San Jose Fire Fighters • Local 230

425 E. Santa Clara Street, Suite 300, San Jose, CA 95113 • (408) 286-8718 • FAX (408) 286-2577

San Jose Firefighters, IAFF Local 230
Settlement Proposal
February 28, 2011

TENATIVE AGREEMENTS

This is a package proposal. This package proposal is submitted in an attempt to reach a settlement in these extraordinary economic circumstances facing the City. This does not concede Local 230's position on "Market Placement." In the event the package proposal is not accepted, Local 230 reserves the right to modify or amend any future proposals, including, but not limited to, the effective dates of the specific changes. In the event of interest arbitration, final proposals are not limited to and need not reflect the issues or proposals made during bargaining.

Tentatively Agreed Date:
Alex Gurza, Director, OER
Jeff Welch, President, Local 230

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WAGES

FY 2009/2010	**0% Wage Increase**
FY 2010/2011	**0% Wage Increase**
FY 2011/2012	**10% Total Compensation Reduction**
FY 2012/2013	**Continuation of 10%Total Compensation Reduction**

IAFF Local 230 agrees to an on-going 10% Total Compensation Reduction as outlined below:

1. Base wage reduction, agreed upon by both parties, necessary to achieve a 10% total compensation savings inclusive of health care concessions.
2. City estimates a 0.55% Health Care Savings by including Premium Cost Sharing, Health Care Increased Co-Pays, Payment In-Lieu of Health and Dental Insurance and Dual Coverage Reduction . {City Estimate}

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SECOND TIER RETIREMENT (Plan 2)

For all applicable members initially hired after the effective date of this contract, Local 230 agrees to full pension reform by turning back the clock on pension benefits to the following:

- Maximum retirement benefit 75% of final average salary
- 2.5% per year for years 1 -30
- Final average salary to be calculated as the annual average of the highest 36 months.
- Retiree Annual Cost of Living Adjustment (COLA) calculated to match the CPI index rate up to a maximum of 2.0%
- Supplemental Retirement Benefit Reserve benefit closed to new members who are hired after effective date of agreement.
- The retiree medical benefit will be defined as the minimum plan amount paid to active members at the time the employee retires without future increases.

VESTED MEMBER
OPT – IN OPTION (Plan 2)

The following pension plan changes shall apply prospectively to any current San Jose Fire Department Employee who at their option select to join the second tier retirement plan (Plan 2). The actuarial savings from a member opting into the second tier retirement plan shall be shared equally between the employee and City at a 1:1 ratio. For the employee the savings can be applied in either of two methodologies:

1. Applied to a new 401(a) account to be dispersed within plan and IRS guidelines upon separation of employment or retirement, OR
2. Paid directly to the employee as compensation on a biweekly basis.

If a current employee selects to join the second tier retirement plan the member shall remain in the second tier retirement plan or, on a one time basis, an employee could re-join the Tier 1 plan but must pay all resultant UAAL attributed to that individual prior to re-joining the first tier plan (Plan 1).

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MINIMUM STAFFING

Change the following sections of Article 33 to read as follows:

Article 33.2.4

Each Truck Company or Urban Search and Rescue Company shall have a minimum of four (4) line personnel.

Article 333.2.1

Eliminate the following language:

The HIT team shall have a minimum of four (4) line personnel.

The proposal reduces staffing on Truck and Urban Search and Rescue Companies from the current five (5) person minimum staffing requirement to four (4) persons.

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HEALTH CARE SAVINGS

- **Premium Cost Sharing**

No later than July 1, 2011, the city shall pay 85% of the full premium cost of the lowest priced plan for employee or employee and dependent coverage, and the employee will pay 15% of the premium for the lowest priced plan for employee or employee and dependent coverage.

If an employee selects a plan other than the lowest priced plan, the employee shall pay the difference between the total cost of the selected plan and city's contribution towards the lowest priced plan for employee or employee and dependent coverage

- **Health Care Increased Co-Pays**

Effective no later than July 1, 2011, co-pays for all available HMO plans shall be as follows:

a. Office Visit Co-pay shall be increased to $25
b. Prescription Co-pay shall be increased to $10 for generic and $25 for brand name
c. Emergency Room Co-pay shall be increased to $100
d. Inpatient/Outpatient procedure Co-pay shall be increased to $100

- **Payment In-Lieu of Health and Dental Insurance**

Effective no later than July 1, 2011, employees who qualify for and participate in the payment-in-lieu of health and/or dental insurance program will receive the following per pay period:

	Health In-Lieu	Dental In-Lieu
If eligible for family coverage:	$221.84	$19.95
If NOT eligible for family coverage:	$89.09	$19.95

- **Dual Coverage Reduction**

Effective no later than July 1, 2011, an employee may not be simultaneously covered by City provided medical benefits as a City employee, and as a dependent of another City employee.
Effective no later than July 1, 2011 an employee may not be simultaneously covered by City provided dental benefits as a City employee, and as a dependent of another City employee.

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RETIREE HEALTH CARE PRE-FUNDING
GASB-45 PAYMENTS

Effective July 1, 2011, transition from the current partial pre-funding of fire retiree medical and dental healthcare benefits (current "policy method") to pre-funding of the full Annual Required Contribution (ARC) for the fire retiree healthcare benefits plan ("Plan").

The transition will be accomplished by phasing into fully funding the ARC over a period of 5 (five) years beginning July 1, 2011. The Plan's initial unfunded retiree healthcare liability will be amortized over a thirty-year period so that it will be paid by June 30, 2041 (closed amortization).

Amortization of changes in the unfunded retiree healthcare liability other than the initial retiree healthcare liability (e.g. gains, losses, changes in actuarial assumptions, etc.) shall be determined by the Plan's actuary. The City and Plan members (active employees) will contribute to funding the ARC medical benefits in a one-to-one ratio, and the City and Plan members will contribute to funding the ARC dental benefits in a three-to-one ratio.

The Plan actuary will use the Entry Age Normal (EAN) actuarial cost method and a discount rate consistent with the pre-funding policy for the Plan. The Municipal Code and/or applicable plan documents will be amended in accordance with the above agreement.

The phase-in will be divided into five straight-line steps, each to be effective on the first pay period of the City's fiscal year in each succeeding year. The City and Employee Organization agree that the Plan member cash contribution rate shall not have an incremental increase of more than 1.25% of pensionable pay in each fiscal year. The first incremental of the phase-in will be effective July 1, 2011. It is understood that future valuations may increase or decrease the amount of change each year but no more than 1.25%.

If, at any time the calculated Plan member cash retiree healthcare contributions exceed 10% of pensionable pay or the calculated City cash retiree healthcare contributions exceed 11% of pensionable pay for the City (excluding implicit subsidy), the parties shall meet and confer on how to address any retiree healthcare contributions above 10% of pensionable pay for Plan members or 11% of pensionable pay for the City in order to fund the full ARC. Such discussions shall include alternatives to reduce retiree healthcare costs. If the parties are unable to agree on the manner in which to fully fund the retiree healthcare ARC (contributions exceeding 10% of pensionable pay for Plan members or 11% of pensionable pay for the City, excluding implicit subsidy), applicable impasse dispute resolution procedures shall apply.

Nothing in this agreement shall be construed to obligate Plan members to pay more than 10% of pensionable pay or the City to pay more than 11% of pensionable pay to fund retiree healthcare.

A qualified VEBA trust ("VEBA Trust") OR 115 Health Trust (115) as mutually agreed upon between the parties will be established by the City before July 1, 2011. The selected Trust will be the sole funding vehicle for Fire retiree healthcare benefits, subject to any legal restrictions under the current plan or other applicable law.

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SICK LEAVE PAYOUT REFORM

Local 230 agrees to negotiate before September 1, 2011 and discuss all possible ways to reduce the cost of sick leave payouts through payout reductions, caps, non taxed payments, (e.g., retiree health care co-pays, Medi-care part B premiums, or other non taxed employment benefits cost offsets) or other opportunities that save tax payer dollars.

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SUPPLEMENTAL RETIREE RESERVE BENEFITS PAYMENT METHODOLGY (SRBR)

Effective immediately, Local 230 agrees to meet and negotiate a revision to the SRBR payment methodology. Components of the Local 230 agreement would include: 1) Excluding all current active members from possible inclusion in the plan's payment methodology when they retire; 2) Revising the formula to direct all SRBR benefit payments to those retirees with the greatest need; 3) Clarifying plan language regarding payment calculations and timing.

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STATUS QUO MOA

Except for the foregoing there will be no other changes to the current MOA. There will also be no stipulations, such as job guarantees, rehire guarantees, or limits on station / apparatus closures.

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