

POLICE & FIRE DEPARTMENT RETIREMENT PLAN
City of San José, California

RESOLUTION NO. 4821

RESOLUTION OF THE BOARD OF ADMINISTRATION OF THE POLICE AND FIRE DEPARTMENT RETIREMENT PLAN AMENDING AND RESTATING RESOLUTION NO. 4816 TO ADOPT AND ESTABLISH CONTRIBUTIONS FOR THE 1961 POLICE AND FIRE DEPARTMENT RETIREMENT PLAN FOR POLICE TIER 1 MEMBERS ONLY, EFFECTIVE JUNE 27, 2021

WHEREAS, Section 3.36.410 of the San José Municipal Code provides that the Board of Administration of the Police and Fire Department Retirement Plan shall fix, and from time to time change, the rates of contribution required of the members of said Plan and of the City in order to make the retirement plan at all times actuarially sound; and

WHEREAS, Chapter 3.36 of the San José Municipal Code provides for the setting of the rates of contribution to be made by said members and by the City, and the payment of such contributions for the current and prior service; and

WHEREAS, Cheiron, Inc., the Board's actuary completed Actuarial Valuation Reports dated June 30, 2020 for the Pension and Retiree Health Care Plans and provided a letter dated April 29, 2021, containing both recommended contribution rates and contribution amounts for the City and members for fiscal year 2021-2022; 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 be implemented; and

WHEREAS, on February 28, 2017, the City Council adopted the ordinances to implement Measure F, which became effective March 30, 2017; and

WHEREAS, pursuant to the provisions of Measure F, any former Tier 1 employee who was rehired into Tier 2 between August 4, 2013 and March 31, 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, Reclassified Tier 1 Rehires with Federated Service were Police Tier 2 members that had Tier 1 service under the Federated System and reclassified as Tier 1 members in the Police Plan under Measure F; 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 August 4, 2013 and March 31, 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 3.36.410 of the San José Municipal Code states that 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 rehires or Classic members; and

WHEREAS, Tier 1 Classic members are not eligible for the Defined Benefit Retiree Healthcare plan; 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 1, 2018, the Board approved the City's request, by memorandum dated February 23, 2018, that the healthcare contribution rate for eligible Police Tier 1 members who did not opt in to the VEBA will be 8%, as stated in Ordinance No. 29879, and that the City contributions will be the percentage of covered compensation as determined by the actuary necessary to fund the amount of the actuarially determined contribution each year, provided that the City may cap its contribution at 11% of the covered compensation; and

WHEREAS, on February 21, 2021, the City informed the Board that it will not be exercising its ability to stay at the 11% cap and will instead pay the full actuarially determined contribution amount for the healthcare; and

WHEREAS, on March 1, 2018, the Board approved the contribution policy that sets the City healthcare contributions as a flat dollar amount; and

WHEREAS, on February 4, 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 #4401 approved on April 7, 2016, be used only for the annual employer Normal Cost contribution (which includes administrative expenses) and that the annual employer Unfunded Accrued 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, Section 3.36.1590 of the San José Municipal Code provides that where the City has provided notice on or before April 30 of any year or such other date as may be approved by the Board, of its intent to elect an option to prefund contributions, 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 April 26, 2021, as approved by the Board, the City provided notice of intent to make an annual lump sum advance payment to the Plan account on July 1, 2021 for Police Tier 1 pension and healthcare contributions; and

WHEREAS, the Board adopted Resolution No. 4816 on June 4, 2020 establishing the contribution rates for Police Tier 1 members, including Classic and Reclassified, for fiscal year 2020-2021; and

WHEREAS, it is necessary to supersede Resolution No. 4816 in order to implement the contribution rates established by the Board, as required by the Municipal Code for fiscal year 2021-2022.

NOW, THEREFORE, THE BOARD DOES HEREBY RESOLVE:

SECTION I. Resolution No. 4816 is hereby superseded and there is hereby established the following base rates and dollars of contribution for **pension** for the said 1961 Police and Fire Department Retirement Plan, for Police Tier 1 members only, to be effective June 27, 2021.

	2021-2022 Dollars	2021-2022 Rate
TIER 1 MEMBER - PENSION		
Normal Rate of Contribution (Current Service)	N/A	7.41%
Prior Service Rate of Contribution (UAL)	N/A	0.03%
Total	N/A	7.44%
RECLASSIFIED TIER 1 REHIRE MEMBER – PENSION		
Normal Rate of Contribution (Current Service)	N/A	7.41%
Prior Service Rate of Contribution (UAL)	N/A	0.03%
Additional Reclassified Rate (UAL)	N/A	1.04%
Total	N/A	8.48%
RECLASSIFIED TIER 1 REHIRE (FEDERATED SERVICE) MEMBER - PENSION		
Normal Rate of Contribution (Current Service)	N/A	7.41%
Prior Service Rate of Contribution (UAL)	N/A	0.03%
Additional Reclassified Rate (UAL)	N/A	0.22%
Total	N/A	7.66%
CLASSIC TIER 1 MEMBER – PENSION		
Normal Rate of Contribution (Current Service)	N/A	7.41%
Prior Service Rate of Contribution (UAL)	N/A	0.03%
Additional Reclassified Rate (UAL)	N/A	0.10%
Total	N/A	7.54%
CITY – PENSION		
Normal Rate of Contribution (Current Service)	\$19,180,351 ¹	22.73%
Prior Service Contribution (UAL)	40,136,680	N/A
Total	\$59,317,031	N/A

¹ Based on actuarial assumed payroll of \$84,391,070.

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 1961 Police and Fire Department Retirement Plan, for **Police Tier 1 members with defined benefit healthcare**, to be effective June 27, 2021.

MEMBER – HEALTHCARE	2021-2022 Dollars	2021-2022 Rate
Medical and Benefit Rate of Contribution	N/A	8.00%
Total	N/A	8.00%
CITY – HEALTHCARE		
Medical and Dental Benefit Contribution – UAL	\$16,729,848	N/A
Total	\$16,729,848	N/A

SECTION III. That in addition to the contributions required to be made in Section 1 with /or without Section II hereof, the following Cost of Living Contributions be established for the 1961 Police and Fire Department Retirement Plan, for Police Tier 1 members only, to be effective June 27, 2021 in accordance with Chapter 3.44 of the San José Municipal Code.

	2021-2022 Dollars	2021-2022 Rate
TIER 1 MEMBER – COLA		
Normal Rate of Contribution (Current Service)	N/A	3.40%
Prior Service Rate of Contribution (UAL)	N/A	0.01%
Total	N/A	3.41%
RECLASSIFIED TIER 1 REHIRE MEMBER – COLA		
Normal Rate of Contribution (Current Service)	N/A	3.40%
Prior Service Rate of Contribution (UAL)	N/A	0.01%
Additional Reclassified Rate (UAL)	N/A	0.92%
Total	N/A	4.33%
RECLASSIFIED TIER 1 REHIRE (FEDERATED SERVICE) MEMBER - COLA		
Normal Rate of Contribution (Current Service)	N/A	3.40%
Prior Service Rate of Contribution (UAL)	N/A	0.01%
Additional Reclassified Rate (UAL)	N/A	0.65%
Total	N/A	4.06%
CLASSIC TIER 1 MEMBER – COLA		
Normal Rate of Contribution (Current Service)	N/A	3.40%
Prior Service Rate of Contribution (UAL)	N/A	0.01%
Additional Reclassified Rate (UAL)	N/A	0.12%
Total	N/A	3.53%
CITY – COLA		
Normal Rate of Contribution (Current Service)	\$8,215,922 ¹	9.74%
Prior Service Contribution (UAL)	40,784,450	N/A
Total	\$49,000,372	N/A

¹ Based on actuarial assumed payroll of \$84,391,070.

SECTION IV. The amounts to be paid by the City, if the City elects the option to prepay pension contributions on July 1, 2021, as stated in the City notice dated April 26, 2021, less such credits due to the City as may be calculated pursuant to SJMC 3.36.1590 are as follows:

CITY	2021-2022 Dollars
Pension Normal Rate of Contribution (Current Service)	\$18,574,924
Pension Prior Service Contribution (UAL)	38,869,765
COLA Normal Service (Current Service)	7,956,585
COLA Prior Service (UAL)	39,497,090
OPEB	16,729,848
Total	\$121,628,212

ADOPTED this **6th** day of **May 2021** by the following vote:

AYES:

NOES:

ABSENT:

ANDREW LANZA, CHAIRPERSON
BOARD OF ADMINISTRATION

ATTEST:

ROBERTO L. PEÑA, SECRETARY
BOARD OF ADMINISTRATION