

SOUTH COUNTY COMMUNITY COLLEGE DISTRICT

TO: Board of Trustees
FROM: William J. Moore, Superintendent
DATE: July 17, 1984
SUBJECT: Recommendation #41
Adoption of Resolution No. 3-845 - Establishing a Self-Insurance
Fund for Funding Retiree Medical Benefits

I recommend that Resolution No. 3-845 be approved, establishing
a self-insurance fund for funding retiree medical benefits.

Action of Board of Trustees

_____ APPROVED

_____ DISAPPROVED

_____ TABLED

Date

Secretary, Board of Trustees

RESOLUTION NO. 3-845

Establishing a Self-Insurance Fund
for Funding Retiree Medical Benefits

WHEREAS, Section 81602 of the California Education Code authorizes the establishment of a Self-Insurance Fund; and

WHEREAS, South County Community College District has determined the desirability of establishing a self-insurance fund for funding district retiree medical benefits; and

WHEREAS, the District has complied with that portion of Section 81602 relative to an actuarial study and public notification;

NOW, THEREFORE BE IT RESOLVED, that the South County Community College District hereby establishes a Self-Insurance Fund in the County Treasury for the above stated purpose.

PASSED AND ADOPTED by the following called vote this 17th day of July, 1984:

AYES:

NOES:

ABSENT:

Secretary of the Board of Trustees of
South County Community College District
State of California

ADOPTION OF
RESOLUTION
NO. 3-845-
ESTABLISHING A
SELF-INSURANCE
FUND FOR
RETIREE
MEDICAL
BENEFITS

Mr. Jarvis made a motion seconded by Mr. Van Etten to approve Recommendation #41 adopting Resolution No. 3-845 establishing a self-insurance fund for funding retiree medical benefits.

Mr. Van Etten said the Board has discussed this matter a lot but he is still worried - when he promised something, he wanted to follow through. He said with the news he gets each day from Sacramento, it seems to be getting darker instead of lighter all of the time. He noted that he has been retired for twelve years and has received benefits and yet he was uncertain about funding this program. Mrs. Hudgins said the Board is committing itself for this calendar year. Mr. Van Etten said that wasn't the way he read this resolution - once this fund is established, the Board will continue it. Mr. Jarvis explained that the Board is voting to establish the fund and to put a certain amount of money into it this year, and next year the Board will have to decide whether to put anything in it. He noted that it is the recommendation that the fund be continuously funded but the Board is not voting on that issue but for this year.

Mr. Timm said the half million dollars in the fund would have already been in the budget for the coming year in a sense that the actual cost of the premiums would have been paid and they will be taken from this fund once it is established. Upon questioning, Mr. Lovell replied it will be about \$141,000 for this year. Mr. Timm said that means an increment of about \$360,000 will go into the fund. He asked if calculations had been done on a schedule it will take on the cost of non-retirees to fund their premiums. Dr. Moore said for current retirees the cost is about \$1.5 million. Upon questioning, Mr. Lovell replied this is the actual cash required to pay premiums based on the current premium rate. He said based on life expectancy the total cost would be \$1.5 Million actual cash for those currently retired. He noted that by putting that money aside on a yearly basis the amount of interest would hopefully be equivalent to the premiums. Mr. Timm asked if the current retirees would be fully funded and Mr. Lovell said yes. Mr. Timm pointed out that the Board would have to look at the additions each year. Mr. Chinn noted that the Board has been considering some HMO's other than Kaiser, and no decision has been made at this point. He asked if the Board was obligated by the contract that any HMO the Board may move to other than Kaiser must provide the same benefits. Dr. Moore said the Board is obligated by the contract to consult with and obtain the concurrences of the collective bargaining units for a change from the present carrier to another.

Mr. Duman said this motion seems to establish a self-insurance fund and does not say how much money goes into it. Dr. Moore explained that those are two separate actions and that the Board has acted to set aside \$500,000 for this fund by its approval of the Tentative Budget and if it continues to hold its present view and the Board adopts the Final Budget it will have allocated \$500,000 for this fund. Mr. Duman asked what was the reasonable amount of a self-insurance fund. He said a self-insurance fund is being created and once it is created it must be funded. He thought voting for a self-insurance fund is different than saying the Board has locked up \$500,000 for a down payment. He asked if the Board wasn't obligated to pay this when it is created. Mr. Van Etten said his interpretation was that the Board is establishing the fund this year and will go into it next year. Mr. Jarvis said no, the Board is not voting to put any money into it but merely establishing it. He noted that the Board has already given the administration guidance that it is the Board's express desire to put \$500,000 into

the fund - because that is in the Tentative Budget and unless the Board makes a change that money will go in the fund this year. He pointed out that the Board has to pay out the money anyway whether by establishing this fund or taking the money out of the Final Budget. He said this gives the Board the additional guarantee of putting this money away so it won't come under attack by any other agency.

Dr. Moore said he agreed with Mr. Jarvis. To clarify what Mr. Duman's question is, he said, he understood him to be asking about an all or nothing proposition, i.e., if the self-insurance fund is established will the Board be obligated to see to it that it is fully funded? Mr. Duman said he was not saying this is a debt but establishing a self-insurance fund, and there are certain criteria as to what is an insurance fund. Dr. Moore said it was his understanding from the Counsel Counsel and actuary that it is good and proper and legitimate for the Board to establish this kind of fund in this manner and then put money into it as it is able and willing to do so. But, he said, neither of these actions, by the creation of the fund nor initially to put money in it, is the Board obligated to fully fund it. Mr. Chinn said regardless, next year is a tighter budget and the Board will not be relieved of the responsibility of paying these retired people. He said this takes the money out of the General Fund.

Mr. Van Etten said Dr. Moore said the Board puts money in the fund if it is able. He said the Board has an obligation and not if it is able, but a definite obligation. Dr. Moore said that was correct, but the Board is not required to invest in this fund a certain amount of money. He pointed out that the administration will make the recommendations but it is the Board's decision each year as to how much it wants to put in the fund. The question was called on Motion #6.

Motion carried.

AYES: Hudgins, Chinn, Jarvis, Timm, Van Etten

NOES: Duman

ABSTENTIONS: Wiedman