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City of Duluth Communications Office

411 West First Street, Duluth, Minnesota 55802
218-730-5230 | www.duluthmn.gov | Don Ness, Mayor

For more information contact Pakou Ly, Public Information Coordinator 218-730-5309
or Amy Norris, Public Information Coordinator 218-730-4312

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SUBJECT: City Prevails in Retiree Health Care Appeal

BY: Pakou Ly, Public Information Coordinator

City Prevails on Retiree Health Care Appeal

[Duluth, MN] - The Minnesota Supreme Court issued its decision today in favor of the City of Duluth which affirms the City's decision to transition all retirees to a single benefit plan currently offered to active employees. The Minnesota Supreme Court's decision confirms the ruling from the Court of Appeals and the trial court, that the contract term "to the same extent as active employees" is unambiguous.

"The confirmation of the district court's decision is a tremendous victory for the taxpayers of Duluth and for the long term sustainability of the benefit," said Mayor Don Ness. "When I first started the task force in 2005, people said it was a lost cause and that our efforts would be a waste of time. With the decision of the Minnesota Supreme Court, we have solidified our \$186 million dollar cost savings and we've proven it is possible to address even our most challenging problems."

In 2005, an independent actuarial study projected that the unfunded liability for retiree health care would reach \$351 million by 2010. Because of the reforms that have been undertaken by the City, the most recent actuarial study places the unfunded liability at \$192 million, a 49.2 % reduction from the 2005 study. The 2005 study was spearheaded by then Councilor Don Ness and a committee of five community members.

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