

Minutes	Public Education Health Benefits Task Force	Friday, April 27, 2007
LOCATION: Truckee River Conference Room; 7801 Folsom Blvd, 2 <sup>nd</sup> Floor		

**TASK FORCE MEMBERS PRESENT**

Adonai Mack, CSBA	Loretta Toggenburger, UTLA
Betty Soennichsen, CRTA	Marvin Talso, Self Funded Health Ins. Rep.
Beverly Carlson,	Michael Crass, SEAC
David Walrath, CRTA Retired	Patrick McCallum, McCallum Group
David Vaughn, CVT	Ruben Ingram, SEAC
Deborah Harmon, LACFG	Stephanie Cain, SFUSD Labor Relations
Gerry Meister, UESF-Retired	Steve DePue, CTA
Linda Protine, CCSEA	Steve Henderson, CSEA
Lee Jernigan	Tom Dithridge, Dept of Finance
	Zoe Ann Murray, CRTA Insurance

**BOARD MEMBERS PRESENT**

Dana Dillon, Board Chair  
 Jerilyn Harris, Vice Chair  
 Carolyn Widener  
 Jim Zerio, representing State Treasurer, Bill Lockyer  
 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  
 Trish Taniguchi, Investments  
 Glen Blacet, Investments  
 Mike Hardin, Assistant Director for Research and Development  
 Virginia Johnson, Client Outreach and Guidance  
 Julie Gallego, Planning and Research  
 Steve Tolle, Client Outreach and Guidance  
 Carmen Atkins-Wasi, Administrative Assistant

**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 April 27, 2007 in the Truckee River conference room.

**II. APPROVAL OF MINUTES FOR MARCH 16, 2007 MEETING**

Minor edits were submitted following the meeting and approved accordingly.

**III. UPDATE ON HEALTH BENEFITS FUNDING ALTERNATIVES**

Ed Derman provided additional detail on the alternative tax-free health care programs to address the questions raised by the taskforce at the March 16<sup>th</sup> 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.

***Update:***

- Additional details on costs for various scenarios are provided in the presentation.
- Estimated costs assume benefit would be paid to members who retired on or before 1/1/2008.
- A benefit paid to members currently retired would be funded by active employees, the state and/or CalSTRS.
- No benefit would be paid to members before age 65.
- We are unsure how those who receive Medicare before age 65 would be impacted.

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.

***Update***

- Additional details on costs for various scenarios are provided in the presentation.
- This plan could be used for any health care costs for premiums only (including Medicare Part B) – although paying the premiums would not

benefit those with full coverage in retirement. If used for Medicare Part B, CalSTRS would send a check for the premium to CMS. If used for other health care premiums, CalSTRS would send a check to the health care organization (i.e. Blue Shield, Kaiser, etc.)

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.

*Update*

- Additional details on costs for various scenarios are provided in the presentation.
  - This plan would increase the purchasing power from 80% to 90% and use the additional 10% for medical costs only. However, increasing the payments from SBMA increases the probability that funds will not be sufficient to pay the higher benefit.
  - This plan would help those most that need it least and not necessarily the members who have been retired longest who would benefit the least.
4. Health Care Security Accounts (not the same as HSA) – would apply to all employees performing service subject to DB coverage (including classified employees) and would include CB, Social Security or other alternative retirement programs.

*Update*

- Additional details on costs for various scenarios are provided in the presentation.
- Any amount of compensation paid to the school employee would count for contributions to the program.
- To avoid complications with the DB Program, contributions would be paid by the employer. This plan would require a minimum of 1 percent contribution rate; this could also be a flat dollar rate, to ensure 100 percent participation.
- The rate would be the same for all employee groups to ensure that everyone has the same type of coverage. CalSTRS would invest the funds similar to the Defined Benefit Supplement Program.

This presentation is available on the web site.

**IV. DISCUSS AND SELECT THE FINAL HEALTH BENEFITS FUNDING ALTERNATIVES FOR PRESENTATION TO THE TEACHERS' RETIREMENT BOARD.**

Although none of the options apply equally to all school districts, there is a broad range of actions already being taken by the employers that could minimize the impact of some of the plans presented. There is a concern that accounting and bargaining at the district level would be complicated further by some of the proposed programs. Any action taken

with regards to Medicare should be for a short term program; however, the Medicare Part B Premium payment does not address Part D options. The Federal action with regards to Medicare is unknown and could affect the Medicare programs proposed. The Monthly Health Allowances was the most favorable proposal where the total benefit could include Medicare Part B premiums (\$93.50) and other health care costs up to \$300 a month. CalSTRS could convert the health allowances to pension benefits if universal health care is ever established and the costs to develop any of these programs would come from a redirection of employer DB contributions and reimbursement of DB later.

This presentation is available on the web site.

**V. DISCUSSION & REVIEW AGENDA FOR NEXT MEETING**

The task force requested that CalSTRS provide the following update at the next meeting:

- Cost estimates for providing a \$50 monthly allowance to (1) all members, (2) all members with 10+ years of service, (3) all current retirees, (4) all current active employees
- Determine what expenses would be covered under the monthly health allowances
- Determine administrative costs
- Address the legality of paying the Medicare premium from the SBMA

The next meeting was originally scheduled for May 18, 2007 but there was concern if staff would have ample time to do the research. The task force agreed to change the date for the next meeting to May 25, 2007.

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

Minutes prepared by: Carmen Atkins-Wasi

Minutes approved by: Ed Derman