



San Diego City Attorney Jan I. Goldsmith

NEWS RELEASE

FOR IMMEDIATE RELEASE: April 14, 2016

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City Attorney's Office Defeats Another Challenge to 2011 Retiree Health-Care Reform

An appellate court has rejected yet another legal challenge to the City's 2011 retiree health-care reform, a plan the City Attorney's Office was instrumental in implementing and has successfully defended in court numerous times.

The 2011 health reforms will save the City about \$1.05 billion over 24 years, savings that are freed up for City services to residents. They are possible as the result of victories by the City in two labor-union lawsuits, establishing that retiree health benefits are not "vested" but rather employment benefits and, therefore, can be changed.

The decision yesterday by the Fourth District Court of Appeal affirms a lower court's decision to dismiss a challenge to one element of the plan -- a policy that affects "active deferred members" of the retirement system, former City employees who have enough service credits to retire from the City, but have yet to do so (usually because they have not reached the age of retirement.)

Under that policy, active deferred members are given a \$100,000 annuity that, upon retirement, generates approximately \$8,500 a year to reimburse their health-care costs. Dennis Gibson, a former employee, had sued, contending he was entitled to the policy that was in effect when he left City employment, a policy that guaranteed a flat \$8,500 a year with an inflation escalator of up to 10 percent a year.

The court of appeal found for the city on the basis that any basis for claiming a "vested" right to retiree health benefits was extinguished many years ago, once again finding that the City was well within its rights to make changes in 2011.

"Our office fought hard for the City's legal right to modify retiree health benefits and we won precedent-setting appellate cases," said City Attorney Jan Goldsmith. **"We then advised the City Council in 2011 that they were on sound legal footing in making the reforms. The appellate court has agreed. The lawsuits should now stop."**

The current case was filed as a class action by a labor union attorney who sought to overturn portions of the reforms, costing the City well over \$20 million.

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The case was argued for the City by Deputy City Attorney Walter Chung.

The opinion is attached.

Prior to the 2011 reforms, the projected cash cost for retiree health care in Fiscal Years 2012 through 2036 was \$2.49 billion. The projected cash cost was Fiscal Years 2015 through 2039 was 2039 was \$1.44 billion. The numbers may not be directly comparable due to a variety of factors. However, the projected cash cost savings between these two time periods is approximately \$1.05 billion.

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