

# CalSTRS Public Education Health Benefits Task Force

## Meeting Minutes

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MEETING DATE: Friday, August 25, 2006  
LOCATION: CalSTRS Midway  
Truckee River Conference Room,  
7801 Folsom Blvd., Sacramento, CA

### **I. Welcome & Review Agenda**

Ed Derman called to order the regular meeting of the Public Education Health Benefits Task Force at 1:15 p.m. on August 25, 2006 in Truckee River Conference room.

At the direction of the Board, CalSTRS staff invited representatives from organizations representing both certificated and classified school employees and employers, health benefit administrators and CalPERS to discuss opportunities for CalSTRS and CalPERS to address the various challenges that school employers' face in providing health benefits to their active, part-time and retired employees. This is the first meeting of the task force.

### **II. Introductions**

#### **Health Benefits Task Force Members present:**

Mack Adonai, CSBA	Jim Schlotz, CTA Regional Resource Center
Betty Soennichsen, CRTA	Ken Marzion, CalPERS
Beverly Carlson, CTA/NEA Retired	Kenya Spearman, CTA-Retired
Bob Fesler, UESF - Retired	Lois Shive, Southern Calif. Schools VEBA
Charles Shatzer, Solano Community College	Loretta Toggenburger, UTLA-Retired
Cindy Young, CSEA	Patrick McCallum, LA Faculty Guild, AFT 1521
Damon Smith, CCSESA	Ruben Ingram, SEAC Rep. for ACSA
David Vaughn, Central Valley Trust	Rusty Selix, ART
David Walrath, CRTA-Retired	Steve Depue, CTA-Retired
Dennis Smith, FACCC	Suzi Rader, CSBA
Dolores Sanchez, CFT	Tom Dithridge, Dept. of Finance
Jennifer Baker, FACCC	

#### **CalSTRS staff present:**

Jack Ehnes, Chief Executive Officer  
Christopher Ailman, Chief Investment Officer  
Ed Derman, Deputy Chief Executive Officer  
Peggy Plett, Deputy Chief Executive Officer  
Mike Hardin, Planning & Research Manager  
Virginia Johnson, Client Outreach & Guidance Manager  
Gerri Kidson, Planning & Research Analyst  
John Symkowick, Planning & Research Analyst  
Carmen Atkins-Wasi, Administrative Assistant

**CalSTRS Board Members present:**

Dana Dillion, Vice Chair of the Teachers' Retirement Board

Jerilyn Harris, Retiree Representative of the Teachers' Retirement Board

Amy Cameron, representing the Superintendent of Public Instruction, Jack O'Connell

Dennis Trujillo, representing the State Treasurer, Phillip Angelides

**III. Presentation from CalPERS**

Ken Marzion gave an update on CalPERS' efforts to assist in local district compliance with GASB:

- CalSTRS already has the authority to provide actuarial assistance to PEMHCA employers, including school districts. As a result, the capabilities have been established and would not have to be altered to provide similar assistance to non-PEMHCA districts (approximately 90 percent of school districts). SB 1729, sponsored by CalPERS, would authorize CalPERS to provide the actuarial services necessary to comply with GASB to any public employer, including school districts.
- Michigan already has a similar system in place and CalPERS will be using this as a model.
- Trust fund would be established to pre-fund Other Post Employment Benefits (OPEB) and would be co-mingled with the pension for investment purposes.
- There have also been discussions regarding the establishment of employee accounts for their own liabilities.

These solutions are for GASB purposes only, they do not address issues regarding the availability or rapidly increasing costs of health care.

**IV. History of Prior Efforts**

Among other things, the task force was primarily concerned with the availability and costs of health care for California's educators. Virginia (Ginny) Johnson gave a presentation on the background of the previous efforts, including an earlier Health Benefits Task Force that resulted in CalSTRS' decision to implement the Medicare Premium Payment Program. A copy of the presentation was included in the CalSTRS' folders distributed at the meeting.

Some key issues that drive this task force that were not a concern with the previous task force are:

- the GASB issues
- new and different or changed perspectives and
- new solutions

## V. Discussion on Scope of the Public Education Health Benefits Task Force

CalPERS and CalSTRS should be working together to conduct a feasibility study regarding the creation of a statewide health care pool (AB 256), thus dealing with the cost issues. Mike Hardin reported that CalPERS has hired Mercer to conduct the study.

Colorado PERAs plan should be explored. Notable characteristics include a feature in which individuals opt into the plan—this may cause a problem with adverse selection.

Identify interests, options and issues (i.e. educational concerns with employees and employers, funding structure of school districts, concerns about the generational gap, etc.)

There were concerns among several who were members of the earlier task force [that proved fruitless after three years in the making] that they do not want to see that happen again with this task force.

Additional concerns regarding the amount of time that was spent at the bargaining tables on health care. If there were a universal solution, this would not need to be done on a district-by-district basis.

The solution might include multiple plan designs and to provide retiree healthcare:

- Plan should allow districts to retain Cadillac plans (LAUSD), if they so choose
- Nominal accounts (health care security accounts?)
- Vesting requirements for benefits
- Other possible ways to provide health care

Ken Marzion made an observation that if CalPERS was beginning today to provide for retiree health care, they would never have been able to provide what they do now due to skyrocketing costs of health care.

Various members on the task force commented that different groups have different interests and the issue is often between the haves and the have-nots. The groups that have post retirement healthcare do not want to make an issue of it and the groups that don't have it, find it necessary to make it an issue for their well-being.

The outstanding question regarding the reasons affecting teacher retention - Do teachers leave either their school district or the entire profession because of post-retirement health benefits. A suggestion was made to begin exit surveys of why teachers retire when they do.

Conclusion, if CalPERS' legislation is passed, the GASB issues are being dealt with thus the Task Force would not address those issues.

Should CalSTRS consider collaborating with other groups (i.e. Education Coalition for Health Benefits a joint labor / management group, California Health Care Coalition, etc.)?

## **VI. Development of Future Agendas**

Issues to be discussed in subsequent meetings:

- Background information on Health Savings Accounts (HSAs) a contribution component that offers flexibility to pay for health care. What type of financing would be available to pay for health benefits?
- Analysis of SB 840—Senator Kuehl (universal health care) and its implications or legislative proposal for retiree health care.
- Explore why members retire via exit polls. The perception is that teachers leave prior to vesting because of the benefits or lack thereof. Why members retire, terminate, or switch jobs when they do? What impact does health care have on their decision?
- Analysis of AB 256 — statewide healthcare for school members.
- Look at Massachusetts recent health care reform and possible implications for a similar reform in California. Can we develop a plan for active, part-time and retiree health care?
- Other people/groups that should be included in this Task Force – Education Coalition for Health Care Reform. Have members of that coalition provide an update on the efforts of the Education Coalition for Health Care Reform.
- Provide an overview of other state teachers' health care plans such as: Colorado PERA, Ohio STRS, Texas STRS, and Alaska TRS.

The task force will meet the last Friday of every month at 10:30 a.m. The next meeting is September 29, 2006.

## **VII. Adjournment**

Ed Derman adjourned the meeting at 3:30 p.m.

Minutes prepared by: Carmen Atkins-Wasi

Minutes approved by: Ed Derman