

AMENDED IN SENATE APRIL 15, 2013

**SENATE BILL**

**No. 775**

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**Introduced by Senator Walters**

February 22, 2013

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An act to ~~add Article 7.5 (commencing with Section 22889.1) to Chapter 1 of Part 5 of Division 5 of Title 2 of the Government Code, relating to retirement.~~

LEGISLATIVE COUNSEL'S DIGEST

SB 775, as amended, Walters. State employees: postemployment benefits.

*Existing law requires all state and local retirement systems to secure, not less than triennially, the services of an enrolled actuary, who is to perform a valuation of the system. Existing law requires all state and local public retirement systems to secure the services of a qualified person to perform an attest audit of the system's financial statements and to provide reports in this regard to the Controller. Existing law requires the Controller to review these reports and requires the Controller to publish an annual report on the financial condition of all state and local public retirement systems, as specified.*

*This bill would require the Controller to include in its 2015 report a section that uses the data collected for that report to evaluate the actuarial feasibility and associated costs of a statewide buyout of current state employees' defined postemployment health care 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 to 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 provide current state employees, with or without vested health care benefits, certain options to receive a buyout or transfer of promised postemployment health care benefits. Specified requirements for the plan to be developed by the board include the creation and administration of retiree health care savings accounts, determination of the potential costs of the program, and development of actuarial methods to determine the present value of postretirement health care benefits.~~

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. The Controller shall include in the 2015 report~~  
 2     ~~published pursuant to Section 7504 of the Government Code a~~  
 3     ~~section that uses the data collected for that report to evaluate the~~  
 4     ~~actuarial feasibility and associated costs of a statewide buyout of~~  
 5     ~~current state employees' defined postemployment health care~~  
 6     ~~benefits.~~

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

10                     ~~Article 7.5. PostEmployment Health Care Benefits~~

11                     ~~22889.1. The Legislature finds and declares:~~

12                     ~~(a) The purpose of this article is to reduce the unfunded liability~~  
 13     ~~of the State of California's postemployment health care benefits.~~

14                     ~~(b) According to the Controller's most recent valuation report,~~  
 15     ~~the state's unfunded liability for postemployment health care~~  
 16     ~~benefits stands at \$62.1 billion.~~

17                     ~~(c) The Legislature intends to enact legislation that would enable~~  
 18     ~~the state to offer current state employees options of a buyout or~~  
 19     ~~transfer of their future health care benefits, and to enact legislation~~  
 20     ~~to administer and fund such a program.~~

21                     ~~(d) The Legislature intends to enact legislation to create a special~~  
 22     ~~fund to receive any state taxes generated from state employees~~  
 23     ~~who elect to accept a buyout of future health care benefits; the~~  
 24  
 25

1 proceeds of this fund would be used to pay down any remaining  
2 debt or unfunded liability arising from postemployment health  
3 care benefits.

4 ~~22889.2. (a) The Board of Administration of the Public~~  
5 ~~Employees' Retirement System (board) shall develop a~~  
6 ~~comprehensive plan to provide current state employees with an~~  
7 ~~option to accept a buyout of their health and other postretirement~~  
8 ~~benefits, exclusive of pension benefits, that incorporates the~~  
9 ~~following concepts:~~

10 (1) ~~The state shall offer for a limited period, not to exceed four~~  
11 ~~consecutive months, a one-time buyout option for current state~~  
12 ~~employees.~~

13 (2) ~~The state shall permit a vested, current employee to release~~  
14 ~~his or her promised retiree health benefits in exchange for one of~~  
15 ~~the following options:~~

16 (A) ~~A lump-sum cash payout of up to 80 percent of the current~~  
17 ~~value of the employee's future health benefits, as determined by~~  
18 ~~an actuary, of which amount a minimum of 20 percent would be~~  
19 ~~placed into a retiree health savings account that would be available~~  
20 ~~to the employee when he or she retires.~~

21 (B) ~~An incremental deferred compensation payout of up to 80~~  
22 ~~percent of the current value of the employee's future health~~  
23 ~~benefits, as determined by an actuary, of which amount a minimum~~  
24 ~~of 20 percent would be placed into a retiree health savings account~~  
25 ~~that would be available to the employee when he or she retires.~~

26 (C) ~~A transfer of 100 percent of the current value of the~~  
27 ~~employee's future health benefits, as determined by an actuary, to~~  
28 ~~a retiree health savings account.~~

29 (D) ~~Any combination of the above options as long as a minimum~~  
30 ~~of 20 percent of any payout or transfer is placed into a retiree health~~  
31 ~~savings account.~~

32 (3) ~~The state shall permit a nonvested, current employee to~~  
33 ~~release his or her promised retiree health benefits in exchange for~~  
34 ~~one of the following options:~~

35 (A) ~~A lump-sum cash payout of up to 80 percent of the current~~  
36 ~~value of the employee's future health benefits, as determined by~~  
37 ~~an actuary, five years from the date the employee agrees to take~~  
38 ~~the buyout option, of which amount a minimum of 20 percent~~  
39 ~~would be placed into a retiree health savings account immediately.~~

- 1 ~~(B) An incremental deferred compensation payout of up to 80~~  
2 ~~percent of the current value of the employee's future health~~  
3 ~~benefits, as determined by an actuary, beginning five years from~~  
4 ~~the date the employee agreed to take the buyout option, of which~~  
5 ~~amount a minimum of 20 percent would be placed into a retiree~~  
6 ~~health savings account immediately.~~
- 7 ~~(C) A transfer of 100 percent of the current value of the~~  
8 ~~employee's future health benefits, as determined by an actuary, to~~  
9 ~~a retiree health savings account.~~
- 10 ~~(D) Any combination of the above options as long as a minimum~~  
11 ~~of 20 percent of any payout or transfer is placed into a retiree health~~  
12 ~~savings account.~~
- 13 ~~(b) The employee shall not be relieved of any tax liability~~  
14 ~~resulting from the lump-sum or deferred compensation options.~~
- 15 ~~(e) The state shall create and the board shall administer retiree~~  
16 ~~health savings accounts for current state employees who exercise~~  
17 ~~one or more of the options under the plan.~~
- 18 ~~(d) The board shall determine the potential costs of~~  
19 ~~implementing this program.~~
- 20 ~~(e) The board shall submit to the Legislature, by September 1,~~  
21 ~~2014, a report containing the comprehensive plan required by this~~  
22 ~~section. This report shall not be subject to the requirements of~~  
23 ~~Section 9795.~~