

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

RESOLUTION No. 9117

**RESOLUTION OF THE BOARD OF ADMINISTRATION OF THE
 FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM AMENDING AND
 RESTATING RESOLUTION NO. 9109 TO ADOPT AND ESTABLISH
 CONTRIBUTION RATES FOR TIER 1 MEMBERS (INCLUDING
 RECLASSIFIED REHIRES AND CLASSIC MEMBERS),
 EFFECTIVE JUNE 23, 2024**

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, Inc., the Board's actuary completed the Actuarial Valuation Reports as of June 30, 2023 for the Pension and Retiree Health Care Plans and provided a letter dated March 19, 2024, containing both recommended contribution rates and contribution amounts for the City and members for fiscal year 2024-2025; 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

WHEREAS, pursuant to the provisions of Measure F, any former Tier 1 employee who was rehired into Tier 2 between September 30, 2012 and June 18, 2017 will be placed retroactively back into the Tier 1 pension plan as of June 17, 2017, if that employee did not receive a return of contributions after separating from the City, and such members are referred to as Reclassified Tier 1 rehires; and

WHEREAS, pursuant to the provisions of Measure F, Classic Tier 1 is comprised of members who were employed at CalPERS or a reciprocal agency before January 1, 2013 and were hired by the City between September 30, 2012 and June 18, 2017, with less than a six-month break in service and did not have concurrent service, and such members are referred to as Classic Tier 1; and

WHEREAS, Section 3.28.200(A) of the San Jose Municipal Code states the Total UAL increase in liability attributable to converting Tier 2 service to Tier 1 is to be

split 50/50 between the City and the members referred to as Reclassified Tier 1 rehires or Classic members; 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 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 1 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, Classic Tier 1B members (Classic Tier 1 members hired on or after September 27, 2013) are not eligible for the Defined Benefit Retiree Healthcare plan; 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 or such other date as may be approved by the Board, 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 2024-2025 as may be calculated pursuant to SJMC 3.28.940 but has opted not to do so as stated in their email dated March 11, 2024; and

WHEREAS, the Board adopted Resolution No. 9109 on April 20, 2023 establishing the pension contribution rates for all Tier 1 members for fiscal year 2023-2024; and

WHEREAS, it is necessary to supersede Resolution No. 9109 in order to implement the contribution rates established by the Board, as required by the Municipal Code for fiscal year 2024-2025.

NOW, THEREFORE, THE BOARD DOES HEREBY RESOLVE:

SECTION I. Resolution No. 9109 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 1** members only, to be effective June 23, 2024.

	2024-2025 Dollars	2024-2025 Rate
TIER 1 MEMBER - PENSION		
Normal Rate of Contribution (Current Service)	N/A	4.75%
Prior Service Rate of Contribution (UAL)	N/A	0.00%
Total	N/A	4.75%
RECLASSIFIED TIER 1 REHIRE MEMBER – PENSION		
Normal Rate of Contribution (Current Service)	N/A	4.75%
Prior Service Rate of Contribution (UAL)	N/A	0.00%
Additional Reclassified Rate (UAL)	N/A	1.72%
Total	N/A	6.47%
CLASSIC TIER 1 MEMBER – PENSION		
Normal Rate of Contribution (Current Service)	N/A	4.75%
Prior Service Rate of Contribution (UAL)	N/A	0.00%
Additional Reclassified Rate (UAL)	N/A	0.60%
Total	N/A	5.35%
CITY – PENSION		
Normal Rate of Contribution (Current Service)	\$20,662,735 ¹	15.88%
Prior Service Contribution (UAL)	93,604,408	N/A
Total	\$114,267,143	N/A

¹ Based on actuarial assumed payroll of \$130,148,822 for **all** Tier 1 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 1 members with defined benefit healthcare**, to be effective June 23, 2024.

MEMBER – HEALTHCARE	2024-2025 Dollars	2024-2025 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	\$20,351,611 ²	N/A
Total	\$20,351,611 ²	N/A

² 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 1 members only, to be effective June 23, 2024 in accordance with Chapter 3.44 of the San José Municipal Code.

	2024-2025 Dollars	2024-2025 Rate
TIER 1 MEMBER - COLA		
Normal Rate of Contribution (Current Service)	N/A	1.86%
Prior Service Rate of Contribution (UAL)	N/A	0.00%
Total	N/A	1.86%
RECLASSIFIED TIER 1 REHIRE MEMBER – COLA		
Normal Rate of Contribution (Current Service)	N/A	1.86%
Prior Service Rate of Contribution (UAL)	N/A	0.00%
Additional Reclassified Rate (UAL)	N/A	1.28%
Total	N/A	3.14%
CLASSIC TIER 1 MEMBER – COLA		
Normal Rate of Contribution (Current Service)	N/A	1.86%
Prior Service Rate of Contribution (UAL)	N/A	0.00%
Additional Reclassified Rate (UAL)	N/A	0.43%
Total	N/A	2.29%
CITY – COLA		
Normal Rate of Contribution (Current Service)	\$9,028,325 ³	6.93%
Prior Service Contribution (UAL)	83,153,146	N/A
Total	\$92,181,471	N/A

³ Based on actuarial assumed payroll of \$130,148,822 for **all** Tier 1 members. Rates may be adjusted by the City’s Budget Office to meet the required dollar amount.

SECTION IV. Notwithstanding the Members' Normal Rates of Contributions set forth in Section I and Section III of this Resolution, upon attainment of thirty (30) years of service credit by an eligible Tier 1 member, Normal Contributions shall not be deducted from the member's monthly or bi-weekly compensation, as provided by SJMC 3.28.725.

ADOPTED this **18th Day of April 2024**, by the following vote.

AYES :

NOES :

ABSENT:

SPENCER HOROWITZ, CHAIRPERSON
Board of Administration

ATTEST:

ROBERTO L. PEÑA, SECRETARY
Board of Administration