

Recommended Action:

Approve Item xxx Eliminating current and future Council Members from Eligibility in the Mission Viejo Employee Retiree Medical Benefit Program.

On June 19, 2000 on a Consent Calendar vote, the Council amended the Council Policies to allow for Council Members to receive lifetime medical benefits. The wording of that agenda item is below:

Additionally, staff is recommending a revision to the City Council's Management and Budget Policies Employee Compensation section to authorize the City Manager to implement a Retiree Medical Program. The program will be based on an employee completing twelve (12) years of continuous service and retiring from PERS. Coverage will be extended to the employee and spouse, and the fixed monthly contribution for the retiree will be equal to the fixed monthly contribution for the employees.

The reasoning for the changes was articulated as necessary for the retention of quality employees, as stated in Section J of the Policy (underline added):

J. The policy of the City is to attract and retain competent and dedicated providers of municipal services by providing a Retiree Medical Program. Effective July 1, 2000, the City Council authorizes the City Manager to establish a program based on twelve (12) years of continuous service, the employee must retire from PERS, coverage will be extended to the employee and spouse and the fixed monthly contribution for the retiree will be equal to the fixed monthly contribution for the employees. The City Manager will establish all other parameters necessary to manage the program.

It appears that the provision was put in place to retain full time employees, and to seek qualified professionals in municipal service. This was not put in place to be a lifetime benefit for City Council Members. That seems to be an accidental result of this policy.

Elected officials run for office with the call to "public service". In no way should that mean that the public continues to "serve" them after their time in office is completed. Note that the benefit is for the Council Member AND their spouses.

One of the areas of government impacting the financial position of the State and local governments is the issue of lifetime benefits of any sort, be they retiree funds or retiree medical. This cost is growing, and as Supervisor Moorlach has

pointed out, is growing to the point of presenting a serious challenge to California. The reason is that the State is paying people a benefit who are not working, which requires more workers to cover the costs. The program in Mission Viejo for Council Members is similar, and has similar adverse effects on the finances of the City.

Bottom line: It is not right for the taxpayers of Mission Viejo to pay a lifetime of benefits to retired Council Members (and their spouses) for 12 years of part time work.

Upon passing this policy change, the City will realize an immediate benefit of \$139,000 in the reduction in the liability of our unfunded retiree medical program. This is the liability assigned just to the City Council. We have been addressing this over the past few years, and the \$139,000 will be a significant reduction in that cost.

In addition, moving forward, the City will realize a cost savings of \$10,800 annually. This is just the savings from the liability for the current Council moving forward.

If this Council each reaches the 12 years of service, and in round numbers each lives another 25 years or so, the savings going forward will be \$10,800 x 25 years or \$270,000. **Taken together with the above savings, the overall savings to the City will be roughly \$410,000.**

This policy change will take effect immediately upon passing, and in addition will apply to any current or future Council Member serving after the date of passage.