

Introduced by Senator WaltersFebruary 22, 2013

An act to add Article 7.5 (commencing with Section 22889.1) to Chapter 2 of Part 5 of Division 5 of Title 2 of the Government Code, relating to retirement.

LEGISLATIVE COUNSEL'S DIGEST

SB 774, as introduced, Walters. State employees: postemployment benefits.

The Public Employees' Medical and Hospital Care Act authorizes the Board of Administration of the Public Employees' Retirement System to contract with carriers for health benefit plans and major medical plans for employees and annuitants, as defined, and approve other specified plans.

This bill would require the Board of Administration of the Public Employees' Retirement System to develop a comprehensive plan, pursuant to specified criteria, to restructure health and other postretirement benefits, exclusive of pension benefits, for new state employees hired on or after January 1, 2015. Specified elements of the plan to be developed by the board include prefunding methods and contribution requirements, new employee vesting requirements, and employee benefit and participation options.

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

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

1 SECTION 1. Article 7.5 (commencing with Section 22889.1)
2 is added to Chapter 2 of Part 5 of Division 5 of Title 2 of the
3 Government Code, to read:

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Article 7.5. Other Postemployment Benefits

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22889.1. The Legislature finds and declares:

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(a) The purpose of this article is to reform the way the State of
9 California funds and offers other postemployment benefits,
10 including retiree health care, to new state employees hired on or
11 after January 1, 2015.

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(b) If the state wants to offer lifetime retiree health benefits to
13 new employees, it will be necessary to prefund those benefits
14 actuarially, similar to how pensions are funded.

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(c) State employees should have options for the use of the
16 contributions made by the employer and employee for
17 postemployment health benefits.

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22889.2. (a) The Board of Administration of the Public
19 Employees' Retirement System (board) shall develop a
20 comprehensive plan to restructure health and other postretirement
21 benefits, exclusive of pension benefits, for new state employees
22 hired on or after January 1, 2015, that incorporates the following
23 concepts:

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(1) A method for the state to prefund, as that term is defined in
25 Section 22781, postemployment benefits for new state employees.

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(2) A method for determining, using actuarial methods, the
27 value of a new state employee's health care benefits at any given
28 point during the employee's working years.

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(3) The state shall be required to contribute 50 percent of the
30 normal cost rate for these benefits during the new state employee's
31 working years.

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(4) A new state employee shall be required to have 20 years of
33 credited state service to be eligible for lifetime health care benefits.

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(5) A new state employee who does not have 20 years of state
35 service credit prior to retiring shall have the total of all
36 contributions made by the employer and the employee, together
37 with interest accrued, placed in a retiree health care savings account
38 upon the employee's retirement, for the benefit of the employee.

1 (6) The state shall create and the board shall administer, a system
2 of retiree health care savings accounts for those new state
3 employees subject to this article that do not receive lifetime health
4 benefits.

5 (7) A new state employee shall have the following options:

6 (A) Receive lifetime retiree health benefits, upon 20 years of
7 state service credit, if they contribute 50 percent of the normal cost
8 rate during their working years.

9 (B) Not to contribute to a state-sponsored health care benefits
10 plan and to elect instead to be placed in a defined contribution plan
11 under which the state contributes a percentage of the employee's
12 compensation into a retiree health savings account during the
13 employee's working years, which will be available for the
14 employee when he or she retires and the use of which is regulated
15 by federal law.

16 (C) Opt out of contributing to or receiving postemployment
17 health care benefits entirely in exchange for slightly higher
18 compensation, as is allowed in current law.

19 (b) The board shall submit to the Legislature, by September 1,
20 2014, a report containing the comprehensive plan required by this
21 section. This report shall not be subject to the requirements of
22 Section 9795.