

**Introduced by Senator Soto**

February 15, 2002

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An act to amend Section 22825 of the Government Code, relating to public employees, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

SB 1464, as introduced, Soto. Public employees' health care benefits: employer contributions.

The Public Employees' Medical and Hospital Care Act provides for health benefits plans and contracts for state employees and sets forth the state employer's contributions to those plans, which contributions are deposited into 2 continuously appropriated funds. Pursuant to these provisions, the state employer's contribution for each employee or annuitant is required to be the amount necessary to pay the cost of enrollment for that employee or annuitant, including any family members enrolled in a health benefit plan, or if less, \$16 per month.

This bill would increase the above amount to \$97 per month on January 1, 2003, and would require that amount to be adjusted annually by the board to reflect any change in the Consumer Price Index. By increasing the contributions to continuously appropriated funds, the bill would make an appropriation.

Vote: majority. Appropriation: yes. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. The Legislature finds and declares all of the  
2 following:

1 (a) Retired public employees live on fixed incomes that have  
2 eroded significantly over the last several years due to inflation.

3 (b) In order to meet basic day-to-day living essentials, retirees  
4 depend on supplemental benefits, such as health care coverage,  
5 and even more so on their pensions, which under the California  
6 Public Employees' Retirement System (CalPERS), are subject to  
7 a minimum 2 percent cost-of-living adjustment each year.

8 (c) As inflation continues to diminish the real value of a  
9 retiree's pension, the portion of living expenses a retiree depends  
10 on from the plan decreases, thereby making retirement planning  
11 more difficult and sometimes impossible.

12 (d) Finding affordable quality health care has become virtually  
13 impossible in today's challenged market, especially for retirees, as  
14 a result of skyrocketing health care costs, including soaring  
15 prescription drug fees, the costs of which are increasing several  
16 times faster than other healthcare services.

17 (e) The CalPERS board is charged with the administration of  
18 the Public Employees' Medical and Hospital Care Act  
19 (PEMHCA), which provides health benefits for hundreds of  
20 thousands of active and retired public employees whose employers  
21 contract with CalPERS for health benefits.

22 (f) Due to consistently high medical inflation rates, CalPERS  
23 recently deemed it necessary to approve health care premium  
24 increases under PEMHCA.

25 (g) With high medical inflation rates, subsequent health care  
26 premium increases and a restricted 2 percent annual inflationary  
27 cap on CalPERS pensions, retiree medical costs over time  
28 consume, and in some cases exceed, a retired member's pension  
29 allowance, leaving nothing for other day-to-day necessities.

30 (h) The minimum amount an employer participating in  
31 PEMHCA must pay on behalf of its retirees for health care  
32 coverage has not changed since 1962, with no adjustment for  
33 inflation since its enactment nearly 40 years ago.

34 (i) It is the intent of the Legislature to increase the existing  
35 minimum employer paid PEMHCA contribution, adjusting it  
36 annually for future inflation.

37 SEC. 2. Section 22825 of the Government Code is amended  
38 to read:

39 22825. (a) The employer and each employee or annuitant  
40 shall contribute a portion of the cost of providing for each



1 employee and annuitant the benefit coverage afforded under any  
2 health benefit plan ~~which~~ *that* the board has approved or for which  
3 it has executed a contract pursuant to this part, and in which the  
4 employee or annuitant may be enrolled.

5 The employer's contribution for each employee or annuitant  
6 shall be the amount necessary to pay the cost of his or her  
7 enrollment, including the enrollment of his *or her* family  
8 members, in a health benefits plan or plans, or, if less, *as follows*:

9 (1) *Prior to January 1, 2003, sixteen dollars (\$16) per month.*

10 (2) *On or after January 1, 2003, ninety-seven dollars (\$97) per*  
11 *month, which shall be adjusted annually by the board to reflect any*  
12 *change in the Consumer Price Index.* There shall be only one ~~such~~  
13 contribution with respect to all annuitants receiving allowances as  
14 survivors of the same employee or annuitant.

15 The contribution of each employee and annuitant shall be the  
16 total cost per month of the benefit coverage afforded him or her  
17 under the plan or plans less the portion thereof to be contributed  
18 by the employer.

19 (b) If the provisions of this section are in conflict with the  
20 provisions of a memorandum of understanding reached pursuant  
21 to Section 3517.5, the memorandum of understanding shall be  
22 controlling without further legislative action, except that if such  
23 provisions of a memorandum of understanding require the  
24 expenditure of funds, the provisions ~~shall~~ *may* not become  
25 effective unless approved by the Legislature in the annual Budget  
26 Act.

