



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Alex Gurza

SUBJECT: SEE BELOW

DATE: May 6, 2008

Approved

Date

5/6/08

SUPPLEMENTAL

SUBJECT: ORDINANCE TO IMPLEMENT A BENEFIT ENHANCEMENT FOR FIRE DEPARTMENT MEMBERS OF THE POLICE & FIRE DEPARTMENT RETIREMENT PLAN

RECOMMENDATION

Approval of an ordinance amending Chapter 3.36 of Title 3 of the San Jose Municipal Code to provide increased retirement benefits for members of the Police and Fire Department Retirement Plan who are employed in the Fire Department and retire on or after July 1, 2008.

Direction to return with an amended ordinance in June 2008 with a modified retirement formula for service-connected disability retirements for members of the Police and Fire Department Retirement Plan with 20 or more years of service who are employed in the Fire Department and retire on or after July 1, 2008.

Direction to return in June 2008 with an ordinance that would implement a retirement survivorship benefit change for members of the Police and Fire Department Retirement Plan with 20 or more years of service who are employed in the Fire Department and retire on or after July 1, 2008.

BACKGROUND

The arbitration award between the City and the San Jose Fire Fighters includes four items that must be implemented in July 2008:

1. The 3%@20 (90% maximum) retirement benefit formula that is contained in the ordinance recommended for adoption on May 6, 2008.
2. A survivorship retirement benefit change.
3. A general wage increase.
4. Special Operations policies and premium pays applicable to the Urban Search and Rescue (USAR) program and the Hazardous Incident Team (HIT).

The general wage increase and the Special Operations Program will be implemented and do not require further City Council action. The retirement benefit changes, however, require adoption of ordinances in order to amend the San Jose Municipal Code provisions of the retirement plan.

ALTERNATIVE BENEFIT FORMULA

In the initial Council memorandum dated April 22, 2008, page 5 includes a section regarding an Alternative Benefit Formula for Service-Connected Disability Retirements for employees with 20 or more years of service.

Contingent upon the agreement of the San Jose Fire Fighters, the Administration will bring forward an ordinance in June 2008 to implement the alternative benefit formula. The ordinance will specify that the alternative formula is effective July 1, 2008. The following steps will be taken:

- Request that the City Attorney's Office draft the ordinance
- Send the draft ordinance to the San Jose Fire Fighters for review
- Send the draft ordinance to the Retirement Board for review and comment
- Request that the Retirement Board obtain confirmation from its actuary that the alternative formula will not affect the cost of the benefit to the City or to employees
- Submit the proposed ordinance to the City Council for adoption with 14 day advance public notice

In the interim, by adoption of the ordinance currently before the City Council on May 6, 2008, it will assure that all eligible employees are able to retire under the enhanced benefit as of July 1, 2008.

SURVIVORSHIP RETIREMENT BENEFIT CHANGE

The arbitration award included a change in the survivorship retirement benefit as follows:

Effective July 1, 2008, the spousal survivorship benefit shall be equal to 50% of the member benefit up to a maximum of 45% of the member's final average salary.

This language proposed by the San Jose Firefighters does not maintain the current minimum survivorship benefit. Contingent upon the agreement of the San Jose Firefighters, the Administration recommends an ordinance that implements the increase of the maximum survivorship benefit but maintains the current minimum.

Implementation of this benefit change will follow the same steps outlined above and will be brought forward to the City Council in June 2008 with an effective date of July 1, 2008. However, there should not be any need for further actuarial study of this item.



Alex Gurza
Director of Employee Relations