

SIDE LETTER AGREEMENT

BETWEEN

THE CITY OF SAN JOSE

AND

THE ASSOCIATION OF BUILDING, MECHANICAL AND ELECTRICAL INSPECTORS (ABMEI)
THE ASSOCIATION OF ENGINEERS AND ARCHITECTS, IFPTE LOCAL 21 (AEA)
THE ASSOCIATION OF LEGAL PROFESSIONALS (ALP)
THE ASSOCIATION OF MAINTENANCE SUPERVISORY PERSONNEL, IFPTE LOCAL 21 (AMSP)
THE CITY ASSOCIATION OF MANAGEMENT PERSONNEL, IFPTE LOCAL 21 (CAMP)
CONFIDENTIAL EMPLOYEES' ORGANIZATION, AFSCME LOCAL NO 101 (CEO)
THE INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS, LOCAL NO 332 (IBEW)
MUNICIPAL EMPLOYEES' FEDERATION, AFSCME LOCAL NO 101 (MEF)
THE INTERNATIONAL UNION OF OPERATING ENGINEERS, LOCAL NO 3 (OE#3)

Federated Alternative Pension Reform Settlement Framework (Amended Terms)

Background

On or about November/December 2015, the City of San Jose (City) and ABMEI, AEA, ALP, AMSP, CAMP, CEO, IBEW, MEF and OE#3 (collectively, Federated Bargaining Units) reached agreement on the Federated Alternative Pension Reform Settlement Framework (Federated Framework). As the City has moved to implement the terms of the Federated Framework, the City and the Federated Bargaining Units have updated certain terms of the Framework. This Side Letter Agreement is to memorialize the amended terms that the City and the Federated Bargaining Units have agreed upon.

Amended Framework Terms

The parties hereby agree to the following amendments to the terms of the Federated Framework, and the parties agree that the San Jose Municipal Code shall be revised to reflect the following amended terms:

Federated Framework		Amended Terms
Issue	Section	
Tier 2 Retirement Benefits	10(a)	"Any costs, including any unfunded liability, associated with transitioning current Tier 2 employees into the restructured Tier 2 benefit will be amortized as a separate liability over a minimum of 20 years and split between the all current and future Tier 2 employees and the City 50/50. This will be calculated as a separate unfunded liability and not subject to the ramp up increments of other unfunded liability."

Federated Framework		Amended Terms
Issue	Section	
Tier 2 Retirement Benefits	18	"Former Tier 1 Federated City employees who have been rehired since the implementation of Tier 2 or rehired after the effective date of a tentative agreement based on this framework will be placed in Tier 1 <u>so long as the former Tier 1 employee did not withdraw funds from the plan via a return of contributions.</u> Former Tier 1 employees who withdrew funds from the plan via a return of contributions shall remain in Tier 2 or be placed in Tier 2 upon rehire, and shall not be allowed to redeposit funds for the purpose of being considered Tier 1."
Retiree Healthcare	2	<p>a. Kaiser NCAL4307 Plan (305/\$3,000 HSA-Qualified Deductible HMO Plan) will be adopted as the new lowest cost healthcare plan, for active and retired members</p> <p>b. The City will continue the cost sharing arrangement for active employees of 85% of the lowest cost non-deductible HMO plan</p> <p>c. "Floor": The "lowest cost plan" for any current or future retiree in the defined benefit retirement healthcare plan shall be set that it may not be lower than the "silver" level as specified by the current Affordable Care Act in effect at the time of this agreement. This "Floor" specifically includes the provision that the healthcare plan must be estimated to provide at least 70% of healthcare expenses as per the current ACA "silver" definition.</p> <p>d. Any changes to the "Floor" shall be by mutual agreement only.</p> <p>e. <u>Members in the VEBA will not be eligible to purchase into the City's healthcare (medical and dental) plans before 5 years of service with the City of San Jose.</u></p> <p>f. <u>Eligible members in the VEBA shall be able to purchase into the City's healthcare (medical and dental) plans at a retiree only rate, and not at a blended rate with active employees."</u></p>
Retiree Healthcare	5	"The current defined benefit retiree healthcare plan is modified to enable retired members to select an "in lieu" premium credit option. At the beginning of each plan year, retirees can choose to receive a credit for 25% (twenty-five percent) of the monthly premium of the lowest priced healthcare and dental plan as a credit toward future member healthcare premiums in lieu of receiving healthcare coverage. On an annual basis, or upon qualifying events described in the "special enrollment" provisions of the Health Insurance Portability and Accountability Act of 1996, retirees and their spouses/dependents can elect to enroll in a healthcare plan or continue to receive an "in lieu" premium credit. Enrollees receiving in lieu credit at any tier other than retiree only must verify annually that they are still eligible for the tier for which they are receiving the in lieu credit. <u>Eligible retirees who receive retiree healthcare coverage as a dependent of another City employee or retiree are not eligible for the family in lieu premium credit; he or she may elect the single in lieu premium credit.</u> If a member selects the "in-lieu" premium credit, but the member, their survivor or beneficiaries never uses their accumulated premium credit, the accumulated credit is forfeited. At no time can a member or survivor/beneficiary take the credit in cash or any form of taxable compensation. There is no cap on the size of the accumulated credit."
Federated Framework		Amended Terms
Issue	Section	
Retiree Healthcare	7	"The VEBA contribution rate for all members <u>in classifications represented by ABMEI, CEO, IBEW, MEF and OE#3 who opt out of the defined benefit plan and are mandated to join the VEBA plan will be 3.5%4.5%</u> of base pay. <u>The VEBA contribution rate for all members in classifications represented by AEA, ALP, AMSP and CAMP who opt out of the defined benefit plan and are mandated to join the VEBA plan will be 2.5% of base pay."</u>

Side Letter Agreement – Federated Alternative Pension Reform Settlement Framework (Amended Terms)

September 12, 2017

Page 3 of 5

Retiree Healthcare	8	"Any former Tier 1 employee who was rehired into Tier 2 will be treated as Tier 1 for pension and Tier 2 for retiree healthcare."
Retiree Healthcare	9	"All Tier 2 2A employees (except Tier 2A members those represented by OE#3 and ABMEI) will not be eligible for mandatorily be removed from the Defined Benefit retirement healthcare plan and will be mandated to contribute 2% of base pay to the VEBA. <i>This will occur as soon as practical from implementation of the agreement and does not need to wait for implementation of any other retiree healthcare provision.</i> The City may transfer funds from the 115 Trust to the members' VEBA plan account to the extent permitted by federal tax law and subject to receipt of a favorable private letter ruling. If this occurs, an amount estimated to equal the member's prior retiree healthcare contribution, with no interest included, will be contributed to the VEBA."
Retiree Healthcare	10	"Tier 2A employees represented by OE#3 and ABMEI , so long as it is legally permitted, may make a one-time election to opt-out of the defined benefit retiree healthcare plan into an appropriate vehicle for the funds, i.e. a Voluntary Employee Beneficiary Association (VEBA). Members of the current defined benefit plans will be provided with one irrevocable opportunity to voluntarily "opt out" of the current retiree medical plan. Those members who "opt out," and are thus not covered by the City defined benefit retiree medical plan, will be mandated to join the VEBA plan. Tier 2A employees represented by OE#3 and ABMEI who remain in the Defined Benefit retirement healthcare plan will contribute 7.5% of their pensionable payroll into the plan. The VEBA contribution rate for all Tier 2A employees <u>in classifications represented by ABMEI, CEO, IBEW, MEF and OE#3</u> who opt out of the defined benefit plan and are mandated to join the VEBA plan will be 3.5% <u>4-5%</u> of base pay. <u>The VEBA contribution rate for all Tier 2A employees in classifications represented by AEA, ALP, AMSP and CAMP who opt out of the defined benefit plan and are mandated to join the VEBA plan will be 2.5% of base pay.</u> "
Retiree Healthcare		<ul style="list-style-type: none"> Regarding the VEBA Advisory Committee, the number of members on the committee, qualifications, selection process and term of office shall be established by a negotiated agreement between the City and all labor groups participating in the plan, including unrepresented members. The requirement that an agreement shall be reached by June 1, 2017, shall be removed.
Disability Definition And Process	6	"Independent panel of experts appointed by 54 of 7 retirement board members will evaluate and approve or deny disability retirement applications."
Federated Framework		Amended Terms
Issue	Section	
Disability Definition And Process	6(b)	
		<p>"Each member shall have a four-year term and meet the following minimum qualifications:</p> <ol style="list-style-type: none"> 10 years of practice after completion of residency Practicing or retired Board Certified physician Not a prior or current City employee No experience providing the City or retirement boards with medical services, except for prior service on the medical panel

		<p>iv. No experience as a Qualified Medical Evaluator or Agreed Medical Evaluator</p> <p>vi. Varying medical experience”</p>
Supplemental Retiree Benefit Reserve (SRBR)	2(a)	<p>“2. City will replace SRBR with guaranteed purchasing power (GPP) provision for all Tier 1 retirees, prospectively. The GPP is intended to maintain the monthly allowance for Tier 1 retirees at 75% of purchasing power effective with the date of the retiree's retirement</p> <p>a. Beginning January <u>20182016</u> and each January thereafter, a retiree's pension benefit will be recalculated annually to determine whether the benefit level (including any increases due to cost of living adjustments) has kept up with inflation as measured by the CPI-U (San Francisco-Oakland-San Jose). The actual benefit level will be compared to what would have been required to maintain the same purchasing power as the retiree had at the time of retirement, with a CPI-based increase.</p> <p>c. The supplemental GPP payment to qualifying retirees will be paid annually <u>as a line item on the February pension</u> check <u>in a separate check</u>, beginning February <u>20182016</u>, and each February thereafter.”</p>

The terms of this Side Letter Agreement shall not be construed to modify or supersede any other section or term of the Framework unless specified herein.

This Side Letter Agreement shall be effective when signed by all parties below.

FOR THE CITY:

J Schembri

10/13/2017

Jennifer Schembri
 Director of Employee Relations

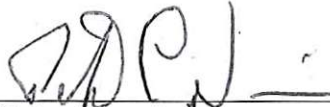
Date

Side Letter Agreement – Federated Alternative Pension Reform Settlement Framework (Amended Terms)


September 12, 2017


Page 5 of 5

FOR THE UNIONS:

 10/12/2017
Date
Peter Fenerin
President, ABMEI


 9/27/17
Date
Brad Fox
President, AEA


 9/26/17
Date
Matt Mason
Business Representative, IFPTE


 10/10/17
Date
Elizabeth Klotz
President, ALP


 10/19/17
Date
Steve Contreras
President, AMSP

 9/26/17
Date
Kara Capaldo
President, CAMP

 10/12/17
Date
LaVerne Washington
President, CEO

 10-12-17
Date
Charles Allen
Business Representative, AFSCME

 10-11-2017
Date
Frank Crusco
Chief Steward, IBEW

 10/24/17
Date
Sal Ventura
Business Representative, IBEW

 10/12/17
Date
Mary Blanco
Business Representative, OE#3

 10/12/17
Date
Robyn Zamora
President, MEF

 10/20/17
Date
Christopher Platten
Legal Counsel