



**OFFICE OF THE CITY AUDITOR**  
Long Beach, California

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For Immediate Release  
October 11, 2007

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**HEALTH CARE BENEFIT LEGISLATION  
COULD SAVE LONG BEACH \$14 MILLION**

Long Beach City Auditor Laura Doud today commended Governor Arnold Schwarzenegger for signing AB 554 (Hernandez) to permit public agencies to reduce their retiree health care costs.

AB 554 permits all local agencies in the state to participate in the California Public Employees' Retirement System (CalPERS) Pre-Funded Health Plan. Without this legislation, many jurisdictions, including Long Beach, were unable to participate in the Plan because Long Beach does not also participate in CalPERS' health plan. This legislation removes that limitation.

"As a supporter from the beginning with Mayor Bob Foster, I congratulate Governor Schwarzenegger for bringing this unique investment strategy to reality," Doud stated. "Assisting local governments by allowing them to participate in the investment strength of large and well-funded state funds, such as CalPERS, reduces future liability burdens, thus saving the taxpayers of Long Beach millions of dollars."

Under the Pre-Funded Health Plan, CalPERS invests local contributions, much as it currently does for local agency and employee pension contributions. Interest earned on the investments is used to offset the local agency's costs for meeting the health care obligations of its retirees, just as the interest earnings on CalPERS' investments offset the pension obligations of its retirees.

"While in very good shape compared to other jurisdictions around the state, the City of Long Beach has an unfunded retiree health care liability approaching \$90 million. That is not how much we owe today. That is the difference between our likely obligations over the next thirty years and how much money we will have to pay those obligations, if our annual budgeted payments continue at current levels," Doud said.

If the City of Long Beach participates in the CalPERS pre-funding plan, it will potentially reduce its future unfunded liability by up to \$14 million over the next 30 years.

"Pre-funding is absolutely the best option available to address long-term costs for retiree health care and other post-employment benefits. The Governor's signature on this bill enables the City to take advantage of that option," Doud stated.

Doud said she will initiate meetings with other City officials to determine how Long Beach can best benefit from the legislation starting in the next fiscal year. AB 554 takes effect on January 1, 2008.

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