

# California State Teachers' Retirement System

## Bill Analysis

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**Assembly Bill 2383**

**Assembly Member Keeley (As amended 5/26/00)**

**Position:**

**Support, if amended (Staff recommendation)**

**Proponents:**

**CalPERS (sponsor); CSEA**

**Opponents:**

**None known**

### **SUMMARY**

AB 2383 requires that for the next 10 years the California State Teachers' Retirement System (CalSTRS) credit against employer contributions the cost incurred by the employer to provide specified health benefits to retired members. The amount credited would not exceed a monthly amount per retired member determined by the Teachers' Retirement Board (Board) and equal to a total present value of \$2 billion. In addition, this bill expands eligibility under the Public Employees Medical and Hospital Care Act (PEMHCA) to authorize contracting agencies and school employers to include certain employees who work less than half time, as specified, for coverage under PEMHCA.

### **HISTORY**

The California Public Employees Retirement System (CalPERS) is responsible for administering PEMHCA, which currently provides health care benefits for over one million employees, retirees, and dependents. The Legislature established PEMHCA in 1961. Related health care legislation includes:

Chapter 991, Statutes of 1985 (AB 528) required school districts which provide health insurance to permit enrollment of CalSTRS retirees in district health plans.

Chapter 1006, Statutes of 1989 (AB 265) authorized school districts to apply to CalPERS for Medicare elections for employees who are CalSTRS members to elect to join Medicare.

Resolution Chapter 100, 1990 (AJR 71) memorialized Congress to establish a process whereby CalSTRS retirees could purchase the quarters needed to meet Medicare Part A eligibility.

Chapter 968, Statutes of 1998 (SB 1528) required CalSTRS to conduct a study on the feasibility of a health care program, including vision and dental, for CalSTRS members, beneficiaries, children and dependent parents.

Chapter 740, Statutes of 1999 (SB 159) required CalSTRS to develop a program to provide health care benefits for members, beneficiaries, children and dependent parents.

Senate Bill 1435 (Johnson) increases the monthly allowances paid to retired members of the CalSTRS Defined Benefit (DB) Program to cover the monthly premium for Medicare Part A. To qualify, the member must be at least 65 years of age, enrolled in Medicare Part B, and not eligible for Medicare Part A without payment of a premium.

## **CURRENT PRACTICE**

Existing law requires that employees work at least half time (50 percent) in order to be eligible for health benefits coverage under PEMHCA. CalPERS is responsible for administering PEMHCA, which currently provides health benefits for over one million employees, retirees, and dependents.

## **DISCUSSION**

Under the bill, the Board would, by March 31, 2001, determine the per month per retired member equivalent of \$2 billion dollars over 10 years. The Board would, from July 1, 2001 through June 30, 2010 credit each employer, based on this estimated amount for each retired member the employer has certified is enrolled in one or more of health benefit programs administered by the employer, including a catastrophic health care program for retired members who are less than 65 years of age, a Medicare supplement health care program, and/or a prescription drug program.

The Board would establish by regulation the services to be provided in a health care program for retirees for which the Board provides money to the employer. The services would be comparable to health benefits made generally available to participants of other public employers in California and that the amount credited for each retired member shall not exceed the employer's average costs of providing these services to retired members and their families.

A Joint CalPERS/CalSTRS Advisory Task Force is conferring with various stakeholders to resolve a number of policy and technical issues which have limited the number of school districts that participate in PEMHCA. In response to these discussions, this bill allows a contracting employer to extend PEMHCA coverage to employees who work less than half time by filing a resolution with the CalPERS Board of Administration. This bill also allows CalSTRS to designate the following members of its system as "employees" for purposes of PEMCHA participation:

- Regular employees who have an appointment of six months or longer, but who are employed on less than a half-time basis;
- Part-time faculty employees who are hired on a semester basis;
- Long-term substitutes who are hired for at least one-half of the school year.

According to the author, “AB 2383 seeks to provide greater flexibility in PEMHCA enrollment eligibility for employers, employees, retirees and dependents.” CalPERS acknowledges that current PEMHCA eligibility requirements pose a barrier for some otherwise qualified employees to obtain affordable health care.

Supporters of AB 2383 argue that “[w]hile school district employees comprise the largest percentage of the CalPERS eligible groups, they make up the smallest percentage enrolling in PEMCHA. Currently, just over 100 of more than 1,100 school districts are enrolled in PEMCHA. One reason for the low school district participation is that PEMCHA does not cover less than half-time employees, limiting the ability of school districts to provide coverage for all employees.” Supporters also state that additional amendments will be added to the bill that will hopefully increase participation in the program.

### **FISCAL IMPACT**

Program Costs – The bill provides for up to \$2 billion for the costs of health care benefits to retired members of the DB Program for up to ten years.

Administrative Costs – Based on a preliminary evaluation of the proposal to credit employees for health benefit costs would increase administrative cost by about \$250,000 annually.

### **RECOMMENDATION**

Support, if amended to fund the crediting of employer costs. This bill is consistent with Board’s commitment to identifying and pursuing a health care benefits program for its members.