

COUNCIL AGENDA

October 13, 2026

Staff Report: Consideration of Certain Retiree Medical Benefit Changes

TO: Honorable Mayor and Members of the City Council

ATTENTION: Thaddeus McCormack, City Manager

FROM: Jose Gomez, Director of Finance and Administrative Services

Introduction

As part of the City Manager's annual evaluation last year, the City Council directed staff to review the City's retiree medical benefits for the City Manager and Executive Management team as part of the City's broader recruitment and retention strategy.

In response to that direction, staff reviewed retiree medical benefits offered by comparable agencies in the region and consulted with the City Council's designated ad hoc committee. Based on that assessment, staff is recommending that the City Council discuss and consider potential modifications to the City's retiree medical benefit program.

Statement of Facts

The City currently provides retiree medical benefits to eligible full-time employees who satisfy the applicable vesting requirements. Employees qualify for the benefit upon meeting one of the following criteria:

- Reaching age 55 with at least 20 years of full-time service with the City; or
- Reaching age 60 with at least 15 years of full-time service with the City.

For eligible retirees, the City pays 100% of the premium for Kaiser single-person coverage, which is currently \$969.05 per month. The benefit amount is reduced when the retiree becomes eligible for Medicare.

The duration of the retiree medical benefit is also tied to the employee's length of full-time service with the City, with benefits available for the same number of months as the employee's total years of full-time service.

While the existing benefit provides a meaningful retirement benefit to long-term employees, the vesting requirements and benefit levels may present challenges in recruiting and retaining qualified candidates for Executive Management positions. Candidates for City Manager and other executive positions are often experienced professionals who may already have more competitive retiree medical benefits through their current or former public agencies.

As a result, the City's existing benefit structure may place it at a competitive disadvantage when recruiting experienced executive-level candidates.

To assist the City Council in evaluating potential changes, Molly McGee of Actuarial Retirement Consulting will present information regarding regional retiree medical benefit practices, as well as various benefit options and associated cost models, at the City Council meeting.

Recommendation

It is recommended that the City Council 1) receive and discuss the retiree medical benefit information presented by the consultant; and 2) provide direction to staff regarding potential modifications to the City's retiree medical benefit program.