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## MAYOR JERRY SANDERS FACT SHEET

### **CITY, LABOR UNIONS REACH HISTORIC DEAL ON RETIREE HEALTH CARE BENEFITS**

*Tentative agreements immediately reduce plan's liability by \$323 million*

San Diego Mayor Jerry Sanders announced today that the city has reached tentative agreements with employee labor organizations on a retiree health care plan that will save the city \$714 million over the next 25 years.

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.

"This settlement isn't just a big step – it's a quantum leap," said Sanders. "It provides record savings to our taxpayers and means we'll be able to put more of their dollars to work on police, fire, street repairs, parks and libraries."

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.

As of Friday morning, the Municipal Employees Association and Fire Local 145 had signed the tentative agreement; AFSCME Local 127, Teamsters Local 911 and the Deputy City Attorneys Association are expected to sign the agreement by early next week.

Discussions with the San Diego Police Officers Association are ongoing; however, the tentative agreement signed today stipulates that the POA's terms will not exceed those of this agreement.

"This agreement is a very big deal. It will save taxpayers hundreds of millions of dollars and is unprecedented in this City's history," said City Attorney Jan Goldsmith. "I am pleased that some of our labor organizations have chosen the path of cooperation over the path of constant litigation."

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.

Council President Pro Tem Kevin Faulconer noted the role of a recent court ruling affirming the city's position that, unlike pension benefits, retiree health benefits become vested upon retirement – not upon start of employment.

"This would not have been possible without the hard work of our City Attorney, Jan Goldsmith, and his recent court victory, which provided us with the leverage we needed to get this deal done," Faulconer said.

Sanders said the retiree health care deal is a major part of his efforts to resolve the city's structural deficit and would enhance San Diego's financial stability for decades to come.

"Reforming retiree health care is just one of my administration's priorities in our ongoing efforts to change the way business is done at City Hall," Sanders said. "Combined with our pension reforms, managed competition and other money-saving operational changes, it will help our city emerge from this recession stronger than ever."

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