

AMENDED IN ASSEMBLY AUGUST 30, 2000

AMENDED IN ASSEMBLY AUGUST 7, 2000

SENATE BILL

No. 1435

Introduced by Senator Johnston

(Principal coauthor: Assembly Member Honda)

(Coauthor: Assembly Member Lempert)

February 7, 2000

An act to amend Section 22950 of, to amend and renumber Section 25000 of, to add Section 25923 to, and to add Chapter 3 (commencing with Section 25930) and Chapter 4 (commencing with Section 25940) to Part 13.5 of Division 1 of Title 1 of, the Education Code, relating to teachers' health benefits, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

SB 1435, as amended, Johnston. Teachers' health benefits: Medicare premiums.

Existing law requires the State Teachers' Retirement System to develop a health care benefits program for members of the Defined Benefit Program and related persons, subject to appropriation of funds and further legislative authorization, as specified.

This bill would recast that provision to delete that requirement and to instead provide that development of any health care benefits programs shall be subject to appropriation of funds and further legislative authorization, as specified.

The bill would also establish the Teachers' Health Benefits Fund, a continuously appropriated special trust fund in the State Treasury, and provide that moneys from that fund shall be used to pay the premiums associated with Medicare Part A for members of the Defined Benefit Program who retired prior to January 1, 2001, and meet specified criteria. The bill would authorize the Teachers' Retirement Board to additionally pay from the fund those premiums for certain members who retire on or after January 1, 2001, subject to certain findings by the board based on an actuarial valuation of the payment program, as specified. The bill would provide that a certain portion of the employer contributions to the Teachers' Retirement Fund shall instead be deposited into the Teachers' Health Benefits Fund for purposes of the payment program and would appropriate \$500,000 from that fund to the board for administration of the bill's provisions.

Vote: majority. 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 22950 of the Education Code is
2 amended to read:

3 22950. (a) Employers shall contribute monthly to the
4 system 8 percent of the creditable compensation upon
5 which members' contributions under this part are based.

6 (b) From the contributions required under
7 subdivision (a), there shall be deposited in the Teachers'
8 Retirement Fund an amount, determined by the board,
9 that is not less than the amount, determined in a actuarial
10 valuation of the Defined Benefit Program pursuant to
11 Section 22311.5, necessary to finance the liabilities
12 associated with the benefits of the Defined Benefit
13 Program over the funding period adopted by the board,
14 after taking into account the contributions made
15 pursuant to Sections 22901, 22951, and 22955.

16 (c) The amount of contributions required under
17 subdivision (a) that is not deposited in the Teachers'
18 Retirement Fund pursuant to subdivision (b) shall be
19 deposited directly into the Teachers' Health Benefits



1 Fund, as established in Section 25930, and shall not be
2 deposited into or transferred from the Teachers'
3 Retirement Fund.

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

6 25900. (a) All costs incurred by the system to develop
7 health care benefit programs pursuant to this part shall be
8 paid by allocations from the Teachers' Retirement Fund
9 as appropriated for that purpose.

10 (b) Any health care benefits program developed by
11 the system pursuant to this part shall not be implemented
12 by the system unless specifically authorized by a statute
13 enacted by the Legislature.

14 SEC. 3. Section 25923 is added to the Education Code,
15 to read:

16 25923. "Fund" means the Teachers' Health Benefits
17 Fund.

18 SEC. 4. Chapter 3 (commencing with Section 25930)
19 is added to Part 13.5 of Division 1 of Title 1 of the
20 Education Code, to read:

21

22 CHAPTER 3. ESTABLISHMENT AND CONTROL OF FUND

23

24 25930. There is in the State Treasury a special trust
25 fund to be known as the Teachers' Health Benefits Fund.
26 There shall be deposited in the fund the employer
27 contributions required under subdivision (c) of Section
28 22950, income on investments, other interest income,
29 income from fees and penalties, premiums paid by
30 members, donations, legacies, bequests made to the fund
31 and accepted by the board, and any other amounts
32 provided by this part. Notwithstanding Section 11340 of
33 the Government Code, the proceeds of the fund are
34 hereby continuously appropriated without regard to
35 fiscal year for purposes of this part. The design and
36 administration of the fund and any program financed
37 from the fund shall comply with Section 115 of Title 26 of
38 the United States Code.

39 25931. The board shall have exclusive control of the
40 administration of the fund. No transfers or disbursements



1 of any amount from the fund shall be made except upon
2 the authorization of the board for the purpose of carrying
3 into effect the provisions of this part. Except as otherwise
4 limited by the California Constitution and by law, the
5 board may, in its discretion, invest the assets of the fund
6 through the purchase, holding, or sale of any investment,
7 financial instrument, or financial transaction, when the
8 investment, financial instrument, or financial transaction
9 is prudent in the informed opinion of the board.

10 25932. Return on investments shall be collected by
11 the State Treasurer and, together with any other moneys
12 received for the fund, shall be immediately deposited to
13 the credit of the fund and reported immediately to the
14 system. Money in whatever form received directly by the
15 system for the fund shall be deposited immediately in the
16 State Treasury to the credit of the fund.

17 25933. (a) For purposes of this section, “plan” means
18 any health benefits program that is financed from the
19 proceeds of the fund.

20 (b) The board shall maintain all data necessary to
21 perform an actuarial investigation of the demographic
22 and economic experience of the plan and for the actuarial
23 valuation of the assets and liabilities of the plan.

24 (c) The board shall retain the services of an actuary to
25 do all of the following:

26 (1) Make recommendations to the board for the
27 adoption of actuarial assumptions that, in the aggregate,
28 are reasonably related to the past experience of the plan
29 and reflect the actuary’s informed estimate of the future
30 experience.

31 (2) Make an actuarial investigation of the
32 demographic and economic experience, including the
33 mortality, service, and other experience, of the plan with
34 respect to members or any other persons eligible to
35 receive benefits from the plan.

36 (3) At least biennially, using actuarial assumptions
37 adopted by the board, perform an actuarial valuation of
38 the plan that identifies the assets and liabilities of the plan,
39 and report the findings to the board. The report of the
40 actuary on the results of the actuarial valuation shall



1 identify and include the components of normal cost and
2 adequate information to determine the effects of changes
3 in actuarial assumptions. Copies of the report on the
4 actuarial valuation shall be transmitted to the Governor
5 and to the Legislature.

6 (4) Recommend to the board all rates and factors
7 necessary to administer the plan, including, but not
8 limited to, mortality tables and interest rates.

9 (5) Recommend to the board a strategy for amortizing
10 any unfunded actuarial obligation.

11 SEC. 5. Chapter 4 (commencing with Section 25940)
12 is added to Part 13.5 of Division 1 of Title 1 of the
13 Education Code, to read:

14
15 CHAPTER 4. MEDICARE BENEFITS PROGRAM

16
17 25940. (a) Effective July 1, 2001, the system shall pay
18 to the federal Health Care Financing Administration the
19 premiums associated with Medicare Part A for retired
20 members described in this section.

21 (b) This section shall apply only to a retired member
22 of the Defined Benefit Program who: (1) retired prior to
23 January 1, 2001, (2) is not eligible for Medicare Part A
24 without payment of a premium, (3) is at least 65 years of
25 age, and (4) enrolled in Medicare Parts A and B at the age
26 of 65 years or as of July 1, 2001, whichever is later.

27 (c) The board may extend eligibility for the payments
28 described in this section to members of the Defined
29 Benefit Program who meet the requirements of
30 subdivision (d) and who retire on or after January 1, 2001,
31 within a calendar year specified by the board, if the board
32 finds that the cost of the payments for members retiring
33 during the specified calendar year may be paid within the
34 anticipated resources available in the fund, as
35 determined by the actuarial valuation of the plan
36 established by this chapter, conducted pursuant to
37 Section 25933. Any extension of eligibility to members
38 who retire on or after January 1, 2001, shall be provided
39 equally to any member who meets the requirements of

1 subdivision (d) and retires during the calendar year
2 specified by the board.

3 (d) Eligibility for the payments described in this
4 section pursuant to subdivision (c) shall be limited to
5 members of the Defined Benefit Program who retire
6 from a school district that either: (1) completed a division
7 pursuant to Section 22156 of the Government Code prior
8 to January 1, 2001; or (2) completed or is conducting a
9 division pursuant to that section *on* or after January 1,
10 2001, and, if the member was less than 58 years of age at
11 the time of the division, the member elected to be
12 covered by Medicare.

13 (e) The amount paid to the federal Health Care
14 Financing Administration pursuant to this section shall
15 include any penalties applicable to enrollment in
16 Medicare Part A or Part B by members who enroll after
17 the age of 65 years. Notwithstanding any other provision
18 of this section, this subdivision shall apply only to
19 members who are over the age of 65 years on July 1, 2001.

20 *The board may require a member on whose behalf a*
21 *penalty would be paid pursuant to this subdivision to*
22 *authorize the system to deduct the Part B premium from*
23 *the member's retirement allowance as a condition of*
24 *having the system pay the Part A premium pursuant to*
25 *this section.*

26 SEC. 6. There is hereby appropriated from the
27 Teachers' Health Benefits Fund to the Teachers'
28 Retirement Board the sum of five hundred thousand
29 dollars (\$500,000) for administration of the provisions of
30 this act.

