

AMENDED IN ASSEMBLY MAY 26, 2000

AMENDED IN ASSEMBLY APRIL 6, 2000

CALIFORNIA LEGISLATURE—1999–2000 REGULAR SESSION

**ASSEMBLY BILL**

**No. 2383**

**Introduced by Assembly Member Keeley**

February 24, 2000

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An act to *add and repeal Section 25200 of the Education Code, and to amend Section 22754 of the Government Code, relating to ~~the Public Employees' Medical and Hospital Care Act~~ benefits*, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

AB 2383, as amended, Keeley. Public ~~Employees' Medical and Hospital Care Act~~ *employee benefits*: covered employees: *retiree health benefits*.

Existing law, the Public Employees' Medical and Hospital Care Act, defines "employee" for purposes of eligibility for benefits under the act and excludes from that definition specified officers and employees who are employed less than half time. Employee contributions under the act are deposited in the Public Employees' Health Care Fund, a continuously appropriated fund.

This bill would authorize contracting agencies, as defined, and school employers to include within that definition certain employees who are employed less than half time or as specified. By expanding eligibility for benefits under the act,

the bill would increase the contributions to a continuously appropriated fund, thereby making an appropriation.

*Existing law, the Teachers’ Retirement Law, provides that the State Teachers’ Retirement System shall develop a program to provide health care benefits for members, beneficiaries, children, and dependent parents, as defined. Under existing law, employers contribute monthly to the Teachers’ Retirement Fund 8% of creditable compensation, as defined.*

*This bill would require the Teachers’ Retirement Board to calculate the actuarial cost of providing specified health benefits to retired members of the Defined Benefit Program of the Teachers’ Retirement Plan; provide that each employer who provides those health benefits to its retired members shall receive a credit against its employer contributions to the system, based on that actuarial cost, as specified; and allocate up to \$2,000,000,000 to offset those credits.*

*The bill’s provisions would become inoperative on July 1, 2011, and would be repealed January 1, 2012.*

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 22754 of the Government Code  
 2 is amended to read:  
 3 22754. As used in this part the following definitions,  
 4 unless the context otherwise requires, shall govern the  
 5 interpretation of terms:  
 6 (a) “Board” means the Board of Administration of the  
 7 Public Employees’ Retirement System.  
 8 (b) “Employee” means:  
 9 (1) Any officer or employee of the State of California  
 10 or of any agency, department, authority, or  
 11 instrumentality of the state including the University of  
 12 California, or any officer or employee who is a local or  
 13 school member of the Public Employees’ Retirement  
 14 System employed by a contracting agency that has  
 15 elected to be or otherwise has become subject to this part,  
 16 or who is a member or retired member of the State



1 Teachers' Retirement System employed by an employer  
2 who has elected to become subject to this part, or who is  
3 an employee or annuitant of a special district or county  
4 subject to the County Employees Retirement Law of 1937  
5 (Chapter 3 (commencing with Section 31450) of Part 3 of  
6 Division 4 of Title 3) that has elected to become subject  
7 to this part, or who is an employee or annuitant of a  
8 special district, as defined in subdivision (i), that has  
9 elected to become subject to this part, except persons  
10 employed on an intermittent, irregular or less than  
11 half-time basis, or employees similarly situated, or  
12 employees in respect to whom contributions by the state  
13 for any type of plan or program offering prepaid hospital  
14 and medical care are otherwise authorized by law.

15 (2) Any officer or employee who participates in the  
16 retirement system of a contracting agency as defined in  
17 paragraph (2) of subdivision (g) that has elected to  
18 become subject to this part, except persons employed less  
19 than half time or who are otherwise determined to be  
20 ineligible.

21 (3) Any annuitant of the Public Employees'  
22 Retirement System employed by a contracting agency as  
23 defined in subdivision (g) that has elected to become  
24 subject to this part who is a person retired under Section  
25 21228.

26 (4) Notwithstanding paragraphs (1) and (2), a  
27 contracting agency or school employer may, by  
28 resolution filed with the board, deem all permanent  
29 employees, except members of the State Teachers'  
30 Retirement System, who have an appointment of six  
31 months or longer, but who are employed on less than a  
32 half-time basis, to be "employees" subject to this part.

33 (5) Notwithstanding paragraphs (1) and (2), a  
34 contracting agency or school employer with employees  
35 who are members of the State Teachers' Retirement  
36 System may, by resolution filed with the board, deem the  
37 following to be "employees" subject to this part:

38 (A) Regular employees who have an appointment of  
39 six months or longer, but who are employed on less than  
40 a half-time basis.



1 (B) Part-time faculty employees who are hired on a  
2 semester basis.

3 (C) Long-term substitutes who are hired for at least  
4 one-half of the school year.

5 (c) "Carrier" means a private insurance company  
6 holding a valid outstanding certificate of authority from  
7 the Insurance Commissioner of the state, a medical  
8 society or other medical group, a nonprofit hospital  
9 service plan qualifying under Chapter 11A (commencing  
10 with Section 11491) of Part 2 of Division 2 of the Insurance  
11 Code, or nonprofit membership corporation lawfully  
12 operating under Section 9200 or Section 9201 of the  
13 Corporations Code, or a health care service plan as  
14 defined under subdivision (f) of Section 1345 of the  
15 Health and Safety Code, or a health maintenance  
16 organization approved under Title XIII of the federal  
17 Public Health Services Act, that is lawfully engaged in  
18 providing, arranging, paying for, or reimbursing the cost  
19 of personal health services under insurance policies or  
20 contracts, medical and hospital service agreements,  
21 membership contracts, or the like, in consideration of  
22 premiums or other periodic charges payable to it.

23 (d) "Health benefits plan" means any program or  
24 entity that provides, arranges, pays for, or reimburses the  
25 cost of health benefits.

26 (e) "Annuitant" means:

27 (1) Any person who has retired within 120 days of  
28 separation from employment and who receives any  
29 retirement allowance under any state or University of  
30 California retirement system to which the state was a  
31 contributing party.

32 (2) A family member receiving an allowance as the  
33 survivor of an annuitant who has retired as provided in  
34 paragraph (1), or as the survivor of a deceased employee  
35 under Section 21541, 21546, or 21547 or similar provisions  
36 of any other state retirement system.

37 (3) Any employee who has retired under the  
38 retirement system provided by a contracting agency as  
39 defined in paragraph (2) of subdivision (g) and who  
40 receives a retirement allowance from that retirement



1 system, or a surviving family member who receives the  
2 retirement allowance in place of the deceased.

3 (4) Any person who was a state member for 30 years  
4 or more and who, at the time of retirement, was a local  
5 member employed by a contracting agency.

6 (f) "Family member" means an employee's or  
7 annuitant's spouse and any unmarried child (including an  
8 adopted child, a stepchild, or recognized natural child  
9 who lives with the employee or annuitant in a regular  
10 parent-child relationship). The board shall, by regulation,  
11 prescribe age limits and other conditions and limitations  
12 pertaining to unmarried children.

13 (g) "Contracting agency" means:

14 (1) Any contracting agency as defined in Section  
15 20022, any county or special district subject to the County  
16 Employees Retirement Law of 1937 (Chapter 3  
17 commencing with Section 31450) of Part 3 of Division 4  
18 of Title 3), and any special district, school district, county  
19 board of education, personnel commission of a school  
20 district or a county superintendent of schools.

21 (2) Any public body or agency of, or within California  
22 not covered by the Public Employees' Retirement  
23 System or subject to the County Employees Retirement  
24 Law of 1937 (Chapter 3 commencing with Section  
25 31450) of Part 3 of Division 4 of Title 3), that provides a  
26 retirement system for its employees funded wholly or in  
27 part by public funds.

28 (h) "Employer" means the state, any contracting  
29 agency employing an employee, and any agency that has  
30 elected to become subject to this part pursuant to Section  
31 22856.

32 (i) "Special district" means a nonprofit, self-governed  
33 public agency, within the State of California and  
34 comprised solely of public employees, performing a  
35 governmental rather than proprietary function.

36 *SEC. 2. Section 25200 is added to the Education Code,*  
37 *to read:*

38 *25200. (a) On or before March 31, 2001, the Teachers'*  
39 *Retirement Board shall estimate the amount needed, up*  
40 *to two billion dollars (\$2,000,000,000), for allocation by the*



1 board for the actuarial cost of providing health care  
2 benefits to retired members of the Defined Benefit  
3 Program, as described in subdivision (b), for each month  
4 a member is expected to be retired during the next 10  
5 years, based on the actuarial assumptions adopted by the  
6 board and used in the actuarial analysis of the Defined  
7 Benefit Program as of June 30, 1999.

8 (b) Commencing July 1, 2001, the board shall credit  
9 each employer, against the amount contributed pursuant  
10 to Section 22950, the amount estimated pursuant to  
11 subdivision (a) for each retired member the employer  
12 has certified, in a manner required by the board, is  
13 enrolled in one or more of the following programs  
14 administered by the employer:

15 (1) A catastrophic health care program for retired  
16 members who are less than 65 years of age.

17 (2) A Medicare supplement health care program.

18 (3) A prescription drug program.

19 (c) The Teachers' Retirement Board shall establish by  
20 regulation the services to be provided in a program  
21 specified in subdivision (b). The required services shall  
22 be comparable to those generally available to participants  
23 of comparable programs made available by other public  
24 employers in California.

25 (d) The amount credited pursuant to subdivision (b)  
26 for each retired member shall not exceed the employer's  
27 average costs of health care benefits provided to retired  
28 members formerly employed by the employer.

29 (e) This section shall become inoperative on July 1,  
30 2011, and, as of January 1, 2012, is repealed, unless a later  
31 enacted statute that is enacted before January 1, 2012,  
32 deletes or extends the dates on which it becomes  
33 inoperative and is repealed.

