



# San Jose Fire Fighters • Local 230

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March 2, 2012

Alex Gurza, Deputy City Manager,  
City of San Jose – Office of Employee Relations  
200 E. Santa Clara Street  
San Jose, CA 95113

## Re: San Jose Fire Fighters, Local 230 & San Jose Police Officer's Association Retirement Reform

Dear Alex,

Please find the attached proposal from San Jose Fire Fighters, Local 230 and the San Jose Police Officer's Association. This offer provides substantial savings to the City both in the near and long-term. Our proposal achieves lawful, structural reform for the city, employees and the taxpayers.

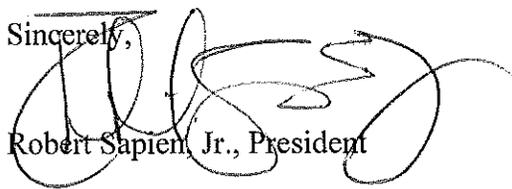
We understand from our mediation and negotiation sessions with the City that you have a concern regarding the participation rates of current employees in our "opt-in" proposal for Tier II. As such, we are offering a major pension reform enhancement contained in our offer: the **Reform Immediate Performance Guarantee**.

In short, we've structured our opt-in proposal so that **the city is guaranteed the savings of 100% employee participation**, even if the employee election rate falls short of that target. Our internal polling data showed that our participation rate would meet or exceed 66% for our proposal. **If fewer than 60% of all active members opt into Tiers II or III, we will agree to pay reductions on a sliding scale up to 16% to help achieve the savings goal** (details attached).

We believe our guarantee provides the City with the assurances it stated it needed in order to accept our proposal. **This is a viable, lawful strategy to achieve pension reform that saves the City tens of millions of dollars each and every year.**

Throughout the negotiations process we have been committed to lawful pension reform. This proposal demonstrates our seriousness to addressing this challenge to benefit the City, employees and the residents we serve.

Sincerely,

  
Robert Sapient, Jr., President



**SJPOA and LOCAL 230  
RETIREMENT REFORM PROPOSAL SUMMARY**

Objective: Lawful & Cost-Saving Pension Reform

<b>Tier III (New Hires)</b>	<b>Tier II (Actives)</b>	<b>Tier I (Actives)</b>
2% @ 50 years (CalPERS)	3% @ 55 years (CalPERS)	No Change (SJ P&F Plan)
3 Year Final Average Salary	3 Year Final Average Salary	No Change
No Sick Leave Payout	No Sick Leave Payout	No Change
Sick Leave Conversion 20965	Sick Leave Conversion 20965	No Change
4th Level Survivor Death Benefit (Spouse & Children) 21574	4th Level Survivor Death Benefit (Spouse & Children) 21574	No Change
Post Retirement Survivor Allowance 21624, 21626, and 21628	Post Retirement Survivor Allowance 21624, 21626, and 21628	No Change
CPI with 2% max COLA	CPI with 3% max COLA	No Change
OPEB (HD* Medical) SJ Health and Dental Plan	OPEB (HD* Medical) SJ Health and Dental Plan	OPEB (HD* Medical) SJ Health and Dental Plan
"Long Beach" Worker's Compensation Dispute Resolution Process	"Long Beach" Worker's Compensation Dispute Resolution Process	"Long Beach" Worker's Compensation Dispute Resolution Process
No SRBR	No SRBR	SRBR converted to GPP
10% Employee Normal Cost Sharing	10% Employee Normal Cost Sharing	No Change Remains 8:3 split
Retiree Healthcare Pre-funding 10% Cap	Retiree Healthcare Pre-funding 10% Cap	Retiree Healthcare Pre-funding 10% Cap
Military Service Credit 21024	Military Service Credit 21024	No change
Alternative Death Benefit 21547.7	Alternative Death Benefit 21547.7	No change
Term: 4 Years		

\*Retiree Health Care Purchasing Protection Provision

<b>Age at Date of Hire</b>	<b>Years of Service</b>	<b>Age at Retirement</b>	<b>Current Plan</b>	<b>Tier II (Actives)</b>	<b>Tier III</b>
25	25	50	75%/ 70%	60%	50%
25	28	53	84%/ 82%	77.28%	67.76%
25	30	55	90%/ 90%	90%	81%

**SJPOA and LOCAL 230  
RETIREMENT REFORM PROPOSAL SUMMARY**  
Objective: Lawful & Cost-Saving Pension Reform

**Pension Reform Performance Guarantee**

To address concerns about the reliability of the member polling data and guaranteed savings, the following Reform Immediate Performance Guarantee is included with the proposal. Polling data indicated that the participation rate would meet or exceed 66% for this proposal.

If fewer than 60% of all active members opt into Tiers II or III, pay reductions based upon participation rates will result as indicated below. Calculation will be inclusive of all active members (Tier I Tier II). Beginning the first February 1 date following the establishment of the Tier II option, annual pay reductions of no greater than 4% up to 16% at the lowest participation level.

Example: If only 50% of all active members opt into the new plan then all plan members will take a 4% pay reduction in the first year and 2% in the second year.

<b>Opt-In Rate (all actives)</b>	<b>Reform Immediate Performance Guarantee</b>	<b>Additional Savings* (Millions) estimated</b>
<100%	--	100% Participation = \$29.9
<90%	--	90% Participation = \$26.9
<80%	--	80% Participation = \$23.9
<70%	--	70% Participation = \$21.1
<60%	4% Pay Reduction	\$7.4 Pay Reduction + \$20.1 Opt In Savings = \$27.5
<50%	6% Pay Reduction	\$11.1 Pay Reduction + \$16.1 Opt In Savings = \$27.2 Million
<40%	8% Pay Reduction	\$14.9 Pay Reduction + 13.9 Opt In Savings = \$28.6
<30%	10% Pay Reduction	\$18.6 Pay Reduction + \$11.9 Opt In Savings = \$30.5
<20%	14% Pay Reduction	\$26.0 Pay Reduction + \$9.9 Opt In Savings = \$35.9
<10%	16% Pay Reduction	\$29.7 Payroll + \$8.1 Opt In Savings = \$37.8

\*In 2010, Police and Fire employees agreed to a 10% decrease in pay resulting in substantial savings in pension costs. A similar proportionate effect would occur if additional reductions are triggered by the Performance Guarantee. These additional savings are not included in these estimates.

**Retiree Medical Benefit**

Adopt Kaiser "High Deductible" Plan and provide a Retiree Healthcare Purchasing Protection Provision (i.e., Retirees will contribute equivalent to actives).

Adoption of this plan will result in a dramatic decrease to the Retirement Healthcare Plan's annual premium cost and a lowering of the current unfunded healthcare liability.