S. Tahoe making dent in unfunded liabilities

By Kathryn Reed

South Lake Tahoe’s unfunded liability for health care was dramatically decreased by having retirees join Medicare. If they all go this route, the figure will drop even more.

Before the change was implemented earlier this year, the city was on the hook for $52 million. That amount would have to be paid if the city closed its doors today. In actuality there will always be a balance due. But it can be lowered if the city sets money aside for the future and implements changes to the program.

That $52 million becomes $37 million when all retirees who are 65 and older switch to Medicare. This is a program City Manager Nancy Kerry implemented.

John Bartel, president of Bartel Associates, gave a presentation to the City Council on Nov. 5 about where the city stands with its health care and pension obligations. He took a more conservative approach. There could be another $7.5 million reduction depending on what plan the retirees choose.

Changes have been implemented throughout the years to trim retiree health benefits. There was a time when the city worker and that person’s family could be on the plan forever – even after the employee died.

Employees heard the numbers at a mandatory meeting Nov. 6.

Depending on which medical program employees enroll in, there could be an annual cost savings to the general fund of $300,000. This is money the residents could see reinvested in the community.

Reasons public entities are caring more about unfunded liability is that under a new government accounting standard all unfunded liability has to be accounted for. It could affect the ability to borrow money or issue debt through a bond because it is now a debt on the books.

City staff is in talks with employee groups about potential changes to the health care plan. It had been hoped the Affordable Care Act would have played a roll, but it does not allow an employer to pay part of the fees.

"Every city that is in bankruptcy is in bankruptcy because of benefits problems. You have to stop the runaway train," Kerry told *Lake Tahoe News*.

In total, the city has 140 retirees it is responsible for when it comes to funding pension and health care benefits. This doesn't include their dependents on the health program.

On the pension side, the liability is $53.6 million.

"The bulk of your liability rests with the people not providing services," Bartel said of the Public Employee Retirement System, or the state pension fund.

Public employees are guaranteed a defined paycheck when they retire no matter how well the money was invested by PERS officials and what the return is. That is why public entities have to keep paying more. The pension is a lifetime commitment and investments don't always go up.

The city's hands are tied when it comes to making changes to PERS. The state Legislature controls the rulebook. That means cops and firefighters can keep retiring at age 50, and all other employees at 55.

Cities across the country are dealing with this issue of unfunded liabilities. The *Wall Street Journal* launched a series looking at the fiscal health of the country's 250 largest cities.