

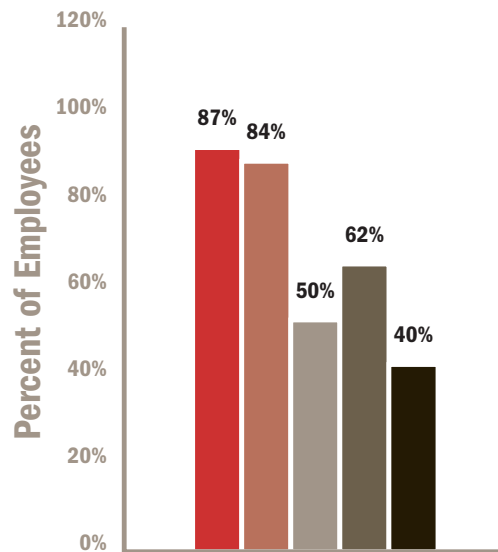
Health Care Coverage Worsens for Retired Educators Uncertain Coverage Spells an Uncertain Retirement

Rising health care costs, coupled with less coverage by school employers, threatens a secure retirement for California's public school teachers.

A recent survey conducted by the California State Teachers' Retirement System (CalSTRS) reveals that 62 percent of employees, 65 years old and older, do not receive any financial assistance in their health care coverage from their employers.

Table 1: No Employer Support After Age 65

■ Under 200 employees
■ 200 to 499 employees
■ 500 or more employees
■ All reporting employers
■ 2003 survey (all sizes)



Source: CalSTRS, May 2007

62 percent of employees age 65 and older do not receive any financial assistance in their health care coverage from their employers.

CalSTRS Board Action

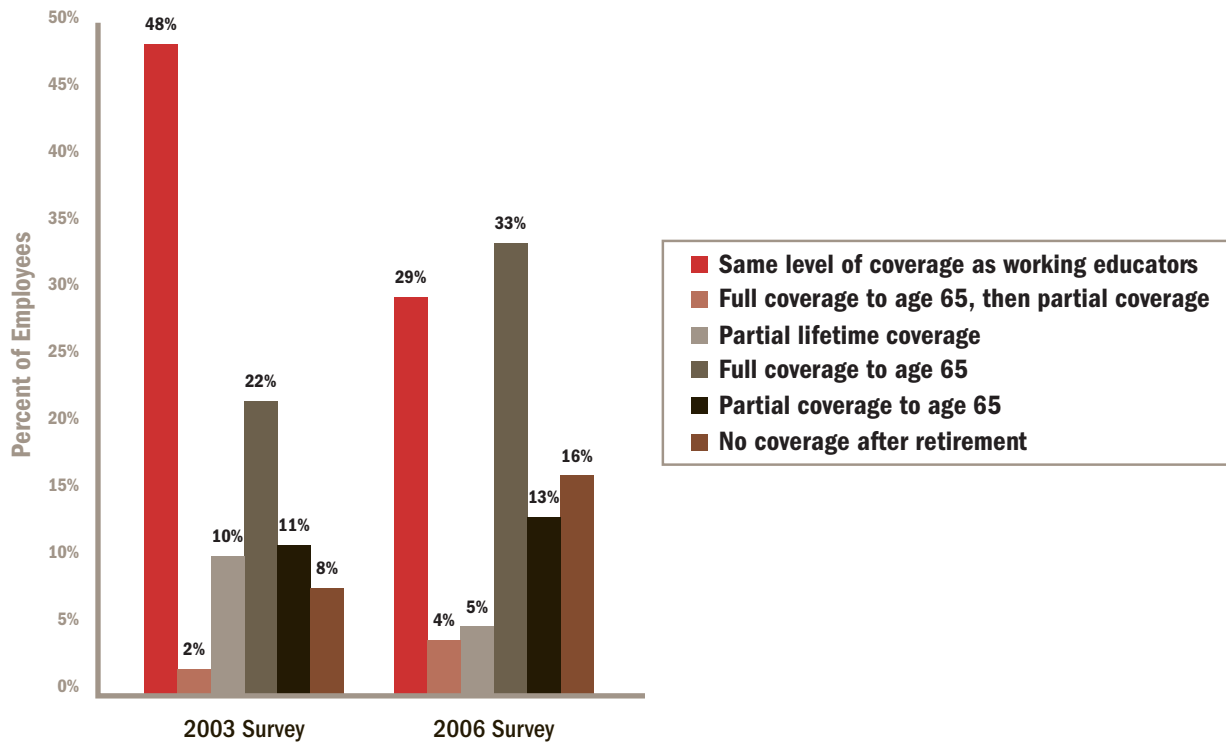
In 2000, the board began taking action to help ease the health care burden for retired members.

- Medicare Part A (hospital care) payments to eligible members after 2001
- Employer Health Care Survey conducted in 2003 and 2006
- Health Care Task Force created in 2006
- Participation in the statewide health care discussion

CalSTRS Benefit Recipient At a Glance

- Average Pension: \$2,741 per month
- Average Service Years: 26
- Average Age at Retirement: 61
- Average Pension Replaces: 63 percent of salary
- 62 percent are women
- 181,833 members receive a pension benefit
- 62 percent of those 65 years and older do not receive health care coverage from their employers
- Retired members do not receive Social Security for CalSTRS years

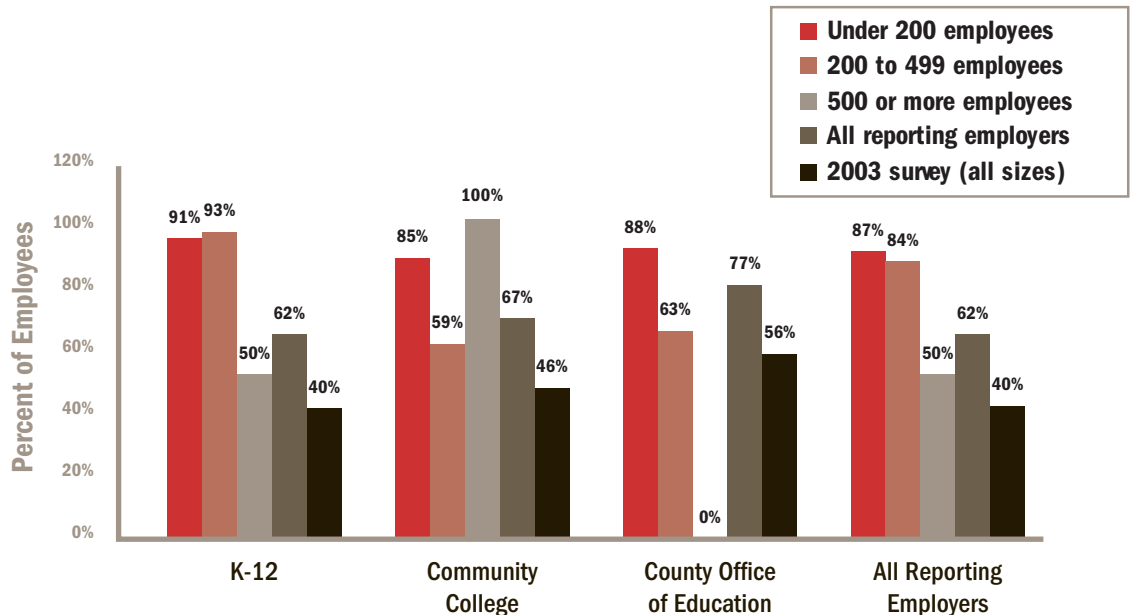
Table 2: Level of Coverage has Decreased



Source: CalSTRS, May 2007

Although 84 percent of retirees received partially funded health care coverage, the percentage of retirees who receive the same level of coverage as working educators has decreased, and the percentage of retirees who receive no coverage after retirement has increased since 2003.

Table 3: 62 Percent of Retired Educators Receive No Employer Support After Age 65



Source: CalSTRS, May 2007

62 percent of retired educators age 65 and older do not receive any financial assistance in their health care coverage from their employers. The survey shows that 86 percent of employers do not pay for that group, which is an increase from 78 percent in 2003.

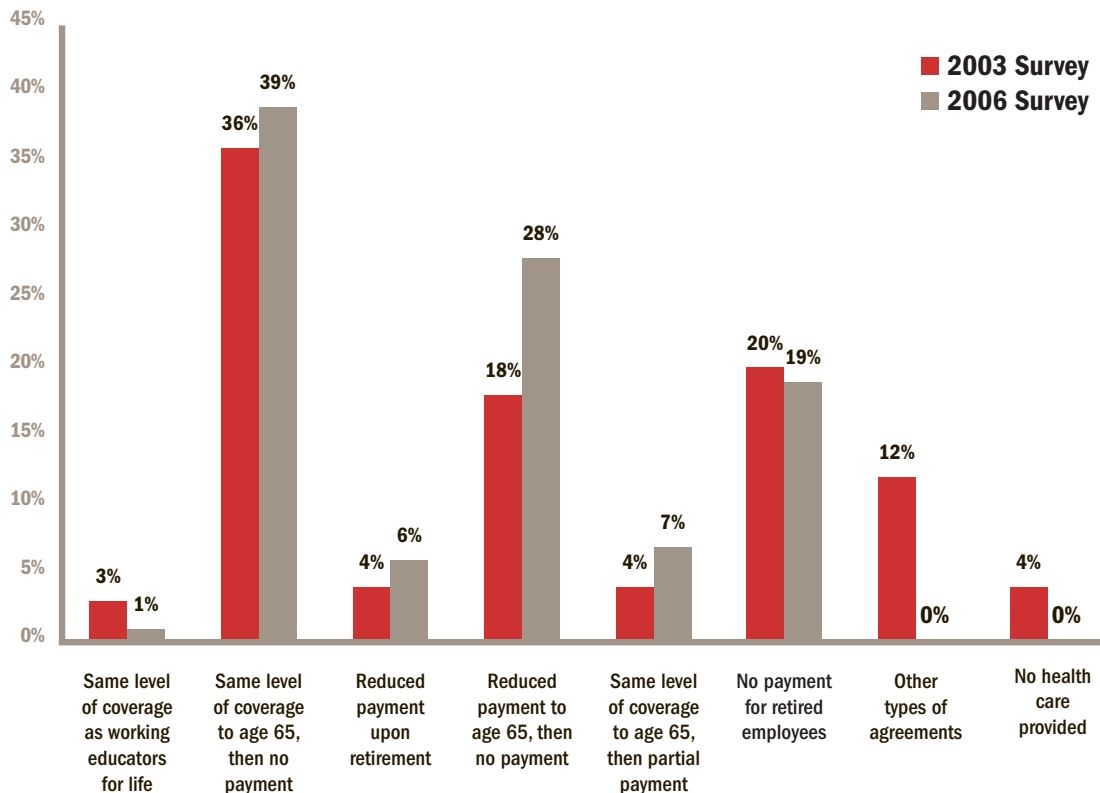
2006 Employer Health Care Survey Methodology

A questionnaire developed by CalSTRS staff was mailed to 1,114 human resources administrators in county offices of education, community college districts and K-12 school districts. Of those, 386 responded, representing a 35 percent return.

The questionnaire was broken into five major components:

- Active member health care coverage and costs
- Retired certificated members health care coverage and costs
- Active and retired health care cost increases over the last three years
- Information about how the employers are handling benefit obligation disclosure requirements imposed by the Government Accounting Standards Board (GASB)
- Payment or reimbursement for Medicare and health care coverage for disability

Table 4: Fewer Employers Pay for Retiree Health Care



Source: CalSTRS, May 2007

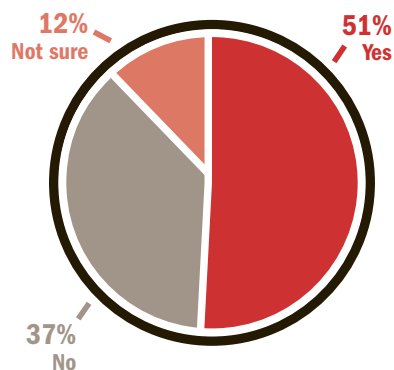
There has been an increase in the percentage of employers surveyed who do not pay for employee health care coverage after age 65. 19 percent of employers surveyed offer no employer-paid health care for any retired employees.

2006 Employer Health Care Survey Key Findings



- 1 percent of employers provide the same level of health benefit premium support for their retired employees as it does for current employees. This is a decrease from 3 percent in 2003. That level of support is provided by most employers only to employees who were either hired or retired prior to a specific date.
- 86 percent of employers (employing 62 percent of the employees) provide no payment for health benefits for retired employees after age 65. This is an increase from 78 percent of employers in 2003. The affordability of health care after age 65 was a problem in 2003, which has only gotten worse.
- 19 percent of employers provide no subsidies for health care for any retired employee.
- 11 employers, less than 3 percent of those who responded to the survey, provide full or partial premium payment for Medicare Part B (doctor visits).
- During the past three years, health care costs increased to a lesser degree than employers anticipated when they were surveyed in 2003.
- Employers reported one way they plan to reduce future employer costs is to impose higher co-payments on their employees.
- 50 percent of employers have hired a consultant to lead them through the Government Accounting Standards Board (GASB) reporting requirements. An additional 2 percent have consulted with CalSTRS or CalPERS on GASB provisions. 19 percent reported they are not subject to GASB because they don't offer employer-paid post-retirement health care.

Table 5: Employer Interest in Benefits Pool



Source: CalSTRS, May 2007

A little more than half of the survey respondents reported an interest in participating in a statewide health benefits pool. Their top reasons for this interest include the potential for lower employer and employee costs and possible lower co-pays for deductibles.

Next Steps

CalSTRS will continue to advocate for practical solutions to health care problems facing California public school educators.

1. Continue to pay Medicare Part A (hospital care) for eligible members when extended by the CalSTRS Board
2. Conduct a third Employer Health Care Survey in 2009
3. Continue to convene the CalSTRS Health Care Task Force
4. Act on recommendations of the Task Force to assist retired members with health care costs
5. Continue to assist with legislatively required study about a statewide employer health benefits pool

Contact:
Jennifer Baker
Director,
Governmental Affairs
& Program Analysis
jbaker@CalSTRS.com

California State
Teachers' Retirement
System
P.O. Box 15275
Sacramento, CA
95851-0275
800-228-5453
TTY 916-229-3541
www.CalSTRS.com