

FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM
City of San Jose, California

RESOLUTION No. 9110

**RESOLUTION OF THE BOARD OF ADMINISTRATION OF THE
 FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM AMENDING AND
 RESTATING RESOLUTION NO. 9103 TO ADOPT AND ESTABLISH
 CONTRIBUTION RATES FOR TIER 2 MEMBERS, EFFECTIVE JUNE 25, 2023**

WHEREAS, Section 3.28.200 of the San Jose Municipal Code provides that the Board of Administration of the Federated City Employees' Retirement System shall fix, and from time to time change the rates of contributions of the members of said Plan and of the City, in order to make the retirement plan at all times actuarially sound; and

WHEREAS, Section 3.44.100 of said Municipal Code required that the Board of Administration makes such revisions in the rate of cost-of-living contributions required of members as may be reasonably necessary for the purposes of the cost-of-living adjustment provisions provided under Chapter 3.44 of Title 3 of said Code; and

WHEREAS, Cheiron, the Board's actuary completed the Actuarial Valuation Reports as of June 30, 2022 for the Pension and Retiree Healthcare Plans and provided a letter dated April 5, 2023, containing both recommended contribution rates and contribution amounts for the City and members for fiscal year 2023-2024; and

WHEREAS, on August 28, 2012, San Jose City Council adopted Ordinance No. 29120 to provide Tier 2 pension benefits for new System members hired on or after September 30, 2012 and before September 27, 2013 (herein referred to as "Tier 2A" members); and

WHEREAS, on August 27, 2013, San Jose City Council adopted Ordinance No. 29283 to exclude Tier 2 members hired on or after September 27, 2013 from retiree medical and dental benefits (herein referred to as "Tier 2B" members) but the City shall bear and pay an amount equal to the additional costs incurred by this retirement system for that portion of the unfunded liability as determined by the actuary for the retirement system that the City and Tier 2B members, would have otherwise paid as contributions had those employees been eligible for the retiree healthcare defined benefits; and

WHEREAS, on January 21, 2016, the Board approved the City's request, by memorandum dated January 13, 2016, that the "floor methodology" for Tier 1, as detailed in Resolution No. 8183 approved on March 17, 2016, be used only for the annual employer Normal Cost contribution (which includes administrative expenses) and that the annual employer Unfunded Actuarial Liability (UAL) contribution be set at the dollar amount recommended by the actuary and adopted by the Board in the annual actuarial valuation report; and

WHEREAS, on November 8, 2016, the City of San Jose voters approved Measure F that would enable the provisions of the Alternative Pension Reform Framework Settlement Agreement to be implemented; and

WHEREAS, on May 16, 2017, the City Council adopted the ordinances to implement Measure F, which became effective on June 16, 2017 and superseded prior ordinances as related to healthcare benefits stating that members, other than Tier 2 members, rehired after September 27, 2013, shall not be eligible for retiree healthcare benefits provided under Part 16 or Part 17 of the Plan; and

WHEREAS, on February 15, 2018, the Board approved the contribution policy that sets the City healthcare contributions as a flat dollar amount; and

WHEREAS, the provisions of Measure F for the Voluntary Employee Beneficiary Association (VEBA), which is a defined contribution plan for eligible medical expenses when an employee leaves City employment and is separate from the retirement plans and managed by the City, was implemented and became effective March 25, 2018; and

WHEREAS, on March 15, 2018, the Board approved the City's request, by memorandum dated February 23, 2018, that the healthcare contribution rate for eligible Tier 2A members who did not opt in to the VEBA will be 7.5%, as stated in Ordinance No. 29904, and that the City contributions will be the percentage of covered compensation as determined by the actuary necessary to fund the amount of the annual required contribution each year, provided that the City may cap its contribution at 14% of the covered compensation; and

WHEREAS, Section 3.28.940 of San Jose Municipal Code provides that where the City has provided notice of intent to elect an option to prefund contributions on or before April 30 of any year, the amount of the City's prefunded contribution shall be as determined by the Board to be actuarially equivalent to the monthly or biweekly payments that would otherwise have been made; and

WHEREAS, the City has the option to prepay contributions for fiscal year 2023-2024 as may be calculated pursuant to SJMC 3.28.940 but has opted not to do so; and

WHEREAS, the Board adopted Resolution No. 9103 on May 19, 2022 establishing the pension contribution rates for all Tier 2 members for fiscal year 2022-2023; and

WHEREAS, it is necessary to supersede Resolution No. 9103 in order to implement the contribution rates established by the Board, as required by the Municipal Code for fiscal year 2023-2024.

NOW, THE BOARD DOES HEREBY RESOLVE:

SECTION I. Resolution No. 9103 is hereby superseded and there is hereby established the following base rates and dollars of contribution for **pension** for the said 1975 Federated City Employees' Retirement System, for **Tier 2** members only, to be effective June 25, 2023:

MEMBER - PENSION	2023-2024 Dollars	2023-2024 Rate
Normal Rate of Contribution (Current Service)	N/A	6.62%
Prior Service Rate of Contribution (UAL)	N/A	0.16%
Total	N/A	6.78%
CITY - PENSION		
Normal Rate of Contribution (Current Service)	\$17,665,050 ¹	6.62%
Prior Service Contribution (UAL)	426,950 ¹	0.16%
Total	\$18,092,000¹	6.78%

¹ Based on actuarial assumed payroll of \$266,843,645 for **all** Tier 2 members. Rates may be adjusted by the City's Budget Office to meet the required dollar amount.

SECTION II. That in addition to the pension contributions required to be made in Section I hereof, the following **Healthcare** Contributions Amounts / Rates be established for the 1975 Federated City Employees' Retirement System, for **Tier 2 members with defined benefit healthcare**, to be effective June 25, 2023.

MEMBER – HEALTHCARE	2023-2024 Dollars	2023-2024 Rate
Medical and Dental Benefit Rate of Contribution	N/A	7.50%
Total	N/A	7.50%
CITY – HEALTHCARE		
Medical and Dental Benefit Contribution – UAL	N/A ²	N/A
Total	N/A²	N/A

² Amount of \$19,095,058 is shown in Resolution No. 9109. This amount is entirely UAL and covers all Tier 1 and Tier 2 members with healthcare.

SECTION III. That in addition to the contributions required to be made in Section I with / or without Section II hereof, the following Cost of Living Contributions be established for the 1975 Federated City Employees' Retirement System, for Tier 2

members only, to be effective June 25, 2023 in accordance with Chapter 3.44 of the San José Municipal Code.

MEMBER	2023-2024 Dollars	2023-2024 Rate
Normal Rate of Contribution (Current Service)	N/A	1.11%
Prior Service (UAL)	N/A	0.12%
Total	N/A	1.23%
CITY		
Normal Rate of Contribution (Current Service)	\$2,961,963 ³	1.11%
Prior Service (UAL)	320,212 ³	0.12%
Total	\$3,282,175³	1.23%

³ Based on actuarial assumed payroll of \$266,843,645 for **all** Tier 2 members. Rates may be adjusted by the City's Budget Office to meet the required dollar amount.

ADOPTED this **20th Day of April 2023**, by the following vote.

AYES :

NOES :

ABSENT:

SPENCER HOROWITZ, CHAIRPERSON
Board of Administration

ATTEST:

ROBERTO L. PEÑA, SECRETARY
Board of Administration