Association of Retired San Jose Police Officers & Firefighters

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The Billy & Spanner

President's Notes

By Jim Spence

Earlier in the month we had news on the Measure B front. A number of the Measure B provisions which were to go into effect in July of 2014 were stayed until July of 2015. Two of the items not covered in the stay was retiree health care and disability hearing procedures. As the Association gets further interpretation of the impact of this decision I will explain it in future Billy & Spanner articles.

On May 17th the Association hosted our Northern California members to Bobby Burroughs Memorial BBQ in Folsom, Ca. I want to thank John Arnez and Director Paul Schmidt for their work in organizing the event. John Arnez lined up a great BBQ team and the food has enjoyed by all. Jerry Ellis was assisted by Ken Yules in the set-up and sale of Association clothing. We had a spirited group of 50 retirees in attendance. The group had Vice President of Police, Mike Alford and Treasurer, Larry Samarron also in attendance. An overview of the Association finances was given by Larry and I gave an update on the latest issues facing the Association members. We are going to schedule the event around the same date next year, so if you missed this one let's see you out there next year.

For those of you who are unable to attend the monthly Association meetings I want to invite you to the October 9, 2014 meeting. What's so important about this meeting? This is the meeting where nominations are taken for Association officers. This year the Association will be looking to fill the positions of President, Vice President of Police and Secretary. The Association has been very fortunate to have retiree's step up and assume leadership positions. The Association needs to have a balance of current retiree voices and senior retiree voices heard on the administration of the Association's business. Your input is valuable so volunteer to help guide the Association.

As I am writing this column, the City has notified the Association of two public meetings lasting 1 hour each to get public input on the purposed changes to Retirement Services and the Retirement Boards. The Association has submitted several letters to the City Manager, Mayor and City Council members regarding the purposed changes. One of the biggest issues is the proposal to cut active and retiree representation on the Board in half. The Association, Firefighters Local 230 and the Police Officers' Association are very adamant of keeping our current representation on the Retirement Board. This issue has to go to the voters, and must go through the bargaining process with the active employees. We will keep you informed of any developments. Also, you can help us by joining in on any call to action we put out on this topic. Your participation is needed and appreciated.

I have written several times about the impacts of this election cycle. Financial support certainly drives the success of campaigns. I want to thank all of the retirees who have contributed money and time to the campaigns of the slate of candidates the Association has endorsed. Your support is still needed to get our candidates past the June primary. As Police and Fire retirees, if we want to have any chance of maintaining our current benefits and to continue to have individuals want to join the City of San Jose to contribute to the Retirement system, we need to continue as individuals and as the greater Association to be active in the political process. So one hurdle at a time, lets grind out success in June then on to November.

Sincerely,

WHAT'S INSIDE:

Fireside Chat by Ray Storms

The subject this month will be Unfunded Liability and what this means. I am going to try to explain this as simply as I can in layman's terms.

Think of your pension like a savings account for your child's college tuition. How much you put in the account depends upon how expensive you expect the school to be, the earnings you expect on your savings, and how long it will be until your child starts college. You follow that savings and investment plan precisely, tucking away exactly as much money as you had planned and invest it wisely.

But when you child gets ready to go off to college, a number of things may have happened. Tuition rates may have gone up faster than expected and investment returns on your savings may be lower than you expected. Maybe your child was a model student and graduated high school at 16, a year earlier than you expected. And maybe there were costs to college that you just didn't anticipate 15 years ago - mandatory computer labs, internet service fees, etc.

Now you have something you've promised your child - a college education. But you don't have enough money set aside to pay for it. You have a liability that you've committed to pay, but don't have the funds to pay it. This is an unfunded liability. For your child, you can just tell them to pick a cheaper school - reducing the benefit so it equals the funds you have available. Or, as your child gets close to graduating, you can see the looming problem and crank up your contributions. Or you can let them go off to school, and sharply increase contributions to the account while they off at college.

Your pension is very similar. It is a savings account to pay for your retirement benefits. The future cost of your pension benefits are forecast by the retirement plan. Based upon how much they expect your retirement to cost, and how much they think they can earn on contributions into the plan, the plan actuary determines the necessary contribution from you and the city during your working career. But since your working career is 30 years long, a lot of things can change. If the cost of your benefits is higher than expected, or the investment earnings are less than expected, then the plan will have less funds than it needs to pay for your retirement benefits. It has a liability that is not funded. Yes, an unfunded liability.

Unlike your child's college education, your retirement benefit is a vested legal right which cannot simply be reduced. So the city can't tell you to accept a lesser benefit. It has no way to reduce the cost of your retirement benefit. Instead, it must pursue another option, rapidly increasing contributions in order to make up the difference and get the plan back to the point where its assets and expected earnings will equal the cost of benefit payments. The plan will keep increasing city contributions with a goal to get it back to 100% funded.

So let's put some specific numbers to that. At one time, the plan had more assets than it expected or needed, to need to pay your benefits. It was 115% funded in 2001. After that time, we negotiated to increase pension benefits. The maximum benefit went from 80% of pay, to 85% of pay. We went from a variable COLA to a guaranteed 3% COLA, for both current employees and those who were already retired. And we added the SRBR, providing a supplemental benefit to retirees. Those changes increased costs above the original expectations.

Additionally, the actuary began to look more closely at their assumptions - mortality (how long we will live), retirement age, years of service, etc. and realized some changes needed to be made, which meant again that costs were higher than expected. In 2008, there was an investment nightmare where the plan, and almost every other one like it, lost 30% of its assets due to investment market declines. In response to changes in the investment markets, including where secure bonds return a guaranteed 0.5% instead of the 9% they provided a few decades ago, the retirement plan reduced its earning expectations - from 8.0% per year down to 7.125% currently. The recent work climate at the city caused many loyal firefighters and police officers to retire years earlier than they had originally planned, again increasing the years collecting benefits and decreasing the years paying into the plan. Finally, let's not forget that when the plan was 115% funded, the city used that to offset their contributions, shorting the plan by $120M.

All of these changes either increased the benefit costs, decreased the amount of money in the fund, or decreased how much the plan expected to have added in the future. Liabilities went up, assets and expected earnings went down. So now we are 78.1% funded. Far better than many other plans, but nothing like the 115% a decade ago.

Expressed in dollars, the plan's liability is $3.5 billion. The value of its assets is $2.8B. So it has an unfunded liability of $777M. That is just for current employees and retirees from police and fire, and excludes retirement healthcare.

To close that gap, the City can't reduce your retirement benefit. So the plan requires the city pay more into the plan - this is an extra unfunded actuarial liability (UAL) payment. While the city once contributed 14.22% of your pay into the plan,

it now contributes 73.48% of current employee pay into the plan - the retirement healthcare contribution brings their total cost to 82.75% of pay. So for every dollar of pay, another 82 cents gets put into the retirement plan. To afford those extra costs, the city has forced pay reductions on current employees - 10% pay cuts and multiple years without raises - and has cut thousands of city jobs, which also reduced or eliminated their retirement costs. That increase was the justification they used to try to claim a "fiscal and service level emergency" and push Measure B through the voters. And as you recall, Measure B was their attempt to make employees take another 16% pay reduction, wipe out the SRBR, eliminate disability retirements, and throw new employees into a non-competitive plan with no vested rights to any retirement benefit.

How the plan is paid into by Tier 1 employees (what you and I and currently are) is that they contribute 3/11 of the costs and the city pays 8/11 for a total of 11/11 of the "normal costs." Normal costs to the plan are salaries, mortality rates, colas, discount rate (was 8 now 7.125). If the discount rate goes down, we as a whole, pay more. The City is responsible for the unfunded liability portion. For Tier 2 employees (new hires) it would be a 50/50 split for both normal costs and the unfunded liability! Can you see in the future how this could play out for Tier 2 employees?

Police & Fire Retirement Board Report

Nick Muyo, Trustee

Workers Comp Issues

At a recent Retirement Board meeting, the subject of disability retirements and "the disability process" came up. I made the comment that it seemed as though the most talked about aspect of the disability process was Workers Comp and that, in my opinion, the Workers Comp system seemed "broken." This comment made it back to City Hall and I have since been asked to conduct a review of the Workers Comp system. Many of the complaints that I have heard are anecdotal and I believe that it is necessary to speak to those of you who have had experiences with Workers Comp that I can quantify.

My research is going to be anonymous in that I will not divulge any employee's name, however, I do want to speak to some of you about specific issues or experiences that you have had, both good and bad.

In a recent e-mail blast, the POA said: "If you are an active or retired officer who has had the misfortune of being injured on-duty, then you have probably had an encounter with the City's Workers' Comp program. We need to hear about your experience… Retired Sergeant and current Retirement Board Trustee, Nick Muyo, has been asked to look into the Worker's Comp system to determine if the process needs "fixing". He needs to hear about your experiences with the City's Workers' Comp process. He wants to hear positive and negative feedback.

Contact Nick via email at sharx91@aol.com or cell at (408) 472-0698."

Since the e-mail blast was posted, I heard from a number of active and retired officers almost immediately. I promise you that I will return every e-mail and every phone call. There were a number of issues plaguing the Workers Comp system and I am curious to discover if the change in Workers Comp companies has brought about positive change.

I look forward to speaking with many of you and to reporting my findings.

As always, details on our meetings are available on the Retirement Board's website at:
www.sjretirement.com/PF/meetings/agendas.asp

Thank you,

Nick
E-mail: sharx91@aol.com

SAVE MONEY, SAVE PAPER.

Sign up for E-Newsletter. By signing up to receive the newsletter through e-mail, you will get the same content, only you will help the Association save money on printing and postage costs. If you wish to receive the newsletter via e-mail versus regular mail, please send an e-mail to treasurer@retiredsjpoff.org

Congratulations on your retirement

Tracey Millhone, Police Officer, 19.66 years of service.
Eugene Sanchez, Police Officer 23.51 years of service.
Hector C. Gutierrez, Police Officer, 25.99 years of service.
Brian Alexander, Police Officer, 9.50 years of service.

Welcome New Members

Patrick Comerford | Daniel G. Acosta

Association of Retired San Jose
Police Officers & Firefighters

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visit our website:
www.retiredsjpoff.org

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Calendar of Events

6/4/14 Goodies – Wine, 2201 S. Bascom Ave, Campbell 408-369-1236

6/12/14 Association Meeting 11AM to 1PM at the San Jose P.O.A. Hall,1151 N. 4th St., San Jose

6/18/14 Hick'ry Pit – Gray, 980 E. Campbell Ave., Campbell 408-371-2400

6/25/14 City Diner – Tan, 2951 Monterey Rd., SJ 408-269-5490

7/2/14Burger Pit – Blue, 120 Blossom Hill Rd., SJ 408-225-6030

7/9/14 Goodies – Wine, 2201 S. Bascom Ave., Campbell, CA 408-369-1236

7/10/14 Association Meeting 11AM to 1PM at the San Jose P.O.A. Hall 1151 N. 4th, St San Jose

7/16/14 El Rancho Steakhouse – Green, 3848 Monterey Road, San Jose, 408-629-1807

Condolences

Harold Evans, I, Fire Captain, retired August 14, 1979, died March 13, 2014.

Larry M. Salo, Battalion Chief, retired December 18, 1994, died February 11, 2014.

Association Officers

Jim Spence, President	408-559-1573 president@retiredsjpoff.org
Mike Alford , VP of Police	408-857-2045 vppolice@retiredsjpoff.org
Ray Storms, VP of Fire	510 507-1136 vpfire@retiredsjpoff.org
Tom Scully, Secretary	secretary@retiredsjpoff.org
Larry Samarron, Jr. Treasurer	treasurer@retiredsjpoff.org

Directors-at-Large

David Bacigalupi, Jerry Ellis, Mike Moffett, Paul Schmidt, Paul Salerno, Jerry Boyer

Widows & Orphans Officers

President (COA) Bill McCluskey	408-497-1567
VP (SJA) Larry R. Chua	408-926-2709
VP (COR) Wes Good	408-985-7563
Secretary (SJR) Jerry Boyer	408-294-0783
Treasurer (SJR) Jerry Ellis	408-730-9974
Treas. Emeritus (SJR) Mike Moffett	408-867-0405

Police Benevolent Association Officers

President - David Wysuph, Vice President - Steve Windisch
Sec-Treasurer - Larry Lundberg, Sgt at arms - Bob Moir
www.sjpba.net