



January 15, 2008

Hon. Chuck Reed  
200 E. Santa Clara Street  
San Jose, CA 95113

**Re: City Council Agenda Item 2.8**

Dear Mayor Reed,

The Association of Retired San Jose Police Officers and Firefighters supports the City Council's designation of the Kaiser health care plan without co-payments as the "lowest cost plan" for determining retiree health care benefits. While we applaud the Council's actions, we feel compelled to correct the misinformation disseminated by City Staff to the Council in regard to the costs of maintaining the Kaiser plan without co-pays.

- 1. There is zero City Budget impact this fiscal year.** This is a fact and is irrefutable. All costs associated with the Police and Fire Retirement Plan, including retiree health care, are funded through contribution rates. The Retirement Board will set new contribution rates that will take effect on July 1, 2008, which is beyond the City's current fiscal year.
- 2. Maintaining the current benefit plan will not cost the City \$1,000,000 dollars.** This statement is patently false and it is dumbfounding as to why this misrepresentation was never clarified by the City Manager, City Attorney, or their staff. **The City and active employees share the cost of medical benefits, including retiree benefits, equally.** The cost is further reduced for the City AND the active employees based on the performance of the retirement fund. If the fund grows, contribution rates stay flat or are reduced. Thus, if the cost of the benefit was an additional \$1,000,000 dollars, the City would be responsible for half the amount, or \$500,000 dollars. The clear impression City Staff is attempting to make with the Council and the public is that there are potential savings to the City General Fund of \$1,000,000 dollars by switching plans. This is untrue.
- 3. The projected costs of the benefit are paid by the Retirement Plan, not the General Fund.** Information was given to the Council supporting the contention that the General Fund would incur these expenses. That is inaccurate and deceptive.

We were deeply disappointed that despite having several well-informed and experienced City Staff members present to testify and answer questions at last week's City Council meeting, that none of them clearly and concisely corrected the inaccurate information depicted above and allowed this inaccurate information to be disseminated by the local media.

Our Association stands ready to actively work with the City on addressing any and all concerns relating to benefits. Again, we do sincerely appreciate your efforts to ensure affordable healthcare for retirees. Please feel free to contact me at (408) 930-3572 to discuss this issue or if you have any questions.

Sincerely,

Bruce De Mers  
President