



Public Employee Post-Employment Benefits Commission

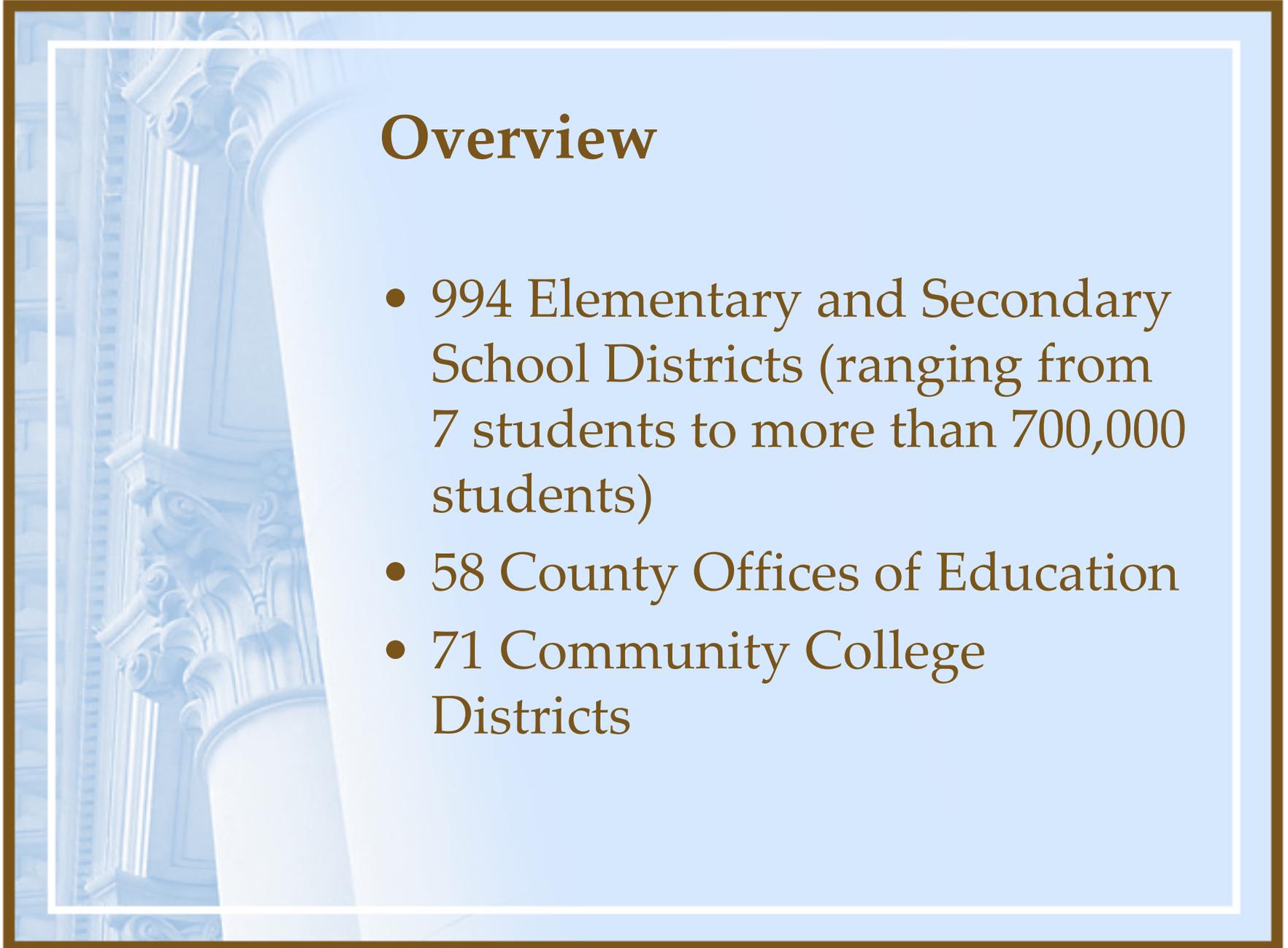
July 27, 2007
San Diego, California

Presented by David L. Walrath

The background of the slide features a light blue gradient with a faint, semi-transparent image of classical architectural columns on the left side. The columns are white with detailed capitals and fluted shafts. The entire slide is framed by a dark brown border.

Overview

- **There is no retirement security without health care security**

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Overview

- 994 Elementary and Secondary School Districts (ranging from 7 students to more than 700,000 students)
- 58 County Offices of Education
- 71 Community College Districts

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Overview

- Health insurance is bargainable
- Post-employment benefits are bargainable
- Almost every Local Education Agency (LEA) is different in who they cover and how they cover



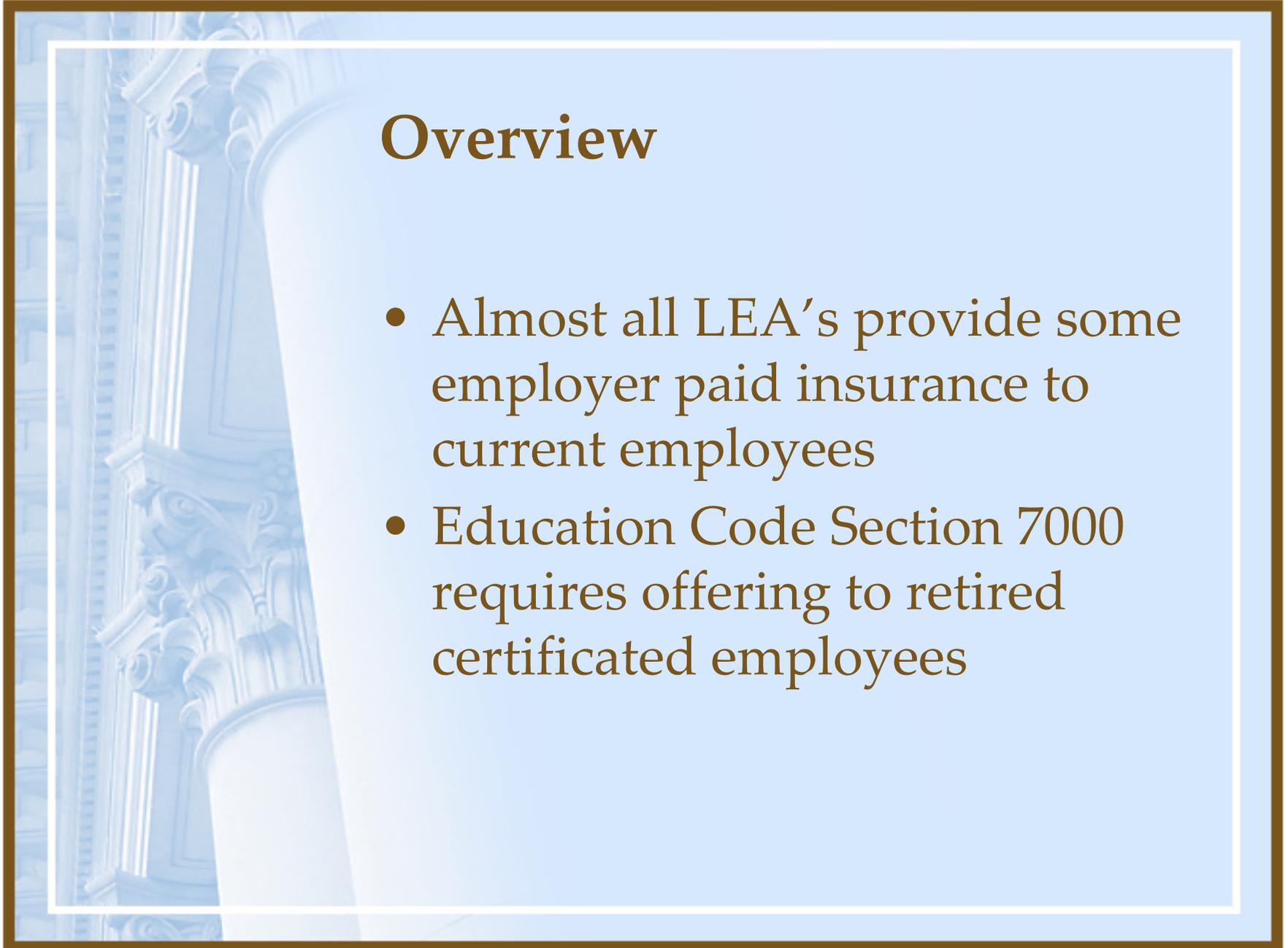
Overview

- Proposition 98
- No practical tax or fee authority
- Costs paid from current revenues as compensation

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Overview

- Master Plan for Education –
Preschool through University
proposed statewide benefits
for current and retired
education employees
- Failed in First Committee

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Overview

- Almost all LEA's provide some employer paid insurance to current employees
- Education Code Section 7000 requires offering to retired certificated employees

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Overview

- Most districts provide some employer funding for retired certificated employees until age 65
- Most do not provide employer funding after age 65

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Overview

- California has the world's 8th largest economy
- Taking lead on global warming
- Should take lead in ensuring retirement security
- Why deny people the opportunity to allocate their pay to a more secure retirement?

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Overview

- Contractual obligation different for each LEA
- Unfunded liability different for each LEA
- One size will not fit all



Practical Recommendations

- Remember Slide 1: There is no retirement security without health care security
- Expand PEMCHA to allow individual retirees and dependents to join at group rates
- Cap cost increases charged to retirees participating in Education Code Section 7000 to the same percent increase charged to current employees

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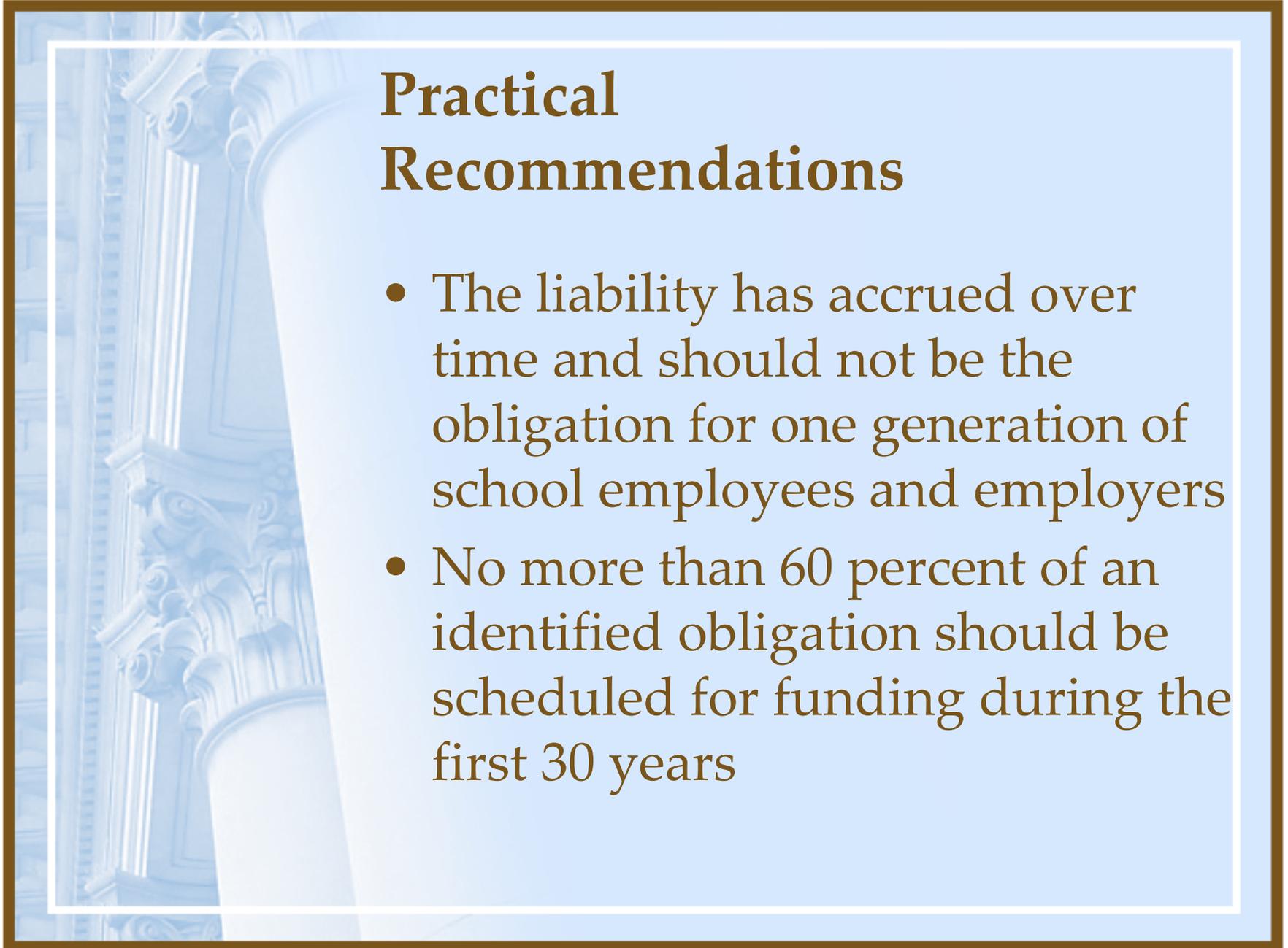
Practical Recommendations

- Make it easier for schools to join PEMCHA
- Do not treat health insurance post-employment benefits like defined benefit plan obligations.



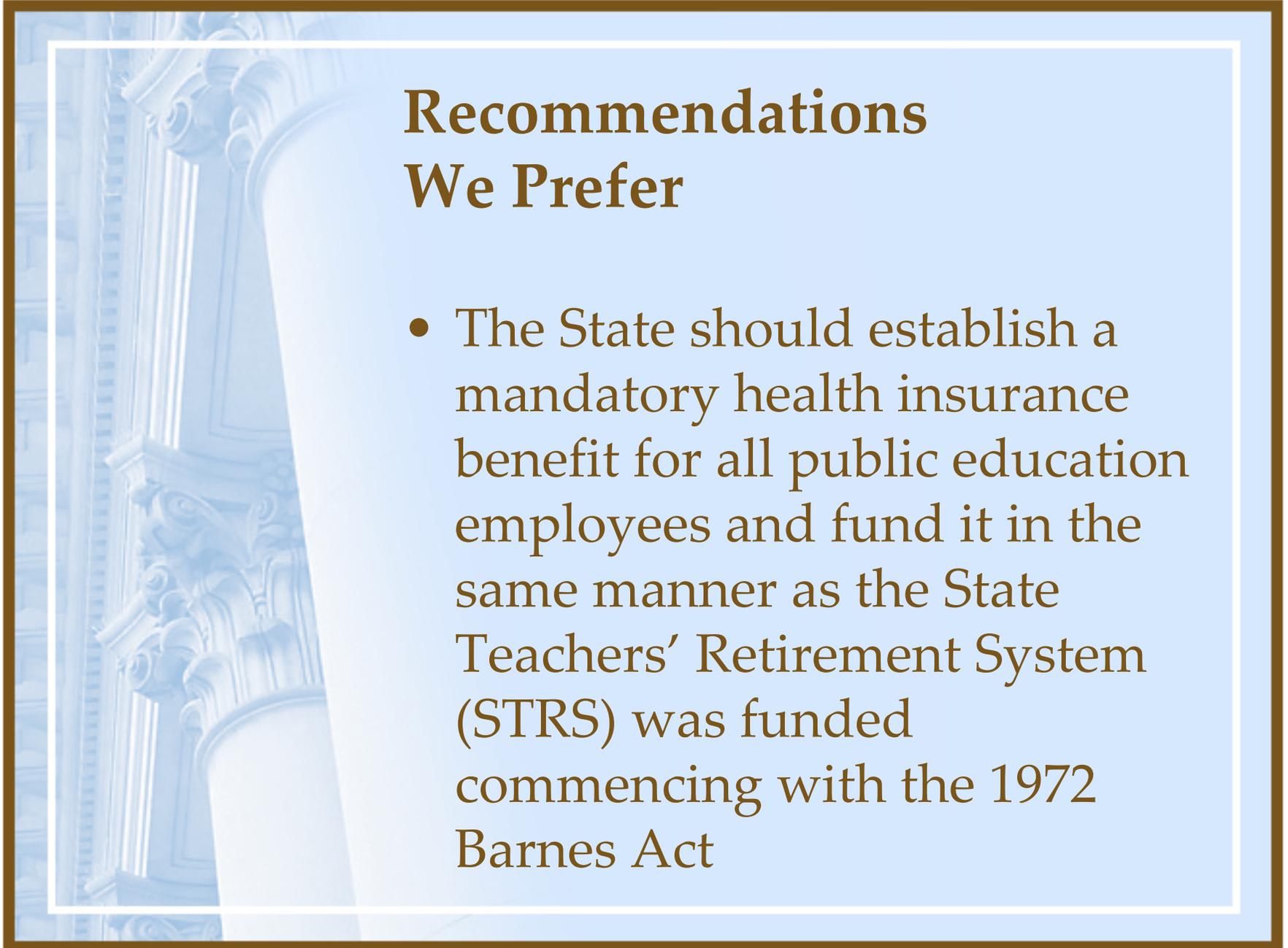
Practical Recommendations

- Formula driven benefits probably will not be subject to federal intervention in the next 30 years
- There is a high probability federal and state action will affect health care costs within the next 30 years

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Practical Recommendations

- The liability has accrued over time and should not be the obligation for one generation of school employees and employers
- No more than 60 percent of an identified obligation should be scheduled for funding during the first 30 years

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Recommendations We Prefer

- The State should establish a mandatory health insurance benefit for all public education employees and fund it in the same manner as the State Teachers' Retirement System (STRS) was funded commencing with the 1972 Barnes Act



Recommendations We Prefer

- Enact SB 840 in California and similar legislation for the nation
- Always remember Slide 1:
There is no retirement security
without health care security

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