



GASB !

Pre-funding OPEB obligations in the LACCD

About the LACCD

- largest cc district in US and world
- \approx 10% of all CC enrollments in CA
- nine colleges + ITV
 - City, East, Harbor, Mission, Pierce, Southwest, Trade Tech, Valley, West
- separated from LAUSD in 1969
- 120,000+ students headcount (26% fulltime, 74% part-time, 94% credit, 6% non-credit)
- 7,500 total employees
- 1500 full time faculty, 3400 adjunct faculty

Who's covered by LACCD health insurance?

- \approx 7500 fully covered employees and retirees in 6 unions (and unrepresented administrators) and approximately 7500 of their eligible dependants
 - AFT Faculty, AFT Staff, Teamsters, SEIU 99, SEIU 721, Building and Trades
- adjunct faculty (3400+) not covered (about 350 have partial coverage)

What is the nature of coverage in the LACCD?

- for eligible actives, retirees and dependants:
 - Medical (Blue Shield PPO, Blue Shield HMO, Kaiser)
 - Dental (Blue Cross HMO, Blue Cross PPO, Safeguard HMO)
 - Vision (VSP)
 - full district paid premiums
 - lifetime coverage
 - for retirees 65 and over Medicare is primary payer, District-paid plans secondary

LACCD health care

JLMBC

- 1992 Joint Labor Management Benefits Committee (JLMBC) convened as advisory body to BoT
- JLMBC then codified into **Master Benefits Agreement** between LACCD and 6 unions
- role to contain costs, maintain and improve quality of health and related benefits
- oversees one of richest benefit plans of any public sector groups in CA

JLMBC authority

- review District's benefits program and recommend changes to contain costs and maintain quality
- recommend selection of consultants
- evaluate and select plan providers
- educate employees and retirees
- participate in annual review of District's administration of program
- make recommendations to BoT on benefits budget

JLMBC achievements

- Master Benefits Agreement--common language in 6 labor contracts
- quarterly newsletter and other member education efforts
- plan modifications; other steps to control costs
- implemented Flexible Spending Accounts
- implemented Adjunct POP
- agreement to address GASB

controlling retiree health care costs -- vesting language

- before 1992 --- 3 years to vest
- between 1992-1998 --- 7 years
- after 1998 --- 10 years for 1/2 paid
--- 15 years for 3/4 paid
--- 20 years for fully paid

controlling retiree health care costs -- Medicare coordination

- full coordination with CalSTRS Medicare A program
- our retirees must pay Medicare B premium to participate in our plans
- coordination with Medicare D through plans

GASB 43/45 Obligation study

- large employer--had to do study sooner
- June '05 actuarial valuation
 - Actuarial Accrued Liability \$623.2 M
 - Annual Accrual Liability \$55 M
 - recommended establishment of irrevocable trust to pre-fund
- labor/mgt. meetings 05-06 to assess

GASB 43/45 research, member education/debate

- research by benefits consultants (Fickewirth)
- union and JLMBC newsletters; other materials
- AFT1521 website
- meetings at nine colleges
- debate panel at annual AFT 1521 benefits conference
- various approaches: pay as you go; pre-fund with irrev. trust; pre-fund with non-irrev. trust; no or lesser retiree coverage; bond issue; lease assets

what we decided/negotiated

- salary diversion → irrevocable trust

The District will hold an amount equal to 1.92% of the total full time salary expenditures of the previous fiscal year to be placed in an irrevocable trust which will be established during the 2006-2007 year. to cover retiree health benefit costs resulting from the conditions set forth in the Master Benefits Agreement.

On each July 1, in each subsequent year, the District will make a dollar contribution to the fund represented by 1.92% of total fulltime employee salary expenditures of the previous year.

what we decided/negotiated

- manage the Trust?

The parties will seek to reach agreement ..., to determine the appropriate agency or vehicle to manage these funds.

- equivalent of Med D refund to Trust

Additionally the District will direct *an amount equivalent to* any and all of the Federal Medicare Part D subsidy returned to the District each year into the trust fund to cover retiree health benefit costs resulting from the conditions set forth in the Master Benefits Agreement.

2006-07 Fiscal Year contribution

- 1.92% diversion = \$4.65+ Million
- equiv. of Med. D subsidy ---> portions added monthly with total exceeding \$1+ Million

investment vehicle

- extensive study/interview process with many public and private investment firms
- key factors in choosing
 - professionally managed, diversified portfolio
 - low fees
 - confidence of members

who meets this criteria?

- CalPERS--19 % return last year!!
compared to 4-5 % we earned in Co. Treas.
while we wait to get funds to CalPERS
- LA Co. Treasurer agrees
- problem: legal hurdles since we are not PEMHCA members
- solution: Hernandez Bill, AB 554

awaiting Governor's signature

some **anxieties** on our plan

- more effective for younger employees than for those near retirement
- higher future premiums may exceed actuary projections
- ongoing good financial health of District critical to continuing *pay as you go* while trust funds compound/accumulate

recommendations to the Pension Commission

- overcoming barriers to pre-funding OPEB obligations:
 - use facts to counter the fear factor
 - urge governor to sign AB 554
 - emphasize magic of compounding interest for professionally managed investments with low fees over a full career
 - advocate expansion of funding sources for districts to pre-fund
 - advocate a state-wide public clearing house for mandatory disclosure of multi-year investment returns and fees for entities accepting GASB \$ (like 403bcompare)

I Want You



GASB



To Keep Your Promises

for Retiree Benefits

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