

Dear City of San José Employees and Retirees,

**We are pleased to announce a new benefit consultant administrative fee structure for your Prudential Long-Term Care insurance effective November 1, 2009.**

The City of San José recently compared the City's Long-Term Care (LTC) benefit to similar long-term care products in the market place. The purpose of this comparison was to ensure benefit and price competitiveness on the LTC program. As a result of this review, the City was able to obtain a new, lower benefit consultant administrative fee to replace the current benefit consultant fee currently included in your premium.

The benefit consultant fee of 10% is currently included in your premium each month. Effective 11/01/2009, the benefit consultant fee will be discontinued temporarily for the months of November and December 2009. Effective January 1, 2010 the City will contract with a benefits consultant to provide the required services at a reduced rate of 1.7%. You will see two changes to your premium in the next three months. The first will be a reduction in premium for November and December coverage. The second will be a new premium which will include the lower benefit consultant fee; this change will be in effect for your January coverage.

For active employees, the insurance premium and the benefit consultant's administrative fee will be shown separately on your check. Separating the insurance premium from the benefit consultant's administrative fee will provide you with an overall lower rate for your current coverage and will provide the City with two advantages: First, there will be enhanced visibility of the administrative service fees paid by you for your LTC coverage. Second, this will permit the City to both pay the benefits consultant service fee directly and to ensure the best price possible for the services provided. Retirees will enjoy the same benefits of separating the rates; however, retiree checks will show the insurance premium and the consultant's administrative fee as one deduction.

In addition, the City will be offering a new, enhanced Long-Term Care coverage plan. This new, enhanced plan will be available starting January 1, 2010. Prudential will be mailing you a list of your current benefits, enhancement options, and instructions on how to upgrade the policy if you wish.

If you have any questions regarding the lower premium please call:

Retirees: Retirement Services at (408) 794-1000 or toll free (800) 732-6477  
Active Employees: Employee Benefits at (408) 535-1285.

Sincerely,

Jeanne Groen  
Benefits Manager  
Human Resources

Toni Johnson  
Acting Benefits Manager  
Retirement Services