



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Jennifer Schembri

SUBJECT: SEE BELOW

DATE: April 12, 2018

Approved

Date

4-13-18

SUBJECT: ORDINANCE MODIFYING THE TYPES OF ELIGIBLE MEDICAL PLANS TO BE OFFERED TO RETIREES

RECOMMENDATION

Approve an ordinance to amend sections 3.24.2290 of Chapter 3.24 of Title 3, Sections 3.28.1980 and Section 3.28.1990 of Chapter 3.28 of Title 3, and Sections 3.36.1930 and 3.36.1940 of Chapter 3.36 of Title 3 of the San José Municipal Code to modify the types of eligible medical plans to be offered to retirees and survivors in the City's retirement plans that provide for retiree healthcare to include (1) Medical Plans offered to active City employees, (2) Medicare Medical Plans, and (3) Medical Plans not offered to active City employees.

OUTCOME

Adoption of an ordinance amending San José Municipal Code Sections 3.24.2290, 3.28.1980, 3.28.1990, 3.36.1930, and 3.36.1940 will allow the City to offer medical plans to retirees and survivors in the City's retirement plans that provide for retiree healthcare from medical coverage providers that do not necessarily provide medical plans to active City employees.

BACKGROUND

The current Municipal Code Sections 3.24.2290, 3.28.1980, 3.28.1990, 3.36.1930, and 3.36.1940 define the parameters by which the City may offer eligible medical plans to retirees and survivors in the City's retirement plans that provide for retiree healthcare. Currently, the City may only offer medical plans to retirees and survivors in which the City has entered into a contract for the provision of hospital, medical, surgical, and related benefits as part of the City's benefits to active City employees.

As part of the litigation settlement with the San José Retired Employees' Association (SJREA), approved by City Council on November 7, 2017, the parties agreed that the City would consider

a change to the Municipal Code to allow proposals from providers not necessarily offering plans to active City employees.

ANALYSIS

The City is addressing the challenges surrounding medical coverage providers for active City employees, retirees, and survivors who are eligible for medical insurance coverage. The current Municipal Code only allows for the City to provide retirees and survivors with medical plan options that are provided to active City employees. A modification to the Municipal Code will allow for the City the ability to offer eligible medical plans from providers that do not necessarily offer medical coverage plans to active City employees.

There are many providers in the marketplace that provide Medicare Supplemental Plans, in addition to providers that offer plans well-suited to the City's Pre-65 Retiree and Medicare eligible Retiree population. The modification to the Municipal Code will allow the City to offer these plans to Retirees and survivors in the City's retirement plans that provide for retiree healthcare.

City Administration met with the SJREA and the Association of Retired Police Office & Firefighters on March, 5, 2018 and with the the bargaining units representing City employees on March 12, 2018. These groups provided feedback that encouraged to City to seek this modification in the Municipal Code in order to better meet the needs of the retirees and survivors in the City's retirement plans that provide for retiree healthcare.

Based on the feedback from the bargaining units, the SJREA, and the Association of Retired Police Officers & Firefighters, staff recommends a modification to the San José Municipal Code that will allow the City to offer the following types of plans to retirees and survivors in the City's retirement plans that provide for retiree healthcare:

- A. Medical Plans Offered to Active City Employees - an eligible medical plan which is a plan in which the City has entered into a contract for the provision of hospital, medical, surgical and related benefits as part of the City's benefits to City employees; or
- B. Medicare Medical Plans - an eligible medical plan which is a plan in which the City has entered into a contract for a Medicare coverage medical plan for the provision of hospital, medical, surgical and related benefits for Medicare recipients; or
- C. Medical Plans Not Offered to Active City Employees - an eligible medical plan which is a plan in which the City has entered into a contract for medical plans for the provision of hospital, medical, surgical and related benefits which are not part of the City's benefits to City employees.

HONORABLE MAYOR AND CITY COUNCIL

April 12, 2018

Subject: Ordinance Modifying the Types of Eligible Medical Plans to be offered to Retirees

Page 3 of 4

For clarification, "Medicare Medical Plans" refers to Medicare Supplement Plans which are designed to combine a Retiree or survivor's Medicare coverage and insurance for services that Medicare does not provide to create a single plan for post-65 Retirees.

A Memorandum and Supplemental Memorandum regarding the draft ordinance for the modification of the Municipal Code was presented at the April 5, 2018 Police and Fire Retirement Board ("Police and Fire Board") meeting and at the April 19, 2018 Federated Retirement Board ("Federated Board") meeting. The Police and Fire Board had no comment on the ordinance at this time.

EVALUATION AND FOLLOW-UP

If the Council approves the proposed ordinance for publication, the ordinance will be placed on the Council agenda for final approval on May 8, 2018 and become effective 30 days later.

PUBLIC OUTREACH

This memorandum will be posted on the City's website in advance of the April 24, 2018 City Council Agenda.

COORDINATION

This memorandum was coordinated with the City Attorney's Office and Human Resources.

COMMISSION RECOMMENDATION/INPUT

The Federated Retirement Board and the Police and Fire Retirement Board provided input on this memorandum, as noted above.

COST SUMMARY/IMPLICATIONS

There are no anticipated costs associated with the adoption of this Ordinance.

HONORABLE MAYOR AND CITY COUNCIL

April 12, 2018

Subject: Ordinance Modifying the Types of Eligible Medical Plans to be offered to Retirees

Page 4 of 4

CEQA

Not a Project, File No. PP17-008, General Procedure or Policy Making.

/s/

JENNIFER SCHEMBRI

Director of Employee Relations

For questions please contact Jennifer Schembri, Director of Employee Relations, at
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