

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

**RESOLUTION NO. 4823**

**RESOLUTION OF THE BOARD OF ADMINISTRATION OF THE POLICE AND FIRE DEPARTMENT RETIREMENT PLAN AMENDING AND RESTATING RESOLUTION NO. 4818 TO ADOPT AND ESTABLISH CONTRIBUTIONS FOR THE 1961 POLICE AND FIRE DEPARTMENT RETIREMENT PLAN FOR FIRE 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 to 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 January 2, 2015 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 Fire Tier 2 members that had Tier 1 service under the Federated System and reclassified as Tier 1 members in the Fire 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 January 2, 2015 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 Fire 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 annual required 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 Fire Tier 1 pension and healthcare; and

**WHEREAS**, the Board adopted Resolution No. 4818 on June 4, 2020 establishing the contribution rates for Fire Tier 1 members, including Reclassified and Classic, for fiscal year 2020-2021; and

**WHEREAS**, it is necessary to supersede Resolution No. 4818 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. 4818 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 Fire Tier 1 members only, to be effective June 27, 2021.

	2021-2022 Dollars	2021-2022 Rate
<b>TIER 1 MEMBER - PENSION</b>		
Normal Rate of Contribution (Current Service)	N/A	8.11%
Prior Service Rate of Contribution (UAL)	N/A	0.00%
<b>Total</b>	<b>N/A</b>	<b>8.11%</b>
<b>RECLASSIFIED TIER 1 REHIRE MEMBER – PENSION</b>		
Normal Rate of Contribution (Current Service)	N/A	8.11%
Prior Service Rate of Contribution (UAL)	N/A	0.00%
Additional Reclassified Rate (UAL)	N/A	1.04%
<b>Total</b>	<b>N/A</b>	<b>9.15%</b>
<b>RECLASSIFIED TIER 1 REHIRE (FEDERATED SERVICE) MEMBER - PENSION</b>		
Normal Rate of Contribution (Current Service)	N/A	8.11%
Prior Service Rate of Contribution (UAL)	N/A	0.00%
Additional Reclassified Rate (UAL)	N/A	0.22%
<b>Total</b>	<b>N/A</b>	<b>8.33%</b>
<b>CLASSIC TIER 1 MEMBER – PENSION</b>		
Normal Rate of Contribution (Current Service)	N/A	8.11%
Prior Service Rate of Contribution (UAL)	N/A	0.00%
Additional Reclassified Rate (UAL)	N/A	0.10%
<b>Total</b>	<b>N/A</b>	<b>8.21%</b>
<b>CITY – PENSION</b>		
Normal Rate of Contribution (Current Service)	\$16,483,403 <sup>1</sup>	22.96%
Prior Service Contribution (UAL)	35,681,017	N/A
<b>Total</b>	<b>\$52,164,420</b>	<b>N/A</b>

1 Based on actuarial assumed payroll of \$71,798,607.

**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 **Fire Tier 1 members with defined benefit healthcare**, to be effective June 27, 2021.

<b>MEMBER – HEALTHCARE</b>	<b>2021-2022 Dollars</b>	<b>2021-2022 Rate</b>
Medical and Dental Benefit Rate of Contribution	N/A	8.00%
<b>Total</b>	<b>N/A</b>	<b>8.00%</b>
<b>CITY – HEALTHCARE</b>		
Medical and Dental Benefit Contribution – UAL	\$10,697,404	N/A
<b>Total</b>	<b>\$10,697,404</b>	<b>N/A</b>

**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 1961 Police and Fire Department Retirement Plan, for Fire Tier 1 members only, to be effective June 27, 2021 in accordance with Chapter 3.44 of the San José Municipal Code.

	<b>2021-2022 Dollars</b>	<b>2021-2022 Rate</b>
<b>TIER 1 MEMBER - COLA</b>		
Normal Rate of Contribution (Current Service)	N/A	3.80%
Prior Service Rate of Contribution (UAL)	N/A	0.00%
<b>Total</b>	<b>N/A</b>	<b>3.80%</b>
<b>RECLASSIFIED TIER 1 REHIRE MEMBER – COLA</b>		
Normal Rate of Contribution (Current Service)	N/A	3.80%
Prior Service Rate of Contribution (UAL)	N/A	0.00%
Additional Reclassified Rate (UAL)	N/A	0.92%
<b>Total</b>	<b>N/A</b>	<b>4.72%</b>
<b>RECLASSIFIED TIER 1 REHIRE (FEDERATED SERVICE) MEMBER - COLA</b>		
Normal Rate of Contribution (Current Service)	N/A	3.80%
Prior Service Rate of Contribution (UAL)	N/A	0.00%
Additional Reclassified Rate (UAL)	N/A	0.65%
<b>Total</b>	<b>N/A</b>	<b>4.45%</b>
<b>CLASSIC TIER 1 MEMBER – COLA</b>		
Normal Rate of Contribution (Current Service)	N/A	3.80%
Prior Service Rate of Contribution (UAL)	N/A	0.00%
Additional Reclassified Rate (UAL)	N/A	0.12%
<b>Total</b>	<b>N/A</b>	<b>3.92%</b>
<b>CITY – COLA</b>		
Normal Rate of Contribution (Current Service)	\$7,708,837 <sup>1</sup>	10.74%
Prior Service Contribution (UAL)	35,205,700	N/A
<b>Total</b>	<b>\$42,914,537</b>	<b>N/A</b>

<sup>1</sup> Based on actuarial assumed payroll of \$71,798,607.

**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:

<b>CITY</b>	<b>2021-2022 Dollars</b>
Pension Normal Rate of Contribution (Current Service)	\$15,963,105
Pension Prior Service Contribution (UAL)	34,554,745
COLA Normal Service (Current Service)	7,465,507
COLA Prior Service (UAL)	34,094,433
OPEB	10,697,404
<b>Total</b>	<b>\$102,775,194</b>

**ADOPTED** this **6<sup>th</sup>** day of **May 2021** by the following vote:

**AYES:**

**NOES:**

**ABSENT:**

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**ANDREW LANZA, CHAIRPERSON**  
**BOARD OF ADMINISTRATION**

**ATTEST:**

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**ROBERTO L. PEÑA, SECRETARY**  
**BOARD OF ADMINISTRATION**