

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

**RESOLUTION No. 9102**

**RESOLUTION OF THE BOARD OF ADMINISTRATION OF THE  
 FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM AMENDING AND  
 RESTATING RESOLUTION NO. 9097 TO ADOPT AND ESTABLISH  
 CONTRIBUTION RATES FOR TIER 1 MEMBERS (INCLUDING  
 RECLASSIFIED REHIRES AND CLASSIC MEMBERS),  
 EFFECTIVE JUNE 26, 2022**

**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, 2021 for the Pension and Retiree Health Care Plans and provided a letter dated April 15, 2022, containing both recommended contribution rates and contribution amounts for the City and members for fiscal year 2022-2023; 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**, on March 24, 2022, as approved by the Board, the City provided notice of intent to make an annual lump sum advance payment to the System account on July 1, 2022 for Tier 1; and

**WHEREAS**, the Board adopted Resolution No. 9097 on May 20, 2021 establishing the pension contribution rates for all Tier 1 members for fiscal year 2021-2022; and

**WHEREAS**, it is necessary to supersede Resolution No. 9097 in order to implement the contribution rates established by the Board, as required by the Municipal Code for fiscal year 2022-2023.

**NOW, THEREFORE, THE BOARD DOES HEREBY RESOLVE:**

**SECTION I.** Resolution No. 9097 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 26, 2022.

	<b>2022-2023 Dollars</b>	<b>2022-2023 Rate</b>
<b>TIER 1 MEMBER - PENSION</b>		
Normal Rate of Contribution (Current Service)	N/A	5.24%
Prior Service Rate of Contribution (UAL)	N/A	0.00%
<b>Total</b>	<b>N/A</b>	<b>5.24%</b>
<b>RECLASSIFIED TIER 1 REHIRE MEMBER – PENSION</b>		
Normal Rate of Contribution (Current Service)	N/A	5.24%
Prior Service Rate of Contribution (UAL)	N/A	0.00%
Additional Reclassified Rate (UAL)	N/A	1.72%
<b>Total</b>	<b>N/A</b>	<b>6.96%</b>
<b>CLASSIC TIER 1 MEMBER – PENSION</b>		
Normal Rate of Contribution (Current Service)	N/A	5.24%
Prior Service Rate of Contribution (UAL)	N/A	0.00%
Additional Reclassified Rate (UAL)	N/A	0.64%
<b>Total</b>	<b>N/A</b>	<b>5.88%</b>
<b>CITY – PENSION</b>		
Normal Rate of Contribution (Current Service)	\$19,053,190 <sup>1</sup>	14.37%
Prior Service Contribution (UAL)	85,400,490	N/A
<b>Total</b>	<b>\$104,453,680</b>	<b>N/A</b>

<sup>1</sup> Based on actuarial assumed payroll of \$132,590,048 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 26, 2022.

<b>MEMBER – HEALTHCARE</b>	<b>2022-2023 Dollars</b>	<b>2022-2023 Rate</b>
Medical and Dental Benefit Rate of Contribution	N/A	7.50%
<b>Total</b>	<b>N/A</b>	<b>7.50%</b>
<b>CITY – HEALTHCARE</b>		
Medical and Dental Benefit Contribution – UAL	\$18,318,395 <sup>2</sup>	N/A
<b>Total</b>	<b>\$18,318,395 <sup>2</sup></b>	<b>N/A</b>

<sup>2</sup> 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 26, 2022 in accordance with Chapter 3.44 of the San José Municipal Code.

	<b>2022-2023 Dollars</b>	<b>2022-2023 Rate</b>
<b>TIER 1 MEMBER - COLA</b>		
Normal Rate of Contribution (Current Service)	N/A	2.17%
Prior Service Rate of Contribution (UAL)	N/A	0.00%
<b>Total</b>	<b>N/A</b>	<b>2.17%</b>
<b>RECLASSIFIED TIER 1 REHIRE MEMBER – COLA</b>		
Normal Rate of Contribution (Current Service)	N/A	2.17%
Prior Service Rate of Contribution (UAL)	N/A	0.00%
Additional Reclassified Rate (UAL)	N/A	1.28%
<b>Total</b>	<b>N/A</b>	<b>3.45%</b>
<b>CLASSIC TIER 1 MEMBER – COLA</b>		
Normal Rate of Contribution (Current Service)	N/A	2.17%
Prior Service Rate of Contribution (UAL)	N/A	0.00%
Additional Reclassified Rate (UAL)	N/A	0.45%
<b>Total</b>	<b>N/A</b>	<b>2.62%</b>
<b>CITY – COLA</b>		
Normal Rate of Contribution (Current Service)	\$7,889,108 <sup>3</sup>	5.95%
Prior Service Contribution (UAL)	77,201,641	N/A
<b>Total</b>	<b>\$85,090,749</b>	<b>N/A</b>

<sup>3</sup> Based on actuarial assumed payroll of \$132,590,048 for **all** Tier 1 members. Rates may be adjusted by the City’s Budget Office to meet the required dollar amount.

**SECTION IV.** The amounts to be paid by the City, if the City elects the option to prepay contributions on July 1, 2022, as stated in the City notice dated March 24, 2022, less such credits due to the City as may be calculated pursuant to SJMC 3.28.940 are as follows:

<b>CITY</b>	<b>2022-2023 Dollars</b>
Pension Normal Rate of Contribution (Current Service)	\$18,538,367
Pension Prior Service Contribution (UAL)	83,092,945
COLA Normal Service (Current Service)	7,675,942
COLA Prior Service (UAL)	75,115,632
OPEB	18,318,395
<b>Total</b>	<b>\$202,741,281</b>

**SECTION V.** 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 **19<sup>th</sup> Day of May 2022**, by the following vote.

AYES :

NOES :

ABSENT:

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**SPENCER HOROWITZ, CHAIRPERSON**  
**Board of Administration**

**ATTEST:**

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**ROBERTO L. PEÑA, SECRETARY**  
**Board of Administration**