

AMENDED IN SENATE APRIL 27, 1999

AMENDED IN SENATE APRIL 15, 1999

SENATE BILL

No. 159

Introduced by Senator Johnston
(Coauthor: Assembly Member Alquist)

January 7, 1999

An act to amend and renumber Sections 25000 and 25001 of, and to add Part 13.5 (commencing with Section 25000) to Division 1 of Title 1 of, the Education Code, relating to the State Teachers' Retirement System.

LEGISLATIVE COUNSEL'S DIGEST

SB 159, as amended, Johnston. State Teachers' Retirement System: health care benefits.

Under existing law, the State Teachers' Retirement System provides retirement, disability, and survivor benefits to members of the system and their beneficiaries.

This bill would require the system to develop a program to provide health care benefits to members of the system and to their beneficiaries, children, and dependent parents, as defined, and would require the costs incurred by the system to be paid by allocations from the Teachers' Retirement Fund as appropriated for that purpose. *Implementation of the program would require enactment of a specific statute.*

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. Section 25000 of the Education Code is
2 amended and renumbered to read:

3 24975. (a) The board may develop one or more
4 deferred compensation plans under Section 457 of the
5 Internal Revenue Code that an employer may choose to
6 establish and offer to its employees who are members of
7 the plan under this part or Part 14 (commencing with
8 Section 26000).

9 (b) If an employer adopts a deferred compensation
10 plan described in subdivision (a):

11 (1) The employer shall enter into a written
12 contractual arrangement with the system under which
13 the system, or a third-party administrator acting on behalf
14 of the system, shall provide investment, recordkeeping,
15 and administrative services for the deferred
16 compensation plan.

17 (2) The initial period of the contractual arrangement
18 described in paragraph (1) shall be for a term of five
19 years.

20 (3) The deferred compensation plan shall continue to
21 constitute a separate plan established and maintained by
22 the adopting employer.

23 (4) The system shall be treated as acting on behalf of
24 the employer in administering the deferred
25 compensation plan.

26 (5) The terms and administration of the deferred
27 compensation plan shall be in accordance with the
28 applicable provisions of Section 457 of the Internal
29 Revenue Code.

30 (6) The interest of an employee, or his or her
31 beneficiary, participating in the deferred compensation
32 plan in the assets, including amounts deferred under the
33 plan and paid over to the Teachers' Deferred
34 Compensation Fund described in Section 24976, of the
35 employer sponsoring the deferred compensation plan
36 shall not be senior to that of the general creditors of the
37 employer.



1 (7) In administering the deferred compensation plan
2 on behalf of the employer, the board shall have the same
3 investment authority and discretion and be subject to the
4 same fiduciary standards pursuant to Chapter 4
5 (commencing with Section 22250), with respect to
6 amounts deferred under the deferred compensation plan
7 as applied by the system with respect to the Teachers'
8 Retirement Fund.

9 (c) If an employer establishes and maintains a
10 deferred compensation plan described in subdivision (a),
11 the deferred compensation plan shall be offered to all of
12 its employees who are members of the plan under this
13 part or Part 14 (commencing with Section 26000).

14 (d) An employee participating in a deferred
15 compensation plan established by an employer under this
16 section shall enter into a written agreement with the
17 employer for the deferral of compensation prior to the
18 performance of the services to which that compensation
19 relates.

20 (e) If an employer chooses to establish and maintain a
21 deferred compensation plan described in subdivision (a)
22 that is to be administered by the system, the employer
23 shall take all necessary or appropriate action to
24 implement this section in cooperation with the system.

25 SEC. 2. Section 25001 of the Education Code is
26 amended and renumbered to read:

27 24976. (a) The Teachers' Deferred Compensation
28 Fund is hereby established to serve as the repository of
29 funds for the deferred compensation plans administered
30 by the system pursuant to this chapter. Notwithstanding
31 any other provision of law, the system may retain a bank
32 or trust company to serve as custodian of the moneys of
33 the Teachers' Deferred Compensation Fund and to
34 provide for safekeeping, recordkeeping, delivery,
35 securities valuation, or investment performance
36 reporting services, or services in connection with
37 investment of the Teachers' Deferred Compensation
38 Fund.



1 (b) The Teachers' Deferred Compensation Fund shall
2 consist of the following sources and receipts, and
3 disbursements shall be accounted for as set forth below:

4 (1) Premiums determined by the system and paid by
5 participating employers and employees for the cost of
6 administering the deferred compensation plan.

7 (2) Asset management fees as determined by the
8 system assessed against investment earnings of
9 investment option or of other investment funds. These
10 fees shall be disclosed to employees participating in the
11 deferred compensation plan.

12 (3) Compensation deferrals to be paid in monthly
13 installments by employers sponsoring deferred
14 compensation plans described in Section 24975 for
15 investment by the system. The moneys shall be deposited
16 in the investment corpus account within the Teachers'
17 Deferred Compensation Fund and invested in
18 accordance with the investment options selected by the
19 participating employee.

20 (4) All moneys in the Teachers' Deferred
21 Compensation Fund for disbursement to participating
22 employees shall be continuously appropriated without
23 regard to fiscal year. Disbursements to participating
24 employees shall be paid from a disbursement account
25 within the Teachers' Deferred Compensation Fund in
26 accordance with applicable federal law pertaining to
27 deferred compensation plans.

28 (5) Income, of whatever nature, earned on the
29 Teachers' Deferred Compensation Fund shall be
30 credited to the appropriate account. The accounts of
31 participating employees of the employer shall be
32 individually posted to reflect amounts of compensation
33 deferred and investment gains and losses. A periodic
34 statement shall be given to each participating employee.

35 (6) The system shall have exclusive control of the
36 administration and investment of the Teachers' Deferred
37 Compensation Fund.

38 (7) All of the system's costs of administering the
39 deferred compensation plans shall be recovered from the
40 employees who participate in the plans or assets of the



1 Teachers' Deferred Compensation Fund in a manner
2 acceptable to the board.

3 SEC. 3. Part 13.5 (commencing with Section 25000) is
4 added to Division 1 of Title 1 of the Education Code, to
5 read:

6

7 PART 13.5. HEALTH CARE BENEFITS PROGRAM

8

9

CHAPTER 1. GENERAL PROVISIONS

10

11 25000. (a) The State Teachers' Retirement System
12 shall develop a program to provide health care benefits
13 for members, beneficiaries, children, and dependent
14 parents.

15 (b) All costs incurred by the system pursuant to this
16 part shall be paid by allocations from the Teachers'
17 Retirement Fund as appropriated for that purpose.

18 (c) *The health care benefits program developed by*
19 *the system pursuant to this part shall not be implemented*
20 *by the system unless specifically authorized by a statute*
21 *enacted by the Legislature.*

22

23

CHAPTER 2. DEFINITIONS

24

25 25100. Unless the context otherwise requires, the
26 definitions set forth in this chapter govern the
27 construction of this part.

28 25110. "Beneficiary" or "beneficiaries" means any
29 person or entity receiving or entitled to receive an
30 allowance and payment pursuant to Part 13
31 (commencing with Section 22000) or 14 (commencing
32 with Section 26000) because of the disability or death of
33 a member.

34 25115. (a) "Dependent child" or "dependent
35 children" means a member's unmarried offspring or
36 stepchild who is not older than 22 years of age and who
37 is financially dependent upon the member on the date
38 the member becomes eligible for benefits pursuant to this
39 part.



1 (b) “Offspring” shall include the member’s child who
2 is born within the 10-month period commencing on the
3 date the member becomes eligible for benefits pursuant
4 to this part.

5 (c) “Offspring” shall include a child adopted by the
6 member.

7 (d) “Dependent child” shall not include the member’s
8 offspring or stepchild who is adopted by a person other
9 than the member’s spouse.

10 (e) “Financially dependent,” for purposes of this
11 section, means that at least one-half of the child’s support
12 was being provided by the member on the date the
13 member became eligible for benefits pursuant to this
14 part. The system may require that income tax records or
15 other data be submitted to substantiate the child’s
16 financial dependence. In the absence of substantiating
17 documentation, the system may determine that the child
18 was not dependent on the date the member became
19 eligible for benefits pursuant to this part.

20 25120. “Dependent parent” or “dependent parents”
21 means a natural parent or parents of a member, or a
22 parent or parents who adopted the member prior to the
23 earlier of the occurrence of the member’s marriage or his
24 or her attaining 18 years of age, and who was receiving
25 one-half or more of his or her support from the member
26 at the time the member became eligible for benefits
27 pursuant to this part.

28 25125. “Member” means a member of the Defined
29 Benefit Program, as defined in Section 22146, or a
30 participant in the Cash Balance Benefit Program, as
31 defined in Section 26132.

