



August 4, 2009

Hon. Mayor & City Council  
200 E. Santa Clara Street  
San Jose, CA 95113

Re: Item 3.8 Audit of Employee Medical Benefits

Dear Mayor and City Council:

We write to express our views on several of the items contained within the City Auditor's "*Audit of the Employee Medical Benefits*." As retirees, we do not have the benefit of formally participating in the negotiation process with the City. However, the decisions made by the City Council, and the conditions agreed to in contracts with active employees have significant impacts (both intended and unintended) on retirees.

First, we are greatly concerned with the Auditor's recommendation to dramatically increase the cost of health care to retirees. Health care options, such as requiring retirees to pay a \$3,000 deductible will be financially devastating to retirees and their families. Contrary to the misleading editorial in this past Sunday's Mercury News, most retirees do not receive pensions in excess of \$100,000 annually, and do not receive pensions equal to 90% of their salary.

**In fact, over 56% of retirees receive a pension that qualifies them as "Low Income" or below according to the City's Department of Housing income eligibility requirements.** Further, we wish to point out that according to the Auditor, "the City's contribution rate appears to be in line with those of other government entities,"<sup>1</sup> and with regards to co-pays, "most comparable employers we surveyed offered their employee's medical plans with co-pays that were similar to San Jose's."<sup>2</sup>

We ask that when you evaluate changes to the health care plan, you take into consideration the impact on retirees, especially the majority of us who retired prior to increased pension benefits granted in recent years.

While we are concerned about the recommendations for dramatically increasing the cost of health care for retirees, we do applaud the Auditor's effort to uncover inaccuracies and inefficiencies in the City's accounting and management of its health care program. We hope that some of those recommendations will be implemented so the City can realize savings, such as increasing cancer screening and wellness programs. Also, we encourage you to direct City staff to identify and prevent future overpayment to medical insurance providers.

Further, we are interested in the Auditor's recommendation to explore expanding wellness programs, which will improve the health of employees, retirees, and their families, while reducing the overall cost of health care to the City, employees and retirees. Additionally, Recommendation #14 asks the City to explore creating a Retiree In-Lieu Program that will decrease the number of retirees covered by city-

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<sup>1</sup> *Audit of the Employee Medical Benefits*, Sharon Erickson, Pg. 34

<sup>2</sup> *Audit of the Employee Medical Benefits*, Sharon Erickson, Pg. 35

provided medical plans. We think exploring this option has merit, provided that retirees can gain assurances that they can opt back into the system at a later date if necessary.

While there are many issues raised in the Auditor's report, some troubling and some promising to retirees, we believe that if the City truly wishes to engage in a process to contain health care costs, then it should actively pursue a dialogue with our Association. Our leadership has tremendous experience with these issues, and is ready and willing to work cooperatively towards achieving solutions. Unfortunately, up until this point, we have been viewed as an afterthought by the City Administration.

We respectfully ask that you consider the impacts on retirees, their families and survivors when you make the very difficult decisions ahead of you. We will be contacting your offices in the coming weeks to discuss these issues in more detail.

Sincerely,



Bruce DeMers  
President

Cc: City Manager