Nuts 'n Bolts of LAUSD Benefits

Presentation to the Budget, Facilities, and Audit Committee
November 17, 2015
AGENDA

- History of Health Benefits
- Partnerships
- Benefits Eligibility
- Managing and Maintaining Benefits
- Pensions
HISTORY

- **1940s**
  - Benefits offered to certificated employees

- **1966**
  - Retiree health benefits established

- **1969**
  - District pays full premium, eliminating employee contribution

- **1966**
  - District pays full premium, eliminating employee contribution

- **1976**
  - Years of service rule (5 years) introduced

- **1984**
  - 10 years of service rule

- **1987**
  - 15 years of service rule

- **1992**
  - Eliminated cash-plan and introduced HMOs

- **1993**
  - Health Benefits Committee (HBC) established

- **1992**
  - Rule of 80

- **2002**
  - Eliminated mandatory 2 year HMO election for new hires

- **2006**
  - Board Retreat

- **2006**
  - District receives a vote on the HBC

- **2007**
  - Rule of 80 and 15 consecutive years

- **2009**
  - Eliminated mandatory 2 year HMO election for new hires

- **2010**
  - ACA requires dependent coverage to age 26

- **2014**
  - OPEB Trust established

- **2015**
  - ACA’s Play-or-Pay mandate becomes effective

- **2018**
  - ACA’s excise tax becomes effective

- **2009**
  - MOU established baseline budget with increases based on per member contribution
PARTNERSHIPS

HBC
Plan Design

BENEFITS ADMIN
Offer Benefits
Enroll Employees/Retirees
Terminate Benefits

LABOR RELATIONS
Negotiate Collective Bargaining Agreements
HEALTH BENEFITS COMMITTEE (HBC)

- **Structure**
  - Comprised of bargaining units
  - Each unit receives one vote
  - District receives one vote

- **Roles**
  - Recommend plan design to the Board
  - Review cost and quality of benefit programs
  - Determine scope of financial responsibilities
  - Be aware of legislative development
  - Negotiate all contracts

- **Accomplishments**
  - Conducted Request for Proposals for health plans
  - Negotiated prices
  - Made plan adjustments to live within means
According to the 2015-17 Coordinated Bargaining Health Benefits Agreement:

“The HBC shall be responsible for proposing all plan design modifications including, but limited to, co-pays, deductibles, premium contributions and assessments, and selection, addition, termination of health plans/providers for all active and retired employees provided that the HBC shall not recommend any changes that would expand eligibility. Any such changes shall be implemented upon action by the HBC and in accordance with the provisions of this agreement.”
BENEFITS ADMINISTRATION

Director of Benefits

Customer Care Center
Support for employees and retirees:
Medical, Dental, Vision Plans
Life Insurance
Deferred Compensation
Flexible Spending Accounts
Employee Assistance Program

Benefits Processing
Disability Retirement
Lifetime Coverage Determination
Medicare Requirements
Active/Retiree Benefits Enrollment
COBRA Enrollment
Domestic Partners
Disabled Dependents

Research, Analysis & Administration
HW Finance and Contract Management
Regulatory Compliance
Employee Wellness
Health Benefits Plan Design
Health Benefits Committee
Retirement Investment Advisory Committee
Labor Negotiations
Audits
Strategic Planning and Execution
Benefits

Eligibility

Presented by Office of Labor Relations
# BENEFITS BY UNIT

<table>
<thead>
<tr>
<th>Unit</th>
<th># of employees</th>
<th>% of employees eligible for benefits</th>
<th>Average daily hours worked</th>
<th>Contract offers benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>A: LASPA - Police</td>
<td>417</td>
<td>100%</td>
<td>8</td>
<td>x</td>
</tr>
<tr>
<td>B: SEIU - Aides</td>
<td>11,740</td>
<td>73%</td>
<td>6</td>
<td>x</td>
</tr>
<tr>
<td>C: SEIU - Drivers, BGW</td>
<td>7,554</td>
<td>91%</td>
<td>6</td>
<td>x</td>
</tr>
<tr>
<td>D: CSEA - Clerical</td>
<td>4,141</td>
<td>95%</td>
<td>7</td>
<td>x</td>
</tr>
<tr>
<td>E: Trades</td>
<td>1,275</td>
<td>100%</td>
<td>8</td>
<td>x</td>
</tr>
<tr>
<td>F: SEIU - Teacher Assts</td>
<td>4,121</td>
<td>91%</td>
<td>6</td>
<td>x</td>
</tr>
<tr>
<td>G: SEIU - Supv Aides</td>
<td>8,503</td>
<td>4%</td>
<td>2.75</td>
<td></td>
</tr>
<tr>
<td>H: LASPMA - Lieutenants</td>
<td>58</td>
<td>100%</td>
<td>8</td>
<td>x</td>
</tr>
<tr>
<td>J: AALA – Classified Mgrs</td>
<td>257</td>
<td>100%</td>
<td>8</td>
<td>x</td>
</tr>
<tr>
<td>S: Teamsters - Suprvsrs</td>
<td>3,024</td>
<td>100%</td>
<td>8</td>
<td>x</td>
</tr>
<tr>
<td>UTLA</td>
<td>32,368</td>
<td>100%</td>
<td>8</td>
<td>x</td>
</tr>
<tr>
<td>AALA - Certificated</td>
<td>2,649</td>
<td>95%</td>
<td>8</td>
<td>x</td>
</tr>
<tr>
<td>District-represented</td>
<td>841</td>
<td>100%</td>
<td>8</td>
<td>x</td>
</tr>
<tr>
<td>Unrepresented</td>
<td>7,074</td>
<td>1%</td>
<td>1-2</td>
<td></td>
</tr>
</tbody>
</table>
ACTIVES – CONTRACTUAL ELIGIBILITY

- Half-time or more of a full-time assignment in one class, in a status other than substitute, temporary or relief OR
- In paid status for 800 or more hours as a result of any one assignment or combination of assignments in previous school year (classified)
- In paid status for the equivalent of 100 or more full days as a result of any one assignment or any combination of assignments in the certificated service in previous school year (certificated)
Can enroll in full health and welfare program if assigned for 120 hours per pay period in one class code other than substitute or temporary or have been in paid status in one or more class codes for 1200 hours during the previous school year.

May qualify for hospital and medical for employee plus one dependent if assigned for at least 72 hours per pay period in one or more class codes other than substitute or temporary or have been in paid status in one or more class codes for 720 hours during the previous school year.
UNIT F (TEACHER ASSISTANTS)

- Eligible for benefits if the employee is regularly assigned and regularly working 80 hours or more per pay period.
- Eligible only for Kaiser Plan benefits.
- Must pay 50% of the annual premium costs for employee only coverage and 100% of costs for dependent coverage.
- Approximately 100 employees enrolled
UNIT G (PLAYGROUND AIDES)

- Contract does not offer any benefits
- Some employees may have benefits if they work 4 hours or more in an assignment with benefits offered per the respective contract

<table>
<thead>
<tr>
<th>Assignment</th>
<th>Employee #1</th>
<th>Employee #2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unit B</td>
<td>4.0</td>
<td>3.5</td>
</tr>
<tr>
<td>Unit G</td>
<td>3.5</td>
<td>4.0</td>
</tr>
<tr>
<td>Total</td>
<td>7.5</td>
<td>7.5</td>
</tr>
<tr>
<td>Benefit Eligibility</td>
<td>Yes</td>
<td>No</td>
</tr>
</tbody>
</table>
RETIREES – CONTRACTUAL ELIGIBILITY

Eligible for lifetime medical benefits for employee & dependents for the life of the retiree

<table>
<thead>
<tr>
<th>Timeframe</th>
<th>Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hired prior to 3/11/84</td>
<td>5 consecutive years immediately prior to retirement</td>
</tr>
<tr>
<td>Hired after 3/11/84 but prior to 7/1/87</td>
<td>10 consecutive years immediately prior to retirement</td>
</tr>
<tr>
<td>Hired on or after 7/1/87 but prior to 6/1/92</td>
<td>15 consecutive years immediately prior to retirement or 10 consecutive years IPR + an additional 10 years which aren’t consecutive.</td>
</tr>
<tr>
<td>Hired on or after 6/1/92 but prior to 3/1/07</td>
<td>Years of qualifying service and age must equal 80. For those with break, need 10 consecutive years IPR.</td>
</tr>
<tr>
<td>Hired on or after 3/1/07 but prior to 4/1/09</td>
<td>15 consecutive years of service IPR plus the rule of 80</td>
</tr>
<tr>
<td>Hired on or after 4/1/09</td>
<td>Years of qualifying service and age must equal 85. Must include 25 consecutive years IPR.</td>
</tr>
<tr>
<td>School Police hired on or after 4/1/09</td>
<td>Years of qualifying service and age must equal 80. Must include 20 consecutive years IPR.</td>
</tr>
</tbody>
</table>

IPR = immediately prior to retirement
Managing and Maintaining Benefits

Presented by Benefits Administration
# DISTRICT BENEFITS

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Paid By</th>
<th>Benefit Provided To</th>
<th></th>
<th></th>
<th></th>
<th></th>
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<tbody>
<tr>
<td></td>
<td>District</td>
<td>Employee</td>
<td>Active</td>
<td>Active</td>
<td>Retire</td>
<td>Retire</td>
</tr>
<tr>
<td><strong>Health Care</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>Health (Medical, Dental, Vision)</em></td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Health Care Flexible Spending Account</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dependent Care Flexible Spending Account</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee Assistance Program</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Continuation of Health Coverage—Cobra</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td><strong>Life Insurance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic Life Insurance</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Optional Life Insurance</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accidental Death &amp; Dismemberment (AD&amp;D)</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Retirement</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Teachers’ Retirement System (STRS)</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Public Employees’ Retirement System (PERS)</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Public Agency Retirement Services (PARS)</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>403(b)</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>457(b)</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
</tbody>
</table>
More than half of LA County Unified School Districts have active employee premium contributions

<table>
<thead>
<tr>
<th>Unified School District</th>
<th>Active Employee Health Benefit Premiums Paid by District (Type of Coverage)</th>
<th>Retiree Lifetime Health Benefits Paid by District (Type of Coverage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>LAUSD</td>
<td>Fully Paid (Employee + Dependents)</td>
<td>Fully Paid (Employee + Dependents)</td>
</tr>
<tr>
<td>Beverly Hills</td>
<td>Partially Paid (Employee + Dependents)</td>
<td>Partially Paid Employee ONLY Benefits end at Age 65</td>
</tr>
<tr>
<td>Long Beach</td>
<td>Fully Paid (Employee Only)</td>
<td>Partially Paid (Employee + Dependents) Benefits End at 67 yrs</td>
</tr>
<tr>
<td>Oakland</td>
<td>Partially Paid (Employee + Dependents)</td>
<td>None (Employee Pays Full Premium Amount)</td>
</tr>
<tr>
<td>San Diego</td>
<td>Fully Paid (Employee + Dependents)</td>
<td>None (Employee Pays Full Premium Amount)</td>
</tr>
<tr>
<td>San Francisco</td>
<td>Partially Paid (Employee + Dependents)</td>
<td>Partially Paid (Employee + Dependents)</td>
</tr>
<tr>
<td>Santa Ana</td>
<td>Partially Paid (Employee + Dependents)</td>
<td>Partially Paid (Employee + Dependents) Benefits End at 65 yrs</td>
</tr>
</tbody>
</table>
ISSUES AND GROWING CONCERNS

- LAUSD offers relatively generous health benefits
- Increasing healthcare costs
- ADA funding decrease (declining student enrollment)
- Growing ratio of retirees to active employees
- Growing unfunded liability for retiree health benefits
- Legislative compliance
COST AGAINST TOTAL BUDGET

General Fund Budget

- Classified Salaries, 13%
- Other Outgo, 2%
- Active and Retiree Health Benefits, 14%
- Benefits Other than Health, 9%
- Instructional Books and Supplies, 8%
- Capital Outlay, 0%
- Other Operating Expenses, 12%
- Certificated Salaries, 42%
CURRENT FUNDING METHOD

Pay-As-You-Go Method

Retiree health benefits cost is added to the cost of benefits for each active employee. This is called the retiree load.
OTHER POST-EMPLOYMENT BENEFITS (OPEB)

- Other Post-employment Benefits (OPEB) are benefits, other than pensions, that state and local governments provide to their retired employees.
- OPEB benefits principally involve health care benefits, but may include life insurance, disability, legal and other services.
PAY-AS-YOU-GO

Based on the most recent actuarial report, if the District continues funding the retiree Benefit on a pay-as-you-go basis, the cost is expected to grow an average of 5.5% annually over the next 30 years.
ACTUARIAL VALUATION

Member Data

Financial Data

Budgeting Methods
- Actuarial Cost
- Asset Valuation
- Amortization

Claims Experience

Federal & State Requirements

Medicare Provisions

GASB Rules

Actuarial Assumptions

RESULTS

Segal Consulting
COMPONENTS OF FULLY FUNDING HEALTH BENEFITS

Pay-Go + OPEB Obligation = Annual Required Contribution (ARC)

Fully Funding: H&W Expenditure including OPEB

- Pay-Go
- Active
- OPEB Obligation

<table>
<thead>
<tr>
<th>Year</th>
<th>Pay Go</th>
<th>Active</th>
<th>OPEB Obligation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009-10</td>
<td>$258.0</td>
<td>$608.4</td>
<td>$748.8</td>
</tr>
<tr>
<td>2010-11</td>
<td>$262.4</td>
<td>$574.0</td>
<td>$744.3</td>
</tr>
<tr>
<td>2011-12</td>
<td>$269.3</td>
<td>$587.4</td>
<td>$816.7</td>
</tr>
<tr>
<td>2012-13</td>
<td>$284.3</td>
<td>$613.9</td>
<td>$801.6</td>
</tr>
<tr>
<td>2013-14</td>
<td>$270.5</td>
<td>$669.4</td>
<td>$598.2</td>
</tr>
<tr>
<td>2014-15 (estimated)</td>
<td>$292.9</td>
<td>$695.4</td>
<td>$575.7</td>
</tr>
</tbody>
</table>

Estimated amounts for 2014-15 are shown in parentheses.

Nuts 'n Bolts of LAUSD Benefits, November 17, 2015
### OPEB – HOW LAUSD COMPARES

Top 10 Heaviest OPEB Liabilities Relative to Budget in Fiscal 2012 Significantly Exceed Median of 32%

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Median:</strong></td>
<td>32%</td>
<td>163%</td>
<td>147%</td>
</tr>
<tr>
<td><strong>DETROIT</strong></td>
<td>398%</td>
<td>187%</td>
<td>217%</td>
</tr>
<tr>
<td><strong>BUFFALO</strong></td>
<td>316%</td>
<td>87%</td>
<td>34%</td>
</tr>
<tr>
<td><strong>BALTIMORE COUNTY</strong></td>
<td>185%</td>
<td>87%</td>
<td>139%</td>
</tr>
<tr>
<td><strong>NASSAU COUNTY</strong></td>
<td>173%</td>
<td>67%</td>
<td>116%</td>
</tr>
<tr>
<td><strong>LOS ANGELES UNIFIED SCHOOL DISTRICT</strong></td>
<td><strong>143%</strong></td>
<td><strong>146%</strong></td>
<td><strong>171%</strong></td>
</tr>
<tr>
<td><strong>NASHVILLE-DAVIDSON</strong></td>
<td>162%</td>
<td>109%</td>
<td>179%</td>
</tr>
<tr>
<td><strong>HONOLULU CITY &amp; COUNTY</strong></td>
<td>139%</td>
<td>228%</td>
<td>200%</td>
</tr>
<tr>
<td><strong>LOS ANGELES COUNTY</strong></td>
<td>129%</td>
<td>138%</td>
<td>13%</td>
</tr>
<tr>
<td><strong>NEW YORK CITY</strong></td>
<td>125%</td>
<td>134%</td>
<td>99%</td>
</tr>
<tr>
<td><strong>HOUSTON</strong></td>
<td>100%</td>
<td>312%</td>
<td>170%</td>
</tr>
</tbody>
</table>

Detroit figures evaluated prior to judicial approval of the bankruptcy settlement proceedings, which eliminated most of its OPEB liability.

*Source: Moody's Investors Service and Issuer audited financial statements*
Pensions

Presented by Payroll Administration
The Payroll Administration Branch administers the following retirement systems and services for all District employees.
CALIFORNIA STATE TEACHERS’ RETIREMENT SYSTEM

• Defined Benefit Plan
• Only regular permanent employees or temporary/substitute employees that voluntarily elect membership are eligible
• Monthly retirement allowance is guaranteed for life
• Both the employee and employer share in the cost
• Does not contribute to Social Security
• A pre-defined formula is used to calculate the retirement benefit amount; not based on employee’s account balance
• Service credit accumulates on a fiscal year basis, July 1 through June 30

Eligibility for Benefits
An employee of the California public school system and in a position that requires the employee to have a credential, certificate or permit.

Retirement Calculation Formula
Three factors are multiplied together to calculate retirement:
• Service Credit – number of full and partial school years worked and contributed to CalSTRS since becoming a member
• Age Factor – percentage of final compensation for every year of service credit; based on age at retirement and formula
• Final Compensation – highest average compensation earnable for 12 or 36 consecutive months

service credit
age factor
final compensation
your retirement benefit
CalSTRS Defined Benefit Plan is a traditional defined benefit plan that provides retirement, survivor and disability benefits. The Defined Benefit retirement benefit is based on a formula using age, service credit, and final compensation.

### Defined Benefit Plan

<table>
<thead>
<tr>
<th>If you were first hired...</th>
<th>You are covered under the following benefit structure:</th>
<th>Your eligibility for retirement is:</th>
</tr>
</thead>
<tbody>
<tr>
<td>On or before December 31, 2012</td>
<td>CalSTRS 2% at 60</td>
<td>Age 50 with at least 30 years of service credit</td>
</tr>
<tr>
<td>On or after January 1, 2013</td>
<td>CalSTRS 2% at 62</td>
<td>Age 55 with five years of service credit</td>
</tr>
</tbody>
</table>

### Two Benefit Structures

The California Public Employees’ Pension Reform Act of 2013 (Chapter 296, Statutes of 2012) made significant changes to the benefit structure that primarily affect members first hired to perform CalSTRS creditable activities on or after January 1, 2013.
### Retirement Calculation Formula

Three factors are multiplied together to calculate retirement benefit:

- **Service Credit** – number of full and partial school years worked and contributed to CalPERS since becoming a member
- **Benefit Factor** – percentage of final compensation for every year of service credit; based on age at retirement and formula
- **Final Compensation** – highest average pay rate and special compensation earnable for 12 or 36 consecutive months

### Eligibility Service Requirements

There are minimum requirements for age and/or years of service:

- Must be a regular permanent employee and assigned 4 hours or greater per day
- Substitute or temporary employee qualify after working 1,000 hours in a school year
- To collect benefits, must be at least age 50 or 52 and have at least five years of service credit
Employee Benefits

- Defined Contribution Plan
- For employees that are not CalSTRS or CalPERS eligible
- Gets an annuity or lump sum payment until money is depleted
- Both the employee and employer share in the cost
- No Social Security contributions
- No pre-defined benefit formula

- Employee Contribution Rate – the lowest of the District’s 3 retirement systems/services
- Net pay – net value of check is more due to no deduction of Social Security and a lower contribution rate
- Annuity/Lump Sum Payment – receives employer and employee contributions when receiving annuity or lump sum payment
Thank You