

An act to amend Sections 22871.3, 22879, 22944.5, 22958.1, and 68203 of, and to add Sections 19829.9844, 19829.9845, 19829.9846, 20683.3, 22874.4, 22876.1, 22955.1, and 22958.2 to, the Government Code, relating to public employees, and making an appropriation therefor, to take effect immediately, bill related to the budget.



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THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. The Legislature finds and declares that one of the purposes of this act is to approve the agreement entered into by the state employer and State Bargaining Unit 12 pursuant to Section 3517.5 of the Government Code.

SEC. 2. The provisions of the memorandum of understanding prepared pursuant to Section 3517.5 of the Government Code and entered into by the state employer and State Bargaining Unit 12, dated May 26, 2016, and that require the expenditure of funds, are hereby approved for the purposes of subdivision (b) of Section 3517.6 of the Government Code.

SEC. 3. The provisions of the memorandum of understanding approved in Section 2 of this act that require the expenditure of funds shall not take effect unless funds for these provisions are specifically appropriated by the Legislature. If funds for these provisions are not specifically appropriated by the Legislature, either the state employer or the affected employee organization may reopen negotiations on all or part of the memorandum of understanding.

SEC. 4. Notwithstanding Section 3517.6 of the Government Code, the provisions of the memorandum of understanding included in Section 2 of this act that require the expenditure of funds shall become effective even if the provisions of the memorandum of understanding are approved by the Legislature in legislation other than the annual Budget Act.

SEC. 5. The sum of forty-five million four hundred nineteen thousand dollars (\$45,419,000) is hereby appropriated for State Bargaining Unit 12 for expenditure in the 2016–17 fiscal year in augmentation of, and for the purpose of, state employee



compensation, as provided in Items 9800-001-0001, 9800-001-0494, and 9800-001-0988 of Section 2.00 of the Budget Act of 2016, in accordance with the following schedule:

(a) Fourteen million five hundred ninety-six thousand dollars (\$14,596,000) from the General Fund in augmentation of Item 9800-001-0001.

(b) Twenty million six hundred fifty-one thousand dollars (\$20,651,000) from unallocated special funds in augmentation of Item 9800-001-0494.

(c) Ten million one hundred seventy-two thousand dollars (\$10,172,000) from other unallocated nongovernmental cost funds in augmentation of Item 9800-001-0988.

SEC. 6. Section 19829.9844 is added to the Government Code, to read:

19829.9844. (a) Notwithstanding Section 13340, for the 2016–17 fiscal year, if the Budget Act of 2016 is not enacted by July 1, 2016, for the memorandum of understanding entered into between the state employer and State Bargaining Unit 12 (effective July 1, 2015, to July 1, 2019, inclusive) there is hereby continuously appropriated to the Controller from the General Fund, unallocated special funds, including, but not limited to, federal funds and unallocated nongovernmental cost funds, and any other fund from which state employees are compensated, the amount necessary for the payment of compensation and employee benefits to state employees covered by the above memorandum of understanding until the Budget Act of 2016 is enacted. The Controller may expend an amount no greater than necessary to enable the Controller to compensate state employees covered by the above memorandum of understanding for work performed between July 1, 2016, of the 2016–17 fiscal year and the enactment of the Budget Act of 2016.



(b) If the memorandum of understanding entered into between the state employer and State Bargaining Unit 12 (effective July 1, 2015, to July 1, 2019, inclusive) is in effect and approved by the Legislature, the compensation and contribution for employee benefits for state employees represented by this bargaining unit shall be at a rate consistent with the applicable memorandum of understanding referenced above.

(c) Expenditures related to any warrant drawn pursuant to subdivision (a) are not augmentations to the expenditure authority of a department. Upon the enactment of the Budget Act of 2016, these expenditures shall be subsumed by the expenditure authority approved in the Budget Act of 2016 for each affected department.

(d) This section shall only apply to an employee covered by the term of the State Bargaining Unit 12 (effective July 1, 2015, to July 1, 2019, inclusive) memorandum of understanding. Notwithstanding Section 3517.8, this section shall not apply after the term of the memorandum of understanding has expired. For purposes of this section, the memorandum of understanding for State Bargaining Unit 12 expires on July 1, 2019.

SEC. 7. Section 19829.9845 is added to the Government Code, to read:

19829.9845. (a) Notwithstanding Section 13340, for the 2017–18 fiscal year, if the Budget Act of 2017 is not enacted by July 1, 2017, for the memorandum of understanding entered into between the state employer and State Bargaining Unit 12 (effective July 1, 2015, to July 1, 2019, inclusive) there is hereby continuously appropriated to the Controller from the General Fund, unallocated special funds, including, but not limited to, federal funds and unallocated nongovernmental cost funds, and any other fund from which state employees are compensated, the amount



necessary for the payment of compensation and employee benefits to state employees covered by the above memorandum of understanding until the Budget Act of 2017 is enacted. The Controller may expend an amount no greater than necessary to enable the Controller to compensate state employees covered by the above memorandum of understanding for work performed between July 1, 2017, of the 2017–18 fiscal year and the enactment of the Budget Act of 2017.

(b) If the memorandum of understanding entered into between the state employer and State Bargaining Unit 12 (effective July 1, 2015, to July 1, 2019, inclusive) is in effect and approved by the Legislature, the compensation and contribution for employee benefits for state employees represented by this bargaining unit shall be at a rate consistent with the applicable memorandum of understanding referenced above.

(c) Expenditures related to any warrant drawn pursuant to subdivision (a) are not augmentations to the expenditure authority of a department. Upon the enactment of the Budget Act of 2017, these expenditures shall be subsumed by the expenditure authority approved in the Budget Act of 2017 for each affected department.

(d) This section shall only apply to an employee covered by the term of the State Bargaining Unit 12 (effective July 1, 2015, to July 1, 2019, inclusive) memorandum of understanding. Notwithstanding Section 3517.8, this section shall not apply after the term of the memorandum of understanding has expired. For purposes of this section, the memorandum of understanding for State Bargaining Unit 12 expires on July 1, 2019.

SEC. 8. Section 19829.9846 is added to the Government Code, to read:



19829.9846. (a) Notwithstanding Section 13340, for the 2018–19 fiscal year, if the Budget Act of 2018 is not enacted by July 1, 2018, for the memorandum of understanding entered into between the state employer and State Bargaining Unit 12 (effective July 1, 2015, to July 1, 2019, inclusive) there is hereby continuously appropriated to the Controller from the General Fund, unallocated special funds, including, but not limited to, federal funds and unallocated nongovernmental cost funds, and any other fund from which state employees are compensated, the amount necessary for the payment of compensation and employee benefits to state employees covered by the above memorandum of understanding until the Budget Act of 2018 is enacted. The Controller may expend an amount no greater than necessary to enable the Controller to compensate state employees covered by the above memorandum of understanding for work performed between July 1, 2018, of the 2018–19 fiscal year and the enactment of the Budget Act of 2018.

(b) If the memorandum of understanding entered into between the state employer and State Bargaining Unit 12 (effective July 1, 2015, to July 1, 2019, inclusive) is in effect and approved by the Legislature, the compensation and contribution for employee benefits for state employees represented by this bargaining unit shall be at a rate consistent with the applicable memorandum of understanding referenced above.

(c) Expenditures related to any warrant drawn pursuant to subdivision (a) are not augmentations to the expenditure authority of a department. Upon the enactment of the Budget Act of 2018, these expenditures shall be subsumed by the expenditure authority approved in the Budget Act of 2018 for each affected department.



(d) This section shall only apply to an employee covered by the term of the State Bargaining Unit 12 (effective July 1, 2015, to July 1, 2019, inclusive) memorandum of understanding. Notwithstanding Section 3517.8, this section shall not apply after the term of the memorandum of understanding has expired. For purposes of this section, the memorandum of understanding for State Bargaining Unit 12 expires on July 1, 2019.

SEC. 9. Section 20683.3 is added to the Government Code, to read:

20683.3. Notwithstanding Sections 20677 and 20687, on and after July 1, 2017, the normal rate of contribution for an employee of the judicial branch who is not subject to Section 7522.30 shall be the following:

(a) For a state miscellaneous member:

(1) Nine percent of the compensation in excess of three hundred seventeen dollars (\$317) per month paid to a member whose service is not included in the federal system.

(2) Eight percent of compensation in excess of five hundred thirteen dollars (\$513) per month paid to that member whose service has been included in the federal system.

(b) For a peace officer/firefighter member, 11 percent of compensation in excess of two hundred thirty-eight dollars (\$238) per month paid to that member.

SEC. 10. Section 22871.3 of the Government Code is amended to read:

22871.3. (a) The employer contribution for each annuitant enrolled in a basic plan shall be an amount equal to 80 percent of the weighted average of the health benefit plan premiums for an employee or annuitant enrolled for self-alone, during the benefit year to which the formula is applied, for the four health benefit plans that had



the largest active state civil service enrollment, excluding family members, during the previous benefit year. For each annuitant with enrolled family members, the employer contribution shall be an amount equal to 80 percent of the weighted average of the additional premiums required for enrollment of those family members, during the benefit year to which the formula is applied, in the four health benefit plans that had the largest active state civil service enrollment, excluding family members, during the previous benefit year.

(b) The employer contribution for each annuitant enrolled in a Medicare health benefit plan in accordance with Section 22844 shall be an amount equal to 80 percent of the weighted average of the health benefit plan premiums for an annuitant enrolled in a Medicare health benefit plan for self-alone, during the benefit year to which the formula is applied, for the four Medicare health benefit plans that had the largest state annuitant enrollment, excluding family members, during the previous benefit year. For each annuitant with enrolled family members, the employer contribution shall be an amount equal to 80 percent of the weighted average of the additional premiums required for enrollment of those family members, during the benefit year to which the formula is applied, in the four Medicare health benefit plans that had the largest state annuitant enrollment, excluding family members, during the previous benefit year. If the annuitant is eligible for Medicare Part A, with or without cost, and Medicare Part B, regardless of whether the annuitant is actually enrolled in Medicare Part A or Part B, the employer contribution shall not exceed the amount calculated under this subdivision.

(c) This section applies to:



(1) A state employee who is first employed by the state and becomes a state member of the system on or after January 1, 2016, and who is represented by State Bargaining Unit 9 or 10.

(2) A state employee related to State Bargaining Unit 9 or 10 who is excepted from the definition of “state employee” in subdivision (c) of Section 3513 and first employed by the state and becomes a state member of the system on or after January 1, 2016.

(3) A state employee represented by State Bargaining Unit 6 or 12 who is first employed by the state and becomes a state member of the system on or after January 1, 2017.

(4) A state employee related to State Bargaining Unit 6 or 12 who is excepted from the definition of “state employee” in subdivision (c) of Section 3513 and first employed by the state and becomes a state member of the system on or after January 1, 2017.

(5) A judicial branch employee who is first employed by the state and becomes a state member of the system on or after January 1, 2017. This paragraph does not apply to a judge who is subject to Chapter 11 (commencing with Section 75000) or Chapter 11.5 (commencing with Section 75500) of Title 8.

(d) If the provisions of this section are in conflict with the provisions of a memorandum of understanding reached pursuant to Section 3517.5 or Chapter 12 (commencing with Section 3560) of Division 4 of Title 1, the memorandum of understanding shall be controlling without further legislative action, except that if those



provisions require the expenditure of funds, the provisions may not become effective unless approved by the Legislature.

SEC. 11. Section 22874.4 is added to the Government Code, to read:

22874.4. (a) Notwithstanding Sections 22870, 22871, and 22873, a judicial branch employee who is first employed by the state and becomes a state member of the system on or after January 1, 2017, shall not receive any portion of the employer contribution payable for annuitants unless the person is credited with 15 years of state service at the time of retirement.

(b) The percentage of the employer contribution payable for postretirement health benefits for an employee subject to this section shall be based on the completed years of credited state service at retirement as shown in the following table:

| Credited Years of Service | Percentage of Employer Contribution |
|------------------------------|--|
| 15..... | 50 |
| 16..... | 55 |
| 17..... | 60 |
| 18..... | 65 |
| 19..... | 70 |
| 20..... | 75 |
| 21..... | 80 |
| 22..... | 85 |
| 23..... | 90 |
| 24..... | 95 |
| 25 or more..... | 100 |

(c) This section shall apply only to judicial branch employees who retire for service. For purposes of this section, "state service" means service rendered as an employee of the state or an appointed or elected officer of the state for compensation.

(d) This section does not apply to any of the following:



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(1) Former state employees previously employed prior to January 1, 2017, who return to state employment on or after January 1, 2017.

(2) State employees on an approved leave of absence employed before January 1, 2017, who return to active employment on or after January 1, 2017.

(3) A judge who retires pursuant to Chapter 11 (commencing with Section 75000) or Chapter 11.5 (commencing with Section 75500) of Title 8.

SEC. 12. Section 22876.1 is added to the Government Code, to read:

22876.1. (a) Notwithstanding Section 22870, an employee of the California State University who is first employed by the California State University and becomes a member of the system on or after July 1, 2017, shall not receive any portion of the employer contribution payable for annuitants unless he or she has at least 10 years of credited service at the time of retirement. This section shall not take effect unless specifically adopted by action of the trustees of the California State University or, where required, provided for in a memorandum of understanding reached pursuant to Chapter 12 (commencing with Section 3560) of Division 4 of Title 1. The memorandum of understanding or trustee action shall be controlling without further legislative action.

(b) This section shall apply only to employees of the California State University who retire for service. For purposes of this section "credited service" means service rendered as a member of the system.

(c) This section does not apply to either of the following:

(1) Former employees of the California State University who return to employment with the California State University on or after July 1, 2017.



(2) Employees of the California State University on an approved leave of absence employed before July 1, 2017, who return to active employment on or after July 1, 2017.

SEC. 13. Section 22879 of the Government Code is amended to read:

22879. (a) The board shall pay monthly to an employee or annuitant who is enrolled in, or whose family member is enrolled in, a Medicare health benefit plan under this part the amount of the Medicare Part B premiums, exclusive of penalties, except as provided in Section 22831. This payment may not exceed the difference between the maximum employer contribution and the amount contributed by the employer toward the cost of premiums for the health benefit plan in which the employee or annuitant and his or her family members are enrolled. No payment may be made in any month if the difference is less than one dollar (\$1).

(b) This section shall be applicable only to state employees, annuitants who retired while state employees, and the family members of those persons.

(c) With respect to an annuitant, the board shall pay to the annuitant the amount required by this section from the same source from which his or her allowance is paid. Those amounts are hereby appropriated monthly from the General Fund to reimburse the board for those payments.

(d) There is hereby appropriated from the appropriate funds the amounts required by this section to be paid to active state employees.

(e) This section does not apply to:



(1) A state employee who is first employed by the state and becomes a state member of the system on or after January 1, 2016, and who is represented by State Bargaining Unit 9 or 10.

(2) A state employee related to State Bargaining Unit 9 or 10 who is excepted from the definition of "state employee" in subdivision (c) of Section 3513 and is first employed by the state and becomes a state member of the system on or after January 1, 2016.

(3) A state employee who is first employed by the state and becomes a state member of the system on or after January 1, 2017, and who is represented by State Bargaining Unit ~~6~~ 6 or 12.

(4) A state employee related to State Bargaining Unit 6 or 12 who is excepted from the definition of "state employee" in subdivision (c) of Section 3513 and is first employed by the state and becomes a state member of the system on or after January 1, 2017.

(5) A judicial branch employee who is first employed by the state and becomes a state member of the system on or after January 1, 2017. This paragraph does not apply to a judge who is subject to Chapter 11 (commencing with Section 75000) or Chapter 11.5 (commencing with Section 75500) of Title 8.

SEC. 14. Section 22944.5 of the Government Code is amended to read:

22944.5. (a) (1) The state and employees in State Bargaining Unit ~~9 or 10~~ 9, 10, or 12 shall prefund retiree health care, with the goal of reaching a 50-percent cost sharing of actuarially determined normal costs for both employer and employees by July 1, 2019.



(2) The state and employees in State Bargaining Unit 6 shall prefund retiree health care, with the goal of reaching a 50-percent cost sharing of actuarially determined normal costs for both employer and employees by July 1, 2018.

(3) The state and employees in the judicial branch shall prefund retiree health care, with the goal of reaching a 50-percent cost sharing of actuarially determined normal costs for both employer and employees by July 1, 2017.

(b) (1) The employees in State Bargaining Unit 9 shall make contributions to prefund retiree health care based on the following schedule, and the state shall make a matching contribution:

(A) Effective July 1, 2017, 0.5 percent of pensionable compensation.

(B) Effective July 1, 2018, an additional 0.5 percent for a total employee contribution of 1.0 percent of pensionable compensation.

(C) Effective July 1, 2019, an additional 1.0 percent for a total employee contribution of 2.0 percent of pensionable compensation.

(2) The employees in State Bargaining Unit 10 shall make contributions to prefund retiree health care based on the following schedule, and the state shall make a matching contribution:

(A) Effective July 1, 2017, 0.7 percent of pensionable compensation.

(B) Effective July 1, 2018, an additional 0.7 percent for a total employee contribution of 1.4 percent of pensionable compensation.

(C) Effective July 1, 2019, an additional 1.4 percent for a total employee contribution of 2.8 percent of pensionable compensation.



(3) The employees in State Bargaining Unit 6 shall make contributions to prefund retiree health care based on the following schedule, and the state shall make a matching contribution:

(A) Effective July 1, 2016, 1.3 percent of pensionable compensation.

(B) Effective July 1, 2017, an additional 1.3 percent for a total employee contribution of 2.6 percent of pensionable compensation.

(C) Effective July 1, 2018, an additional 1.4 percent for a total employee contribution of 4.0 percent of pensionable compensation.

(4) The state employees in the judicial branch shall make contributions to prefund retiree health care based on the following schedule, and the state shall make a matching contribution:

(A) Effective July 1, 2016, 1.5 percent of pensionable compensation.

(B) Effective July 1, 2017, up to an additional 1.5 percent for a total employee contribution of up to 3.0 percent of pensionable compensation. The additional amount shall be determined by the Director of Finance no later than April 1, 2017, based on the actuarially determined normal costs identified in the state valuation.

(C) This paragraph does not apply to a judge who is subject to Chapter 11 (commencing with Section 75000) or Chapter 11.5 (commencing with Section 75500) of Title 8.

(5) The employees in State Bargaining Unit 12 shall make contributions to prefund retiree health care based on the following schedule, and the state shall make a matching contribution:

(A) Effective July 1, 2017, 1.9 percent of pensionable compensation.



(B) Effective July 1, 2018, an additional 1.4 percent for a total employee contribution of 3.3 percent of pensionable compensation.

(C) Effective July 1, 2019, an additional 1.3 percent for a total employee contribution of 4.6 percent of pensionable compensation.

(c) This section only applies to employees ~~in State Bargaining Unit 6, 9, or 10~~ who are eligible for health benefits, including permanent intermittent employees.

(d) Contributions paid pursuant to this section shall be deposited in the Annuitants' Health Care Coverage Fund and shall not be refundable under any circumstances to an employee ~~in State Bargaining Unit 6, 9, or 10~~ or his or her beneficiary or survivor.

(e) If the provisions of this section are in conflict with the provisions of a memorandum of understanding reached pursuant to Section 3517.5, the memorandum of understanding shall be controlling without further legislative action, except that if those provisions of a memorandum of understanding require the expenditure of funds, the provisions shall not become effective unless approved by the Legislature in the annual Budget Act.

(f) This section shall also apply to a state employee related to ~~State Bargaining Unit 6, 9, or 10~~ a bargaining unit described in subdivision (a) who is excepted from the definition of "state employee" in subdivision (c) of Section 3513.

SEC. 15. Section 22955.1 is added to the Government Code, to read:

22955.1. (a) Notwithstanding Sections 22953 and 22956, an employee of the California State University who is first employed by the California State University and becomes a new member of the system on or after July 1, 2017, shall not receive



any portion of the employer contribution payable for annuitants unless he or she has at least 10 years of credited service at the time of retirement. This section shall not take effect unless specifically adopted by action of the Trustees of the California State University or, where required, provided for in a memorandum of understanding reached pursuant to Chapter 12 (commencing with Section 3560) of Division 4 of Title 1. The memorandum of understanding or trustee action shall be controlling without further legislative action.

(b) This section shall apply only to employees of the California State University who retire for service. For purposes of this section "credited service" means service rendered as a member of the system.

(c) This section does not apply to either of the following:

(1) Former employees of the California State University who return to employment with the California State University on or after July 1, 2017.

(2) Employees of the California State University on an approved leave of absence employed before July 1, 2017, who return to active employment on or after July 1, 2017.

SEC. 16. Section 22958.1 of the Government Code is amended to read:

22958.1. (a) Notwithstanding Sections 22953, 22957, and 22958, the following employees shall not receive any portion of the employer contribution payable for annuitants unless the person is credited with 15 or more years of state service, as defined by this section, at the time of retirement:



(1) A state employee, as defined by subdivision (c) of Section 3513, who is first employed by the state and becomes a state member of the system on or after January 1, 2017, and is represented by State Bargaining Unit ~~6~~ 6 or 12.

(2) A state employee related to State Bargaining Unit 6 or 12 who is excepted from the definition of “state employee” in subdivision (c) of Section 3513 and is first employed by the state and becomes a state member of the system on or after January 1, 2017.

(b) The percentage of the employer contribution payable for postretirement dental care benefits for an employee subject to this section shall be based on the funding provision of the plan and the completed years of credited state service at retirement as shown in the following table:

| <u>Years of Service Contribution Credited Years of Service</u> | <u>Credited Years Percentage of Employer Contribution Percentage of Employer Contribution</u> |
|--|---|
| 15..... | 50 |
| 16..... | 55 |
| 17..... | 60 |
| 18..... | 65 |
| 19..... | 70 |
| 20..... | 75 |
| 21..... | 80 |
| 22..... | 85 |
| 23..... | 90 |
| 24..... | 95 |
| 25 or more..... | 100 |

(c) This section shall apply only to state employees that retire for service. For purposes of this section, “state service” means service rendered as an employee of the state or an appointed or elected officer of the state for compensation.



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(d) This section does not apply to:

(1) Former state employees previously employed ~~before~~ prior to January 1, 2017, who return to state employment on or after January 1, 2017.

(2) State employees hired prior to January 1, 2017, who become subject to representation by State Bargaining Unit 6 or 12 on or after January 1, 2017.

(3) State employees on an approved leave of absence employed before January 1, 2017, who return to active employment on or after January 1, 2017.

(4) State employees hired after January 1, 2017, who are first represented by a State Bargaining Unit other than Bargaining Unit ~~6, 6 or 12,~~ 6 or 12, who later become represented by State Bargaining Unit ~~6, 6 or 12.~~

(e) In those cases where the state has assumed from a public agency a function and the related personnel, service rendered by that personnel for compensation as employees or appointed or elected officers of that public agency may not be credited as state service for the purposes of this section unless the former employer has paid or agreed to pay the state the amount actuarially determined to equal the cost for any employee dental benefits that were vested at the time that the function and the related personnel were assumed by the state, and the Department of Finance finds that the contract contains a benefit factor sufficient to reimburse the state for the amount necessary to fully compensate for the postretirement dental benefit costs of those personnel. For noncontracting public agencies, the state agency that has assumed the function shall certify the completed years of public agency service to be credited to the employee as state service credit under this section.

SEC. 17. Section 22958.2 is added to the Government Code, to read:



22958.2. (a) Notwithstanding Sections 22953, 22957, and 22958, a judicial branch employee who is first employed by the state and becomes a state member of the system on or after January 1, 2017, shall not receive any portion of the employer contribution payable for annuitants unless the person is credited with 15 years of state service at the time of retirement.

(b) The percentage of the employer contribution payable for postretirement dental care benefits for an employee subject to this section shall be based on the funding provision of the plan and the completed years of credited state service at retirement as shown in the following table:

| Credited Years of Service | Percentage of Employer Contribution |
|---------------------------|-------------------------------------|
| 15..... | 50 |
| 16..... | 55 |
| 17..... | 60 |
| 18..... | 65 |
| 19..... | 70 |
| 20..... | 75 |
| 21..... | 80 |
| 22..... | 85 |
| 23..... | 90 |
| 24..... | 95 |
| 25 or more..... | 100 |

(c) This section shall apply only to judicial branch employees who retire for service. For purposes of this section, “state service” means service rendered as an employee of the state or an appointed or elected officer of the state for compensation.

(d) This section does not apply to any of the following:

(1) Former state employees previously employed prior to January 1, 2017, who return to state employment on or after January 1, 2017.



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(2) State employees on an approved leave of absence employed before January 1, 2017, who return to active employment on or after January 1, 2017.

(3) A judge who retires pursuant to Chapter 11 (commencing with Section 75000) or Chapter 11.5 (commencing with Section 75500) of Title 8.

SEC. 18. Section 68203 of the Government Code is amended to read:

68203. (a) On July 1, 1980, and on July 1 of each year thereafter, the salary of each justice and judge named in Sections 68200 to 68202, inclusive, and 68203.1 shall be increased by the amount that is produced by multiplying the then current salary of each justice or judge by the net average percentage salary increase for the then current fiscal year for California state employees; provided, that in any fiscal year in which the Legislature places a dollar limitation on salary increases for state employees the same limitation shall apply to judges in the same manner applicable to state employees in comparable wage categories.

(b) For the purposes of this section, ~~salary increases for state employees shall be those increases as reported by the Department of Human Resources.~~ the following terms have the following meanings:

(1) “Net average percentage salary increase” means the greater of the following:

(A) Those increases as reported by the Department of Human Resources to the Controller in a pay letter, reduced by the average percentage salary decrease for the same fiscal year.

(B) Zero.

(2) “Average percentage salary decrease” means the decrease resulting from the furlough or enrollment in a personal leave program of California state employees in a



fiscal year, as determined by the Department of Human Resources in consultation with the Department of Finance.

(3) "California state employees" does not include persons working for the California State University system, the judicial branch, or the Legislature.

(c) The salary increase for judges and justices made on July 1, 1980, for the 1980–81 fiscal year, shall in no case exceed 5 percent.

(d) On January 1, 2001, the salary of the justices and judges named in Sections 68200 to 68202, inclusive, shall be increased by the amount that is produced by multiplying the salary of each justice and judge as of December 31, 2000, by 8 ½ percent.

(e) On January 1, 2007, the salary of the justices and judges identified in Sections 68200 to 68202, inclusive, and 68203.1 shall also be increased by the amount that is produced by multiplying the salary of each justice and judge as of December 31, 2006, by 8.5 percent.

(f) Notwithstanding Article 2 (commencing with Section 3287) of Chapter 1 of Title 2 of Part 1 of Division 4 of the Civil Code, Chapter 5 (commencing with Section 685.010) of Division 1 of Title 9 of Part 2 of the Code of Civil Procedure, any other law, or any court judgment that has not been finally determined upon appeal as of the effective date of the act adding this subdivision, any award of interest on an order to pay unpaid salary or judicial retiree benefit increases pursuant to this section shall not exceed the rate of interest accrued on moneys in the Pooled Money Investment Account.



(g) The amendments to this section by the act adding this subdivision shall not be construed as creating any inference about the legal effect of this section prior to the effective date of the act adding this subdivision.

SEC. 19. This act is a bill providing for appropriations related to the Budget Bill within the meaning of subdivision (e) of Section 12 of Article IV of the California Constitution, has been identified as related to the budget in the Budget Bill, and shall take effect immediately.



LEGISLATIVE COUNSEL'S DIGEST

Bill No.

as introduced, _____.

General Subject: Public employees.

(1) Existing law provides that a provision of a memorandum of understanding reached between the state employer and a recognized employee organization representing state civil service employees that requires the expenditure of funds does not become effective unless approved by the Legislature in the annual Budget Act.

This bill would approve provisions of a memorandum of understanding entered into between the state employer and State Bargaining Unit 12, the International Union of Operating Engineers, that require the expenditure of funds, and would provide that these provisions will become effective even if these provisions are approved by the Legislature in legislation other than the annual Budget Act.

This bill would provide that provisions of the memorandum of understanding approved by this bill that require the expenditure of funds will not take effect unless funds for those provisions are specifically appropriated by the Legislature, and would



authorize the state employer and the affected employee organization to meet and confer to renegotiate the affected provisions if funds for those provisions are not specifically appropriated by the Legislature. The bill would appropriate \$45,419,000 in augmentation of certain items of the Budget Act of 2016, according to a specified schedule, for State Bargaining Unit 12 employee compensation for expenditure in the 2016–17 fiscal year. The bill would appropriate to the Controller from the General Fund, unallocated special funds, including federal funds and unallocated nongovernmental cost funds, and any other fund from which state employees are compensated, the amount necessary for the payment of compensation and employee benefits to state employees covered by the memoranda of understanding described above if the Budget Act is not enacted on or before July 1 in the 2016–17, 2017–18, or 2018–19 fiscal years, as specified.

(2) The Public Employees' Retirement Law (PERL) creates the Public Employees' Retirement System for the purpose of providing pension and other benefits to public employees, which are funded by employee and employer contributions and investment returns. PERL prescribes different normal rates for employee contributions depending on bargaining unit, employer, and inclusion of service in the federal Social Security system, among other factors.

This bill, on and after July 1, 2017, would raise the normal rates of contribution for specified judicial branch employees to 9% of compensation over \$317 per month for state miscellaneous members whose service is not included in the federal system, 8% of compensation over \$513 per month for state miscellaneous members whose service has been included in the federal system, and 11% of compensation over \$238 for peace officer/firefighter members.



(3) The Public Employees' Medical and Hospital Care Act (PEMHCA), which is administered by the Board of Administration of the Public Employees' Retirement System, prescribes methods for calculating the state employer contribution for postemployment health care benefits for eligible retired public employees and their families and for the vesting of these benefits. PEMHCA requires the employer contribution for an employee or annuitant who is in employment or retired from state service to be adjusted by the Legislature in the annual Budget Act, as specified. PEMHCA prescribes different ways of calculating the employer contributions for employees and annuitants depending on date of hire, years of service, and bargaining unit.

This bill, for judicial branch employees and state employees represented by State Bargaining Unit 12 who are first employed and become state members of the retirement system on or after January 1, 2017, would limit the employer contribution for annuitants to 80% of the weighted average of the health benefit plan premiums for an active employee enrolled for self-alone, during the benefit year to which the formula is applied, for the 4 health benefit plans with the largest state civil service enrollment, as specified. The bill would similarly limit the employer contribution for an enrolled family member of an annuitant to 80% of the weighted average of the additional premiums required for enrollment of those family members during the benefit year to which the formula is applied and would provide the same limit on employer contributions for annuitants enrolled in Medicare health benefit plans.

(4) PEMHCA requires state employees to have a specified number of years of state service, depending on hiring date and other factors, before they may receive any



portion of the employer contribution payable for annuitants for postretirement health benefits and increases the percentage they may receive based upon additional years of service.

This bill would prohibit judicial branch employees who are first employed and become state members of the retirement system on or after January 1, 2017, from receiving any portion of the employer contribution payable for annuitants unless the person is credited with at least 15 years of state service at the time of retirement. The bill would prescribe the percentage of the employer contribution payable for postretirement health benefits for these employees based on the number of completed years of credited state service at retirement, with 50% after 15 credited years of service and 100% after 25 or more years of service. The bill would except specified employees from this prohibition.

This bill would authorize the Trustees of the California State University, by specific adoption or through a collective bargaining agreement, to prohibit employees of the California State University who are first employed and become members of the retirement system on or after July 1, 2017, from receiving any portion of the employer contribution payable for annuitants unless the person is credited with at least 10 years of state service at the time of retirement. The bill would except specified employees from these provisions.

(5) PEMHCA generally requires that an employee or annuitant who is enrolled in, or whose family member is enrolled in, a Medicare health benefit plan be paid the amount of the Medicare Part B premiums, as specified, and prohibits this payment from exceeding the difference between the maximum employer contribution and the



amount contributed by the employer toward the cost of premiums for the health benefit plan in which the employee or annuitant and his or her family members are enrolled. Existing law excepts specified state employees from this requirement.

This bill would also except from the requirement described above judicial branch employees and state employees represented by State Bargaining Unit 12 who are first employed and become state members of the retirement system on or after January 1, 2017.

(6) PEMHCA establishes the Public Employees' Contingency Reserve Fund for the purpose of funding health benefits and funding administrative expenses. PEMHCA establishes the Annuitants' Health Care Coverage Fund, which is continuously appropriated, for the purpose of prefunding health care coverage for annuitants, including administrative costs. PEMHCA defines prefunding for these purposes. Existing law requires the state and employees of State Bargaining Unit 6, 9, or 10 to prefund retiree health care with the goal of reaching a 50% cost sharing of normal costs, and prescribes schedules of contribution percentages in this regard.

This bill would require the state and state employees in the judicial branch to make contributions to prefund retiree health care pursuant to a prescribed schedule of contribution percentages and would also require the state and employees in State Bargaining Unit 12 to prefund retiree health care pursuant to a separate prescribed schedule of contribution percentages, with the contributions to be deposited in the Annuitants' Health Care Coverage Fund. By depositing new revenue in a continuously appropriated fund, this bill would make an appropriation.



(7) Existing law, the State Employees' Dental Care Act, authorizes the state to enter into contracts, upon negotiations with employee organizations, with carriers for dental care plans for employees, annuitants, and eligible family members. Existing law permits these plans to include premiums to be paid by employees and annuitants and also authorizes the plans to be self-funded if an employer determines it to be cost effective. Existing law prohibits specified employees from receiving an employer contribution for these benefits for annuitants unless the person is credited with 10 or more years of state service, and inhibits other specified employees from receiving that contribution unless the person is credited with 15 or more years of state service, and prohibits other specified employees from receiving that contribution unless the person is credited with 15 or more years of state service.

This bill would prohibit judicial branch employees and employees in State Bargaining Unit 12 who are first employed and become state members of the retirement system on or after January 1, 2017, from receiving an employer contribution for dental benefits, as described above, for annuitants unless the person is credited with 15 or more years of state service. The bill would prescribe the percentage of the employer contribution payable for these dental benefits for these employees based on the number of completed years of credited state service at retirement, with 50% after 15 credited years of service and 100% after 25 or more years of service. The bill would except specified employees from these provisions.

This bill would authorize the Trustees of the California State University, by specific adoption or through a collective bargaining agreement, to prohibit employees of the California State University who are first employed and become members of the



retirement system on or after July 1, 2017, from receiving any portion of the employer contribution payable for annuitants unless the person is credited with at least 10 years of state service at the time of retirement. The bill would except specified employees from these provisions.

(8) Existing law authorizes the Legislature to prescribe compensation for judges of courts of record. Existing law specifies the salaries of justices and judges of the Supreme Court, the courts of appeal, and trial courts and provides for the annual increase of those salaries by the amount that is produced by multiplying the judge's or justice's current salary by the average percentage salary increase for the current fiscal year for California state employees, as provided.

This bill would instead require that increase to be the amount produced by multiplying the judge's or justice's current salary by the net average percentage salary increase, defined as the positive difference between increases reported in a specified pay letter and the decrease resulting from furlough or enrollment in a personal leave program, for the then current fiscal year for California state employees, as defined. The bill would also limit the award of interest on an order to pay unpaid salary or judicial retiree benefit increases based on these provisions to the rate of interest on the Pooled Money Investment Account.

(9) This bill would declare that it is to take effect immediately as a bill providing for appropriations related to the Budget Bill.

Vote: majority. Appropriation: yes. Fiscal committee: yes. State-mandated local program: no.

