AFL-CIO
California School Employees Association

2045 Lundy Avenue
San Jose, CA 95131

(408) 473-1000
(800) 632-2128

Executive
FAX (408) 321-8227

General
FAX (408) 954-0948

www.csea.com

Allan D. Clark
Association President

Dave Low
Executive Director

Member of the AFL-CIO

The nation's largest independent classified employee association

AEU

October 15, 2012

Scott Hendries, Interim President
Association Employees Union
6341 Nancy Ridge Drive
San Diego, CA 92121

Re: (1) Arbitration award regarding pension contribution calculation (June 1, 2011)
(2) Pension contribution calculation (June 1, 2012)

Dear President Hendries:

This acknowledges receipt of the arbitration award noted above concerning subarticle 23.1.6 of the collective bargaining agreement ("CBA") to the pension contribution calculation effective June 1, 2011. The California School Employees Association ("CSEA") also addresses application of that CBA provision to the pension contribution calculation effective June 1, 2012.

1. The Arbitration Award

The arbitrator sustained the grievance the Association Employees Union ("AEU") filed as a result of CSEA's failure to grant a 2% credit effective June 1, 2011, under subarticle 23.1.6 of the collective bargaining agreement ("CBA") between the parties. The arbitrator "remanded [the dispute] to the parties to determine the appropriate remedy." The arbitrator retained jurisdiction and stated that she would resolve the dispute if the parties were unable to reach agreement within 60 days.

It is in the interest of both parties to implement this award as soon as practicable.

To facilitate resolution of this matter, this letter provides AEU with the information it needs to decide how to apply the 2% credit provided for by the subarticle.

The controlling CBA provision provides for a one-time credit of 2% of total bargaining unit base salary. That credit is calculated on the total bargaining unit salary base as of June 1, 2011, when AEU's right to the 2% credit arose.

By way of remedy, AEU requested $362,050.66.

2. Pension Contribution Calculation Effective June 1, 2012

CSEA had initially calculated its projected minimum annual pension contribution effective June 1, 2012, as $12,500,000. However, in the interim Congress enacted pension relief legislation, commonly known as MAP-21. That legislation permits plan sponsors of defined benefit plans, such as CSEA, to determine their required pension contribution based on a longer time-frame of historical interest rates, thus yielding a lower annual contribution amount.

CSEA has opted to apply the MAP-21 formula to calculation of its contribution amount effective June 1, 2012. This approach yields an annual contribution of $7,175,000.

Accordingly, the union is entitled to the 2% credit provided by subarticle 23.1.6.

As of June 1, 2012, the total bargaining unit base salary, expressed in annualized terms, equaled:

$18,477,123.14

CSEA will provide supporting documentation for this salary computation on request.

Accordingly, the 2% credit available to AEU is:

$369,328.21

Together with the credit in the amount of $362,050.66 available for June 2011, AEU has a total credit under the CBA of $731,378.87.

As to both credits, AEU must decide whether to apply this credit to either, (1) a defined benefit plan restoration; (2) salary; or (3) the 401(k) plan.

CSEA emphasizes the following:

1. The credit for each of these years represents a one-time, non-recurring payment. If AEU selects the salary option, the credits will not be “built into” the salary schedule for purposes of determining bargaining unit compensation in future years.

2. Since CSEA’s monetary obligation is limited to 2% of base salary, any salary election would be reduced by mandatory payroll costs associated with the payment of that salary so that CSEA’s total exposure does not exceed 2%.

3. The defined benefit plan restoration would be provided in terms of the present-value cost of the restoration in order to insure that CSEA’s funding liability does not exceed the 2% cap.

4. The full amount of the 2% credit would be applied if the 401(k) option is selected.

CSEA requests that AEU communicate its decision regarding application of the credits within the 30-day window provided by subarticle 23.1.6, or no later than November 14, 2012. That should afford the parties ample time to resolve any issues within the 60-day period provided by the arbitrator.

I look forward to your prompt response.

Sincerely,

CALIFORNIA SCHOOL EMPLOYEES ASSOCIATION

Dave Low

Dave Low
Executive Director

cc: Keith Pace, Director, Field Operations, Michael Clancy, Chief Counsel; Jeff Kumataka, Chief Financial Officer; Brian Schroeder, Director, HR & Training; Denise Jensen, Sr. Executive Manager