

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

RESOLUTION No. 9097

**RESOLUTION OF THE BOARD OF ADMINISTRATION OF THE
FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM AMENDING AND
RESTATING RESOLUTION NO. 9094 TO ADOPT AND ESTABLISH
CONTRIBUTION RATES FOR TIER 1 MEMBERS (INCLUDING
RECLASSIFIED REHIRES AND CLASSIC MEMBERS),
EFFECTIVE JUNE 27, 2021**

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 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 reasonable 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, 2020 for the Pension and Retiree Health Care Plans and provided a letter dated May 12, 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 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 April 26, 2021, 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, 2021 for Tier 1; and

WHEREAS, the Board adopted Resolution No. 9094 on May 21, 2020 establishing the pension contribution rates for all Tier 1 members for fiscal year 2020-2021; and

WHEREAS, it is necessary to supersede Resolution No. 9094 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. 9094 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 27, 2021.

	2021-2022 Dollars	2021-2022 Rate
TIER 1 MEMBER - PENSION		
Normal Rate of Contribution (Current Service)	N/A	5.25%
Prior Service Rate of Contribution (UAL)	N/A	0.00%
Total	N/A	5.25%
RECLASSIFIED TIER 1 REHIRE MEMBER – PENSION		
Normal Rate of Contribution (Current Service)	N/A	5.25%
Prior Service Rate of Contribution (UAL)	N/A	0.00%
Additional Reclassified Rate (UAL)	N/A	1.72%
Total	N/A	6.97%
CLASSIC TIER 1 MEMBER – PENSION		
Normal Rate of Contribution (Current Service)	N/A	5.25%
Prior Service Rate of Contribution (UAL)	N/A	0.00%
Additional Reclassified Rate (UAL)	N/A	0.62%
Total	N/A	5.87%
CITY – PENSION		
Normal Rate of Contribution (Current Service)	\$19,735,911 ¹	14.38%
Prior Service Contribution (UAL)	84,804,104	N/A
Total	\$104,540,015	N/A

¹ Based on actuarial assumed payroll of \$137,245,558 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 27, 2021.

MEMBER – HEALTHCARE	2021-2022 Dollars	2021-2022 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	\$19,340,302 ²	N/A
Total	\$19,340,302 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 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	2.14%
Prior Service Rate of Contribution (UAL)	N/A	0.00%
Total	N/A	2.14%
RECLASSIFIED TIER 1 REHIRE MEMBER – COLA		
Normal Rate of Contribution (Current Service)	N/A	2.14%
Prior Service Rate of Contribution (UAL)	N/A	0.00%
Additional Reclassified Rate (UAL)	N/A	1.28%
Total	N/A	3.42%
CLASSIC TIER 1 MEMBER – COLA		
Normal Rate of Contribution (Current Service)	N/A	2.14%
Prior Service Rate of Contribution (UAL)	N/A	0.00%
Additional Reclassified Rate (UAL)	N/A	0.43%
Total	N/A	2.57%
CITY – COLA		
Normal Rate of Contribution (Current Service)	\$8,056,315 ³	5.87%
Prior Service Contribution (UAL)	75,889,745	N/A
Total	\$83,946,060	N/A

³ Based on actuarial assumed payroll of \$137,245,558 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, 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 3.28.940 are as follows:

CITY	2021-2022 Dollars
Pension Normal Rate of Contribution (Current Service)	\$19,112,947
Pension Prior Service Contribution (UAL)	82,127,263
COLA Normal Service (Current Service)	7,802,017
COLA Prior Service (UAL)	73,494,285
OPEB	19,340,302
Total	\$201,876,814

ADOPTED this 20th Day of May 2021, by the following vote.

AYES :

NOES :

ABSENT:

JAY CASTELLANO, CHAIRPERSON
Board of Administration

ATTEST:

ROBERTO L. PEÑA, SECRETARY
Board of Administration