Minutes	Public Education Health Benefits Task Force	Friday, March 16, 2007
LOCATION: Truckee River Conference Room; 7801 Folsom Blvd, 2nd Floor		

TASK FORCE MEMBERS PRESENT

Beverly Carlson, CTA/NEA Retired
Bob Fesler, UESF Retired
David Vaughn, CVT
Gerry Meister, UESF Retired
Jennifer Johnson, State Treasurer's Office
Loretta Toggenburger, UTLA
Malcolm Tucker, CRTA Legislative Rep.
Marvin Talso, Self Funded Health Ins. Rep.
Patrick McCallum, McCallum Group
Stephanie Cain, SFUSD Labor Relations
Steve DePue, CTA
Suzi Rader, CSBA
Tom Dithridge, Dept of Finance
Zoe Ann Murray, CRTA Insurance

BOARD MEMBERS PRESENT

Carolyn Widener, Board Chair
Dana Dillon, Vice Chair
Jerilyn Harris
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
Virginia Johnson, Client Outreach and Guidance
Julie Gallego, Planning and Research
Carmen Atkins-Wasi, Administrative Assistant

OTHERS PRESENT

Jeffrey Markov, Elk Grove Unified School District of Fiscal Services
Joe Dion on behalf of Lee Jernigan

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 March 16, 2007 in the Truckee River conference room.

II. APPROVAL OF MINUTES FOR FEBRUARY 16, 2007 MEETING

Minor edits were submitted following the meeting and approved accordingly.

III. UPDATE ON THE ELK GROVE MODEL

Jeffrey Markov, Director of Fiscal Services of Elk Grove Unified School District (EGUSD) and co-chair of the Elk Grove Benefit Employee Retirement Trust (EGBERT) presented information to the task force on EGBERT. EGBERT is run by a joint labor-management trust and consultants (an Attorney, Investment Advisor, Actuary, and Auditor) who provide guidance, all of whom have been a part of the trust since inception in 1995. Funding for the trust took place from 1995 to 2000. The Trust provided benefits to the first group of retirees in July 1, 2000.

The vesting period for all employees is 10 years if hired on or before June 30, 2005 or 15 years if hired on and after July 1, 2005. Employees that do not vest may purchase their own health benefits through the district's plan, but must pay 100 percent of the cost. The district provides the following benefits:

- All employees with a 50 percent workload are eligible for benefits
- 100 percent of the benefits are paid by the employer
- Coverage is provided to an eligible employee and one dependent

Ms. Markov shared that the Trust has an unfunded liability, which is largely due to rapid growth in retirement population. Currently, Elk Grove is looking at approximately 300 employees that will likely retiree this year or the following year out of a population of 5,500 employees. Another concern is the rising health care costs. Currently, the Trust is limited to money for salaries, health benefit contributions and operating costs. Recently, reports show that the health benefit costs are consuming a greater percentage of these funds each year.

The taskforce inquired if CalSTRS' proposals will help Elk Grove. Ms. Markov's response only addressed Health Care Savings Accounts proposals. Her concern was that the HSAs cushion employees against heath care costs but employees do not know how high health care costs will climb and therefore, don't know how much cushion their HSA will provide. Ms. Markov stated that Elk Grove will participate in CalPERS pre-funding plan if authorized but only if Elk Grove is not required to participate in PEHMCA because they already provide adequate benefits.

This presentation is available on the web site.

IV. UPDATE ON THE HEALTH BENEFIT FUNDING ALTERNATIVES.

Ed Derman provided an overview on the tax-free alternative health benefit programs being evaluated by CalSTRS staff to further clarify the additional questions and concerns raised by the taskforce at February's meeting.

1. Medicare Part B Premium Payment – would apply to current and future retired members only (not spouses) enrolled in Part B with sufficient service credit. This benefit is equivalent to percentage of base Part B premium ($93.50 in 2007) per years of service where allowance would increase by five percentage points for each year of service with the maximum of 100 percent of base at 30 years. To provide this benefit to current and future retirees would require a 1.5 percent increase in employee contribution rate for all active employees.
   Next Steps
   - Provide cost of 25 percent of base allowance for 10 to 20 years
   - Cost of limiting program to those already retired
   - Cost of limiting program to just current retirees
2. Monthly Health Allowances – would apply to all retired and disabled members with sufficient service credit. Allowance will be provided to members retiring at 60. The allowance percentage is on years of service with at least $150 for 20 years of service up to $300 for 30 years of service per month.
   Next Steps
   - Estimate the cost of limiting the program to medical expenses beginning at age 65
   - Would this age (i.e. 65) be tied to the Social Security retirement age?
   - What percentage of salary does the State pay for State employee health benefits?
3. Medical Purchasing Power Payment – benefit guaranteed only to extent funds in SBMA are available to pay the benefits. Members would receive health benefit allowance once purchasing power of current DB allowance is reduced below 85 percent of initial allowance.
   Next Steps
   - Identify benefit impacts of different groups of retired members.
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.
   Next Steps
   - Address concerns of how would we deal with employees who are older and won't have the opportunity to contribute very much.
   - Identify benefit impacts of different inflation and earning rates.

This presentation is available on the web site.

V. DISCUSSION & REVIEW AGENDA FOR NEXT MEETING

Our next meeting will be April 27, 2007. Ed suggested that the majority of the meeting be spent reviewing each plan in detail, which will include additional costing as requested, in an effort to allow the task force to come to a consensus on which or group of alternative tax-free health benefit plan(s) staff should present to the Board for approval.

Ed Derman adjourned the meeting at 12:30 p.m.

Minutes prepared by: Carmen Atkins-Wasi

Minutes approved by: Ed Derman