503-A	Adoption of ordinances to implement the Act	Will the City Council adopt ordinances before, during or after its proposed court action to test the validity of the ballot measure?
<b>1506-A</b>	<b>Current Employees' Plan</b>	
1506-A (b)	Increased UAL contributions by current employees remaining in existing plan, excluding Tier 2 UAL	Will current employees remaining in the existing plan be expected to pay 50% of the total UAL cost of that plan and the VEP (subject to the 16% limit) during their working career, or 50% of whatever contribution rate the Board sets for paying off that UAL?
1506-A (c)	June 23, 2013 start date for increased UAL contributions by current employees remaining in existing plan	

1507-A	<b>Voluntary Election Program (VEP)</b>	<p>When will the “window period” be for current employees to make the irrevocable election?</p> <p>Who will be responsible for educating members on the choices available to them?</p> <p>May the VEP assets be commingled with the existing plan and Tier 2 assets?</p>
1507-A (a)	Preserve current employees’ earned benefit accrual in existing plan	<p>Is only the benefit <i>formula</i> preserved? What about:</p> <ul style="list-style-type: none"> <li>• the final compensation period</li> <li>• the inclusion of premium pay items</li> <li>• eligibility for non-reduced benefit</li> <li>• retirement age and service qualifications</li> <li>• the COLA rate</li> <li>• disability standards and benefits</li> <li>• survivorship benefits</li> </ul>
1507-A (b)(iii)	Normal retirement age increase for VEP participants up to 57 for P&F, 62 for Federated members, with age 50 minimum for P&F, age 55 minimum for Federated	May a member retire from the existing plan and continue accruing service credit under the VEP?
1507-A (b)(iv)	Increase in age for eligibility with 30 years service after July, 2017	
1507-A (b)(v)	COLA cap at 1.5% per annum	
1507-A (b)(vi)	“Final compensation” based on three year annual average	
1507-A (b)(vii)	2080 hours = 1 year service credit	<p>Does this apply to service used to calculate a member’s benefit? Is compensation to be adjusted to “full time” as well?</p> <p>Is this also used to determine eligibility for retirement, non-service connected disability, vested termination rights, etc.?</p>
1507-A (e)(i)	Service connected disability = 50% of final compensation, three year annual average	
1507-A (e)(ii)	Non-service connected disability = 20% - 50% of final comp, three year average annual @ 2% per year of service; 5 year min.	

1508-A	Tier 2 – New Employees	<p>May the assets of Tier 2 be commingled with the other plan(s)? Are they to be accounted for separately?</p> <p>The ballot measure states only the maximums that will be allowed. When will the actual terms of Tier 2 be established?</p>
1508-A (a)	<p>Social Security + DB, and/or DC</p> <p>If DB, City contributions not to exceed 50% of total cost of a DB plan (NC + UAL)</p> <p>DC only if and when all-in cost to City (DB + DC) not exceed 9%</p> <p>DC permissive, not required</p>	<p>Does this mean that the City could decide to offer <i>only</i> a DC plan for new employees?</p> <p>9% of what?</p> <p>Is City's Social Security contribution counted towards the 9%?</p> <p>May the City provide only (a) Social Security and (b) a defined benefit plan that provides a benefit only as great as a 9% employer + 9% employee contribution would fund?</p>
1508-A (b)	<p>Normal retirement age with full benefits, 60 for P&amp;F, 65 Federated; minimum age 50 P&amp;F, 55 Federated</p>	
1508	COLA capped at 1.5% annual	
1508-A (d)	Three year final compensation period, base pay only	
1508-A (e)	2% of pay per year of service, maximum 65% of final compensation	
1508-A (f)	2080 hours = 1 year of service	<p>Does this apply to service used to calculate a member's benefit? Is compensation to be adjusted to "full time" as well?</p> <p>Is this also used to determine eligibility for retirement, non-service connected disability, vested termination rights?</p>
1508-A (g)	Deferred, reinstated current employees with less than 10 years P&F or 5 years Federated come back into Tier 2	How will benefits be calculated for the period of service earned and accrued before separation and re-entry into Tier 2 service?

<b>1509-A</b>	<b>Disability Retirement – All Plans</b>	Do the new definitions, process and workers' comp offsets apply to <i>all</i> current and future employees – existing plan, VEP and Tier 2?  Does this apply to members who have pending applications when the law becomes effective?
1509-A (a)	Disability retirement only if not eligible for service retirement	Are the pending disability applications of members who are receiving service retirement benefits to be dismissed?
1509-A (b)	Disabled only if (i) can't perform own job (ii) can't perform any other City job (Federated) or any other job in department (P&F), and (iii) disability will last 1+ years or result in death	
1509-A (c)	Disability determined by panel of experts chosen by City Council, with ALJ appeal right	
1509-A (e)	Workers comp offset to disability retirement benefits	How determined if the workers comp is through settlement of multiple claims, not just the injury leading to disability?
<b>1510-A</b>	<b>Emergency COLA Suspension – All current and future retirees</b>	
1510-A (a)	City Council may declare fiscal emergency and suspend COLAs for up to 5 years, restore prospectively	Are there any pre-requisites for declaring a fiscal emergency?  Will we need to credit retirees who do not receive COLAs during declared emergencies, for any of the COLA contributions they made during active service (with interest)?  When COLAs are restored, do we go back and replenish lost COLAs, or just start anew?
1510-A (b)	COLA restoration rate is per the rate previously in effect for current members and retirees under existing plan, for VEP participants, and for Tier 2 participants	

<b>1511-A</b>	<b>Supplemental Retiree Benefit Reserve Elimination – All current and future employees</b>	
1511-A	SRBR discontinued, assets credited to existing plan assets; no future supplemental payments out of plan assets	Should the credit back be to both employer and member reserves or just to employer reserves? If both, in what ratio?
<b>1512-A</b>	<b>Retiree Healthcare – All current and future employees</b>	
1512-A (a)	Normal cost and UAL split between City and employees 50% each	Does this include dental as well as medical?
<b>1513-A</b>	<b>Actuarial Soundness – All Plans</b>	<p>Are these meant to be different from the requirements of CA Constitution, Art. XVI sec. 17 and the City Charter; and if so, how?</p> <p>Since the actuarial standards bodies do not define actuarial soundness, who will define actuarial soundness?</p> <p>Who is responsible for making the judgments required by this section – the City Council, the Retirement Boards, others?</p>
1513-A (a)	The VEP and Tier 2 to be actuarially sound, minimize risk to City, be prudent and reasonable in light of economic climate	<p>What are the “risks” to be minimized?</p> <p>Are the risks limited to the current and future costs of plan or do they include risks such as not being able to attract and retain a sufficient quality workforce?</p> <p>Are increased disability applications due to older workers remaining on the job a “risk”?</p> <p>Are higher salaries/benefits due to employees working longer a “risk”?</p> <p>Is potential legal action against the City or Plan a “risk”?</p> <p>What “economic climate” is to be considered, and how?</p>

1513-A (b)	All benefit plans must be actuarially sound, UAL determined by independent audit per GASB/ASB	Who will pick and pay for the independent auditors?
1513-A (c)	Actuarial assumptions and methodologies to achieve full funding, 51+% likelihood of success, ensure equity among members and taxpayers and generations	<p>Will there be any restrictions on the methods used to calculate the UAL contribution rates?</p> <p>May the amortization period extend beyond the expected working life of active employees in the plan?</p> <p>Should the UAL rate be based on payroll of all employees (existing plan + VEP + Tier 2) or just those employees in each plan?</p>
1513-A (d)	Investments to consider maximizing rate of return without undue risk of loss, minimizing volatility of contributions	May the retirement board consider the accelerated cash flow necessary to pay benefits from the existing plan in setting contribution rates?