South Lake may end retiree health care benefits

By Kathryn Reed

Health care benefits for former and current South Lake Tahoe employees may soon look dramatically different.

South Lake Tahoe is about to start negotiations with its six labor unions. Health care will be one of the main subjects. This affects retirees because they get whatever their respective labor group agrees to. Through the years everyone has endured changes in premiums, deductibles and coverage.

The skyrocketing price of health care is making it almost impossible for public and private sector employers to offer a reasonable plan. South Lake Tahoe is trying to be creative with how it does business, with the desire to be equitable to current workers, retirees and taxpayers.

"It is very chaotic in the health care industry. The only way employers can manage those costs is with the continuation of cuts," City Manager Nancy Kerry told *Lake Tahoe News*. "Salaries have not kept up with health care for anyone in this country."

The premium for the city 's medical plan is $556.07 per month for retiree only coverage, $1,112.14 for retiree plus one, and $1,573.68 per month for family coverage. This is for those not on Medicare.

On Tuesday the City Council will be presented with an option to revamp retiree health coverage. The approximately 150 retirees, as well as those whose dependents qualify for coverage, may be given the opportunity for a one-time buyout.

Staff is proposing using the $6.5 million in the Other Post

Employment Benefits (OPEB) trust fund to pay the retirees. The amount each person would receive depends on years of service, whether they are on Medicare and other criteria. The average compensation would be $68,000 for those who are not on Medicare, and $32,000 for those in the Medicare group.

The OPEB account was created in fiscal year 2008 by then City Manager David Jinkens and the council at the time as a way to begin dealing with the city's $42 million unfunded liability for retiree health care. That obligation ballooned to $55 million at its highest point. The amount the city contributes to OPEB fluctuates each fiscal year, with $250,000 allocated for 2016-17. During part of the recession zero dollars were earmarked for OPEB.

A step toward curtailing these defined benefits took effect Jan. 1, 2008, with the mandate that no new hires would be eligible for health care upon retirement.

In 2014, the council approved City Manager 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. Some opted to retire before that date.

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

In December 2015 South Lake Tahoe was sued by a group calling themselves the South Lake Tahoe Retirees Association. **Last August** a judge said the group will not receive monetary compensation.

The case is still active. The proposal before council on Feb. 7 is not expected to impact that lawsuit.

Kerry's rationale for the lump sum is that it provides more security for the retirees than what they have today. Today they are at the whim of what their old bargaining unit decides. Retirees have no voice at the negotiating table. If the city and labor groups agreed to do away with health care coverage, the retirees would have nothing. Or a plan could become cost prohibitive for a retiree. The point is they have no guarantee what their health coverage will be from contract to contract.

The lump sum being proposed would go into a health savings account. This way the individuals would not be subjected to paying income tax.

The ultimate long-term savings to the city will be determined after it is known how many retirees decide to take the offer – assuming the council on Tuesday approves the plan. The retirees would have until May 31 to make a decision. They would then be on their own to come up with health care coverage once all the paperwork is processed.