



## Legislative Update

August 2008

### **AB 2940 (De Leon): California Employee Savings Program**

**\*\*DEFEATED\*\***

**OPPOSE**

AB 2940 (DeLeon) would have created the California Financial Advantage Account Program (CFAAP), under the administration of the California Public Employees' Retirement System (CalPERS). CFAAP would have provided retirement savings opportunities to California's private sector employees and it would have required CalPERS to allow employers without retirement plans to contribute and to match employee contributions. The proposal, which would have opened California's retirement system to private sector workers, prompted questions about government competing with private investment firms and the ability of the system to handle the program.

AB 2940 failed to pass out of the Senate Appropriations Committee and is now defeated for the year. Although NAIFA-California agreed with the author that a "savings gap" exists and that it is in everyone's best interest to encourage saving and planning for retirement, we do not believe that allowing CalPERS to offer Simple IRA plans and IRAs is the answer. Despite the defeat of AB 2940, NAIFA-California will continue to work with the author to help expand public awareness about the importance of retirement planning, federal tax incentives and investment options available to individuals.

### **Healthcare – Deal or No Deal?**

Despite the defeat of the Governor's healthcare reform plan earlier this year, he and Democratic legislators are nearing deals to address individual components of his failed plan. More specifically, his office has purportedly been working Senator Steinberg and Senator Kuehl on two bills currently making their way through the legislative process.

**SB 1440** (Kuehl) would require insurers to spend at least 85% of the premiums they collect on medical care, limiting the amount they keep as profit and for administrative expenses. The governor's aides have asked that new types of coverage be exempted for the first two years from the 85% rule.

**SB 1522** (Steinberg) would ban the most limited policies and make it easier for consumers to comparison shop. The bill would require individual healthcare policies to cover physician services, hospital care and preventive services and would set a maximum amount patients would have to pay each year toward their bills. State regulators would sort policies into categories based on the benefits they offer and establish minimum benefits for each category, allowing consumers to compare what competing companies offer. The Administration has purportedly asked Steinberg to limit the bill to categorizing plans and not order insurers to offer specific benefits.

Although opponents to the measures have suggested the proposals would drive up the cost of premiums and prompt some people to forgo coverage, the Governor appears poised to support the bills should they make it to his desk.

While the Governor has indicated his interest and possible support for SB 1522 and SB 1440, another healthcare bill – **SB 840** (Kuehl) – does not appear to have won the Governor's favor. After six years of pushing for universal healthcare in California, Senator Sheila Kuehl made her final pitch to pass a

government-run universal health care system – she is termed out this year. Her SB 840 would establish a single-payer system in which the state would assume the role that private insurance companies now play.

NAIFA-California has argued that SB 840 would create a new under-funded bureaucracy and impose new taxes, not addressing the key cost drivers in the system. An earlier version of the legislation called for the plan to be funded by a 12% hike on payroll taxes, with employers picking up 8% and employees the remaining share. However, the current version of the bill does not specify funding for the plan; rather, it would create a task force to design the funding that would meet the needs of the program.

Governor Schwarzenegger has vetoed the proposal in the past and has indicated he will do so again.

***If you have any questions regarding any of the topics mentioned in this report, or others not mentioned, please contact Shari McHugh, Legislative Advocate for NAIFA-California, at 916/440-0850. Thank you!***