

# ASSOCIATION OF LEGAL PROFESSIONALS ~ ALP

October 1, 2014

Jennifer Schembri  
Deputy Director  
Office of Employee Relations  
City of San Jose  
200 E. Santa Clara Street, 3<sup>rd</sup> Floor Wing  
San Jose, California 95113.

Transmitted by email

**Re: Draft Ordinance Retiree Alternate Coverage - Federated**

Dear Ms. Schembri:

This is to express ALP's opposition to the "Draft Ordinance Retiree Alternate Coverage – Federated" that you provided to the various bargaining units via e-mail on Monday, September 29, 2014.

The e-mail did not provide a draft memorandum or any other supporting information. ALP's opposition is based solely on the language of the proposed Draft Ordinance and includes the following reasons.

- **Meet and Confer Requirement Unsatisfied:** The Meyers-Milias-Brown Act requires the City to meet and confer in good faith regarding wages, hours, and other terms and conditions of employment. The proposed Draft Ordinance changes the scope of the retiree healthcare benefit and, as discussed further below, may potentially impact the contributions currently made by active employees for the benefit. Therefore, the benefit changes in the proposed Draft Ordinance are subject to the "meet and confer" requirement. The City has not yet fulfilled this requirement with regard to ALP.
- **No More Piecemeal "Solutions":** As stated in the City Council memorandum from Alex Gurza, dated September 24, 2014, recommending extension of the phase in of the Annual Required Contribution for retiree healthcare ("Gurza Memo"), the City and the Federated bargaining units are working on solutions to the retiree healthcare issue through the Retiree Healthcare Stakeholder Solutions Working Group ("Working Group"). As the Gurza Memo states, the Working Group has been "productive in the past year of meeting" in identifying potential cost-saving options. The Working Group is in the process of refining these options with the ultimate goal of reaching an agreement on a solution.

**Changes to the scope of the retiree healthcare benefit should be discussed within the Working Group in the context of reaching an overall solution to the retiree healthcare issue.** The City and its employees do not need more piecemeal "solutions" to employee benefit issues.

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- **Potential Expansion of Benefit:** On the face of the Draft Ordinance, it appears that the proposed changes might actually expand the benefit under some circumstances – particularly with regard to spouses and dependents. This is troubling given that the retiree healthcare benefit is already so underfunded as a result of current retirees not having fully funded the benefit. This is not the time to be making changes that potentially expand the benefit.
- **No Cost Analysis:** It is unclear from the proposed Draft Ordinance whether the City has conducted a cost analysis of the impact of the changes. The City needs to conduct such a cost analysis regardless of whether the proposed Draft Ordinance would expand or limit the benefit. Active City employees deserve to know the exact and complete cost impact of the proposed changes given that fully one half of their contributions to this benefit each month is used to pay for the City's obligation to current retirees.

A significant part of the current issues with the retiree healthcare benefit is that the benefit has been modified over the years without any thorough or proper analysis. More recently, piecemeal "solutions" to various employee benefit issues adopted without thorough analysis have tended to complicate – not solve – the issues. Accordingly, ALP cannot support the proposed Draft Ordinance at this time for the above reasons. Once the above issues are addressed, ALP at some future time may be supportive of what the proposed changes are attempting to accomplish.

Given these significant concerns, ALP is opposed to the City taking this proposed ordinance to the Federated Retirement Board for consideration at this time because the City has not provided the bargaining units with sufficient information to evaluate the impacts of the ordinance and has not met and conferred with our unit regarding this ordinance affecting the pay of current employees. The ordinance proposal should be considered as part of an overall solution to the retiree healthcare problem that is being tackled by the City and the coalition of Federated bargaining units.

Sincerely,

ASSOCIATION OF LEGAL PROFESSIONALS



VERA M. I. TODOROV  
President

cc: City Manager  
City Attorney  
Federated Retirement Board  
Mayor and Council Members  
Federated Bargaining Unit Coalition

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