



LAUSD
UNIFIED

Health and Welfare Benefits Update

Superintendent's Report

September 26, 2023 Board Meeting

Maintaining Health Benefits for Retirees

1. The District is NOT eliminating health benefits for retirees.
2. Retirees will continue to have the benefits that they choose.
3. The District would like to make sure that retiree health benefits are sustainable.

Agenda

1. Background
2. Projected costs and impacts
3. What others are doing
4. Next steps

Executive Summary

- Health Benefits Agreement expires December 31, 2023
- All medical, 1 dental, and 1 vision plans expire December 31, 2023
- Health & Welfare fund faces a substantial deficit by FY 2025-26



1

Background

Medical Plan Enrollment by Plan

	Anthem Blue Cross EPO	Anthem Blue Cross Select HMO	Anthem Medicare Preferred PPO	Health Net HMO	Kaiser Permanente HMO	Total	%
Employees	4,056	15,563	NA	5,044	31,021	55,684	29%
Employee Dependents	5,662	22,795	NA	7,659	41,887	78,003	41%
Subtotal	9,718	38,358	NA	12,703	72,908	133,687	71%
Retirees	980	1,199	17,462	1,601	16,294	37,536	20%
Retiree Dependents	725	1,114	7,456	1,046	7,972	18,313	10%
Subtotal	1,705	2,313	24,918	2,647	24,266	55,849	29%
Total Enrolled	11,423	40,671	24,918	15,350	97,174	189,536	100%

SAP data as of September 2023

Health Benefits Committee (HBC)

Structure

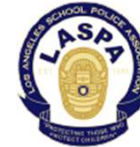
- Comprised of labor unions and District representation
- One vote per each union and one vote for the District

Governing document

- Health Benefits Agreement

Roles

- Propose all plan design modifications
- Negotiate H&W contracts
- Cost containment within the annual health & welfare budget
- Address unfunded liability resulting from other post-employment benefits (OPEB)



HBC's Proposal 2024 – 2026 (8/29/23)

- Build a \$200M ending balance by calendar year 2026 with the following contribution rates:

	2023 (status quo)	2024	2025	2026	% Increase 2023-2026
Active employees	\$15,306	\$16,906	\$18,673	\$20,625	35%
Under 65 retirees	\$22,337	\$24,672	\$27,251	\$30,100	35%
Over 65 retirees	\$5,065	\$5,594	\$6,179	\$6,825	35%

- Remove reference to meaningfully address the District's unfunded liability for retiree benefits and the establishment of a subcommittee
- Add a commitment clause to ensure equity for all employees, specifically family formation benefits, gender-affirmation care, and increased mental health benefits
- Remove reference to the District's ability to unilaterally implement premium contributions in the event that the health benefits agreement expires

District Counter-Proposal (9/14/23)

- One-year term 2024
- Full funding for 2024
- Successor negotiations for 2025 and 2026 to commence immediately upon Board approval of 2024 HBA
- Discuss & evaluate Equity Commitment (gender affirmation care, family formation benefits, increased mental health benefits, plus wellness offerings)
- Equitable representation for Labor and Management with mandatory binding arbitration provision
- Preservation of Paragraph X (“In the absence of a subsequent negotiated agreement, the District’s per-enrollee contribution levels of the most recent Plan year shall remain in effect, and ***the District may unilaterally implement premium contributions*** from current employees through automatic payroll deduction and/or from retirees through direct payment or other means to the extent necessary to contain health and welfare costs within the District’s contribution levels...”) (emphasis added)
- Retain current language on OPEB committee

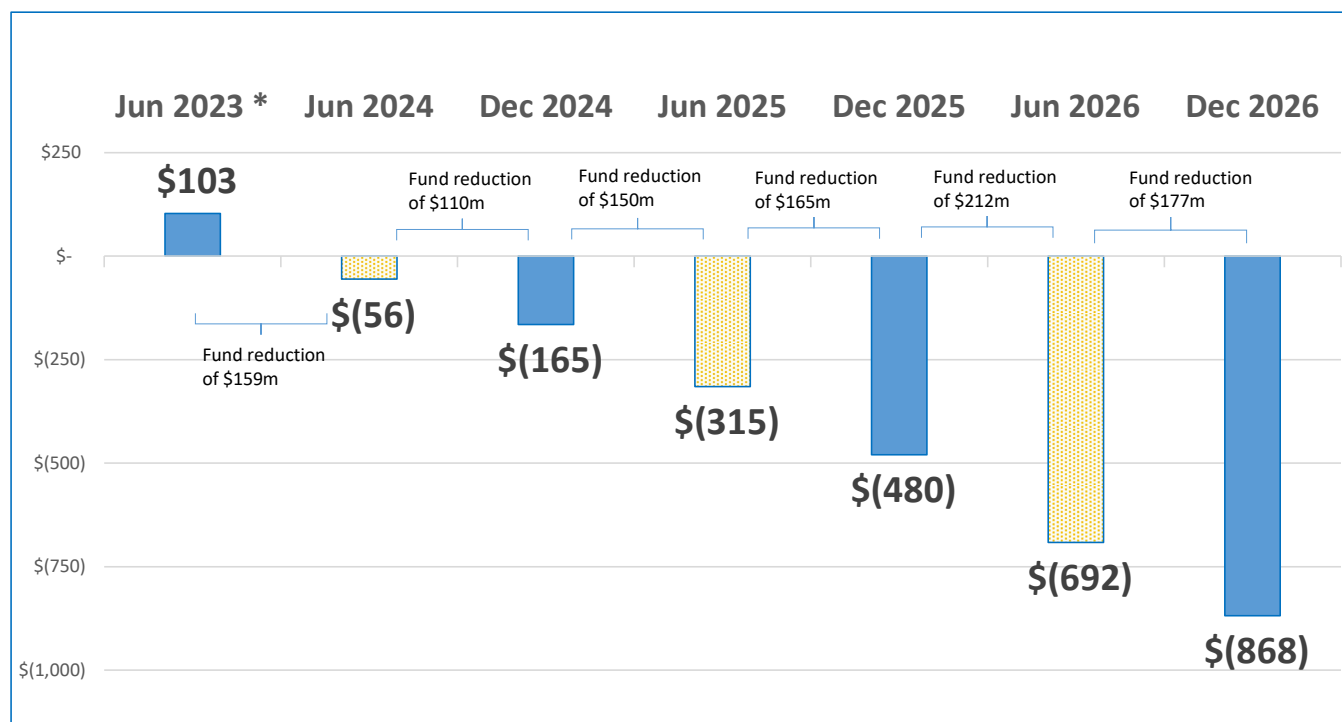


2

Projected Costs and Impacts

Projected Fund Balance in the Health & Welfare Fund

* Inclusive of \$70M above MOU contribution rate

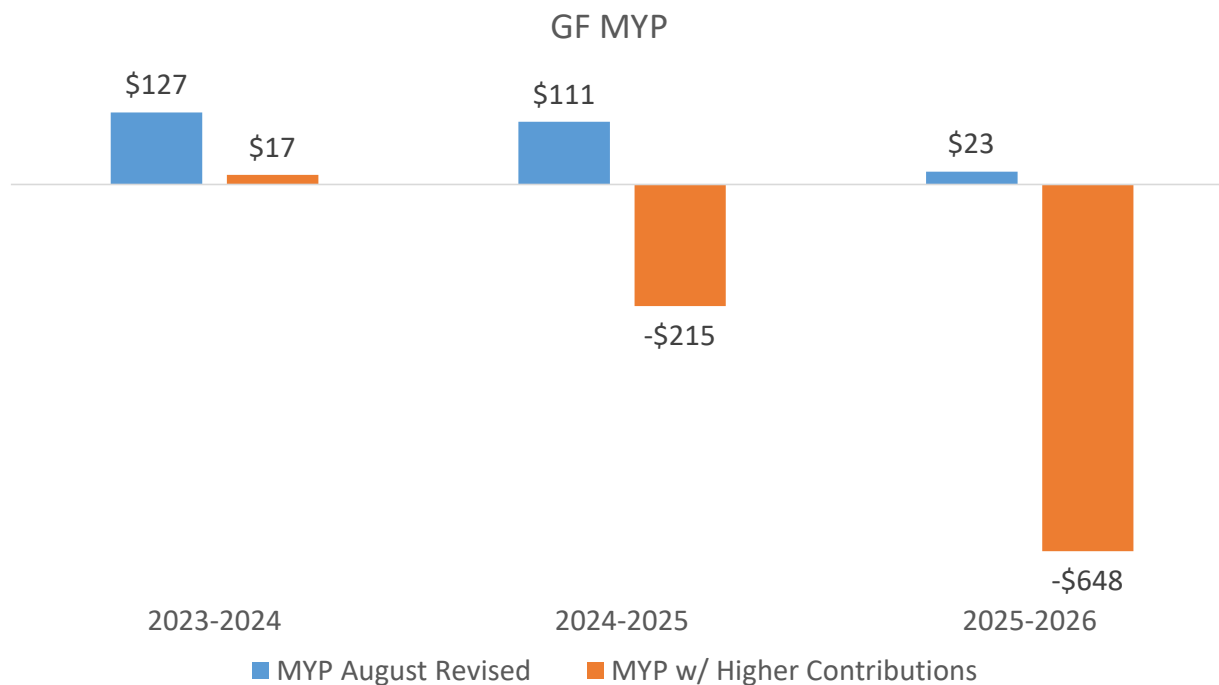


a) Status quo with projected cost increases, the projected cumulative deficit is \$868M by end of calendar year 2026.

b) All projections herein are based upon the plan design existing through December 31, 2023 and current levels of participation. Any future change in provider(s), plan(s), and/or number of participants shall impact then-current projections and such changes, if any, may be material.

Amounts in millions

Projected Fund Balance in General Fund with Proposed Contribution Amount

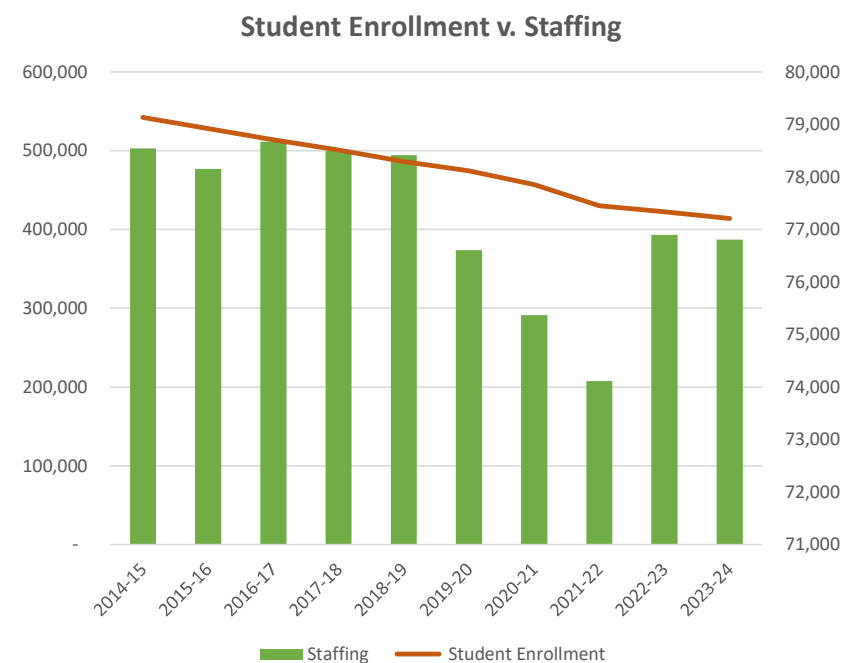
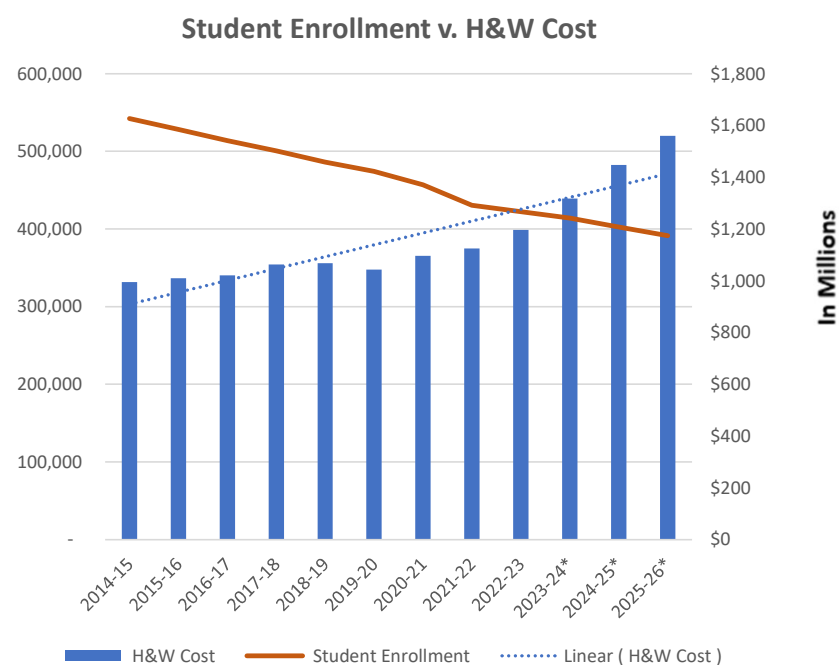


a) Status quo with projected cost increases, the projected cumulative deficit is \$648M by end of Fiscal Year 2026.

b) All projections herein are based upon the plan design existing through December 31, 2023 and current levels of participation. Any future change in provider(s), plan(s), and/or number of participants shall impact then-current projections and such changes, if any, may be material.

Source: MYP August Revised based on June 2023/24 revised budget and HBC's Proposed Contribution Rates

Student Enrollment v. Health and Welfare Cost and Staffing



Source: Actual expenditures are based on Audited Annual Financial Report. Enrollment information from My Integrated Student Information System (MISIS), and staffing are based on SAP.

* Projected expenditures.

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 involve lifetime health care benefits for eligible retirees and dependents
- Total net OPEB liability as of June 2022 is \$8.5 billion.
- The Annual Required Contribution to pay the OPEB liability in 30 years is \$480M annually.*

* AON Postretirement Actuarial Valuation, June 2023



3

What others are doing

How LAUSD Compares to Others

Public Entities	Cost Sharing		Retiree Benefits	Key Highlights
	Emp?	Retirees?		
Los Angeles Unified	No	No	Lifetime	District pays full premium for employees, retirees, and dependents without regard to provider, plan, or number of participants.
San Diego Unified	No	Yes	Up to age 67	District pays full premium for employees and dependents. Retiree pays full premium; subsidy offered by bargaining union.
Long Beach Unified	No	No	Up to age 67	District pays full premium for employees and dependents. District pays full premium for retirees up to age 67.
San Francisco Unified	Yes	Yes	Lifetime	District contribution for employees varies depending on plan selected, family size, and bargaining union. District contribution for retirees based on years of service.
City of Los Angeles	Yes	Yes	Lifetime	City contribution for employees varies depending on family size, plan selected, and bargaining union. City contribution for retirees based on years of service and Medicare status.
County of Los Angeles	Yes	Yes	Lifetime	County contribution for employees varies depending on plan selected and bargaining union. County contribution for retirees based on years of service, family size, and plan selected.

Source: California Department of Education Certificated Salaries & Benefits (Form J-90), FY 2021-22

OPEB Liability Comparison

School District	Employees Covered	Total Liability (AAL)	Funding Set Aside	Unfunded Actuarial Accrued Liability
Los Angeles Unified	98,218	\$8,952M	\$470M	\$8,482M
San Diego Unified	14,219	\$136M	\$0	\$136M
Long Beach Unified	6,924	\$401M	\$0	\$401M

Source: Financial Reports for FY 2021-22



4

Next Steps

Pending and Upcoming Negotiations

- Active, on-going Successor negotiations with HBC and CSEA
- 2024 – 2027 Successor negotiations with SEIU and Teamsters
- 2025 – 2028 Successor negotiations with UTLA, AALA, Building Trades, School Police, and School Police Management



5

Questions?