

S. Lake Tahoe ending retiree health care benefits

By Kathryn Reed

Retirees are no longer going to be a drain on the taxpayers of South Lake Tahoe – at least when it comes to their health benefits.

The obligation of retiree health care benefits goes away a year from New Year's Day.

This is the outcome of a protracted effort by City Manager Nancy Kerry to rein in debt, the City Council's desire to stop paying for benefits to retirees and their dependents for decades past their service, and the retirees agreeing to settle a **lawsuit from December 2015**.

Joe Rose, attorney with Rose Law in Sacramento who had represented the retirees, was not available for comment.

The deal affects more than 140 retirees.

For years South Lake Tahoe has been the only public entity in the Lake Tahoe Basin to offer retirees medical coverage.

South Lake Tahoe has always been self-insured, which means it pays all the medical bills incurred by those covered in the plan. About \$4 million is spent on health care by the city each year.

"So this year we will look for medical insurance because (the retirees) won't be on there. So, the city could get out of the business of paying medical bills," City Manager Nancy Kerry told *Lake Tahoe News*. "We took 50 years of obligation off the locals."

Several years ago the city created an OPEB – other post-

employment benefits – account to help deal with the rising unfunded debt obligations. Kerry a handful of years ago offered to split the nearly \$7 million pot of cash among all the retirees in exchange for them to forfeit future health care benefits. Some took it, others sued.

The deal reached this month, which the City Council is expected to sign off on in January, calls for the remainder of that pot of cash to be split equitably. In addition, those younger than 65 will get \$12,000 and those 65 and older will get \$6,000 each in 2019 and 2020. This money equals what the city had allocated for retiree medical care. They remain on the plan for 2018.

“Everyone gets a varied piece of the pie related to years of service and years to Medicare,” Kerry explained.

Retirees haven’t always had health benefits. Decades ago one got sick, needing some help. The city let him on the plan. This set the precedent and the flood gates were opened.

Through the years it became common practice that the retirees would get whatever health plan the employees agreed to.

It got to the point that retirees and their dependents outnumbered actual staff on the health plan. The people paying that bill were taxpayers. For that contribution locals got fewer services, including roads not being repaired, hours cut at the recreation center and fewer employees to help them. About a decade ago city staff was slashed by one-third. There were a lot of contributing factors, with millions of dollars in retiree medical benefits being one component.

At one point South Lake Tahoe’s unfunded liability for health care was \$55 million.

A broker works with the city to decide what is in the health plan. For 20 years, costs were cut by deciding what would no longer be covered.

In 2007, the first substantive change was made under City Manager Dave Jinkens' watch. Anyone hired after Jan. 1, 2008, would not be given health benefits when they retired. But this made it so two people doing the same job were compensated in different ways.

In 2014, the council approved Kerry's plan to radically change health care. The main outcome was that all the employee groups agreed to give up their retiree health care effective Oct. 1, 2014.

These changes brought the unfunded liability to about \$20 million.

This change put all employees on a level playing field.

Another hurdle for the city is to deal with CalPERS – the retiree pension system that has a noose around municipalities, with the Legislature holding the rope.