

## City Clerk's Impartial Analysis of Measure B

### **Impartial Analysis**

Measure B would add Charter Article XV-A to establish additional controls over employee retirement contributions and benefits.

**Background.** The City administers "defined benefit" retirement plans for its employees. The City and employees each contribute to the plans. Employees who reach retirement age and complete sufficient years of service become eligible for monthly retirement benefit payments using a formula based on years of service and a percentage of salary.

**Contributions.** The Charter requires the City and employees to make contributions towards the "normal cost" of the City's retirement plans in a ratio of 8 (City) to 3 (employee). The City also makes contributions towards the "unfunded liabilities" that result from insufficient plan assets to pay projected retirement costs.

Beginning July 23, 2013, the Measure would require employees to make additional contributions to help pay the City plans' unfunded liabilities. Employees would contribute from 4% of pay, up to a maximum of 16% per year, but no more than half the yearly cost to pay retirement system unfunded liabilities. If a court determines this section to be unenforceable, equivalent savings would be obtained through compensation reductions.

**Alternative Plan.** The Measure would require the City Council to adopt a Voluntary Election Program ("VEP"), subject to IRS approval. Under the VEP, employees who "opt in" would not be required to make the additional contributions towards retirement plan unfunded liabilities. The VEP retains some existing benefits and reduces others. If the VEP has not been implemented, or employees do not elect to participate, employees would make additional contributions.

**New Employees.** The Measure would require the City to adopt a retirement plan for new employees that could include social security, a defined benefit plan and/or a defined contribution plan. The measure would limit City costs and retiree benefits.

**Disability Retirement.** The Measure would limit disability retirements to cases where the employee could not perform the work the employee did before or any other work in the City's classification plan (or in the case of safety employees, in the employee's department).

**COLA.** The Measure would authorize the City Council to temporarily suspend cost of living adjustments paid to retirees for up to five years if the Council adopts a resolution declaring a fiscal and service level emergency.

**Supplemental Payments.** The Measure would discontinue the Supplemental Retiree Benefit Reserve, which permits the allocation of excess plan investment income to fund supplemental benefits for retirees.

**Retiree Healthcare.** The Measure would require employee contributions to fund a minimum of 50% of the cost of retiree healthcare, including both normal cost and unfunded liabilities.

**Oversight.** The Measure reserves to the voters any future change in post employment benefits. Neither the City Council nor any arbitrator under Charter Section 1111 would have authority to provide for increases. The Measure sets retirement plan actuarial and investment standards.

A “yes” vote is a vote to approve the changes described above.

A “no” vote means that no changes would be made to the Charter’s retirement provisions.

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The above statement is an impartial analysis of Measure B. If you would like to read the full text of the measure, see <http://www.sanjoseca.gov/clerk/elections/2012Election/measures.pdf> or call 408-535-1252 and a copy will be sent at no cost to you.