



Memorandum

TO: Federated City Employees'
Retirement System Board

FROM: Jennifer Schembri

SUBJECT: Ordinance Amending the Federated
City Employees Plan to Clarify Payment
of the Normal Contributions For Eligible
Employees with Over 30 years of City
Service Credit

DATE: May 11, 2022

Based on a recommendation in Segal's audit of the Federated City Employees' Retirement System Pension Actuarial Valuation, the City is bringing forward an amendment to the Municipal Code that clarifies the contribution rates for the City and employees who reach 30 years of City service credit. In August 2021, the City Council approved Ordinance No. 30633, which amended San Jose Municipal Code section 3.28.725 to cease normal contributions for certain Federated members with 30 or more years of City service credit.

In Segal's audit, they assumed that any normal contributions that would have been made by certain members with 30 or more years of service credit would be paid by the City. However, the Board's actuary, Cheiron, understood the amendment to Section 3.28.725 to provide that Tier 1 members in aggregate would pay the reapportioned 3/11ths of normal cost, i.e., the normal contributions that ceased for certain members with 30 or more years of service credit would be reallocated into the normal costs. In light of the different interpretations, the City was asked to clarify its intention through an amendment to the Plan.

The City's intention with the initial change to Section 3.28.725 was for the City to pay for the normal contributions that the eligible members with 30 years of service credit would have otherwise contributed. The attached amendment to the Federated City Employees' Retirement Plan, Sections 3.28.700 and 3.28.725 specifically, clarifies that the City will be making the contributions on behalf of eligible members who reach 30 years of service credit. The Board should note that currently only the ABMEI and ALP bargaining units have agreed to members ceasing normal contributions at 30 years of City service credit under Section 3.28.725. Additionally, the Section 3.28.725 applies to employees in Unit 99. The City is in discussions with other bargaining units on whether any of them would agree to this benefit for their members. The aggregate cost of the benefit is not increased through this action.

Please let us know if you have any questions or comments related to the proposed ordinance to clarify Sections 3.28.700 and 3.28.725.

Jennifer Schembri
Director of the City Manager's Office of
Employee Relations/Director of Human
Resources

c: Roberto Peña, Director of Retirement Services

Attachment