

Summary of Stakeholder Meeting Notes

Employees (Third Session), February 1, 2008, 12:30 PM

Purpose of Stakeholder Feedback Sessions

The San Jose City Council has authorized the Stakeholder Feedback Process to:

- Provide information about the new GASB (Government Accounting Standard Board) requirements and current/future retiree health cost liabilities, and to
- Solicit ideas from stakeholders about how to respond to the new GASB requirements and how best to pay for and manage future retiree health care costs.

Guiding Principles Offered by Stakeholders

The following are Stakeholders' points of guidance for the decision-making process related to GASB requirements and the City's/employees' current and future retiree health care obligations:

- A new retiree health plan should be developed for new (and yet-to-be-hired) employees. The new plan should be thoroughly explained to new employees so they know exactly what they're signing on for.
- There will be a large outflow of employees over the next seven-eight years so actuaries should take these retirements into account. Also, retirees are living longer—this should be factored in.
- Planners need to recognize that medical costs that are increasing faster than any CPI increases in pensions create an unacceptable drain on fixed retirement checks.
- The City needs to invest more in adequate staffing---inadequate staffing causes public discord and unhappiness with City services and stress for the workers expected to do more with less.
- The public gets it---they know more contributions are going to be necessary. Just do it and keep the public informed.
- The public and media need to know that San Jose doesn't contribute toward Social Security, and employees (both new and current employees) need to know what hardships not having contributions made to Social Security creates (e.g. windfall provision).
- The solution(s) should be the same for all employees and retirees. Certain bargaining and non-bargaining groups should not be treated differently.

- When the options are narrowed down, hold another series of meetings, explain the options in detail and let us vote. Regular progress updates in the meantime would be helpful too.
- Many employees believed they had to attend one of these stakeholder meetings on their own personal time. Beyond the message this sends about the important the City places on this subject, once it was remedied and it was OK to attend on City time, there was still a lot of hassle to get supervisors and managers to allow the release time. Doesn't this send a mixed message?
- When the options are nearing final, officials from the Retirement Boards, actuaries, health plans, bonding agencies, facilitators, and the City and Council should convene a forum where all options can be thoroughly explained (this needs to take place before the Council makes final decisions). It is very important that adequate time be available for open questions and dialog from interested employees and retirees. This session should be held in the Council chambers so it can be webcast. Try to avoid holding this meeting on a Friday. That's a day off for many employees.
- In the survey of other employers, don't only look at other employers' practices regarding retiree health plans, costs and actions. Consider total compensation practices instead (and adjust for profit sharing and stock option programs we don't have access to).
- Other employers to survey should include all of the "comparable" employers the City and unions use for wage and benefit comparison purposes, and who compete with us in the employee labor pool.
- Look at ways to attract employees who want to dedicate themselves to the city for a full career—this would allow employees to contribute for a longer period before retiring.
- We should fund retiree health over the full working careers of employees. This will mean some "make up" contributions for longer-service employees since we haven't been funding adequately in the past. Maybe this could be combined with the sliding scale idea discussed in "Possible Actions" below.

Possible Actions and Ideas Suggested by Stakeholders

The following are Stakeholders' suggestions and ideas about how to respond to GASB requirements and to pay for/manage current and future retiree health care obligations:

- The City probably doesn't contribute toward the cost of retiree health care based on the number of unfilled, open positions. However, when Department Managers seek to fill an open position, the future retiree health cost contributions over the course of the applicant's career should be factored in and accounted for by Department Managers. A rough estimate is each open position filled by a Department Manager could add about \$30,000-\$40,000 in future City retiree health plan contributions over the employee's career (maybe more), so this should be considered before hiring people. Maybe a fraction of this should be charged back to each Department's budget each year?

- As part of the education about retiree health, prospective retirees need to know they have to pay for the cost of Medicare Part B and that cost goes up every year.
- We're getting hit too hard with the 40% increase in our employee contributions in June. Work much harder to control cost increases.
- Determine how much more has to be contributed by everyone across the board, and then give reductions in the contributions to people who can demonstrate current low health risks and those who can prove they've improved their health by stopping smoking, lowering cholesterol, reduced weight to acceptable ranges, etc. Immediately and overtime, this will reward people for healthier lifestyles.
- Come up with a solution to let people who want to work elsewhere after a career at San Jose to work elsewhere without having to continue contributions toward the retiree plan just to maintain retiree plan eligibility (with the proviso that the retiree can resume contributions and re-enter the retiree plan when the other coverage is no longer available). The retiree would have to prove coverage in the other plan annually at least.
- Work harder on cost controls. If cost were better controlled, our retiree contributions would be lower and that would free up City \$'s for other purposes too.
- More liaison with and MORE ACCURATE information is needed with the media about retiree health and public-sector employee benefits in particular.
- Expand the City's \$1,000 Education Reimbursement Program to allow health-improving activities (smoking cessation, Weight Watchers, gym use, etc.)
- Private-sector employers should be surveyed, including leading-edge employers like Google.
- Consider changing the eligibility vesting period from 15 to 25 years, but develop a creative sliding-scale contribution adjustment or arrangement based on the number of years left to qualify for current retiree plan eligibility (maybe persons who are close to current vesting could be given the option to contribute more to retain 15 years vesting, or to contribute less if their contributions would be spread over a longer period to qualify for vesting). This way every participant can make a choice that best fits their own personal situation.
- Give retirees the choice of a somewhat lower-cost plan (by assuming some low-end personal risk) and let them decide with their contribution \$'s which plan to be in. Maybe even a catastrophic-only plan could be offered?
- Look into how the value of unused sick leave could be rolled in to offset contributions.
- Consider an on-site medical clinic to provide routine services, but especially, to encourage healthy behaviors.
- We're very interested in the idea of (individually-owned if possible) retirement savings accounts. Good tax advantages there and a better chance for interest earnings too.
- Consider increasing the amounts paid by pensions to retirees so they can better afford the increasing cost of medical care.

- The video of the Employee Stakeholder Session held on February 25 in the Council Chambers is now available on the website. Let everyone know about it since many employees and retirees couldn't/didn't attend an actual session.

Open Questions to be Researched

1. What is the City's retiree health future liability figure in relation to the City's annual budget?
2. By how much and when will this new retiree health cost affect my paycheck?

Next Steps

- Continue the Stakeholder Feedback Process
- Post results of each Stakeholder Session on the City's Website
- Incorporate added comments
- Assemble all Feedback Session results into a non-evaluative report of Stakeholder Feedback and ideas for the City Council