



News from
Councilmember Todd Gloria

City of San Diego ▪ District Three

NEWS RELEASE

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City, Employees Reach Historic Retiree Healthcare Settlement
Agreement Expected to Generate Enormous Taxpayer Savings

SAN DIEGO, CA (May 6, 2011) – Councilmember Todd Gloria today joined Mayor Jerry Sanders and others to announce the tentative agreement between the City and most employees on the future of retiree healthcare that is expected to generate hundreds of millions in taxpayer savings.

“This tentative agreement demonstrates the commitment of most councilmembers to addressing our long-term financial liabilities and ending our City’s structural budget deficit,” said Councilmember Todd Gloria, who is chair of the Budget and Finance Committee. **“The agreement places San Diego on the cutting edge of fiscal reform and demonstrates that it is possible to save taxpayers’ money and provide fair benefits to employees.”**

Taxpayers will see immediate savings by eliminating \$323 million from the unfunded liability. Going forward, the City’s annual savings will be \$3.45 million in Fiscal Year 2015 and increase to \$59.2 million in 2036. Over the course of the next 25 years, the total annual benefit to taxpayers will add up to \$714 million.

Savings will result because the plan reduces the benefits promised, requires employees to contribute to their retiree health care costs and provides protections to taxpayers by allowing the City Council to change this agreement if the City’s financial position worsens.

“Lowering the City’s costs for retiree healthcare means more funds will be available for the core services upon which San Diegans depend, like parks, libraries, fire, and police services,” said Councilmember Gloria.

The tentative agreement with the Municipal Employees Association and the San Diego City Fire Fighters Local 145 is for a 15-year memorandum of understanding. Employees hired before July 1, 2005 and who retire after April 1, 2012 could choose from three options:

- The current guaranteed benefit of \$8,880 with an annual escalator of 2%. Only workers nearing retirement would be eligible for this plan, and they would contribute \$100 monthly for the benefit.
- A guaranteed benefit of \$5,500 with no annual escalator. This would require a smaller monthly contribution of \$50.
- A defined-contribution plan that aims to approximate an annual benefit of \$8,500. The amount the retiree receives would be subject to investment losses, but it would not cost the employee.

The City previously ended the entire retiree healthcare benefit for employees hired after July 1, 2005. The agreement announced today continues those past reforms that also generate savings for the City’s taxpayers. The City expects to reach tentative agreements with AFSCME Local 127, Teamsters Local 911 and the Deputy City Attorneys Association by early next week.

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