



May 23, 2011

Honorable Mayor and City Council
City of San Jose
200 East Santa Clara Street
San Jose, CA 95113

**RE: May 24, 2011 City Council Meeting
Agenda Item 3.4 City Manager's Fiscal Reform Plan**

Dear Mayor and Council,

We write to express our grave concern over yet another set of proposals aimed at retirees that have been developed behind closed doors without a single conversation with retirees. This repeated pattern of not engaging our association on issues of major importance is counter productive and in this particular instance is extremely disrespectful. Rather than paying lip service that you want to work together with employees and retirees, why don't you actually do it? Enough of the collaborative happy talk if there is no intention or follow through to actually talk.

We are at a loss as to why the City chooses to continually ignore our requests to help develop solutions to its fiscal challenges. We've demonstrated in the past that if you choose to engage us, we are able to help you build consensus and reach your goals. Frankly, the City Manager's explanation last week that her staff didn't have time for a single conversation with retirees regarding SRBR is proof that there's a major disconnect between what the Council directs and what City Administration actually does with that direction. Unfortunately, based on this repeated track record of thumbing your noses at a collaborative process, our Association has retained the law firm of Mascone, Emblidge & Sater (see attached letter) to represent our members on the items contained in the Manager's "Fiscal Reform Plan."

Please make no mistake about it, if the City continues on its path of ignoring retirees while simultaneously looking to raid vested retiree benefits to solve its financial challenges, we will pursue litigation to protect the interests of our members. Those of you who have worked with our Association and its leaders know we don't make this statement lightly. We are not litigious, and this course of action is not one of our choosing. However, the Manager's refusal to engage us—in addition to the proposals designed to take benefits rightly earned by our members away—will not be allowed to stand.

We understand that some members of the Council and the City Administration wish to focus their attention on newly retired individuals to substantiate their argument that taking away retiree COLAs will have minimal impact on our overall membership. Nothing could be further from the truth. We have many members (retirees and survivors) who would be financially devastated if they lost their earned COLAs. As we've stated previously, based on information provided by Retirement Services, approximately 40% of police and fire retirees and survivors receive pensions (including COLA) that are below \$42,000 a year (this qualifies them for San Jose's Very Low Income affordable housing threshold). Thus, your decisions will negatively impact the lives of many.

We ask that you reconsider your direction. We ask that if you wish to seek savings through altering retiree benefits, that you engage us immediately. Failure to do so, invites litigation, lacks common sense and is a disservice to the public whose interest you serve.

Further, we wish to highlight that as you rush to put together a reform plan, other methods to save you significant sums of money have been left by the wayside. For example, as stated in the City Auditor's June 2009 *Audit of the Employee Medical Benefits*, "An in-lieu program for retirees could save the City substantially in annual retiree medical expenses, and may also improve the City's projected long-term retiree healthcare liability" (Page 30). **Specifically, the Auditor estimated that if just 200 current retirees elected to participate in such a program, the City would save \$1,000,000 a year.** On April 7, 2010 we wrote to the City stating that we were ready to help you craft a solution to capture the savings identified by the Auditor. The letter went unanswered and no progress has been made on pursuing the \$1,000,000 in annual savings and improving your long-term retiree health care liability. Given that retiree healthcare liability is one of your largest concerns, why not at least have a single conversation in search of a solution?

We are ready to immediately begin conversations with the City and any other identified stakeholders on the fiscal challenges you face. As we've stated in the past, we share your concern with regards to the fiscal health of the City. Retirees not only depend on the Police & Fire Retirement System but many of your retirees are residents that depend on city services.

We urge you to avoid the sure path you are on toward litigation and engage us as soon as possible to explore potential solutions.

Sincerely,

Board of Directors
Association of Retired San Jose Police Officers & Firefighters