2015-17 HEALTH BENEFITS AGREEMENT BETWEEN LOS ANGELES UNIFIED SCHOOL DISTRICT AND THE UNIONS/ASSOCIATIONS REPRESENTING DISTRICT EMPLOYEES

I. PURPOSES

The terms and conditions of this 2015-17 Health Benefits Agreement ("this Agreement") constitute the successor agreement to the parties' 2012-2014 Health Benefits Agreement. This Agreement is intended to continue to accomplish the following purposes:

1. To establish and maintain stability in the delivery, annual cost and level of District contributions to health and welfare benefits;

2. To mitigate, if not remove, the necessity for annual negotiations over matters relating to the cost of health and welfare benefits;

3. To provide for an annual increase in the District's contribution, which shall be recognized by all parties as part of negotiated total compensation increases for District employees;

4. To calculate the annual increase in the District's contribution, taking into account increases or decreases in the number of active and retired pre-Medicare eligible and Medicare eligible benefited participants on an annual basis; the annual calculation shall be made consistent with II, 4, below.

5. To emphasize the critical role of the Health Benefit Committee ("HBC") to contain costs within the annual "budget" for health and welfare benefits (plus reserve funds, if any) through plan design and, if necessary, through direct contributions from participants;

6. To incentivize the HBC to enact, in a timely and preventive manner, meaningful changes to District plan designs and to take whatever measures are necessary to "live within" the health and welfare budget as set forth herein; and

7. To address meaningfully the District's growing unfunded liability resulting from other post-employment benefits (OPEB) in accordance with GASB 45.

II. ROLE AND OPERATIONS OF THE HEALTH BENEFITS COMMITTEE ("HBC")

1. Plan Consultant: A consultant shall be mutually selected by the HBC and the District who will remain in a contractual and/or employment relationship with the District. If the parties cannot reach mutual agreement, the contract for the consultant shall be recommended by the HBC, subject to District contract approval processes and final approval by the Board. Such approval shall not be withheld except for good and sufficient cause.

2. HBC Responsibility for Plan Design: The HBC shall be responsible for proposing all plan design modifications including but not 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.

3. Board Approval of Contracts: All vendor contracts shall be negotiated by the HBC and/or its designated representative(s), in accordance with District procurement rules and related policies. Such contracts shall be subject to Board of Education approval, which shall not be withheld except for good and sufficient cause.

4. Calculations of Defined District Total Annual Contribution: For purposes of adjusting the District's increased contribution for any given calendar year to account for increases or decreases in benefited participants (excluding AB528, COBRA and Charter School Participants, but including opt-out participants) as set forth below, the District's aggregate estimated contributions set forth below have been converted to a "per participant" contribution geared to the percentage change in the aggregate estimated contribution as compared to the prior year, and relating to the number of benefited participants who are active employee enrollees, enrolled pre-Medicare-eligible retirees, and enrolled Medicare-eligible retirees based upon the SAP census data. The total net cost shall be calculated based on the actual per capita cost of active employees plus the actual per capita cost of retirees compared to the previous year's cost per capita, multiplied by the actual enrollment of active and retired participants. Increases or decreases in active or retiree enrollment shall not be the risk of either party, only the increase in per capita costs.

5. Components of District Contribution: The District's annual "total contribution" or "total aggregate contribution" amounts as set forth throughout this Agreement represent the complete and total amount of such contribution from all sources. Therefore, while sources such as interest earned on the health fund, Medicare D reimbursements, or any other rebates or refunds, e.g. EGWP savings, may be utilized by the District to contribute to its total contribution amounts, they shall not be utilized to increase such contribution obligations beyond the amounts set forth herein.

6. Administrative Costs: The requirement that health benefit expenses "live within" the annual budget as established by the District's annual contribution set forth below shall include, as an expense to be covered by the health fund, any costs associated with administration of the health fund with the expenses and contributions to be evaluated on an incurred basis. By May 15 of each plan year covered by this Agreement, the District shall provide the HBC with an itemized report on the administrative costs incurred in the previous plan year. With respect to legal costs for outside counsel in defense of claims against the District arising out of decisions or actions of the HBC and/or the District arising under this Agreement, and that are therefore to be treated as administrative costs, the District and the HBC shall cooperatively consult regarding selection of such counsel, defense strategies to be employed, scope of work and estimated costs.

7. Unspent Reserve Funds: Any unspent funds in the health fund (after all of the prior year's costs have been covered) shall remain as an ending balance in the fund and carried over as a beginning balance to the next calendar year. Such Plan funds are referred to herein as the "reserve fund," the "reserve account," the "carryover balance(s)," or the "beginning balance(s)." Such a balance is one-time money that shall be applied the following year to offset increases in benefits costs, if needed. Conversely, if actual costs for any given year exceed the District's defined total aggregate contribution, such amount shall be deducted from the District's contribution obligation for the following year.

8. HBC's August 1 Obligations: The HBC shall take action and the parties shall ratify agreements by August 1 of the prior year, that result in a total projected health benefits cost for the

upcoming year that does not exceed the District's contribution set forth below, plus available beginning balance "reserve fund" revenue carried over from the prior year, if any.

9. Cooperation Between the HBC and District: It is agreed that the arrangements and relationships between the HBC and the District are to be approached on a mutually cooperative and professional basis, with full reciprocal disclosure of Plan-related data and practices.

III. PROCEDURES REGARDING POTENTIAL SHORTFALL IN HEALTH FUND

1. Quarterly Report: The Plan Consultant/District shall report to the HBC and all participating unions/associations on a quarterly basis regarding the status of the Health Fund. Specifically, such reports shall indicate whether the full accrued or incurred (i.e., this means that expenses are to be recognized in the period they are accrued/incurred regardless of when they are paid) expenditures from all components of the Health Plan are projected to exceed budgeted Health Fund revenues and carryover "reserve fund" balances (the "shortfall"). This determination shall be made based on claims experience and expenses to date, projected according to objective, industry-based and historical trends to yield an annualized projection of total expenditures.

2. Required Plan Design Changes: If any two consecutive reports project a shortfall, the HBC shall act immediately to implement plan design changes pursuant to this Agreement to negate the projected shortfall within the applicable calendar year. If the HBC fails or refuses to take such action, or if the District asserts that the proposed HBC action is insufficient to avoid a deficit, the dispute resolution procedure in section V-2 (Expedited Arbitration Process) shall apply.

3. Deduction From Contribution For Following Year: If any of the foregoing actions does not negate the shortfall in the same fiscal year, and the District must temporarily fund the remaining shortfall, such amount shall be deducted from the District's contribution to the Health Fund for the following year.

IV. CONTRIBUTIONS TO THE HEALTH FUND: CALENDAR YEARS 2015, 2016, AND 2017 (AND AUTOMATIC EXTENSION BASED ON CONTINGENCIES FOR 2018)

1. 2014 Contributions: The District's estimated aggregate contribution amount for 2014 was increased by $45 million (4.4838%) over the 2013 base. The per-participant base contribution amounts for 2014 were $10,592.77 per active enrollee, $15,910.18 per retired pre-Medicare-eligible enrollee, and $7,544.96 per retired Medicare-eligible enrollee. The District's 2014 total estimated aggregate annual contribution obligation, based on November 2013 enrollments, was $ 950.1 million.

2. 2015 Contributions: The 2015 total estimated aggregate annual contribution from the combination of the District's defined contribution and the Plan's reserve funds is $987.6 million, an increase of $37 million (3.9%) over the total 2014 contribution. The per-participant contribution amounts for 2015 are $12,401.26 per active enrollee, $18,097.43 per retired pre-Medicare-eligible enrollee, and $6,293.18 per retired Medicare-eligible enrollee.

3. 2016 Contributions: The District's estimated aggregate contribution amount for 2016 shall be $1.0518 billion, which is an increase of $64 million (6.5%) over the estimated total contribution for 2015, but the actual 2016 total aggregate contribution will be determined by actual enrollments. Applying that 6.5% percent increase to the per-participant contribution amounts results in contributions for 2016 of $13,207.35 per active enrollee, $19,273.76 per retired pre-Medicare-eligible enrollee, and $6,702.24 per

retired Medicare-eligible enrollee. The District's 2016 total aggregate contribution shall be the product of such per-enrollee contribution levels multiplied by the 2016 enrollments as described above.

4. 2017 Contributions: The District's estimated aggregate contribution amount for 2017 shall be $1.1160 billion, which is an increase of $64 million (6.1%) over the total estimated contribution for 2016, but the actual 2017 total aggregate contribution will be determined by actual enrollments. Applying that 6.1% percent increase to the per-participant contribution amounts results in contributions for 2017 of $14,012.99 per active enrollee, $20,449.46 per retired pre-Medicare-eligible enrollee, and $7,111.07 per retired Medicare-eligible enrollee. The District's 2017 total aggregate contribution shall be the product of such per-enrollee contribution levels multiplied by the 2017 enrollments as described above.

5. Contingent 2018 Provisions: The parties agree to continue to make every effort with respect to the exploration of methods to reduce active employee and retiree costs and to bring about the potential to lower the liability reported under GASB 45 and otherwise reduce costs. If, near the end of the 2017 Plan Year (August 1, 2017), the following conditions are met, this Agreement shall be automatically extended to cover the 2018 Plan Year:

a. The estimated total Plan cost increases for 2018 are to be no more than 4.5% over the cost of 2017; and

b. The HBC will on an immediate and ongoing basis undertake the necessary measures to reduce the District's current OPEB liability for future retirees by a projected (as of August 1, 2017) total of 20% by January 1, 2018. Also, all EGWP-related reductions to the District's ongoing total OPEB liability shall be fully applicable to the HBC 20% reduction commitment relating to OPEB.

In conjunction with its obligation under II, 8 above, the HBC shall, by August 1, 2017 certify in writing whether the conditions of subparagraphs a and b above have been met.

In the event of an automatic extension, any premium cost increases for calendar year 2018 shall be borne equally by a combination of District current funds and a transfer from the Plan's reserve fund. The formula for this allocation shall be consistent with variations in enrollment as referenced in IV, 4 above.

If the conditions identified in both a and b above are not satisfied, this Agreement shall expire December 31, 2017, and the terms and conditions for 2018 and subsequent years shall thereby immediately be reopened for negotiation, pursuant to Section X below.

6. Reserve Fund Balance: Contributions from the Plan's reserve fund of $148 million will be equitably distributed over a three year period, inclusive of Plan year 2015, 2016, and 2017, to offset the total cost increases to the Plan. A balance of at least $160 million shall be retained in the Plan's reserve fund through the term of this Agreement (December 31, 2017).

V. DISPUTE RESOLUTION PROCEDURES

1. The following kinds of disputes are to be subject to the identified resolution procedures set forth below:

a. If the HBC fails to take action by August 1 of any given year to contain health and welfare benefit costs within the District contribution obligations/limits, or there is a disagreement over whether the proposed plan changes would contain health and welfare benefit costs within the District contribution obligations/limits ("within the budget" as set forth above) or over whether the District has fulfilled its contribution obligations under this Agreement, see expedited arbitration process in section 2 below;

b. If there is a dispute as to whether the Board of Education has withheld approval of a timely-submitted HBC-negotiated vendor contract without good and sufficient cause, see section 3 below;

c. There is a claim asserted by the District that a planned change is illegal (see section 4 below);

d. There is a claim asserted by the District that a planned change would be inequitable and/or would adversely impact the best interests of the District and/or its present or future plan participants (see section 5 below); or

2. Expedited arbitration process for resolving disputes as to whether proposed plan changes will contain Health and Welfare costs within the budget or whether the District has fulfilled its contribution obligations under this Agreement:

a. The issues in dispute regarding whether proposed plan design changes will contain health and welfare costs within the budget and/or whether the District has fulfilled its contribution obligations under this Agreement shall immediately be submitted to expedited binding arbitration before a three-person panel comprised of one union/HBC representative, one District representative and a third neutral panel member agreed upon by the first two panel members or, failing that, from a list provided by the California State Mediation and Conciliation Service. Such selection shall occur within three (3) work days of August 1.

b. Such arbitration shall occur within five (5) work days of August 1.

c. The sole issues for arbitration shall be (i) whether the HBC's plan design recommendations come within the District contribution obligation plus carryover "reserve fund" balances (if any), and/or (ii) whether the District has fulfilled its contribution obligations under this Agreement. The arbitration panel shall have no authority to increase the District's contribution as set forth in this Agreement. The arbitration panel shall issue a written decision no later than three (3) work days following the hearing.

d. If the arbitration panel decides that the HBC's plan recommendations do not come within the District's defined total contribution obligation plus carryover balances, if any, the panel shall refer the issue of plan design back to the HBC. The HBC shall then have up to seven (7) working days from the date of the

panel's decision to submit a new plan recommendation to the Panel and to the District. The arbitration panel shall thereafter have five (5) working days to determine if the amended plan comes within the defined total aggregate contribution obligation for the upcoming plan year, and if it does not, the panel, shall prescribe its own amended plan to come within the District's contribution obligation plus carryover balances, if any, which shall be binding on the parties.

3. Expedited Arbitration Procedure if HBC claims that the Board of Education has withheld approval of an HBC-negotiated vendor contract without good and sufficient cause:

a. This procedure is available only if the vendor contract was submitted to the District on a timely basis (i.e., on or before August 1), and if the procedure is invoked in writing by the HBC no later than five (5) calendar days from the date the Board of Education declines to approve the HBC-designated vendor.

b. Such issue shall immediately be submitted to expedited binding arbitration before a panel, selected per section 2.a. and with the arbitration occurring within the time limit of section 2.b. above.

c. The sole issue for arbitration shall be whether the District's Board has withheld such approval without good and sufficient cause. The arbitration panel shall issue a written decision no later than three (3) work days following the hearing.

d. If the panel decides that the Board's action was taken without good and sufficient cause, the panel shall direct the District to approve the vendor contract in dispute. If the panel decides that the Board action was taken for good and sufficient cause, it shall remit the matter to the HBC to re-negotiate the vendor contract consistent with the cause found, for re-submittal to the Board for its requested approval. All such procedures must be completed within 17 days of August 1.

4. Procedure If District Asserts HBC Proposed Action is Illegal:

a. If the District asserts that any proposed action of the HBC would be illegal, it shall notify the HBC as soon as possible in writing, together with a brief summary of legal authorities and reasoning for this assertion.

b. The HBC may respond to the District in writing within five (5) work days with a brief summary of legal authorities and reasoning in support of its position that the proposed HBC action is legal. If the HBC does not submit such writing within this time frame, the HBC shall propose new action which complies with the District's legal opinion. The District will notify the HBC within five (5) workdays of such HBC response (ii above) as to whether the District has changed or maintained its opinion on the legality of proposed HBC action. In any event, the HBC's proposed action shall comply with the District's legal opinion.

5. Mediation procedure if District asserts that a planned change would be inequitable and/or would adversely impact the best interests of the District and/or its present or future Plan participants:

a. If the District makes the assertion stated in section 5 immediately above, it shall notify the HBC as soon as possible, whereupon the matter shall be submitted to mediation immediately.

b. The parties may agree on a mediator or request a mediator from the California State Mediation and Conciliation Service.

c. The mediation shall be held as soon as possible, but in no event later than ten (10) work days following selection of the mediator.

d. The mediation shall last no longer than one (1) day, at the end of which the mediator shall inform the parties verbally of his/her recommendations. The mediator shall provide the parties with a written summary of such recommendations within three (3) workdays following the mediation.

e. The parties shall consider the recommendations of the mediator to determine whether agreement can be reached on the HBC's recommendations. To whatever extent agreement cannot be reached, the HBC's planned change (whether modified or not) shall be implemented.

6. Costs: If the time lines set forth above are not met and cause a delay in the open enrollment period and/or January 1 of the upcoming calendar (Plan) year such open enrollment and/or new plan structure shall not occur until such time as the foregoing processes are completed. In such case, the parties' agreement and/or the arbitration panel's decision, or, in any event, the HBC's final action shall include provisions for the recovery of District costs in excess of its required total contribution caused by maintenance of the status quo benefits structure beyond January 1.

7. District Implementation: If after exhaustion of the procedures set forth above, the HBC fails to or refuses to take action to contain health and welfare costs within the District's defined total aggregate contribution level, the District may 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 defined total aggregate contribution level.

8. Unspent Funds and Excess Costs: Any unspent funds in the health fund (after all costs for the year in question have been covered) shall remain as an ending balance in the fund and carried over as a beginning balance to the next calendar year as part of the "reserve fund." Such a balance is one-time money that shall be applied to offset increases in benefits costs, if needed. Conversely, if actual costs for the year exceed the District's contribution as set forth herein and carryover balances, if any, such amount shall be deducted from the District's contribution obligation for the following year.

VI. WITHDRAWAL FROM PLANS

Prior to the November census of participants for any given year, each union and the District shall have the option of informing (in writing) the HBC of its intention to remove its pro-rata share of Health Plan expenditures (based on the active and retired participants represented by each union or by the District) and to establish a separate plan for its participants to be implemented for such removed participants for the second January 1 upcoming (e.g., a notice given October 30 of 2015 would be subject to implementation (assuming that it is finalized) effective January 1, 2016).

VII. NEWER EMPLOYEES' ELIGIBILITY FOR RETIREE BENEFITS

1. General Rule: Effective with employees hired on or after April 1, 2009, the years of qualifying service and age must total at least eighty-five (85) in order to qualify for retiree health benefits. This must include a minimum of twenty five (25) consecutive years of service with the District immediately prior to retirement.

2. Rule for School Police: Effective with School Police (sworn personnel) hired on or after April 1, 2009, the years of qualifying service and age must total at least eighty (80) in order to qualify for retiree health benefits. This must include a minimum of twenty (20) consecutive years of service with the District immediately prior to retirement.

VIII. ALTERNATIVES TO REDUCE UNFUNDED LIABILITY FOR RETIREE BENEFITS (GASB 45)

1. Subcommittee: The parties agree to the establishment of a subcommittee, equally seated and comprised of three (3) representatives appointed by the District and three (3) representatives appointed by the unions' party to this Agreement through the auspices of the HBC.

2. Agenda: The committee shall meet no less than once per month, and more often if mutually agreed. The committee shall meet to discuss alternatives for reducing the District's unfunded liability for retiree benefits that is the subject of GASB 45. The agenda, including specific subjects that either party desires to discuss, shall be developed through input and submissions from the respective representatives.

3. Recommendations: Within six (6) months from the establishment of the subcommittee referenced herein, a written report containing the alternatives discussed together with any specific recommendations shall be submitted to the HBC and the District. Any such recommendation may be implemented upon mutual agreement of the HBC unions and the District.

IX. IMPACTS OF LEGISLATION

The parties shall, upon the request of either the District or the unions (collectively), meet and negotiate over the impact (if any) of newly adopted state or national legislation or regulations upon the Health Plans or this Agreement, including but not limited to any legislation or implementing regulations arising under the Health Care Reform and Affordable Care Act of 2010, or Court decisions affecting such legislation or regulations, including but not limited to reopening of current terms of this Agreement to respond to such matters.

X. TERM OF AGREEMENT

This Agreement shall, as provided in Section IV above, cover the Health Plan years 2015, 2016 and 2017, and expire December 31, 2017, unless the contingency stated in Section IV-5 occurs, in which case this Agreement shall automatically be extended to cover 2018 and thereby expire December 31, 2018.

XI. STATUS QUO UPON EXPIRATION OF AGREEMENT

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, subject to upward adjustment due to existing ending reserve fund balances (if any), and/or to downward adjustment to reflect prior year expenditures which exceeded the then-current contribution obligation (if any).

XII. ENTIRE AGREEMENT

This document contains and embodies the final and entire agreement between the parties governing the provision of Plan benefits to District employees for 2015-17 (and subject to extension through 2018, as provided above), replacing and superseding all prior negotiations, proposals, the 2012-14 Health Benefits Agreement, and the parties' summary tentative agreement dated March 30, 2015. The parties shall not be bound by any requirements or understandings dealing with the financial provisions for 2015-18 Health Benefits that are not explicitly stated in this Agreement. This Agreement may be amended or supplemented, but only by mutual written agreement.

IT IS SO AGREED:

Dated: 8/12/2015

By: _____
On behalf of Los Angeles Unified School District

Dated: 21 July 15

By: _____
On behalf of United Teachers Los Angeles

Dated: 15 JUL 15

By: _____
On behalf of Associated Administrators of Los Angeles

Dated: 8/3/15

By: _____
On behalf of California School Employees Association

Dated: 7-15-2015

By: _____
On behalf of Los Angeles/Orange Counties Building and Construction Trades Council

Dated: 7/17/15

By: _____
On behalf of Los Angeles School Police Association

Dated: 7/17/2015

By: _____
On behalf of Los Angeles School Police Management Association

Dated: 8/03/15

By: _____
On behalf of SEIU, Local 99

Dated: 7/23/15

By: _____
On behalf of Teamsters Local 572

Adopted and approved by the Board of Education on:

Dated: 6/23/2015

By: _____
Richard Vladovic, Board President