

AMENDED IN ASSEMBLY SEPTEMBER 3, 1999

AMENDED IN SENATE MAY 18, 1999

AMENDED IN SENATE APRIL 27, 1999

AMENDED IN SENATE APRIL 15, 1999

SENATE BILL

No. 159

Introduced by Senator Johnston

(Principal coauthor: Assembly Member Honda)

(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,—~~and~~ making an appropriation therefor, *and declaring the urgency thereof, to take effect immediately.*

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.

The bill would also appropriate \$625,000 from the Teachers' Retirement Fund to develop a program pursuant to the bill.

The bill would declare that it is to take effect immediately as an urgency statute.

Vote: ~~majority~~^{2/3}. Appropriation: yes. 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.



1 ~~(6) The interest of an employee, or his or her~~
2 ~~beneficiary, participating in the deferred compensation~~
3 ~~plan in the assets, including amounts deferred under the~~
4 ~~plan and paid over to the Teachers' Deferred~~
5 ~~Compensation Fund described in Section 24976, of the~~
6 ~~employer sponsoring the deferred compensation plan~~
7 ~~shall not be senior to that of the general creditors of the~~
8 ~~employer.~~

9 (7)

10 (6) In administering the deferred compensation plan
11 on behalf of the employer, the board shall have the same
12 investment authority and discretion and be subject to the
13 same fiduciary standards pursuant to Chapter 4
14 (commencing with Section 22250), with respect to
15 amounts deferred under the deferred compensation plan
16 as applied by the system with respect to the Teachers'
17 Retirement Fund.

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

23 (d) An employee participating in a deferred
24 compensation plan established by an employer under this
25 section shall enter into a written agreement with the
26 employer for the deferral of compensation prior to the
27 performance of the services to which that compensation
28 relates.

29 (e) If an employer chooses to establish and maintain a
30 deferred compensation plan described in subdivision (a)
31 that is to be administered by the system, the employer
32 shall take all necessary or appropriate action to
33 implement this section in cooperation with the system.

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

36 24976. (a) The Teachers' Deferred Compensation
37 Fund is hereby established to serve as the repository of
38 funds for the deferred compensation plans administered
39 by the system pursuant to this chapter. Notwithstanding
40 any other provision of law, the system may retain a bank



1 or trust company to serve as custodian of the moneys of
2 the Teachers' Deferred Compensation Fund and to
3 provide for safekeeping, recordkeeping, delivery,
4 securities valuation, or investment performance
5 reporting services, or services in connection with
6 investment of the Teachers' Deferred Compensation
7 Fund.

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

11 (1) Premiums determined by the system and paid by
12 participating employers and employees for the cost of
13 administering the deferred compensation plan.

14 (2) Asset management fees as determined by the
15 system assessed against investment earnings of
16 investment option or of other investment funds. These
17 fees shall be disclosed to employees participating in the
18 deferred compensation plan.

19 (3) Compensation deferrals to be paid in monthly
20 installments by employers sponsoring deferred
21 compensation plans described in Section 24975 for
22 investment by the system. The moneys shall be deposited
23 in the investment corpus account within the Teachers'
24 Deferred Compensation Fund and invested in
25 accordance with the investment options selected by the
26 participating employee.

27 (4) All moneys in the Teachers' Deferred
28 Compensation Fund for disbursement to participating
29 employees shall be continuously appropriated without
30 regard to fiscal year. Disbursements to participating
31 employees shall be paid from a disbursement account
32 within the Teachers' Deferred Compensation Fund in
33 accordance with applicable federal law pertaining to
34 deferred compensation plans.

35 (5) Income, of whatever nature, earned on the
36 Teachers' Deferred Compensation Fund shall be
37 credited to the appropriate account. The accounts of
38 participating employees of the employer shall be
39 individually posted to reflect amounts of compensation



1 deferred and investment gains and losses. A periodic
2 statement shall be given to each participating employee.

3 (6) The system shall have exclusive control of the
4 administration and investment of the Teachers' Deferred
5 Compensation Fund.

6 (7) All of the system's costs of administering the
7 deferred compensation plans shall be recovered from the
8 employees who participate in the plans or assets of the
9 Teachers' Deferred Compensation Fund in a manner
10 acceptable to the board.

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

14
15 PART 13.5. HEALTH CARE BENEFITS PROGRAM

16
17 CHAPTER 1. GENERAL PROVISIONS

18
19 25000. (a) The State Teachers' Retirement System
20 shall develop a program to provide health care benefits
21 for members, beneficiaries, children, and dependent
22 parents.

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

26 (c) The health care benefits program developed by
27 the system pursuant to this part shall not be implemented
28 by the system unless specifically authorized by a statute
29 enacted by the Legislature.

30
31 CHAPTER 2. DEFINITIONS

32
33 25100. Unless the context otherwise requires, the
34 definitions set forth in this chapter govern the
35 construction of this part.

36 25110. "Beneficiary" or "beneficiaries" means any
37 person or entity receiving or entitled to receive an
38 allowance and payment pursuant to Part 13
39 (commencing with Section 22000) or 14 (commencing



1 with Section 26000) because of the disability or death of
2 a member.

3 25115. (a) “Dependent child” or “dependent
4 children” means a member’s unmarried offspring or
5 stepchild who is not older than 22 years of age and who
6 is financially dependent upon the member on the date
7 the member becomes eligible for benefits pursuant to this
8 part.

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

13 (c) “Offspring” shall include a child adopted by the
14 member.

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

18 (e) “Financially dependent,” for purposes of this
19 section, means that at least one-half of the child’s support
20 was being provided by the member on the date the
21 member became eligible for benefits pursuant to this
22 part. The system may require that income tax records or
23 other data be submitted to substantiate the child’s
24 financial dependence. In the absence of substantiating
25 documentation, the system may determine that the child
26 was not dependent on the date the member became
27 eligible for benefits pursuant to this part.

28 25120. “Dependent parent” or “dependent parents”
29 means a natural parent or parents of a member, or a
30 parent or parents who adopted the member prior to the
31 earlier of the occurrence of the member’s marriage or his
32 or her attaining 18 years of age, and who was receiving
33 one-half or more of his or her support from the member
34 at the time the member became eligible for benefits
35 pursuant to this part.

36 25125. “Member” means ~~a member of the Defined~~
37 ~~Benefit Program, as defined in Section 22146, or a~~
38 ~~participant in the Cash Balance Benefit Program, as~~
39 ~~defined in Section 26132.~~ *current or retired employee of*
40 *an employer, as defined in Section 22131.*



1 SEC. 4. There is hereby appropriated from the
2 Teachers' Retirement Fund the sum of six hundred
3 twenty-five thousand dollars (\$625,000) to develop a
4 health care benefits program pursuant to this act.

5 *SEC. 5. This act is an urgency statute necessary for*
6 *the immediate preservation of the public peace, health,*
7 *or safety within the meaning of Article IV of the*
8 *Constitution and shall go into immediate effect. The facts*
9 *constituting the necessity are:*

10 *In order to commence the development of a health*
11 *benefits program as soon as possible, it is necessary that*
12 *this act take effect immediately.*

