



FOR IMMEDIATE RELEASE

May 13, 2011

MAYOR JERRY SANDERS FACT SHEET

CITY COUNCIL TAKES FIRST STEP TO APPROVE HISTORIC RETIREE HEALTH CARE REFORM PACT

Agreement saves nearly three quarters of billion dollars over 25 years

San Diego Mayor Jerry Sanders applauded the City Council for its Friday vote to approve 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, modify or eliminate the benefit.

“I’m extremely proud of the Council for stepping forward and supporting what can only be described as the largest cost-saving measure ever implemented by this city,” Sanders said. “Their vote shows tremendous wisdom of the sort that will benefit this city and its taxpayers for decades.”

At today’s public meeting, a representative from Buck Consultants, the city’s actuary, made a detailed presentation to the Council explaining the company’s methodology in forecasting the savings.

The Council is expected to take a second and final vote on the matter on May 26. Prior to that vote, the city will hold two public informational meetings to answer questions from San Diegans about the landmark agreement. The first will be 6 p.m. Tuesday, May 17, in the Santa Fe Room at the Balboa Park Club, 2150 Pan American Rd. W, San Diego, 92101. The time and location of the second meeting has yet to be determined.

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. The city has spent nearly two years working on this reform – pouring over the numbers, meeting for countless hours with council members and labor negotiators, exercising every bit of due diligence required for such a monumental issue.

Nearly half of the \$1.13 billion unfunded liability comes from retirees, whose benefits are vested and by law cannot be reduced. This agreement immediately shaves \$330 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, eventually reaching \$59.2 million in 2036. Over 25 years, the cumulative annual cash flow savings to taxpayers will add up to \$714 million.

Only one city union – the San Diego Police Officers Association – has not signed the agreement. Discussions with the POA are ongoing; however, the tentative agreement stipulates that the POA’s terms will not exceed those of this agreement.

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.

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 one of my administration’s major 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.”

###