



# Memorandum

**TO:** RULES AND OPEN  
GOVERNMENT COMMITTEE

**FROM:** Jennifer Schembri

**SUBJECT:** VEBA ADVISORY COMMITTEE  
APPOINTMENTS

**DATE:** August 29, 2018

Approved

Date

8/30/18

## RECOMMENDATION

- (a) Approve the appointment of the following individuals to the Voluntary Employees Beneficiary Association (VEBA) Advisory Committee:
- (1) Patrick Chung, nominated by San José Firefighters, IAFF Local 230, to a term ending May 31, 2021;
  - (2) Ben Lam, nominated by the San José Police Officers' Association, to a term ending May 31, 2020;
  - (3) Farheen Sultana, nominated by the Federated unions, to a term ending May 31, 2022;
  - (4) Elsa Cordova, nominated by the City Manager, to a term ending May 31, 2019; and
- (b) Place the item on the September 11, 2018 City Council Agenda for action.

## BACKGROUND

Pursuant to the Alternative Pension Reform Settlement 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 an trust instrument authorized by Internal Revenue Code 501(c)(9) through which eligible healthcare benefits can be reimbursed. The City's VEBA Plans are set up to reimburse eligible medical expenses for their eligible retired 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. There are two separate VEBA Plans, one for Police and Fire and a second for the Federated bargaining units and unrepresented employees. While the funds are held separately in each respective trust, the VEBA Advisory Committee will be responsible for the oversight of all aspects of both of the City's VEBA plans. Combined, the VEBA Plans currently have 2,242 participants, including active employees, former employees, and retirees. The Plans contain approximately \$22,776,415 in assets. All newly hired employees represented by a bargaining unit are placed into a VEBA plan and make contributions based on a percentage of base pay. The VEBA Advisory Committee is responsible for administering the VEBA Plans, the trust accounts, and is responsible for the operation of the 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 Plans and Trusts including evaluating and selecting investment options. Resolution No. 78563, dated May 1, 2018, requires that the VEBA Advisory Committee be composed of five (5) members: One (1) active member of the San Jose Firefighters (SJFF), IAFF Local 230; One (1) active member of the San José Police Officers' Association (SJPOA); Two (2) active members of the Federated Unions; and one (1) active member of unrepresented employees. The union members shall be nominated by the respective unions. The City Manager or City Manager's 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 Committee before being recommended to the City Council.

Pursuant to Resolution No. 78563, each member of the VEBA Advisory Committee shall serve a four year term after the initial terms set forth in the resolution. The initial terms of the members will allow each member's term to end on subsequent years. There are no term limits for members.

Each member of the VEBA Advisory Committee shall be an active employee who is a participant of a VEBA Plan. The unions and the City Manager were asked for nominations for the City Council's approval and appointment to serve on the VEBA Advisory Committee. Patrick Chung's nomination by SJFF, IAFF Local 230 was received on May 19, 2018. Ben Lam's nomination by the SJPOA was received on July 19, 2018. Farheen Sultana's nomination by the Federated unions was received on July 27, 2018. Elsa Cordova's nomination by the City Manager was received on May 31, 2018. Pursuant to Resolution No. 78563, all four (4) nominees set forth in this recommendation are active employees and are VEBA participants. The nomination for the fifth member of the VEBA Advisory Committee will be brought forth for appointment at a future date.

Approval of this recommendation will allow these four members to begin their terms and the VEBA Advisory Committee to begin meeting. This will also allow the responsibilities related to the administration of the VEBA Plans to transfer from the City to the VEBA Advisory Committee.

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

/s/  
JENNIFER SCHEMBRI  
Director of Employee Relations and  
Acting Director of Human Resources

For questions, please contact Cheryl Parkman, Senior Executive Analyst, at (408) 535-8152.