

S. Tahoe employee benefits may be decided by voters

By Kathryn Reed

Voters may have a chance to weigh-in on what they think employees in South Lake Tahoe should get when it comes to pensions and health care benefits.



An idea broached by Mayor Hal Cole earlier this spring came before the full council Tuesday. The five agreed if the necessary concessions the city needs from its seven bargaining units aren't achieved, the issues will go to the voters in February – when the presidential primary takes place.

In 2002-03, South Tahoe paid \$1.1 million into the California Public Employees Retirement System. That figure is expected to increase to \$4.7 million for the 2011-12 fiscal year.

While City Attorney Patrick Enright was quick to not single out South Lake Tahoe, saying other cities are in the same boat, he did point out employees in many other cities are making concessions, and where they aren't, that particular city is trying to take the upper hand.

The more than four time increase to PERS is the result of bad investments, more retirees and an increase in benefits for some retirees.

Most South Tahoe employees don't contribute a dime to their retirement. The city is paying its share as well as the employees'. It wasn't until a couple years ago public safety started paying a small percentage.

The employee share to CalPERS is 8 to 9 percent.

When Councilman Tom Davis, who was on the council for 12 years before being elected again in November, asked, "Why are we paying the 9 percent?" Enright said, "Because we agreed to it."

The "we" is actually the council. They make all the final decisions when it comes to voting on salary and benefits packages for rank and file employees.

But that 9 percent is just a pittance of what the city pays for employee pensions.

The city's share for tier 1 fire employees in 2010-11 is 40.91 percent and will grow to 47.62 percent for 2011-12.

That means the city is paying more than 50 percent of a firefighters' salary into the retirement system.

This type of compensation is similar for all employees in the city.

So, if someone has a salary of \$60,000 – the city is paying another \$30,000-plus into their retirement.

It has changed, though, to where there are two other tiers, meaning new hires don't have it so cushy. Tier 3 firefighters this fiscal year have the city paying 17.36 into PERS and 22.19 percent for next fiscal year.

"Assume they retire at 50 and assume they live to 80, they will be paid out by the city for 30 years, when they worked 25, so they get more paid to them in retirement than they did on the job," City Manager Tony O'Rourke said after the meeting of most employees. "And they are guaranteed cost of living adjustments."

Public employees are guaranteed a set retirement figure based on years worked and their last highest salary.

This compares to the private sector that may rely on a 401(k)

– which is not something employers have to offer – and Social Security. The normal range for an employer contribution to a 401(k) is 3 percent to 7 percent. Then the employee must also deal with the fluctuations of the stock market. Sometimes they have few if any options for where the money is invested.

On the public sector side it didn't matter that CalPERS lost 30 percent in the market one year. Cities had to make up those losses. Cities is the same as taxpayers. The employees saw no loss, felt no financial burden.

Eleven percent of South Lake Tahoe's general fund goes to pension expenses, while another 18 percent is for employee health care.

As those costs rise, it cuts into basic services – like roads, upgrades to software that would allow the city to operate more efficiently, repairs to equipment that might put more snowplows on the road or even allow more employees to be hired to assist residents.

Also on the private sector side is Social Security. In the recent past, employees contributed 6.2 percent of their wages to Social Security. For 2011, that has dropped to 4.2 percent. Employers still pay 6.2 percent. Self-employed people pay the combined amount.

When it comes to health benefits, anyone hired by South Lake Tahoe prior to 2008 who works for 25 or more years will receive health benefits for free for the rest of their lives upon retiring. So will their dependents.

It costs the city \$1.9 million a year for the 130 retirees – a dollar amount that grows each year. The city pays about \$15,000 per year on each retiree for health benefits. Of the city's retirees, 58 percent don't cough up a penny for health benefits.

On average, employees pay 4.6 percent of their health care

costs, while the city is picking up 95.4 percent.

Even Councilwoman Claire Fortier chimed in how her monthly paycheck for being on the council amounted to about \$1,000, while the health benefits were about \$9,000. Though she didn't elaborate what time period this was for.

In the private and public sectors, the employer and employee each pay 1.45 percent of the employees' wage for Medicare.

South Lake Tahoe spends 78 percent of its general fund on employee related expenses. In the five-year budget plan that was adopted earlier this year, that percentage is slated to drop to 74.

To get there, the city is asking employees to change their contract. The miscellaneous/public works employees' contract is up this fall, while the other six expire in a little more than a year.

Jere Copeland, who represents some of the unions, said June 7, "The best route is to bargain with your unions."

While that was the overriding sentiment of the council, they still took the step to place the CalPERS and health care contributions on the February ballot if the unions don't come through as needed.

For the 2011-12 budget, the council is banking on \$1.5 million in employee concessions. If that doesn't happen, more jobs and more services will be cut.

Meeting between city staff and employee groups are scheduled this month.

If the two sides don't come to an equitable agreement, then language will be drafted for voters to decide what city employees should get for compensation regarding benefits. If the unions don't agree to it, the city has the power to impose the will of the voters.