

SIDE LETTER AGREEMENT

BETWEEN

THE CITY OF SAN JOSE

AND

THE SAN JOSE POLICE OFFICERS' ASSOCIATION (POA)
THE SAN JOSE FIRE FIGHTERS, IAFF LOCAL 230 (IAFF)

Alternative Pension Reform Settlement Framework (Amended Terms)

Background

On or about July 2015, the City of San Jose (City) and the San Jose Police Officers' Association (POA) and the San Jose Fire Fighters, IAFF Local 230 (IAFF) reached agreement on the [Alternative Pension Reform Settlement Framework](#) (Framework). As the City has moved to implement the terms of the Framework, the City, the POA, and IAFF have updated certain terms of the Framework. This Side Letter Agreement is to memorialize the amended terms that the City, the POA, and IAFF have agreed upon and which shall be incorporated into the San Jose Municipal Code.

Amended Framework Terms

The parties hereby agree to the following amendments to the terms of the Framework:

Framework		Amended Terms
Issue	Section	
Tier 2 Retirement Benefits	9(a)	"Any costs, including any unfunded liability, associated with transitioning current Tier 2 employees into the restructured Tier 2 benefit will be amortized as a separate liability over a minimum of 16 years and split between the all current <u>and future Tier 2</u> employees and the City 50/50. This will be calculated as a separate unfunded liability and not subject to the ramp up increments of other unfunded liability."
Tier 2 Retirement Benefits	16(a)	"Former Tier 1 sworn City employees who have been rehired since the implementation of Tier 2 or rehired after the effective date of a tentative agreement based on this framework will be placed in Tier 1 <u>so long as the former Tier 1 employee did not withdraw funds from the plan via a return of contributions. Former Tier 1 employees who withdrew funds from the plan via a return of contributions shall remain in Tier 2 or be placed in Tier 2 upon rehire, and shall not be allowed to redeposit funds for the purpose of being considered Tier 1.</u> "

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Framework		Amended Terms
Issue	Section	
Retiree Healthcare	3	<p>"a. Kaiser NCAL4307 Plan (305/\$3,000 HSA-Qualified Deductible HMO Plan) will be adopted as the new lowest cost healthcare plan, for active and retired members.</p> <p>b. The City will continue the cost sharing arrangement for active employees of 85% of the lowest cost non-deductible HMO plan</p> <p>c. The "lowest cost plan" for any current or future retiree in the defined benefit retirement healthcare plan shall be set that it may not be lower than the "silver" level as specified by the current Affordable Care Act in effect at the time of this agreement. This specifically includes the provision that the healthcare plan must be estimated to provide at least 70% of healthcare expenses as per the current ACA "silver" definition.</p> <p><u>d. Members in the VEBA will not be eligible to purchase into the City's healthcare (medical and dental) plans before 5 years of service with the City of San Jose.</u></p> <p><u>e. Eligible members in the VEBA shall be able to purchase into the City's healthcare (medical and dental) plans at a retiree only rate, and not at a blended rate with active employees."</u></p>
Retiree Healthcare	5	<p>"Enrollment in Medicare Parts A and B as required by any applicable regulations or by insurance providers."</p> <ul style="list-style-type: none"> The parties agree that eligible members be required to enroll in Medicare Parts A and B by July 1, 2018.
Retiree Healthcare	6	<p>"The current defined benefit retiree healthcare plan is modified to enable retired members to select an "in lieu" premium credit option. At the beginning of each plan year, retirees can choose to receive a credit for 25% (twenty-five percent) of the monthly premium of the lowest priced healthcare and dental plan as a credit toward future member healthcare premiums in lieu of receiving healthcare coverage. On an annual basis, or upon qualifying events described in the "special enrollment" provisions of the Health Insurance Portability and Accountability Act of 1996, retirees and their spouses/dependents can elect to enroll in a healthcare plan or continue to receive an "in lieu" premium credit. Enrollees receiving in lieu credit at any tier other than retiree only must verify annually that they are still eligible for the tier for which they are receiving the in lieu credit. <u>Eligible retirees who receive retiree healthcare coverage as a dependent of another City employee or retiree are not eligible for the family in lieu premium credit; he or she may elect the single in lieu premium credit.</u> If a member selects; the "in-lieu" premium credit, but the member, their survivor or beneficiaries never uses their accumulated premium credit, the accumulated credit is forfeited. At no time can a member or survivor/beneficiary take the credit in cash or any form of taxable compensation. There is no cap on the size of the accumulated credit."</p>
Framework		Amended Terms
Issue	Section	
Retiree Healthcare	8	<p>"The VEBA contribution rate for all new hires and Tier 2 members will be 4.0% of base pay. The VEBA contribution rate for all members who opt out of the defined benefit plan and are mandated to join the VEBA plan will be <u>4.05-0%</u> of base pay."</p> <ul style="list-style-type: none"> It is the parties' understanding that the agreement to reduce the VEBA contribution rate for those who opt out of the defined benefit retiree healthcare plan will not have a tax consequence on those Tier 1 members

		who choose to remain in the defined benefit retiree healthcare plan.
Retiree Healthcare		<ul style="list-style-type: none"> Regarding the VEBA Advisory Committee, the number of members on the committee, qualifications, selection process and term of office shall be established by a negotiated agreement among between the City and all labor groups participating in the plan, including unrepresented members. The requirement that an agreement shall be reached by June 1, 2017, shall be removed.
Disability Definition And Process	6(b)	<p>"Each member shall have a four-year term and meet the following minimum qualifications.</p> <ul style="list-style-type: none"> i. 10 years of practice after completion of residency ii. Practicing or retired Board Certified physician iii. Not a prior or current City employee iiii. No experience providing the City or retirement boards with medical services, except for prior service on medical panel iv. No experience as a Qualified Medical Evaluator or Agreed Medical Evaluator vi. Varying medical experience"
Supplement Retiree Benefit Reserve (SRBR)	2(b)	<p>"Beginning January 20182016 and each January thereafter, a retiree's pension benefit will be recalculated annually to determine whether the benefit level (including any increases due to cost of living adjustments) has kept up with inflation as measured by the CPI-U (San Francisco-Oakland-San Jose). The actual benefit level will be compared to what would have been required to maintain the same purchasing power as the retiree had at the time of retirement, with a CPI-based increase."</p> <p>"The supplemental GPP payment to qualifying retirees will be paid annually, in a separate check beginning February 20168, and each February thereafter. <u>The GPP will be included as a line item on the February pension check.</u>"</p>

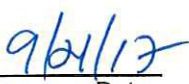
The terms of this Side Letter Agreement shall not be construed to modify or supersede any other section or term of the Framework unless specified herein.

This Side Letter Agreement shall be effective when signed by all parties below.

FOR THE CITY:



 Jennifer Schembri
 Director of Employee Relations



 Date

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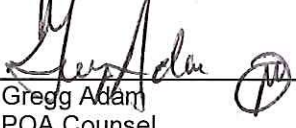
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FOR THE POA:

 9/14/17

Paul Kelly Date
President, POA

 9/14/17

Gregg Adam Date
POA Counsel

FOR IAFF:

 9/14/17

Sean Kaldor Date
President, IAFF

 9/20/17

Christopher Platten Date
IAFF Counsel