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City of Duluth Communications Office

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SUBJECT: Court makes ruling on retiree healthcare lawsuit

BY: Pakou Ly

Court makes ruling on retiree health care lawsuit

District Court Judge Kenneth Sandvik issued a ruling granting summary judgment to the City of Duluth in the retiree healthcare lawsuit.

The Court's ruling gives the City authority to modify the retiree health benefits; requires the City to provide the same health care coverage for retirees that it provides to active employees; and states that the health benefits are not fixed by the plan in place on the dates of retirement. The City continues to be responsible for providing health care benefits and to pay for health care premiums for retirees. Retirees will continue to have access to generous health benefits just as their non retired cohorts.

The City anticipates meeting with the retirees and their attorney to discuss implementation. The City could potentially see an excess of \$1million in savings in the first year of implementation, but plans to complete a new actuarial study that will assess the full cost savings of the change to the unfunded liability.

“It is difficult to overstate the importance of this decision to the long-term health of city finances and the sustainability of the retiree benefit itself. The greatest cost savings could come from administrative efficiencies and changes in how retirees consume health services. I'm proud of the effort made by our staff, it was a vital decision for the future of our community,” says Mayor Don Ness.

Currently the city administers around 100 different variations of retiree health care benefits. The administrative burden and the resulting confusion surrounding benefit

administration has been a tremendous cost for the City. The streamlined services will mean more efficient and improved services for retirees.

Legal questions can be directed to John LeFevre (legal counsel for the City) at (612) 337-9218.

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