

AMENDED IN SENATE JUNE 22, 2000  
AMENDED IN ASSEMBLY MAY 26, 2000  
AMENDED IN ASSEMBLY APRIL 6, 2000

CALIFORNIA LEGISLATURE—1999–2000 REGULAR SESSION

**ASSEMBLY BILL**

**No. 2383**

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**Introduced by Assembly Member ~~Keeley~~ Members *Keeley  
and Honda***

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; An act to add and repeal Chapter 3 (commencing with Section 25200) of Part 13.5 of Division 1 of Title 1 of the Education Code, and to add Article 10 (commencing with Section 22878) to Chapter 1 of Part 5 of Division 5 of Title 2 of the Government Code, relating to benefits, and making an appropriation therefor.~~

LEGISLATIVE COUNSEL'S DIGEST

AB 2383, as amended, Keeley. Public employee benefits: covered employees: retiree health benefits.

(1) 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 make the provisions of that act applicable to specified employees of a school or agency, as defined, at the option of its governing body, and would authorize the State Teachers' Retirement System to become a contracting agency for certain retired members and classified employees. The bill would define annuitants for purposes of these provisions, and would prohibit a school or agency from maintaining another health benefits plan unless it complies with the provisions of the Public Employees' Medical and Hospital Care Act and is equally available to its retired members, its active employees, and their family members without discrimination as to benefits, premiums, or employer contributions. By expanding eligibility for benefits under the act, the bill would increase the contributions to a continuously appropriated fund, thereby making an appropriation.~~

(2) 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 credit each employer and employing agency who provides those health benefits to its retired members shall receive a credit under the Defined Benefit Program of the Teachers' Retirement Plan the sum of \$120, adjusted annually, as specified, for each retired member enrolled in one or more specified programs, up to, but not exceeding, a total credit of \$2,000,000,000, 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



*These provisions of the bill 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 *SECTION 1. Chapter 3 (commencing with Section*  
3 *25200) is added to Part 13.5 of Division 1 of Title 1 of the*  
4 *Education Code, to read:*

5  
6 *CHAPTER 1. RETIRED MEMBER CREDITS*  
7

8 *25200. (a) In order to encourage employers and*  
9 *employing agencies to provide health care benefits to*  
10 *retired members of the Defined Benefit Program, the*  
11 *board shall credit an amount equal to a present value of*  
12 *up to two billion dollars (\$2,000,000,000), as specified in*  
13 *subdivision (b), to employers and employing agencies*  
14 *that provide health care benefits to retired members*  
15 *formerly employed by the employer or employing*  
16 *agency.*

17 *(b) Subject to subdivisions (d) and (e), commencing*  
18 *July 1, 2001, the board shall credit each employer, against*  
19 *the amount contributed pursuant to Section 22950, the*  
20 *sum of one hundred twenty dollars (\$120), adjusted*  
21 *annually by the change in state employer contributions*  
22 *for a single enrolled annuitant, as determined by Section*  
23 *22825.1 of the Government Code, for each retired*  
24 *member the employer or employing agency has certified,*  
25 *in a manner required by the board, is enrolled in one or*  
26 *more of the following programs administered or*  
27 *sponsored by the employer or employing agency:*

- 28 *(1) A catastrophic health care program for retired*  
29 *members who are less than 65 years of age.*  
30 *(2) A Medicare supplement health care program.*  
31 *(3) A prescription drug program.*



1 (4) A health program provided pursuant to Part 5  
2 (commencing with Section 22751) of Division 5 of Title  
3 2 of the Government Code.

4 (c) The Teachers' Retirement Board shall establish by  
5 regulation the services to be provided in a program  
6 specified in subdivision (b). The required services shall  
7 be comparable to those generally available to participants  
8 of comparable programs made available by other public  
9 employers in California.

10 (d) The amount credited pursuant to subdivision (b)  
11 for each retired member shall not exceed the employer's  
12 average costs of health care benefits to retired members  
13 formerly employed by the employer or employing  
14 agency.

15 (e) No amount shall be credited pursuant to this  
16 section when the present value of the total amount  
17 credited to all employers and employing agencies is equal  
18 to or exceeds two billion dollars (\$2,000,000,000).

19 25201. This chapter shall become inoperative on July  
20 1, 2011, and, as of January 1, 2012, is repealed, unless a later  
21 enacted statute that is enacted before January 1, 2012,  
22 deletes or extends the dates on which it becomes  
23 inoperative and is repealed.

24 SEC. 2. Article 10 (commencing with Section 22878)  
25 is added to Chapter 1 of Part 5 of Division 5 of Title 2 of  
26 the Government Code, to read:

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Article 10. Optional Health Benefits

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30 22878. The provisions of this part also apply to schools  
31 and agencies, as specified in this article. The purpose of  
32 this article is to set forth optional provisions which may  
33 only be used by schools and agencies. If schools and  
34 agencies choose to follow the optional provisions of this  
35 article, all conflicting provisions of this part are  
36 superseded. This article shall not apply to any other  
37 employer, employee, annuitant, or family member who  
38 has, or elects to have, health care coverage pursuant to  
39 this part.



1 22878.1. *The definitions in this part shall govern the*  
2 *interpretation of terms in this article, except that the*  
3 *following definitions shall govern the interpretation of*  
4 *these specific terms as used in this article:*

5 (a) *“School” means any contracting agency that is a*  
6 *special district, school district, county board of education,*  
7 *personnel commission of a school district, a county*  
8 *superintendent of schools, or a community college*  
9 *district.*

10 (b) *“Agency” means any contracting agency, as*  
11 *defined in Section 20022, any county or special district*  
12 *subject to the County Employees Retirement Law of 1937*  
13 *(Chapter 3 (commencing with Section 31450) of Part 3 of*  
14 *Division 4 of Title 3) and any contracting agency that is*  
15 *a public body or agency within California not covered by*  
16 *the Public Employees’ Retirement System or subject to*  
17 *the County Employees Retirement Law of 1937, that*  
18 *provides a retirement system for its employees funded*  
19 *wholly or in part by public funds.*

20 22878.2. (a) *A school or agency may by resolution*  
21 *filed with the board deem all permanent or regular*  
22 *employees, except members of the State Teachers’*  
23 *Retirement System, who have an appointment of six*  
24 *months or longer but who are employed on less than*  
25 *half-time basis, to be employees subject to this part.*

26 (b) *An agency or school with employees who are*  
27 *members of the State Teachers’ Retirement System may*  
28 *by resolution filed with the board deem any of the*  
29 *following to be employees subject to this part:*

30 (1) *Regular, permanent, probationary, or temporary*  
31 *employees who have an appointment for a semester, for*  
32 *six months, or for half of the school year or longer, but are*  
33 *employed on less than a half-time basis.*

34 (2) *Substitutes who have an appointment for a*  
35 *semester, for six months, or for half of the school year or*  
36 *longer, but are employed on less than a half-time basis.*

37 (3) *Substitutes who have an appointment for 100 days*  
38 *or more in the school year.*

39 22878.3. *The State Teachers’ Retirement System may,*  
40 *by resolution filed with the board, become a contracting*



1 agency subject to this part only with respect to either or  
2 both of the following:

3 (a) Retired members of the State Teachers'  
4 Retirement System enrolled in both Parts A and B of  
5 Medicare whose former education employer does not  
6 offer health care coverage for them, their eligible family  
7 members, and surviving spouses.

8 (b) Classified employees enrolled in both Parts A and  
9 B of Medicare whose former education employer does  
10 not offer health care coverage for them, their eligible  
11 family members, and surviving spouses.

12 22878.4. All of the following shall be deemed to be  
13 "annuitants" subject to this part:

14 (a) A family member of a deceased retired member of  
15 the State Teachers' Retirement System who retired  
16 within 120 days of separation from employment, and who  
17 prior to his or her death, received a retirement allowance  
18 that did not provide for a survivor allowance to family  
19 members and who elects coverage as an annuitant prior  
20 to January 1, 2003. This subdivision shall not apply to any  
21 family member of a retired member of the State  
22 Teachers' Retirement System who retired on or after  
23 January 1, 2003 from a school contracting under this part  
24 prior to January 1, 2001.

25 (b) A retired member of the State Teachers'  
26 Retirement System who retired within 120 days of  
27 separation from employment, and who retired before the  
28 member's school elected to contract for health benefit  
29 coverage under this part, and who elects coverage as an  
30 annuitant within one calendar year from the date that the  
31 member's school elected to contract for health benefit  
32 coverage under this part.

33 (c) A family member of a deceased retired member of  
34 the State Teachers' Retirement System who retired  
35 within 120 days of separation from employment, and who  
36 retired before the member's school elected to contract  
37 for health benefit coverage under this part, and who  
38 elects coverage as an annuitant within one calendar year  
39 from the date that the member's school elected to  
40 contract for health benefit coverage under this part.



1 22878.5. A school or agency may not maintain another  
2 health benefits plan unless the plan complies with the  
3 requirements of this part and is equally available to its  
4 retired employees, its active employees, and their family  
5 members, without discrimination as to benefits,  
6 premiums, or employer contributions.

7 is amended to read:

8 22754. As used in this part the following definitions;  
9 unless the context otherwise requires, shall govern the  
10 interpretation of terms:

11 (a) “Board” means the Board of Administration of the  
12 Public Employees’ Retirement System.

13 (b) “Employee” means:

14 (1) Any officer or employee of the State of California  
15 or of any agency, department, authority, or  
16 instrumentality of the state including the University of  
17 California, or any officer or employee who is a local or  
18 school member of the Public Employees’ Retirement  
19 System employed by a contracting agency that has  
20 elected to be or otherwise has become subject to this part,  
21 or who is a member or retired member of the State  
22 Teachers’ Retirement System employed by an employer  
23 who has elected to become subject to this part, or who is  
24 an employee or annuitant of a special district or county  
25 subject to the County Employees Retirement Law of 1937  
26 (Chapter 3 (commencing with Section 31450) of Part 3 of  
27 Division 4 of Title 3) that has elected to become subject  
28 to this part, or who is an employee or annuitant of a  
29 special district, as defined in subdivision (i), that has  
30 elected to become subject to this part, except persons  
31 employed on an intermittent, irregular or less than  
32 half-time basis, or employees similarly situated, or  
33 employees in respect to whom contributions by the state  
34 for any type of plan or program offering prepaid hospital  
35 and medical care are otherwise authorized by law.

36 (2) Any officer or employee who participates in the  
37 retirement system of a contracting agency as defined in  
38 paragraph (2) of subdivision (g) that has elected to  
39 become subject to this part, except persons employed less



1 ~~than half time or who are otherwise determined to be~~  
2 ~~ineligible.~~

3 ~~(3) Any annuitant of the Public Employees'~~  
4 ~~Retirement System employed by a contracting agency as~~  
5 ~~defined in subdivision (g) that has elected to become~~  
6 ~~subject to this part who is a person retired under Section~~  
7 ~~21228.~~

8 ~~(4) Notwithstanding paragraphs (1) and (2), a~~  
9 ~~contracting agency or school employer may, by~~  
10 ~~resolution filed with the board, deem all permanent~~  
11 ~~employees, except members of the State Teachers'~~  
12 ~~Retirement System, who have an appointment of six~~  
13 ~~months or longer, but who are employed on less than a~~  
14 ~~half-time basis, to be "employees" subject to this part.~~

15 ~~(5) Notwithstanding paragraphs (1) and (2), a~~  
16 ~~contracting agency or school employer with employees~~  
17 ~~who are members of the State Teachers' Retirement~~  
18 ~~System may, by resolution filed with the board, deem the~~  
19 ~~following to be "employees" subject to this part:~~

20 ~~(A) Regular employees who have an appointment of~~  
21 ~~six months or longer, but who are employed on less than~~  
22 ~~a half time basis.~~

23 ~~(B) Part-time faculty employees who are hired on a~~  
24 ~~semester basis.~~

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

27 ~~(e) "Carrier" means a private insurance company~~  
28 ~~holding a valid outstanding certificate of authority from~~  
29 ~~the Insurance Commissioner of the state, a medical~~  
30 ~~society or other medical group, a nonprofit hospital~~  
31 ~~service plan qualifying under Chapter 11A (commencing~~  
32 ~~with Section 11491) of Part 2 of Division 2 of the Insurance~~  
33 ~~Code, or nonprofit membership corporation lawfully~~  
34 ~~operating under Section 9200 or Section 9201 of the~~  
35 ~~Corporations Code, or a health care service plan as~~  
36 ~~defined under subdivision (f) of Section 1345 of the~~  
37 ~~Health and Safety Code, or a health maintenance~~  
38 ~~organization approved under Title XIII of the federal~~  
39 ~~Public Health Services Act, that is lawfully engaged in~~  
40 ~~providing, arranging, paying for, or reimbursing the cost~~



1 of personal health services under insurance policies or  
2 contracts, medical and hospital service agreements,  
3 membership contracts, or the like, in consideration of  
4 premiums or other periodic charges payable to it.

5 (d) “Health benefits plan” means any program or  
6 entity that provides, arranges, pays for, or reimburses the  
7 cost of health benefits.

8 (e) “Annuitant” means:

9 (1) Any person who has retired within 120 days of  
10 separation from employment and who receives any  
11 retirement allowance under any state or University of  
12 California retirement system to which the state was a  
13 contributing party.

14 (2) A family member receiving an allowance as the  
15 survivor of an annuitant who has retired as provided in  
16 paragraph (1), or as the survivor of a deceased employee  
17 under Section 21541, 21546, or 21547 or similar provisions  
18 of any other state retirement system.

19 (3) Any employee who has retired under the  
20 retirement system provided by a contracting agency as  
21 defined in paragraph (2) of subdivision (g) and who  
22 receives a retirement allowance from that retirement  
23 system, or a surviving family member who receives the  
24 retirement allowance in place of the deceased.

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

28 (f) “Family member” means an employee’s or  
29 annuitant’s spouse and any unmarried child (including an  
30 adopted child, a stepchild, or recognized natural child  
31 who lives with the employee or annuitant in a regular  
32 parent-child relationship). The board shall, by regulation,  
33 prescribe age limits and other conditions and limitations  
34 pertaining to unmarried children.

35 (g) “Contracting agency” means:

36 (1) Any contracting agency as defined in Section  
37 20022, any county or special district subject to the County  
38 Employees Retirement Law of 1937 (Chapter 3  
39 (commencing with Section 31450) of Part 3 of Division 4  
40 of Title 3), and any special district, school district, county



1 board of education, personnel commission of a school  
2 district or a county superintendent of schools.

3 (2) Any public body or agency of, or within California  
4 not covered by the Public Employees' Retirement  
5 System or subject to the County Employees Retirement  
6 Law of 1937 (Chapter 3 (commencing with Section  
7 31450) of Part 3 of Division 4 of Title 3), that provides a  
8 retirement system for its employees funded wholly or in  
9 part by public funds.

10 (h) "Employer" means the state, any contracting  
11 agency employing an employee, and any agency that has  
12 elected to become subject to this part pursuant to Section  
13 22856.

14 (i) "Special district" means a nonprofit, self-governed  
15 public agency, within the State of California and  
16 comprised solely of public employees, performing a  
17 governmental rather than proprietary function.

18 SEC. 2. Section 25200 is added to the Education Code,  
19 to read:

20 25200. (a) On or before March 31, 2001, the Teachers'  
21 Retirement Board shall estimate the amount needed, up  
22 to two billion dollars (\$2,000,000,000), for allocation by the  
23 board for the actuarial cost of providing health care  
24 benefits to retired members of the Defined Benefit  
25 Program, as described in subdivision (b), for each month  
26 a member is expected to be retired during the next 10  
27 years, based on the actuarial assumptions adopted by the  
28 board and used in the actuarial analysis of the Defined  
29 Benefit Program as of June 30, 1999.

30 (b) Commencing July 1, 2001, the board shall credit  
31 each employer, against the amount contributed pursuant  
32 to Section 22950, the amount estimated pursuant to  
33 subdivision (a) for each retired member the employer  
34 has certified, in a manner required by the board, is  
35 enrolled in one or more of the following programs  
36 administered by the employer:

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

39 (2) A Medicare supplement health care program.

40 (3) A prescription drug program.



1 ~~(c) The Teachers' Retirement Board shall establish by~~  
 2 ~~regulation the services to be provided in a program~~  
 3 ~~specified in subdivision (b). The required services shall~~  
 4 ~~be comparable to those generally available to participants~~  
 5 ~~of comparable programs made available by other public~~  
 6 ~~employers in California.~~

7 ~~(d) The amount credited pursuant to subdivision (b)~~  
 8 ~~for each retired member shall not exceed the employer's~~  
 9 ~~average costs of health care benefits provided to retired~~  
 10 ~~members formerly employed by the employer.~~

11 ~~(e) This section shall become inoperative on July 1,~~  
 12 ~~2011, and, as of January 1, 2012, is repealed, unless a later~~  
 13 ~~enacted statute that is enacted before January 1, 2012,~~  
 14 ~~deletes or extends the dates on which it becomes~~  
 15 ~~inoperative and is repealed.~~

16 \_\_\_\_\_

17 CORRECTIONS

18 Text — Page 4.

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