

October 7, 2014

Vera Todorov
President
Association of Legal Professionals (ALP)
c/o City Attorney's Office
200 E. Santa Clara Street
San Jose, CA 95113

RE: Draft Ordinance Retiree Alternate Coverage - Federated

Dear Vera:

We have received your letter regarding the draft ordinance on alternate healthcare coverage for retirees dated October 1, 2014. This topic has brought up by the City at the Retiree Healthcare Working Group on more than one occasion with Retirement Services also speaking to the issue. However, we have also provided a summary below of the issue we are trying to resolve with the draft ordinance.

Currently, because of the way our Municipal Code is drafted, a retiree has to take City retiree healthcare coverage when they first retire even if they have coverage elsewhere, otherwise if they try to enroll later they are ineligible. In addition, if a retiree does not take City coverage and passes away, their survivor is ineligible for retiree healthcare coverage. Because of these limitations, this causes retirees to take City retiree healthcare coverage even if they have coverage elsewhere. Allowing them to opt out would help reduce retiree healthcare costs.

There appeared to be consensus that this is an issue that needs to be resolved through our discussions in the working group. Please note the POA has also requested this change. This issue was also a recommendation in the City Auditor's Audit on Employee Medical Benefits, which was approved by the City Council. You can find the City Auditor's report at: <http://ca-sanjose.civicplus.com/DocumentCenter/View/3259>. Allowing a retiree to opt-out of unnecessary coverage does not appear to be an issue that would require more in-depth research than what has already occurred.

The Retiree Healthcare Working Group is in the process of discussing long-term solutions; however, while the Working Group is still discussing those solutions, it does not preclude us from fixing an identified problem with a solution that will have several positive outcomes. The City fully intends to continue working on long-term solutions in the Working Group.

Since the Working Group does not have any scheduled meetings, per ALP's request we will not be moving forward with adding this item to the Federated Retirement Board agenda in October until we have discussed the draft ordinance with the Federated bargaining units.

Please let me know if you have any questions.

Sincerely,



Jennifer Schembri
Deputy Director of Employee Relations

C: Alex Gurza, Deputy City Manager
Peter Fenerin, President, ABMEI
John Mukhar, President, AEA
Steve Contreras, President, AMSP
Kara Capaldo, President, CAMP
LaVerne Washington, President, CEO
Frank Crusco, President, IBEW
Yolanda Cruz, President, MEF
Mary Blanco, Business Representative, OE#3