

**Assembly Bill No. 554**

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Passed the Assembly September 10, 2007

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*Chief Clerk of the Assembly*

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Passed the Senate September 6, 2007

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*Secretary of the Senate*

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This bill was received by the Governor this \_\_\_\_\_ day  
of \_\_\_\_\_, 2007, at \_\_\_\_\_ o'clock \_\_\_\_M.

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*Private Secretary of the Governor*

## CHAPTER \_\_\_\_\_

An act to amend Section 22940 of, to amend, renumber, and add Section 22942 of, to add Section 22944.2 to, and to repeal and add Section 22944 of, the Government Code, relating to public employees' benefits.

## LEGISLATIVE COUNSEL'S DIGEST

AB 554, Hernandez. Public employees: benefits.

The Public Employees' Medical and Hospital Care Act permits an employer to elect to participate in the prefunding of health care coverage for annuitants. Under that law, if an employer elects to participate in the prefunding of health care coverage for annuitants, the Board of Administration of the Public Employees' Retirement System determines the contribution rate for that employer. That law requires the board of administration to notify each employer that provides retirement benefits through the Public Employees' Retirement System of that employer's contribution rate, regardless of whether that employer participates in the prefunding of health care coverage.

This bill would revise and recast those provisions to permit the Board of Administration of the Public Employees' Retirement System to authorize an employer to participate in the prefunding of health care coverage and other postemployment benefits for annuitants. The bill would require a participating employer to contract with the board of administration regarding specified terms and conditions of the prefunding of health care coverage and other postemployment benefits.

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

SECTION 1. Section 22940 of the Government Code is amended to read:

22940. There is in the State Treasury the Annuitants' Health Care Coverage Fund that is a trust fund and a retirement fund, within the meaning of Section 17 of Article XVI of the California Constitution. Notwithstanding Section 13340, all moneys in the fund are continuously appropriated without regard to fiscal years

to the board for expenditure for the prefunding of health care coverage for annuitants pursuant to this part, including administrative costs. The board has sole and exclusive control and power over the administration and investment of the Annuitants' Health Care Coverage Fund and shall make investments pursuant to Part 3 (commencing with Section 20000).

SEC. 2. Section 22942 of the Government Code is amended and renumbered to read:

22943. An employer authorized by the board may elect to participate in the prefunding plan established by this article.

SEC. 3. Section 22942 is added to the Government Code, to read:

22942. For purposes of this article, the following definitions shall apply:

(a) "Annuitant" means any of the following:

(1) An annuitant described in Section 22760.

(2) A person who retires from employment with an employer described in paragraph (2) of subdivision (c) and who receives postemployment health care benefits or other postemployment benefits from the prefunding plan provided by that employer.

(3) A surviving family member who receives postemployment health care benefits or other postemployment benefits as a beneficiary of a deceased person described in paragraph (2).

(b) "Employee" means an employee described in Section 22772. "Employee" also means an officer or employee of an employer described in paragraph (2) of subdivision (c).

(c) "Employer" means either of the following:

(1) An employer described in Section 22773.

(2) An entity described in Section 22920 that has one or more employees and that entity provides postemployment health care benefits or other postemployment benefits to annuitants.

SEC. 4. Section 22944 of the Government Code is repealed.

SEC. 5. Section 22944 is added to the Government Code, to read:

22944. The board may, in its discretion and upon terms and conditions set by the board, authorize an employer to participate in the prefunding plan established by this article. The governing body of a participating employer shall enter into a contract with the board, setting forth the terms and conditions of that employer's participation in the prefunding plan, including, but not limited to,

funding, expenditures, and actuarial, accounting, reporting, and investment considerations.

SEC. 6. Section 22944.2 is added to the Government Code, to read:

22944.2. (a) A contract entered into between an employer and the board pursuant to Section 22944 shall not create, change, or vest the obligations of an employer or the board that were created under any other contract, law, ordinance, regulation, or similar actions to provide benefits for employees or annuitants of a participating employer.

(b) A contract between an employer and the board entered into pursuant to Section 22944, in and of itself, shall not create, change, or vest an obligation for either party to the contract to provide a specific level of postemployment health care benefits or other postemployment benefits to employees or annuitants of a participating employer.

(c) A contract between an employer and the board entered into pursuant to Section 22944, in and of itself, shall not preclude or in any way affect the authority of the employer to create, change, or vest the specific postemployment health care benefits or other postemployment benefits that the employer may choose to provide to its employees or annuitants.







Approved \_\_\_\_\_, 2007

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*Governor*