

IFPTE Local 21 AEA, AMSP and CAMP PROPOSAL
TO THE CITY OF SAN JOSE

Fair and Affordable Pension Benefits for Current Employees—Tier 2 OPT-IN
September 27, 2011

Our Tier 2 proposal, when combined with our Tier 3 proposal will decrease the City cost by approximately **\$153.8 million dollars from FY13 through FY16.**¹

Reducing the cost of retirement benefits for current employees in a fair, reasonable and legally allowable manner is our goal. The opt-in plan below would be available to all current employees. Each employee that voluntarily decides to join the Tier 2 plan shall do so by making an irrevocable decision by March 1, 2012.

All retirement benefits accrued and earned by individual employees for prior service shall be preserved for payment at the time of retirement. Current employees choosing to participate in the opt-in Tier 2 plan shall prospectively accrue reduced pension benefits based on the plan elements detailed below:

Benefit Accrual Rate

Reduce current retirement accrual rate from 2.5% to 2% per year for future service.

Retirement Age

Increase full retirement age from 55-years to 60-years. Upon date of implementation for all years of service shall increase by six months annually on July 1 of each year until the retirement age reaches the age of 60 for employees in the Federated City Employees' Retirement System.

Cost of Living Allowance (COLA)

Reduce the current 3% COLA to Bay Area Consumer Price Index capped at 2%.

Final Average Salary Calculation

Increase from the current highest 12-months to the average of the highest 36-months.

Normal Cost Split

Normal cost split would remain 8-3 (City/Employee) for employees opting in to lower benefit plan.

SRBR

Eliminate.

Normal Cost projection would be reduced from **18.16% down to 10.45%** for prospective service.^{2 3}

¹ Our actuary, Thomas Lowman, is a member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

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City Contributions to Federated Retirement Plan: (\$ in millions)

	FY11	FY12	FY13	FY14	FY15	FY16
1. Base line	\$88.0	\$90.3	\$107.9	\$122.6	\$133.7	\$137.8
2. Known Gains	\$88.0	\$90.3	\$94.4	\$107.4	\$116.5	\$117.1
3. 0% Opt In *	\$88.0	\$90.3	\$94.4	\$106.1	\$113.7	\$112.6
4. 100% Opt in	\$88.0	\$90.3	\$74.7	\$85.9	\$94.0	\$93.6
5. Tier 3 Savings (3. - 2.)			\$ 0.0	(\$ 1.3)	(\$ 2.8)	(\$ 4.5)
6. Tier 2 Savings (4. - 3.)			(\$19.7)	(\$20.2)	(\$19.7)	(\$19.0)
7. Total Savings (4. - 1.)			(\$33.2)	(\$36.7)	(\$39.7)	(\$44.2)

* In this scenario, all new hires will go into "opt in" plan. All current actives will stay in the current plan.

Incentives to Opt-In to Lower Cost Plan

Incentivizing as many employees as possible to opt-into the lower benefit plan should be a shared goal of our bargaining units and the City. As such, we should jointly consider items from the following list and others that may be thought of as we continue to negotiate:

Incentives **could** include, but not be limited to, the following; wage increase, one-time opt in signing bonus, time certain no layoff provision, and/or retain sick leave payout for those opting in.

³ 2% at Age 60 costing spreadsheet including data input fields and 10.45% Normal Cost validation is attached to this proposal.