



PROFESSIONAL & TECHNICAL ENGINEERS, LOCAL 21, AFL-CIO
An Organization of Professional, Technical, and Administrative Employees

Sent via E-mail

March 2, 2012

Alex Gurza
Deputy City Manager, City of San Jose
City of San Jose
200 East Santa Clara Street
San Jose, CA 95113

Re: IFPTE Local 21 AEA, AMSP, CAMP Pension Reform Cost Savings Proposal

Dear Alex,

Attached you will find our proposal from IFPTE Local 21 on behalf of AEA, CAMP and AMSP with regard to pension and retirement reform. As you will see, our offer builds upon the successful momentum achieved in mediation. The proposal, if accepted, will provide the City of San Jose significant savings and will increase the strength and security of our pension system for employees, the City and the taxpayers.

Specifically, our offer contains items in alignment with the City's position in several areas:

- **A legally defensible “financial disincentive” for current employees** who choose not to opt into the new pension benefits created for Tier II. This will legally increase the City's savings over our previous offers.
 - **This includes a 7.5% maximum salary reduction achieved over three years at a maximum of 2.5% per year.**
- **Increasing the retirement age for current employees** from 55 to 60 and to age 65 for new hires.
- **Lowering the COLA from 3% fixed to a maximum of 1.5% based on CPI for Tier 2 and new hires.**
- **Changing the “Final Average Salary Calculation”** from highest single year to the average of the highest 3 years.
- **New hires would contribute more to the normal cost of their pensions than the City, 60% employees and 40% City.**
- **Elimination of SRBR** for current employees, Tier 2 and new hires.
- Modest financial incentives to encourage current employees to join Tier 2 and **ensure that the implemented pension reform is legal.**
- **A retiree health care proposal that will save the City millions of dollars** on healthcare benefits for current, future **and** current retirees.

This offer represents significant, aggressive, **legal pension reform** that will save the City of San Jose tens of millions of dollars annually from the date of implementation forward. As we state above, this offer builds upon the mediation sessions we held previously.

Litigation is assured if the City pursues its current course of action. We strongly urge you to join us in agreeing to legal, fair and reasonable pension reform.

Since we began negotiations on our MOA's, we have been very consistent that Local 21 favors significant, legal pension reform. This proposal is proof of our commitment. We sincerely hope this proposal is given thorough consideration and meets with the City Council's approval.

Sincerely,

A handwritten signature in cursive script that reads "Nancy J. Ostrowski".

Nancy J. Ostrowski
IFPTE Local 21 Senior Staff
Chair of the San Jose Coalition

Attachments

Cc: AEA Bargaining Team
AMSP Bargaining Team
CAMP Bargaining Team
Christopher Platten, Esq.

IFPTE Local 21 AEA, AMSP, CAMP
Pension Reform Cost Savings Proposal to the City of San Jose
March 2, 2012

The International Federation of Professional and Technical Employees, Local 21, makes the following proposal to City of San Jose regarding resolution of outstanding pension and retirement benefits.

1. IFPTE Local 21 will agree to amendments to the current pension plan consistent with the provisions set forth in the attached Retirement Reform Chart.
2. IFPTE Local 21 will also agree to support changes to Article XV of the San Jose City Charter, as attached, in order to provide for the enactment of the reduced retirement benefits set forth in the attachment.
3. IFPTE Local 21 will agree to the following changes in the existing Memorandum of Agreement and pension plan provisions with respect to retiree health care as follows: The City's proposed high deductible Kaiser HMO plan will be recognized as the lowest price plan within the meaning of the MOA/MOU and the Municipal Code. The MOA/MOU will be amended to provide that the City contribution for medical care premiums will be the higher of 100% of the premium for the lowest priced plan or 85% of the premium for the second lowest priced plan, i.e., the current Kaiser plan. In addition, the provisions of the Municipal Code will be amended to provide that current retirees may participate in any plan offered to current employees, and shall receive contribution for medical care premium equivalent to that received by active employees for the second lowest price plan. The MOA/MOU will be further amended to provide that no unilateral changes in the designated lowest priced or second lowest priced plan will be made without agreement between the parties.

IFPTE Local 21 AEA, AMSP, CAMP
Pension Reform Cost Savings Proposal
March 2, 2012

	Tier 1	Tier 2/Opt In	Tier 3/New Hires
Max Benefit	75%	75%	70%
Accrual Rate	2.5% per year	2% per year (future years only)	2.0% per year
Age/Years of Service	55 w/5 years or 30 yrs any age	Increase the retirement age by 6 months annually beginning July 1, 2013, until the age of 60	Age 65 with 10 years of service
Early Retirement	NONE	Permitted, no earlier than age 55, with reduced payment that does not exceed the actuarial value of full retirement	NONE
Final Average Salary Calculation	Highest 1 year	Highest 3 years	Highest 3 years
COLA	3% Fixed	Max 1.5% based on CPI (Dec-Dec)	Max 1.5% based on CPI (Dec-Dec)
Normal Cost	Status Quo	Status Quo	City - 40%
Unfunded Liability	Status Quo	Status Quo	Employee 60%
SRBR	Eliminate SRBR	Eliminate SRBR	Status Quo
Salary Reduction	7.5% max over 3 years; 2.5% max per year	NONE	Eliminate SRBR
Sick Leave Pay-Out	Eliminate June 30, 2013	See #2 Below	NONE
Incentives	NONE	<ol style="list-style-type: none"> 1. Retire at any age with 30 Years of Service 2. Sick Leave Payout w/final amount of total sick leave payout reduced by 10% 3. Non pensionable payment of \$1300 lump sum per year for three years, or \$50 per payperiod 	NONE