

ELK GROVE UNIFIED SCHOOL DISTRICT

RETIREE HEALTH BENEFITS

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GOVERNANCE



- The Elk Grove Benefits Retiree Trust, EGBERT, was formed in 1995 as an IRS 501(c)9 non-profit trust
- EGBERT is a Voluntary Employee Benefits Association (VEBA), a joint labor-management trust
- One Co-chair each from labor and management
- Directors from each of 5 employee associations and management

EGBERT CONSULTANTS

Trust Attorney

✓ Trust Agreement

✓ Summary Plan Document

Investment Advisor

✓ Formal Investment Policy

Actuary

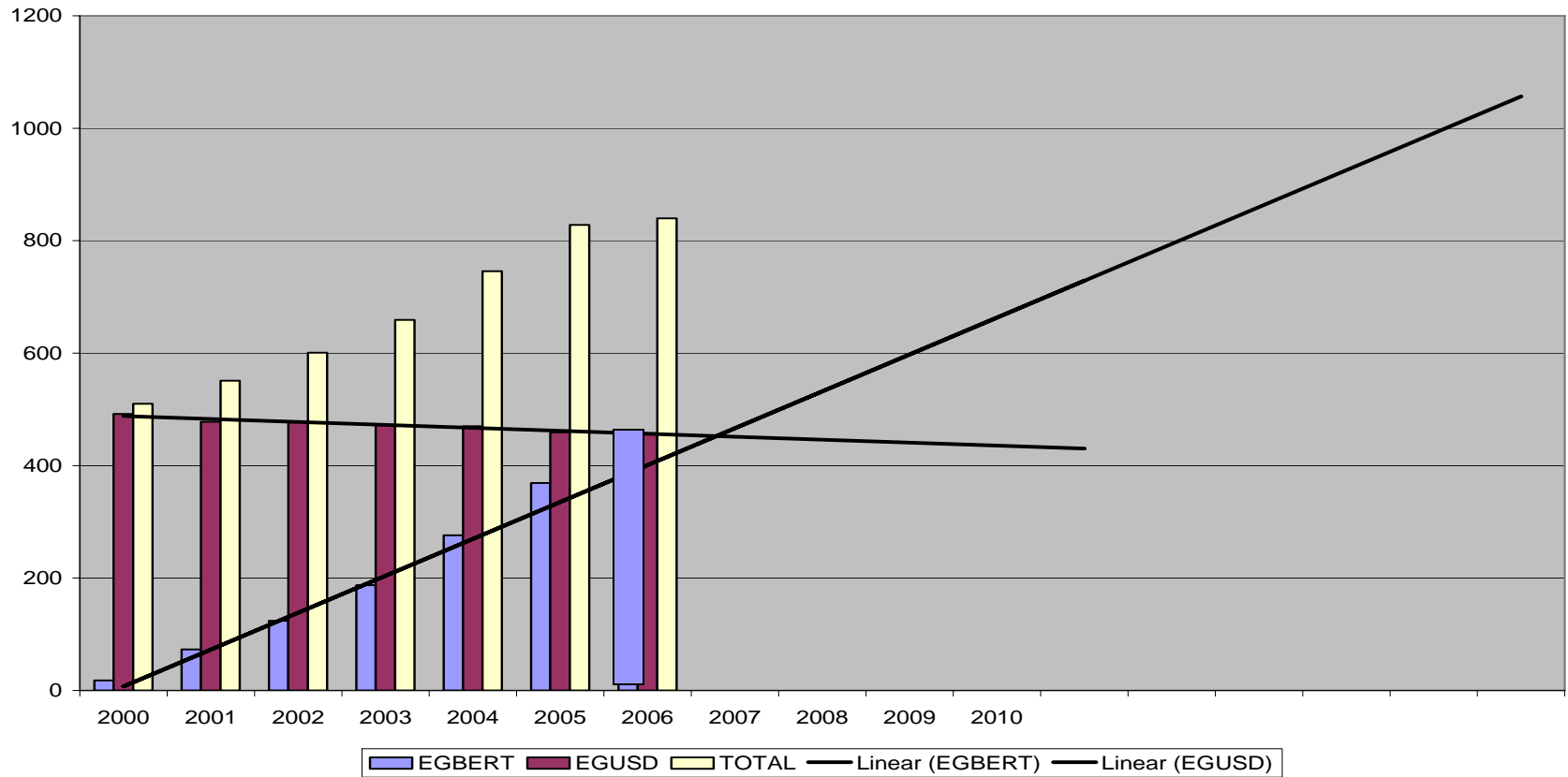
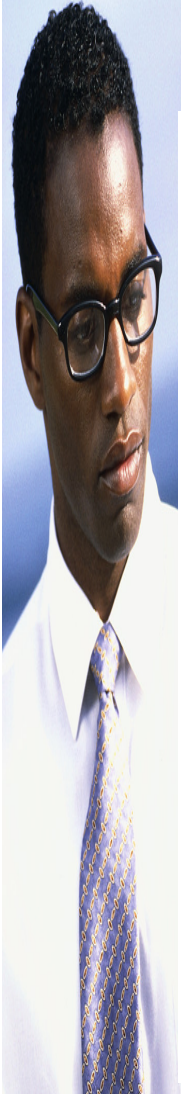
✓ Annual Actuarial Evaluation

Audit Firm

✓ Annual Audit/Tax

EGBERT RETIREES

NUMBER OF RETIREES



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UNFUNDED LIABILITY

The difference between the actuarial cost of providing benefits to present/future retirees and the funding in place to pay for those benefits.

\$111,361,114 – 2005

\$195,154,481 - 2006

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ARC

Annual Required Contribution

This is the amount we would need to show on the district books. The amount will be recalculated each year.

$$\text{ARC} = \text{Normal Cost} + (\text{Unfunded Liability}/30)$$

$$\text{\$15,194,524} = \text{\$8,462,938} + \text{\$6,731,586} - 2005$$

$$\text{\$22,016,549} = \text{\$10,219,799} + \text{\$11,796,750} - 2006$$

ACTUARIAL FACTORS

There are several factors which affect the actuarial report and as a result the unfunded liability:

- Contribution rates
- The rate of return on investment earnings
- Current cost of retiree health benefits
- "Trend" rate for increases in retiree health benefits
- Mortality rates that vary by age and gender
- Employment termination rates
- Years of service to earn benefits
- The proportion of employees that retire at each age
- The proportion of retirees that are expected to collect benefits

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CONTRIBUTION RATES

RATE PER MEMBER PER MONTH

7/1/96-6/30/99	\$500
7/1/99	520
7/1/00	540
7/1/01	560
7/1/02	580
7/1/03	900
7/1/04	960
7/1/05	\$960+1% of Salary

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INVESTMENTS

ASSET ALLOCATION

Equities

Domestic 60%

International 10%

Bond funds 30%

Average rate of return over 1st 10 years 9.07%

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HEALTH BENEFITS

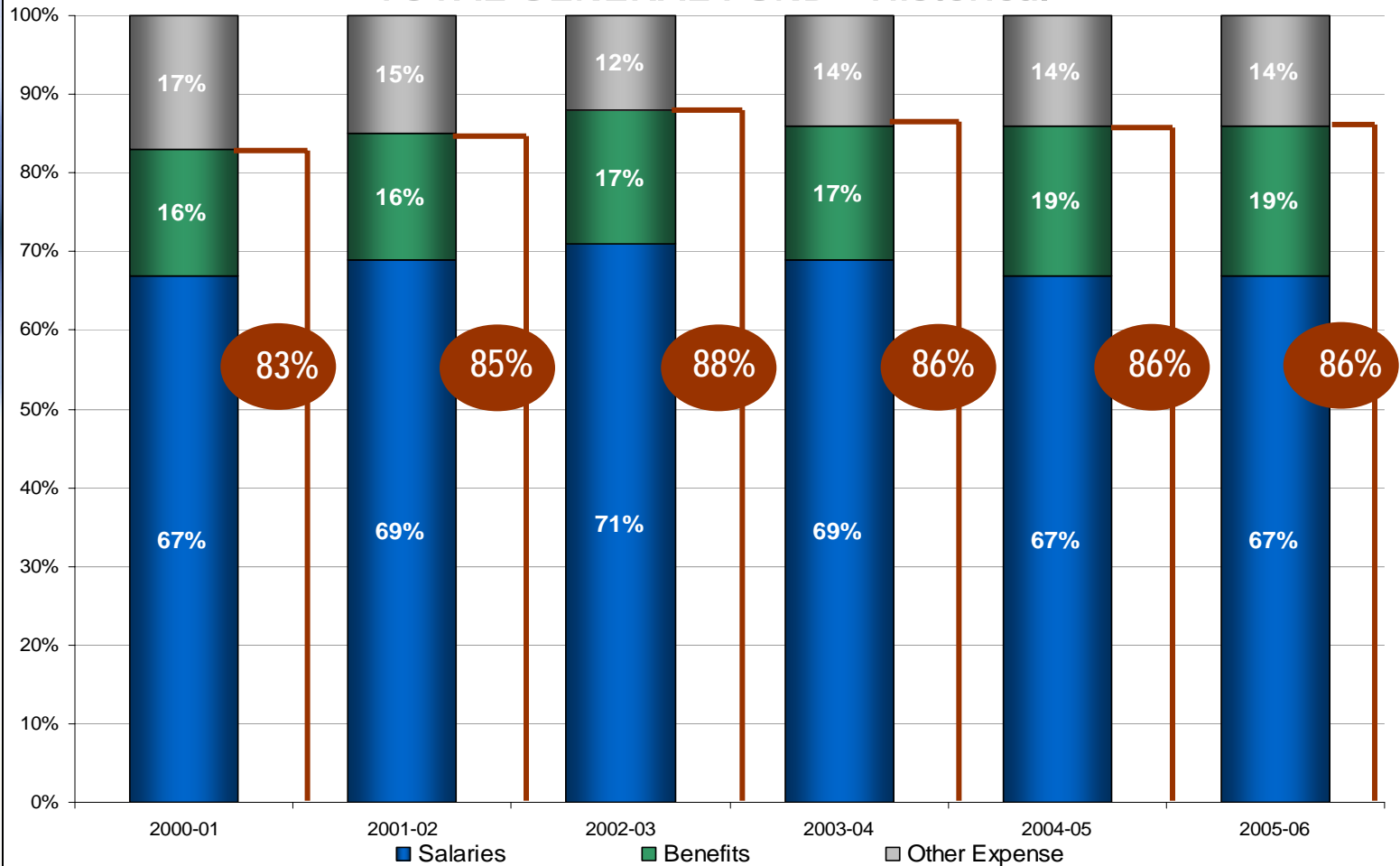
ELK GROVE UNIFIED SCHOOL DISTRICT

CalSTRS Health Benefit Task Force – March 16, 2007

HEALTH BENEFITS

EXPENDITURE TRENDS

TOTAL GENERAL FUND—Historical

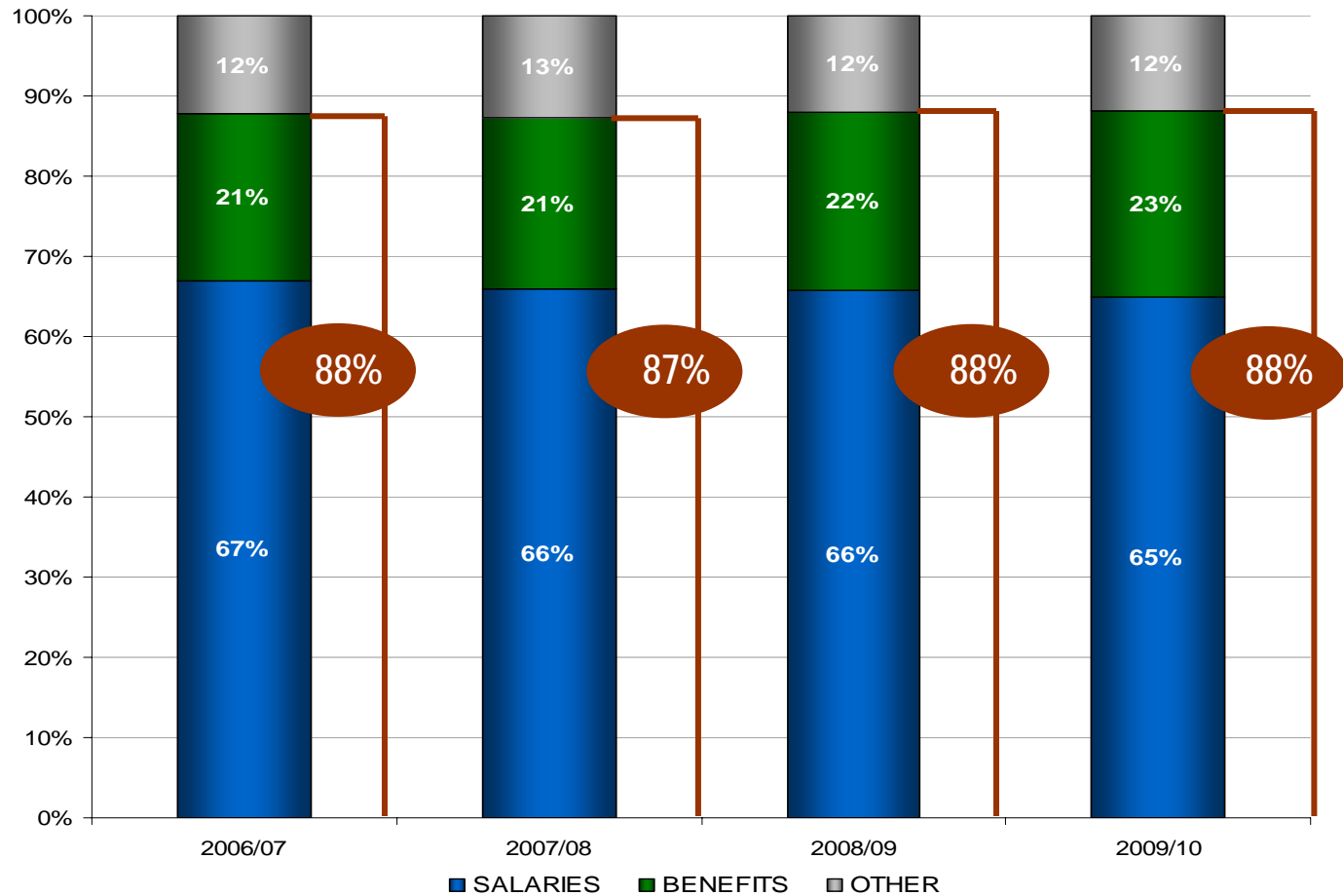


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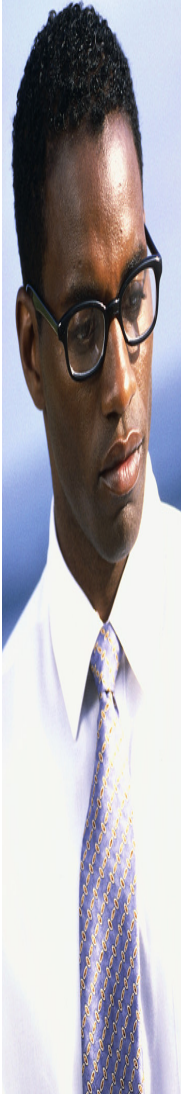
HEALTH BENEFITS

EXPENDITURE TRENDS

TOTAL GENERAL FUND—Projections



History Of Retiree Health Rates

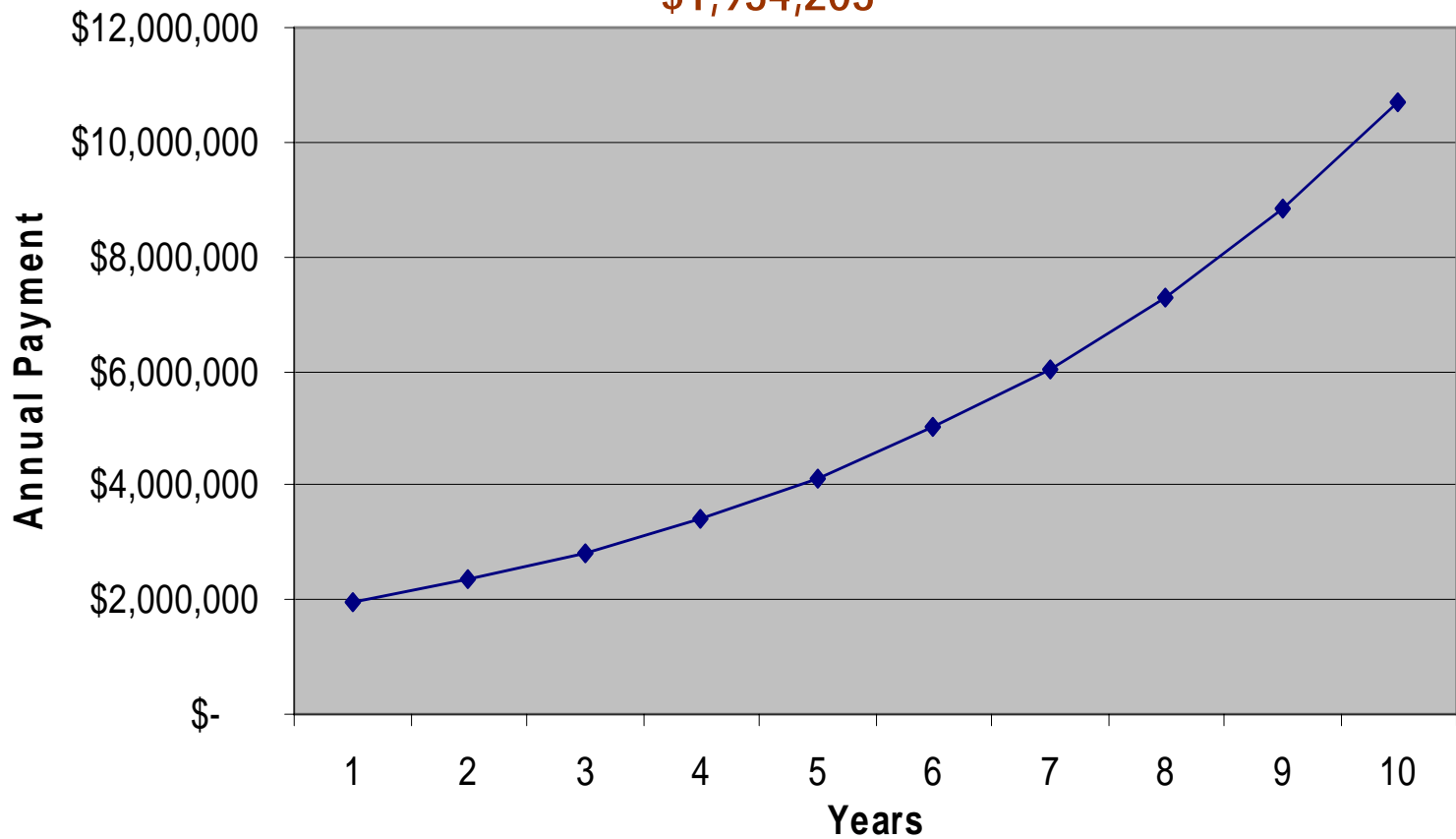


Plan Year	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
	1	2	3	4	5	6	7	8	9	10	11	
Under 65	\$ 3,937	3,595	3,659	3,789	4,280	4,665	4,970	5,560	6,033	6,637	7,564	\$ 9,664
% Increase		-9%	2%	4%	13%	9%	7%	12%	8%	10%	14%	28%
Co-pays:												
Office Visit	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5	\$ 10	\$ 10	\$ 15	\$ 20	\$ 20	\$ 20	\$ 20
Rx - generic/brand	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5	\$ 10	\$10/\$15	\$10/\$15	\$10/\$20	\$10/\$20	\$10/\$20	\$10/\$20
Over 65	\$ 1,156	1,128	1,030	1,107	1,015	1,979	2,084	3,943	5,703	5,776	5,829	\$ 7,114
% Increase		-2%	-9%	7%	-8%	95%	5%	89%	45%	1%	1%	22%
Co-pays:												
Office Visit	Same as above					\$ 5	\$ 10	\$ 10	Same as above			
Rx - generic/brand	Same as above					\$ 5	\$ 10	\$10/\$15	Same as above			

RETIREE PREMIUM COSTS

"PAY AS YOU GO" – 2005

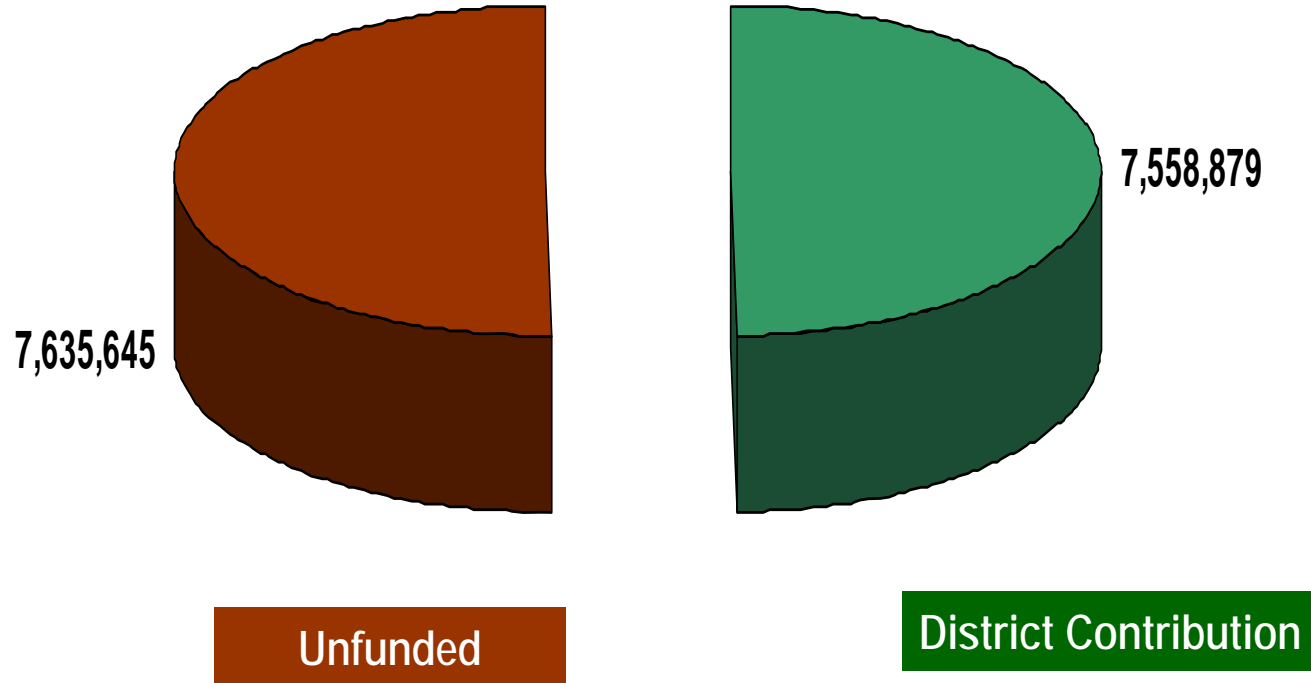
\$1,934,203



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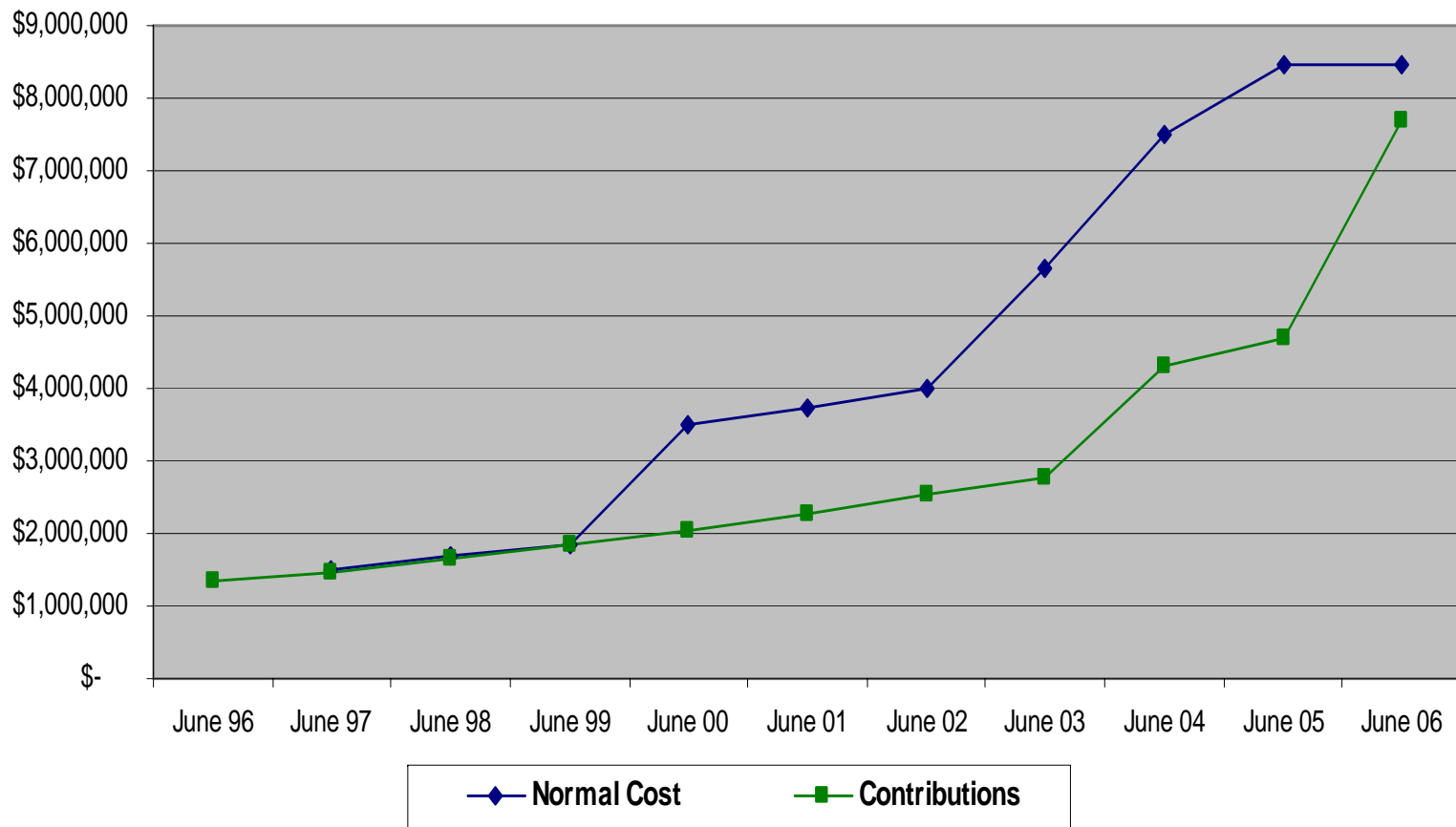
CURRENT FUNDING MODEL

2005 ANNUAL REQUIRED CONTRIBUTION \$15,194,524



EGBERT FUNDING

CONTRIBUTION COMPARISON - 2005



RETIREE PREMIUM COSTS

"PAY AS YOU GO" – 2006

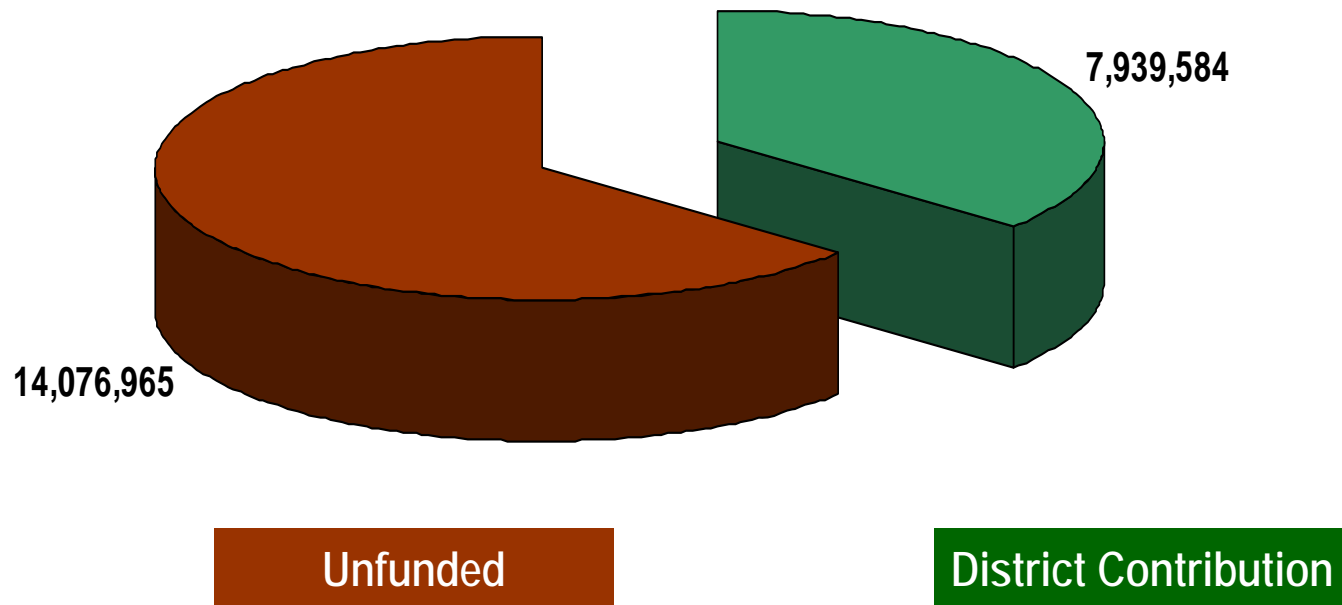
\$3,683,360



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CURRENT FUNDING MODEL

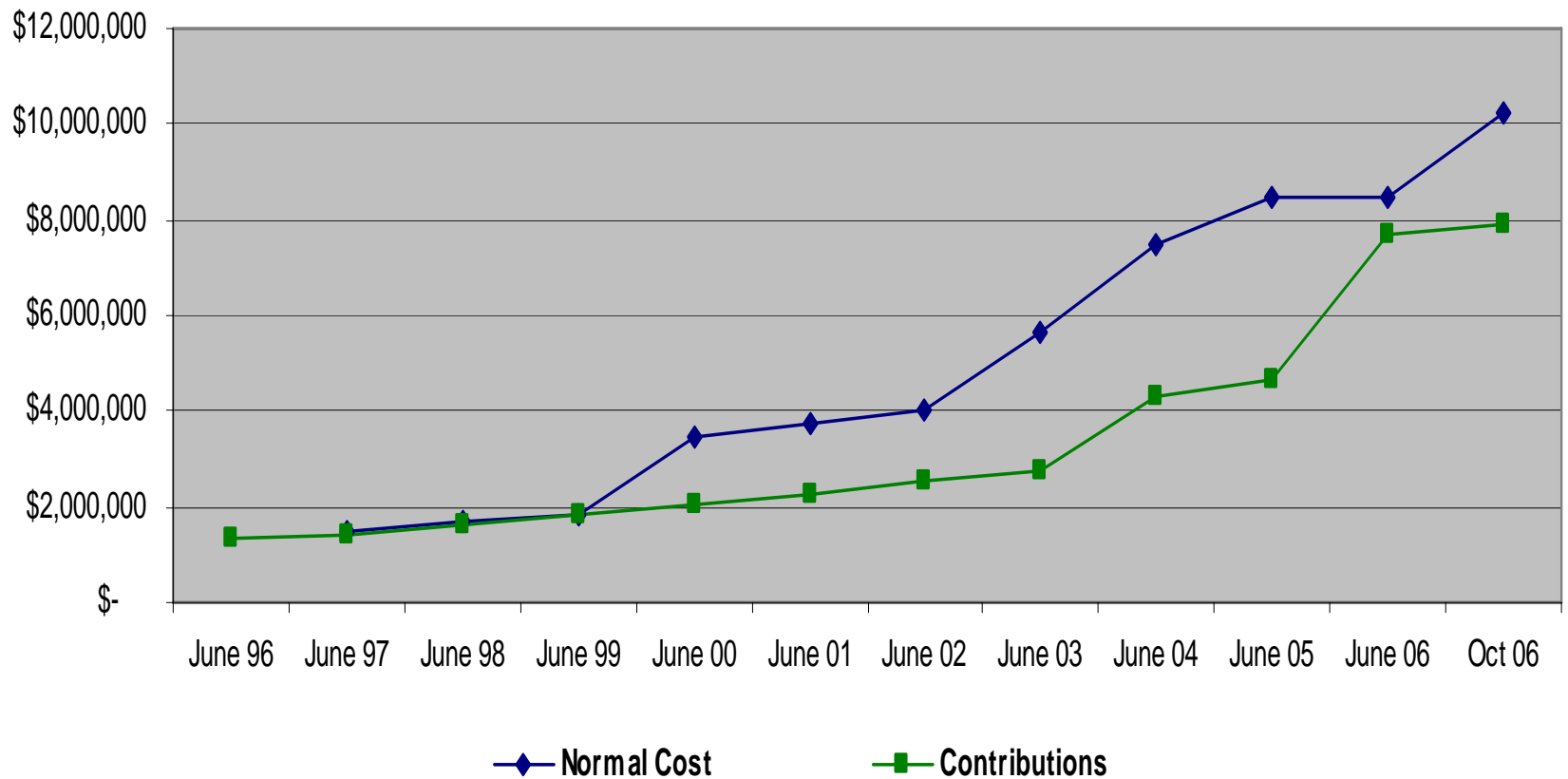
2006 ANNUAL REQUIRED CONTRIBUTION **\$22,016,549**



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EGBERT FUNDING

CONTRIBUTION COMPARISON - 2006

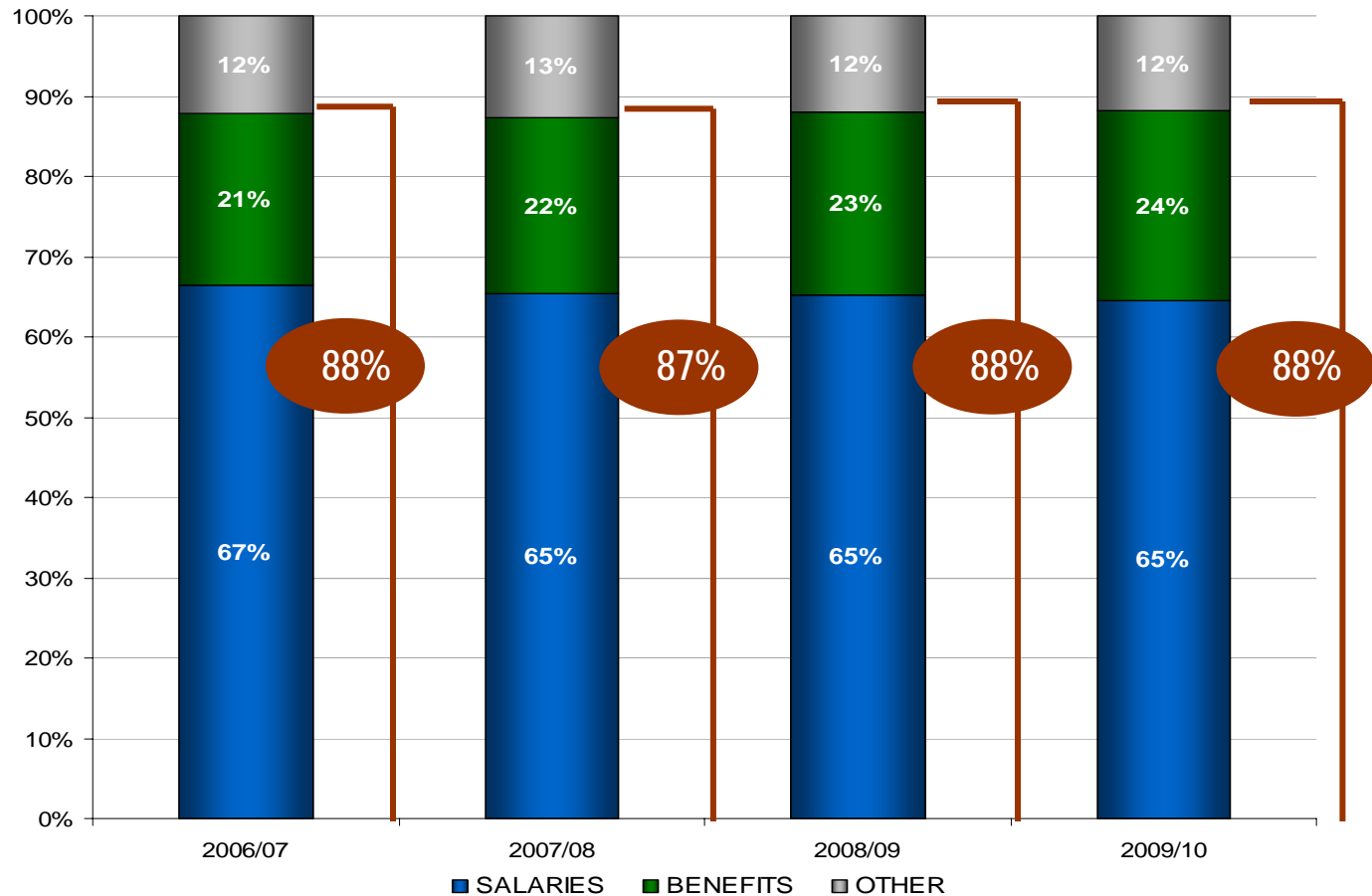


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HEALTH BENEFITS

EXPENDITURE TRENDS

TOTAL GENERAL FUND—Normal Cost

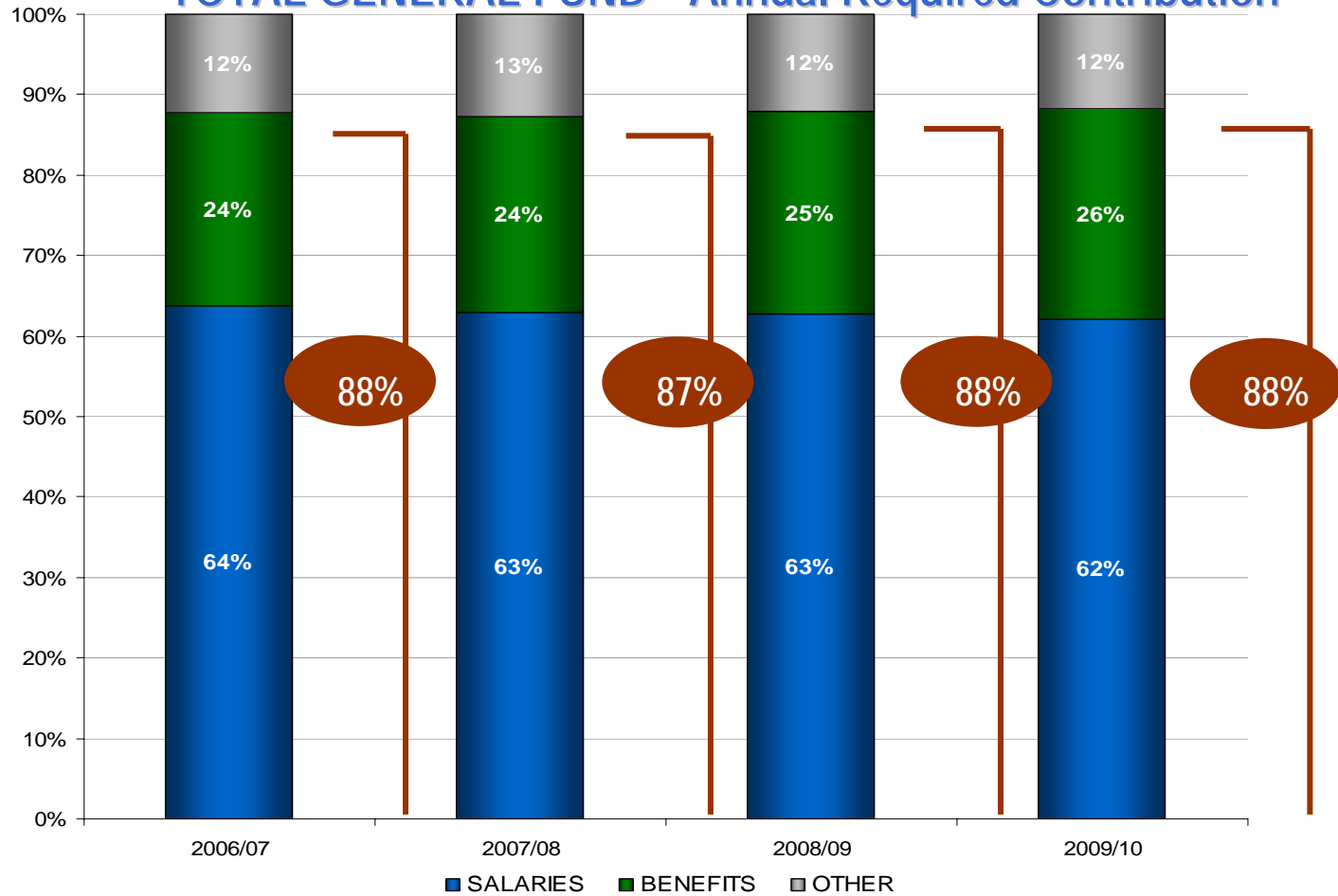


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HEALTH BENEFITS

EXPENDITURE TRENDS

TOTAL GENERAL FUND—Annual Required Contribution



SUMMARY

- Strong relationships between management and labor are key in this type of a trust
- Over the last 7 years, actions have been taken to increase contributions, modify eligibility & benefits, maximize investments
- Escalating health care costs have continued to dramatically increase the unfunded liability
- Directors of the Trust are currently considering further actions