UC
7/29/11

ASSOCIATION OF BUILDING, MECHANICAL AND ELECTRICAL INSPECTORS (ABMEI)

IBEW LOCAL #332

AFSCME
MAKES SAN JOSE HAPPEN

Friday July 29, 2011

VIA HAND DELIVERY

Gina Donnelly, Deputy Director
CITY OF SAN JOSE
Office of Employee Relations
200 East Santa Clara Street
San Jose, CA 95113

RE: Information Request

Dear Ms. Donnelly:

We reaffirm our commitment to negotiating and working with the City of San Jose to address issues of concern, while ensuring retirement security for City employees. We need to work together based off the most accurate information about the current health of the City's federated pension system ("Pension Plan" or "Plan"). To date, there has either been uncertainty where the City has gleaned its information and/or use of outdated figures. Furthermore, the recently-enacted significant pay cuts no doubt have had a substantial positive impact on the costs, and there have been improved returns on investments over the last 12 months.

In order to commence bargaining on retirement issues, the coalition of non-management, rank-and-file unions: ABMEI, IBEW, OE-3, and AFSCME (MEF and CEO) require the following information and clarifications with respect to the City's Pension Plan and the interconnected Proposed Ballot Measure language:

1. Please provide an updated actuarial calculation with respect to the City's Federated Pension Plan liabilities that takes into account last year's pay decreases. Specifically, plan actuaries assumed a 3.9% increase in compensation when calculating the unfunded liabilities of the Federated Pension plan in the 2010 valuation report. However, since such calculations the AFSCME-represented units' compensation has been reduced by 12.06 and 12.16 percent respectively. This implies that the calculation of projected benefits from last year would have been utilizing pay projections for current workers that exceed today's pay levels by nearly 16%. Other units have also had significant cuts to compensation. Please provide the following information associated with these pay reductions and/or freezes:
    a. The impact on the projected pension liability

b. The impact on the accrued liabilities
c. The impact on the unfunded liabilities
d. The impact on employee and city contributions over the next 5 years

Please provide all assumptions contained in such calculations and describe the method employed in calculating such amounts.

2. We understand that asset returns were above the assumed level for the plan year ending on June 30, 2011, and we would like to understand the impact of the recent returns (even if only unaudited figures are available). Please provide the following information regarding the asset returns in the past plan year:
   a. Current market valuation of Pension Plan assets, as of June 30, 2011
   b. The return on investment for the year ending on June 30, 2011
   c. How these returns affect the City's unfunded liabilities
   d. How these returns affect the City's contributions over the next 5 years

3. To the extent the City has hired its own actuaries and is not relying on the Pension Plan's actuaries for the above-requested information, please also provide analyses conducted by the City's actuaries and describe how the City's actuary's methods, assumptions and conclusions differ, if at all, from those of the Plan's actuary.

4. With respect to the Ballot Measure Proposal, several components are triggered based on the city's unfunded liabilities exceeding a level defined as of June 30, 2010. Does the City intend or have an understanding as to whether these defined levels will be indexed in any way going forward? If so, describe how such computations will be indexed.

5. With respect to cost-sharing of unfunded liabilities by employees remaining in the Pension Plan, as contemplated in the proposal, on what asset basis will cost-sharing be computed? For example, will the City utilize the market value of plan assets or the actuarial value of assets?

6. Please indicate the respective shares of the retiree health care plan's annual required contribution (ARC) which is attributable to the cost of current workers compared to the share of the cost attributable to retirees. Please indicate the method of allocation and describe the method of computing such allocation.

7. Where the Ballot Measure Proposal states that existing and new employees will "contribute a minimum of 50% of the cost of retiree healthcare," please clarify whether the City is referring to 50% of the cost of current workers' costs or 50% of the ARC, which includes retiree costs? If the Proposal intends to have employees contribute 50% of the ARC, please provide the percentage of costs that current workers would be paying toward their own benefits.

8. The Ballot Measure Proposal contains various "reservation of rights" provisions that allow for amendment and elimination of benefits and also provide that benefits are not vested (for example, see sections 2, 4 and 6(f) of the Proposal). Does the City understand these provisions to have the effect of making accrued benefits earned by employees under either the Tier 1, Modified Tier 1, or Tier 2 plans unvested benefits? If so to what benefits or benefit components does this non-vesting apply, in the City's view? In addition is it the City's understanding that such provisions apply to current employees or retirees?

9. With respect to the Voluntary Election Program, described in section 5 of the Ballot Measure Proposal, for employees who elect the VEP option, how will their benefits be defined and computed with respect to their benefits accrued under the Pension Plan prior to electing the VEP option? In addition, how will the varying COLA adjustments and retirement ages be reconciled with respect to such employees upon retirement?

10. Also with respect to employees electing the VEP option, and to extent the 50% cost-sharing provisions are triggered as a result of an increase in unfunded liability over June 30, 2010 levels, will employees' remaining in the Pension Plan be saddled with cost-sharing associated with unfunded liabilities associated with employees who have elected the VEP option? Alternatively, is an employees' cost sharing under these provision associated only with the proportion of unfunded liabilities associated with the particular employees' vested benefits?

11. With respect to the increase in retirement age for current employees with vested accrued benefits under the Pension Plan, does the City intend that such employees benefits will be adjusted to account for the diminished value of such benefits as a result of the increased retirement age? If so, how will such benefits be adjusted to ensure the actuarial value of such benefits are preserved?

The above information is necessary to adequately understand, consider and respond to the City's Proposal. Therefore, please provide this information as soon as practicable so that we may commence bargaining.

Sincerely,

Tom Brim, President
Association of Building, Mechanical
and Electrical Inspectors (ABMEI)

LaVerne S. Washington, President
Confidential Employees' Organization (CEO),
AFSCME Local 101

Dan Rodriguez, Business Representative
International Brotherhood of
Electrical Workers (IBEW), Local 332

Yolanda A. Cruz, President
Municipal Employees' Organization (MEF),
AFSCME Local 101

William H. Pope, Business Representative
Operating Engineers, Local 3

CC: Charles E. Allen, Business Agent, AFSCME Local 101