

RESOLUTION NO. \_\_\_\_\_

**A RESOLUTION OF THE COUNCIL OF THE CITY OF  
SAN JOSE APPROVING THE TERMS OF A SIDE LETTER  
AGREEMENT BETWEEN THE CITY OF SAN JOSE AND NON-  
SWORN BARGAINING UNITS REGARDING REPAYMENT OF  
THE REHIRED TIER 1 MEMBER AMORTIZATION INTEREST  
COSTS**

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SAN JOSE:

1. That the terms of a Side Letter Agreement related to the City's repayment of the rehired Tier 1 member amortization interest costs between the City and the following bargaining units are hereby approved:
  - a. Association of Building, Mechanical and Electrical Inspectors (ABMEI);
  - b. Association of Engineers and Architects, IFPTE Local 21 (AEA);
  - c. Association of Legal Professionals (ALP);
  - d. Association of Maintenance Supervisory Personnel, IFPTE Local 21 (AMSP);
  - e. City Association of Management Personnel, IFPTE Local 21 (CAMP);
  - f. International Brotherhood of Electrical Workers, Local No. 332 (IBEW);
  - g. Municipal Employees' Federation, AFSCME Local No. 101 (MEF);
  - h. International Union of Operating Engineers, Local No. 3 (OE#3); and
  - i. Peace Officer Park Ranger Association (POPRA).
  
2. The terms of the Side Letter Agreement are set out and attached hereto as Attachment A and incorporated in this Resolution.

//

//

//

//

//

//

//

RD:SSH  
6/22/20

ADOPTED this \_\_\_\_\_ day of \_\_\_\_\_, 2020, by the following vote:

AYES:

NOES:

ABSENT:

DISQUALIFIED:

---

SAM LICCARDO  
Mayor

ATTEST:

---

TONI J. TABER, CMC  
City Clerk

ATTACHMENT A

**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)  
THE INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS, LOCAL NO. 332 (IBEW)  
THE MUNICIPAL EMPLOYEES' FEDERATION, AFSCME LOCAL NO. 101 (MEF)  
THE INTERNATIONAL UNION OF OPERATING ENGINEERS, LOCAL NO. 3 (OE#3)  
PEACE OFFICER PARK RANGER ASSOCIATION (POPRA)

**Federated Alternative Pension Reform Settlement Framework  
(Tier 1 Rehire Amortization)**

**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 modified certain provisions in the Framework, including the amortization costs associated with transitioning former Tier 1 employees that were rehired by the City and placed into Tier 2 of the 1975 Federated Employees Retirement Plan back into Tier 1 of the 1975 Federated Employees Retirement Plan (hereinafter "Tier 1 Rehire Amortization").

This Side Letter Agreement is to memorialize the amendment to the provisions relating to Tier 1 Rehire Amortization that the City and the Federated Bargaining Units have agreed upon and which shall be incorporated through an amendment to Chapter 3.28.200 of the Federated Employees Retirement Plan in the San Jose Municipal Code.

**Amended Framework Terms (Tier 1 Rehire Amortization)**

The parties hereby agree to the following amendments to the terms of the Framework with regards to Tier 1 Rehire Amortization:

<b>Federated Framework</b>		<b>Amended Terms</b>
<b>Issue</b>	<b>Section</b>	
Tier 2 Retirement Benefits	18	"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."



a. Any costs, including any unfunded liability, associated with transitioning current Tier 2 employees who were former Tier 1 City employees who have since been rehired will be amortized as a separate liability over a minimum of 20 years and split between the employee and the City 50/50. This will be calculated as a separate unfunded liability and as Tier 1 employees these members are not subject to a ramp up in unfunded liability. For purposes of this section, former Tier 1 employees who are subject to the costs, including any unfunded liability, of transitioning from Tier 2 to Tier 1, shall be referred to as "Rehired Tier 1 Employees."

(i) Rehired Tier 1 Employees shall be individually responsible for the costs, including any unfunded liability, of transitioning from Tier 2 to Tier 1, and shall sign individual binding agreements to this effect.

(ii) Rehired Tier 1 Employees shall:

(1) Pay the same contribution rate, as determined by the Board's actuary, to pay for the costs, including any unfunded liability, of transitioning from Tier 2 to Tier 1. This contribution rate is in addition to the Tier 1 contributions these employees are required to make as a reinstated Tier 1 employee;

(2) Pay the additional contribution rate referenced above on different individual amortization periods as determined by the Board's actuary, depending on how long the Rehired Tier 1 Employee was in Tier 2 prior to being transitioned back to Tier 1. This means that the amortization period for each individual Rehired Tier 1 Employee will be determined by the Board's actuary and may not necessarily be the same as the length of time the Rehired Tier 1 Employee was in Tier 2; and

(3) Effective the first pay period following the effective date of an ordinance amending Chapter 3.28.200.A of the 1975 Federated Employees Retirement Plan in the San Jose Municipal Code, the City will pay, on behalf of Rehired Tier 1 Employee, the interest accrued on the Total UAL Increase from the first pay period following the effective date of the above described ordinance amendment until the Rehired Tier 1 Employee Obligation is fully repaid. In no event shall the City's payment cover interest accrued on the Total UAL Increase prior to the first pay period following the effective date of the ordinance amendment adding this provision and all interest accrued on the Total UAL Increase prior to such date remains the obligation of the Rehired Tier 1 Employee whether or not previously made.

(iii) In addition, a Rehired Tier 1 Employee who leaves City service prior to paying the full amount of the costs, including any unfunded liability, of transitioning from Tier 2 to Tier 1, fully satisfying any outstanding balance of his or her Rehired Tier 1 obligation, must shall be required to pay the balance of the costs attributable to the Rehired Tier 1 Employee as determined by the Board's actuary within 60-days of separation from City service. A Rehired Tier 1

		<p>Employee may elect to pay this balance by transferring funds from the employee's 457 deferred compensation plan only after they have separated from City service. <u>If any portion of the Rehired Tier 1 Employee's Obligation remains outstanding after the above described 60-day period, the Rehired Tier 1 Employee's Plan benefit shall be determined in accordance with Section 3.28.820.E</u></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 6/18/2020  
 Jennifer Schembri Date  
 Director of Employee Relations

**FOR THE UNIONS:**

Brian Dane 6/18/2020  
 Brian Dane Date  
 AFSCME Local 101

Mary Blanco 6/14/2020  
 Mary Blanco Date  
 OE#3/POPRA

Olympia Williams 6/17/2020  
 Olympia Williams Date  
 President, CAMP


Arti Ferrera 5/21/2020  
 Arti Ferrera Date  
 ALP


Steve Contreras 6/18/2020  
 Steve Contreras Date  
 President, AMSP


Frank Crusco 6-10-2020  
 Frank Crusco Date  
 Chief Steward, IBEW

Mary Reed 6/1/20  
 Mary Reed Date  
 President, ABMEI

Florin Lapustea 6/18/2020  
 Florin Lapustea Date  
 President, AEA

  
\_\_\_\_\_  
Matt Mason  
IFPTE Local 21  
Date 6/18/2020

  
\_\_\_\_\_  
Dan Romero  
IBEW  
Date 6/18/2020

  
\_\_\_\_\_  
Steven Solario  
President, MEF  
Date 6/18/2020