

Proposed Minutes	Public Education Health Benefits Task Force	Friday, February 16, 2007
LOCATION: Truckee River Conference Room; 7801 Folsom Blvd, 2 <sup>nd</sup> Floor		

**TASK FORCE MEMBERS PRESENT**

Andrea Harry, FACCC	Loretta Toggenburger, UTLA
Beverly Carlson, CTA/NEA Retired	Malcolm Tucker, CRTA Legislative
Bob Fesler, UESF Retired	Mark Quillici, CalPERS
Charles Shatzer, Solano Community College	Marvin Talso, Self Funded Health Ins. Rep.
Cindy Young, CSEA	Pat Miller-Fee, CTA
Dale Tom, CSBA	Patrick McCallum, McCallum Group
Damon Smith, CCSESA	Ruben Ingram, SEAC/ACSA
David Vaughn, CVT	Steve DePue, CTA
Dennis Smith, FACCC	Steve Henderson, CSEA
Gerry Meister, UESF Retired	Suzi Rader, CSBA
Jennifer Johnson, State Treasurer's Office	Tom Dithridge, Dept of Finance
Karen Russell, CTA/NEA Retired	Zoe Ann Murray, CRTA Insurance
Lois Shive, VEBA	

**BOARD MEMBERS PRESENT**

Carolyn Widener, Board Chair  
Dana Dillon, Vice Chair  
Amy Cameron, representing Superintendent of Public Instruction, Jack O'Connell

**STAFF PRESENT**

Ed Derman, DCEO, Plan Design and Communication  
Peggy Plett, DCEO, Benefits and Services  
Rick Reed, System Actuary  
Jennifer Baker, Director, Governmental Affairs and Program Analysis  
Mike Hardin, Assistant Director for Research and Development  
Gerri Kidson, Planning and Research  
Steve Cernicky, Planning and Research  
Julie Gallego, Planning and Research  
Will Turner, Legislative Affairs  
Valorie Farris, Ombudsman  
Carmen Atkins-Wasi, Administrative Assistant

**OTHERS PRESENT**

Richard Krolak, CalPERS

**I. WELCOME & REVIEW AGENDA**

Ed Derman called to order the regular meeting of the Public Education Health Benefits Task Force at 10:40 a.m. on February 16, 2007 in the Truckee River conference room.

Mr. Derman stated that the Board approved the staff's request for additional funds for the Health Benefit Study. CalSTRS staff will be meeting with CalPERS and the Consultant to begin the initial discussions and share the results of CalSTRS 2006 Employer Health Care Survey, which is included in the packets and will also be available on the web site.

**II. APPROVAL OF MINUTES FOR JANUARY 19, 2007 MEETING**

Minutes were approved with minor corrections.

**III. CalPERS UPDATE ON GASB 43 AND 45**

Richard Krolak of CalPERS provided an update on Governmental Accounting Standards Board (GASB) 43 and 45. The following action is being taken by CalPERS to assist the contracting agencies in responding to GASB requirements:

- Phase I – Data for Health Care Actuarial Valuations. CalPERS provided the Contracting Agencies with participant and beneficiary data needed for an accurate OPEB actuarial valuation. This process is ongoing.
- Phase II – OPEB Actuarial Assumption Model and Pre-Funding Tracking Mechanism. CalPERS' Board approved the pre-funding assumption model at its November Board meeting, which is now available to the contracting agencies. CalPERS' staff also completed the development of the pre-funding tracking mechanism. CalPERS approved the regulations in December 2006 and the effective date was January 26, 2007.
- Phase III – Detailed Business Case. This phase is still in progress. CalPERS' staff anticipates presenting the results of the study to the CalPERS' Board in July 2007.

CalPERS will continue to provide updates to the task force as more information is available.

**IV. HEALTH BENEFITS PROGRAM AT OTHER RETIREMENT SYSTEMS.**

Gerri Kidson provided information on what other systems are doing with their health benefits. The National Association of State Retirement Administrators provided assistance with identifying retirement systems that currently offer Health Benefits to their retired members. The following nine systems responded to the survey:

1. Alaska Division of Retirement Benefits\*
2. Colorado Public Retirement System – PERACARE\*
3. Illinois Teachers’ Retirement System\*
4. Kentucky Teacher’s Retirement System
5. Michigan Public School Employee Retirement System\*
6. New Jersey Division of Pension & Benefits
7. Ohio School Employee Retirement System
8. Ohio State Teachers’ Retirement System\*
9. Texas State Teachers’ Retirement System – TRS-Care\*

The following questions were asked of each system:

1. Who does the Health Benefit Program cover?
2. What is the source of funding?
3. What is the “role” of the system?
4. What benefits are offered?
5. What is subsidized?
6. Does the program provide coverage for family?
7. Is there a vesting period?
8. What types of plans are offered?
9. What is the monthly premium?
10. What is the annual deductible
11. Is there a preexisting clause?
12. What changes have occurred over the past ten years?

While six (\*) of the nine retirement systems provided information that was shared at this meeting, the only system that was fully funded was the Texas State Teachers’ Retirement System which is exploring reducing employee deductions. A full report will be provided and the following action items will be addressed in a future meeting:

- Identify how the teachers’ retirement systems provide health benefits to school employers (elective versus mandatory basis)
- Identify how much it cost the systems to administer their health benefit program and
- Provide a final data report on a grid.

This presentation is available on the web site.

## **V. UPDATE ON THE HEALTH BENEFIT FUNDING ALTERNATIVES**

Ed Derman provided additional information to the task force on the four Alternative Tax-Free Health Care Programs currently being evaluated by CalSTRS staff.

1. Medicare Part B Premium Payment – would apply to all retired members enrolled in Part B with sufficient service credit.
2. Monthly Health Allowances – would apply to all retired and disabled members with sufficient service credit.

3. Medical Purchasing Power Payment – benefit guaranteed only to extent funds in SBMA to pay benefit and member receives health benefit allowance once purchasing power of current DB allowance is reduced below 85 percent of initial allowance.
4. Health Care Security Accounts (not the same as HSA) – would apply to all active DB members; alternatively apply to all employees performing service subject to DB coverage and would include CB, Social Security or other alternative retirement programs.

Specific details were provided on each program and presented to the taskforce for feedback and further direction. The full presentation is available on the web site. An extensive discussion pursued and as a result, the following are action items were asked of CalSTRS staff for additional follow-up:

- Estimate the cost of providing the Medicare Premium Payment Program to all current retirees;
- Estimate the cost of providing a Monthly Health Allowance with a 25 percent base allowance for members with 10-20 years of service;
- Estimate the cost of reducing the Monthly Health Allowance for younger than 65, instead of age 60 (as currently proposed);
- Estimate the range of allowance that would be received from a Medical Purchasing Power Payment; and
- Address the question of what happens to the Health Care Security Account of a member who reinstates after terminating (and presumably withdraws the funds in the account).

## **VI. DISCUSSION & REVIEW AGENDA FOR NEXT MEETING**

Our next meeting is scheduled for March 16, 2007. CalSTRS staff will return with more details on the action items addressed to clarify the alternative tax-free health care programs. Staff will continue to gather additional information from the systems that were unable to respond prior to this meeting and follow-up with a full report, addressing the action items as requested from the task force.

Ed Derman adjourned the meeting at 12:15 p.m.

Minutes prepared by: Carmen Atkins-Wasi

Minutes approved by: Ed Derman