

Commission Recommendation 1:

The Commission is seeking evidence that the district has developed, implemented, and is adhering to a plan that will address the unfunded retiree health benefit liability to assure out-year obligations without significant negative impact on the financial health of the institution (Standard III.D.1.c).

The LACCD took significant steps to address the issue of its unfunded liability for retiree health care in Fall 2006 by negotiating an agreement, approved by the district's six unions and its Board of Trustees, to begin pre-funding a portion of its unfunded obligation. The district annually directs 1.92% of the previous fiscal year's fulltime employee payroll into an irrevocable trust, managed through CalPERS. In addition, an amount equivalent to the district's annual Medicare D refund is also diverted from the district's operating budget into the trust.

In 2007, Governor Schwarzenegger's Commission on Public Employee Post-Employment Benefits issued a report in which the LACCD's prefunding plan was cited as a best practice **(1.1)**.

As of Fall 2009, the balance in the trust was approximately \$17 million **(1.2)**.

In 2009, facing a state budget crisis and enormous increases in health benefits costs, the district's Joint Labor-Management Benefits Committee (JLMBC) took action to reduce the cost of health care coverage for both active and retired employees. After a great deal of research and discussion, the JLMBC voted to switch to health care plans administered by CalPERS, to take effect January 1, 2010. Because of the significantly lower retiree benefit costs under CalPERS, the district expects to be able to reduce its GASB obligation by roughly \$100 million or more. The exact amount of the reduction in District liability will be known upon receipt of the report of an ongoing actuarial study, expected to be completed by the end of spring 2010.

The decision to move the district's health care plans to CalPERS was an important step to help to control spiraling health care costs and reduce the district's post-retirement obligation. As part of preparations for annual benefits negotiations, the JLMBC will continue to explore ways to reduce the cost of health benefits.

Evidence

- 1.1 Funding Pensions & Retiree Health Care for Public Employees, a report of the Public Employees Post-Employment Benefits Commission (see p. 169-173)
- 1.2 California Employer's Retirement Benefit Trust Quarterly Statement, September 30, 2009