



Memorandum

TO: RULES AND OPEN
GOVERNMENT COMMITTEE

SUBJECT: VEBA ADVISORY COMMITTEE
APPOINTMENT

FROM: Jennifer Schembri

DATE: October 26, 2022

Approved

Date

10/26/22

RECOMMENDATION

- (a) Approve the appointment of Aidan Guy, nominated by the San José Police Officers' Association (POA) as the POA's active employee member, to the Voluntary Employees Beneficiary Association (VEBA) Advisory Committee for a partial term beginning December 1, 2022 and ending May 31, 2024.
- (b) Place the item on the November 15, 2022 City Council Agenda for action.

OUTCOME

Approval of this recommendation will allow the VEBA Advisory Committee to continue to do business and have a quorum at its next meeting on December 12, 2022.

BACKGROUND

Pursuant to the Alternative Pension Reform Frameworks and Measure F, the City has established the Police and Fire Voluntary Employees Beneficiary Association under Chapter 3.57 of the San José Municipal Code and the Federated Employees' Voluntary Employees Beneficiary Association under Chapter 3.58 of the San José Municipal Code. A VEBA is a tax-exempt trust instrument authorized by Internal Revenue Code 501(c)(9) through which eligible healthcare benefits can be reimbursed. The City's VEBAs are set up to reimburse eligible medical expenses in retirement for their respective members.

San José Municipal Code Sections 3.57.210 and 3.58.210 provide that the VEBA Plans shall be administered by the VEBA Advisory Committee. The VEBA Advisory Committee is to oversee all aspects of the City's VEBA Plans. As of June 30, 2022, the VEBA Plans currently have 4,435 participants and includes active employees, former employees, retirees, and contain approximately \$48.5 million in assets. All newly hired employees represented by a bargaining unit are placed into the VEBA plan and make contributions based on a percent of base pay. The VEBA Advisory Committee is responsible for administering the VEBA Plans, the trust account, and is responsible

for the operation of the Plans in accordance with its terms. The VEBA Advisory Committee is required to determine all questions arising out of the administration, interpretation, and application of the VEBA Plans, including evaluating and selecting investment options.

Resolution No. 78563, dated May 1, 2018, requires that the VEBA Advisory Committee be composed of five members: one active member of the San José Firefighters, IAFF Local 230; one active member of the San José POA; two active members of the Federated Unions; and one active member of unrepresented employees. The union members shall be nominated by the respective unions. The City Manager or designee shall nominate the unrepresented employee member. As a Council-appointed committee, appointments to the VEBA Advisory Committee must first be approved by the Rules and Open Government Committee before being recommended to the City Council. The appointment of nominated employees to the VEBA Advisory Committee shall be routine business on the City Council agenda. The City Council shall approve the nomination unless the City Council finds cause for rejection.

Each member of the VEBA Advisory Committee shall be an active employee who is a participant in a VEBA Plan and shall serve a four-year term with the exception that the initial terms of the members were set to allow each member's term to end on subsequent years. In the event a vacancy should occur in the office of any member prior to the expiration of a term, a successor shall be nominated for the unexpired portion of the member's term pursuant to the process set forth above. There are no term limits for members.

ANALYSIS

Carlos Garibay served as the POA's employee member for the remainder of the previous member's four-year term that commenced on May 1, 2021 and was set to end on May 31, 2024. Mr. Garibay resigned from his role on the VEBA Advisory Committee effective September 29, 2022. The POA nominated Aidan Guy to serve the remainder of the four-year term, starting on December 1, 2022 and ending on May 31, 2024. Mr. Guy is an active employee and a VEBA participant.

EVALUATION AND FOLLOW-UP

The VEBA Advisory Committee is responsible for administering the VEBA Plans, the trust account, and is responsible for the operation of the VEBA Plans in accordance with their terms. The VEBA Advisory Committee is required to determine all questions arising out of the administration, interpretation, and application of the VEBA Plans, including evaluating and selecting investment options.

Whenever terms of the members are due to expire or a seat becomes vacant, a recommendation will be presented to the City Council to appoint nominees to fill those seats on the VEBA Advisory Committee.

CLIMATE SMART SAN JOSE

The recommendation in this memorandum has no effect on Climate Smart San José energy, water, or mobility goals.

PUBLIC OUTREACH

The key stakeholders were invited to nominate a candidate for appointment to the VEBA Advisory Committee.

COORDINATION

This memorandum has been coordinated with the City Attorney's Office and the City Clerk's Office.

COMMISSION RECOMMENDATION/INPUT

No commission recommendation or input is associated with this action.

CEQA

Not a Project, File No. PP17-010, City Organizational and Administrative Activities resulting in no changes to the physical environment.



JENNIFER SCHEMBRI

Director of Employee Relations and Human Resources

For questions please contact Amy Morton, Senior Analyst in Human Resources, at (408) 535-1245.