

Revised Retirement Reform Ballot Measure Fact Sheet

On March 6, the City Council will discuss final language for the retirement reform ballot measure that will be placed before San Jose voters during the upcoming June 2012 election. The City Manager has recommended some final modifications to the previous ballot language (approved in December) in response to concerns raised by the City's employee unions during the past two months of mediation. Listed here are key elements of the ballot measure (inclusive of the City Manager's final recommended changes):

New Employees would be placed in a new, lower-cost retirement plan

- New employees would pay 50% of the plan's total cost (*employees currently pay about 1/4 of the cost*).
- Any *defined benefit component* would have to meet the following requirements:
 - Retirement Age: 60 for public safety employees and 65 for all others. (employees would have the option to retire earlier with reduced benefits)
 - Accrual Rate: could not exceed 2% (of salary) per year of service, with a 65% maximum benefit.
 - Benefit would be based on the highest average salary over a 3-year period.
 - Cost-of-Living-Adjustments: based on CPI, capped at 1.5% per year.
- The City could also contribute to a *defined contribution plan* as long as the City's total cost for the retirement benefits does not exceed 9% of an employee's base salary

Current employees would be given the option to either: a) pay more to keep their current retirement plan or b) opt-in to a new, lower-cost retirement plan

- *Option 1*: Employees would contribute an additional 4% of their salary (starting in June 2013) to help pay off the pension plan's unfunded liabilities. These extra contributions could increase by an additional 4% per year until they cover 1/2 of the cost of paying off the unfunded liability or reach a cap of 16%.
- *Option 2*: Employees would keep benefits earned to date under the current plan – but going forward, benefits would accrue at a lower rate and the retirement age would increase:
 - Retirement Age: 57 for public safety employees and 62 for all others (increase would be phased in over 14 years; employees would have the option to retire earlier with reduced benefits).
 - Accrual Rate: 2.0% (of salary) per year, for future years of service.
 - Benefit would be based on the highest average salary over a 3-year period.
 - Cost-of-Living-Adjustments: based on CPI, capped at 1.5% per year.

The City Council would have the ability to temporarily suspend retiree Cost of Living Adjustments (COLAs) during a fiscal and service level emergency

- If the City Council declares a fiscal and service level emergency, it would have the ability to suspend the guaranteed 3% COLA for up to 5 years (*Retirees' pension payments would not be reduced*).

Disability retirement rules would be reformed to prevent abuses

- Determinations of disability would be made by an independent panel of medical experts.
- The City may provide matching funds for disability insurance for employees who do not qualify for disability retirement but incur lost wages.

"Bonus" Pension Checks from the Supplemental Retiree Benefit Reserve would be discontinued

The City Council would be prohibited from enhancing retirement benefits without voter approval