

CITY PROPOSAL – RETIREMENT BENEFITS FOR NEW EMPLOYEES

The benefits set forth below shall apply to full time eligible employees who are hired on or after April 1, 2012, and shall be referred to as Tier 2 in the Federated City Employees' Retirement System.

Proposed Language:

Pension Formula

The pension benefit formula for eligible employees hired on or after April 1, 2012, shall be 1.5% percent per year of service subject to a maximum of 60% of final compensation.

Final Compensation

Final compensation shall be defined as the average pensionable salary of the three highest consecutive years preceding the date of retirement.

Pensionable compensation shall be defined as base pay.

Minimum Service

Employees shall be eligible for a service retirement after earning five (5) years of retirement service credit and meeting the age requirement specified below.

Retirement Service Credit

Employees shall receive retirement service credit in the Federated City Employees' Retirement System for each hour of pensionable service. This means that employee will receive one-year of retirement service credit for each 2,080 hours of pensionable service. The maximum retirement service credit in a calendar year shall not exceed one year.

Age

Employees hired on or after April 1, 2012, shall be eligible to retire at age 65 with at least five (5) years of retirement service credit.

Employees can retire at a minimum of age 55 with at least five (5) years of retirement service credit; however, the member's benefit shall be reduced so it does not exceed the actuarial value of full retirement. This reduced benefit shall be determined by the Federated City Employees' Retirement System actuary.

Deferral of Retirement

Employees who leave employment who have at least five (5) years of retirement service credit may defer the retirement benefit until the employee becomes eligible to retire.

Cost of Living Adjustment (COLA)

Plan members shall receive a cost of living adjustment limited to the increase in the consumer price index (San Jose – San Francisco – Oakland U.S. Bureau of Labor Statistics index, CPI-U, December to December), capped at 1% per fiscal year. The first COLA adjustment shall be prorated based on the number of months retired.

Disability Retirements

Service Connected

Plan members who are eligible for a service connected disability retirement benefit shall receive an annual benefit based on 45% of annual pensionable compensation based on the average of the highest three consecutive years of service.

Non-Service Connected

Plan members who are eligible for a non-service connected disability retirement benefit shall receive 1.5% times years of City service, but not less than 20% and not greater than 37.5% of final compensation. Plan members shall not be eligible for a non-service connected disability retirement unless the member has earned 5 years of retirement service credit.

Survivorship Benefits

Death Before Retirement

If an employee dies during employment with the City and was not eligible for retirement, a return of employee contributions, plus interest shall be returned to the spouse, domestic partner, or estate.

If an employee dies during employment with the City and was eligible for retirement, a monthly benefit equivalent to what the employee would have received if retired at the time of death shall be provided to the spouse, domestic partner, or estate.

Death Before Retirement - Employees killed in the line of duty

If an employee is killed in the line of duty, the surviving spouse or domestic partner shall receive a monthly benefit equivalent to 37.5% of the plan member's final compensation.

Death After Retirement

At the time of retirement, an employee may elect to receive a lower pension benefit to provide survivorship benefits to a spouse/domestic partner or child(ren) designated at the time of retirement. The Board's actuary shall determine the pension benefit for a 50%, 75% or 100% continuance that is actuarially equivalent to the member's benefit.

Defined Contribution Plan

Employees may supplement the retirement benefit by electing to make contributions to a defined contribution plan offered by the City, up to the annual IRS limit.

Cost Sharing

Normal Cost

The City and Plan members in Tier 2 shall contribute towards the Normal Cost of Tier 2 in the ratio of one-to-one.

Unfunded Liability

The City and Plan members in Tier 2 shall contribute to any Unfunded Actuarial Accrued Liability of Tier 2 in the ratio of one-to-one.

Maximum City Cost

The City contribution toward Tier 2 Defined Benefit Plan and any future contribution to a Defined Contribution Plan shall not exceed 9% of pensionable compensation. Any costs in excess of 9% shall be paid by employees in Tier 2.

Rights

The City expressly retains its authority to amend, change or terminate any retirement or other post employment benefit provided by the City.

The retirement benefits for employees in Tier 2 shall include those described herein and shall not include any other benefits received by other members of the Federated City Employees' Retirement System, including, but not limited to, the purchase of service credit and redeposit of contributions.

