



FOR IMMEDIATE RELEASE

June 13, 2011

MAYOR JERRY SANDERS FACT SHEET

CITY, POLICE OFFICERS ASSOCIATION REACH RETIREE HEALTHCARE AGREEMENT *Agreements with Police, Other Labor Organizations to Save More than \$700 Million*

San Diego Mayor Jerry Sanders announced today that the city has reached a tentative agreement with the San Diego Police Officers Association (POA) on a retiree healthcare plan that will save taxpayers millions of dollars.

The city's agreement with the POA, along with agreements reached in recent weeks with the city's other labor unions, will save more than \$700 million over the next 25 years, making it the largest cost-savings measure in city history.

The plan requires, for the first time, that employees contribute to their retiree health care costs and provides protections to taxpayers by allowing the City Council to re-open or modify the agreement if the city's financial position worsens.

"These agreements will allow us to put millions of dollars to work for the people of San Diego, improving services like public safety, parks and recreation, libraries, and street resurfacing," said Sanders. "I want to thank the POA for working with the city on this important agreement."

Said Brian R. Marvel, president of the San Diego Police Officers Association. "Our members are making huge sacrifices by accepting this retiree health care agreement, but we understand that we need to move forward and resolve this issue with the city. Employees, the City of San Diego and the taxpayers are all in this together and we are gratified to have come to a tentative agreement with the city following months of hard work on both sides."

The city began negotiations on retiree health care with its six labor organizations last year in an effort to rein in the annual costs of the benefit and reduce the city's long-term liability, which has been pegged at \$1.13 billion.

Nearly half of that unfunded liability comes from retirees, whose benefits are vested and by law cannot be reduced. This agreement immediately shaves \$323 million from the portion available for reduction – cutting it nearly in half.

Beginning in fiscal year 2015, taxpayers will see annual savings that grow each year – from \$3.45 million in 2015 to \$59.2 million in 2036. Over 25 years, the cumulative annual cash flow savings to taxpayers will add up to \$714 million.

The city began offering retiree health benefits to employees in 1982, but subsequent administrations failed to track the liability associated with active employees and retirees, resulting in a significant unfunded liability.

The first actuarial valuation to track the liability of both active employees and retirees occurred in 2005. In 2008, Sanders established a retiree health trust fund to pay down some of that unfunded liability while also pursuing major changes to the system.

Only employees hired before July 1, 2005, are eligible for any benefits; this agreement will not restore benefits to employees hired after that date.

“This is a major victory for everyone involved, especially the people of San Diego,” said Sanders. “It’s a vital piece of my reform agenda for city government and I’m pleased that our work over the past year has paid off.”

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