Los Angeles Valley College

5800 Fulton Avenue
Valley Glen, CA 91401

Follow-Up Report

March 15, 2009

Submitted to the Accrediting Commission
for Community and Junior Colleges

Western Association
of Schools and Colleges

Accreditation Follow-Up Report

Submitted by Los Angeles Valley College

March 15, 2009

Approved by the LACCD Board of Trustees February 25, 2009

Kelly G. Candaele, President

2-25-09

Dated

Table of Contents

ALL EVIDENCE CITED CAN BE FOUND
ON THE ACCOMPANYING CD

Statement on Report Preparation

In preparation for submitting this follow-up report, the college solicited information and evidence from the Los Angeles Community College District. Information and evidence was supplied by Deborah Kaye, the District Liaison for Accreditation, who obtained it from the District Controller and the AFT College Faculty Guild.

The report was reviewed and approved by the college Academic Senate on February 19, 2009 and by the College Council, the college's primary shared governance body, on February 24, 2009.

On February 25, 2009, the Board of Trustees' Committee on Planning and Student Success heard a presentation from the college and approved the report. All of the Board members received copies of the report prior to the meeting.

Dr. Sue Carleo, Acting President, Los Angeles Valley College

Commission Recommendation 1: District Plan for Retiree Health Benefit Liability (New)
The Commission is seeking evidence that the District has developed, implemented, and adhered to a plan which will address the unfunded retiree health benefit liability to assure out-year obligations are met without significant negative impact on the financial health of the institution. (Standard 111.D.J.c)

The LACCD has taken significant steps to address the issue of its unfunded liability for retiree health care. The GASB-mandated accounting standards require public employers to determine and report their actuarial obligation for "other post-employment benefits (OPEB)" -- primarily retiree health insurance -- and to develop a plan for addressing those obligations.

The LACCD's initial actuarial study in 2005 calculated its retiree health benefit liability as $623.2 million (1.1). The large figure was not surprising for a district that has provided pay-as-you-go retiree health care coverage since its inception in 1969, but the district's unions and management recognized that the liability could be reduced by prudent pre-funding of a portion of the unfunded obligation through an irrevocable trust.

In Fall 2006 the district's six unions and the Board of Trustees approved a negotiated agreement to begin partial prefunding by ***annually*** directing 1.92% of the previous fiscal year's fulltime employee payroll into an irrevocable trust. The district's fulltime employees gave up almost one-third of the 5.92% Cost of Living Allowance (COLA) provided to community colleges in 2006-07 by the State of California. In effect, LACCD employees agreed that, on an ongoing basis, their salaries would be almost 2% lower than they would otherwise have been, in order to secure retiree health care for themselves and future fulltime employees of the district. The money saved through this sacrifice of salary would create an ongoing annual stream of revenue into the district's OPEB trust. In addition, LACCD management and unions agreed that an amount equivalent to the district's annual Medicare D refund would also be diverted from the district's operating budget into the OPEB trust.

The district and its unions conducted a thorough review of options for the irrevocable trust and determined that they wanted CalPERS to manage it. Because the law at the time restricted access to CalPERS trusts to agencies that participated in the PEMHCA health plans, the district and its unions worked actively to change the law to allow the LACCD (and other non-PEMHCA agencies) to pre-fund its OPEB obligation through a CalPERS-managed trust. The district had a second actuarial study completed in accordance with CalPERS guidelines (1.2). In fall 2007 Governor Schwarzenegger signed AB 554 (Hernandez), and in spring 2008, the LACCD moved its accumulated funds from the Los Angeles County Treasurer to a CalPERS-managed irrevocable trust. As of Fall 2008, the balance in the trust was $11,518,103.

During 2007, Governor Schwarzenegger's Commission on Public Employee Post-Employment Benefits held hearings across California and issued a report with recommendations on how the problem of unfunded OPEB benefits could best be addressed (1.3). Former LACCD Chancellor Rocky Young and LA College Faculty

Guild President Carl Friedlander made a joint presentation to the Commission on the LACCD pre-funding plan at a hearing at UCLA in September 2007. The Commission included the LACCD plan as a case study and a model of a "hybrid" solution that fully prefunds the obligation for young and future employees while prefunding a portion of the obligation (and continuing pay-as-you-go) for those closer to retirement. At a press conference presenting the Commission's report on January 7, 2008, Commission Chair Gerald Parsky made the following comments:

> " As part of our mission, we surveyed approaches taken by various municipalities to fund their pension and retiree health care obligations. We present these findings in the "case studies" section of the report.
>
> Looking at these case studies, I think you will see that many of our state's local governments have been taking this issue very seriously and have implemented some very effective and innovative approaches to funding their liabilities.
>
> Specifically, I encourage you to take a close look at Santa Clara County, Los Angeles Community College District, Modesto City Schools District and Central Valley Health Trust. Each of these entities has implemented what we regard as some of the best practices."

With our prefunding plan, our annual costs are actually $41,228,000, and our anticipated funding for 2008 is $38,193,000, which is 93% of the annual costs. (The 2008 figure is higher than anticipated in subsequent years because it includes a two-year accumulation of prefunding in addition to that year's pay-as-you-go costs.) The second year, we project our funding to be at approximately 80%. The district's very successful Joint Labor-Management Benefits Committee continues to work diligently to find ways to control the cost of health care for both active and retired employees while continuing to monitor the national debate on the future of American health care. The district is also working to identify other revenue sources by studying the feasibility of issuing an OPEB obligation bond and exploring the possibility of directing toward OPEB a portion of the revenue expected from new public-private partnerships and the sale and/or lease of some district assets.

<u>Evidence</u>

1.1 LACCD Actuarial Valuation, July 1, 2005, Retiree Health Insurance Program

1.2 Actuarial Valuation Study, Post-Retiree Health Benefits, April 23, 2008

1.3 Funding Pensions & Retiree Health Care for Public Employees, a report of the Public Employees Post-Employment Benefits Commission (seep. 169-173)