

Date of Hearing: April 24, 2017

ASSEMBLY COMMITTEE ON BUDGET

Philip Y. Ting, Chair

SB 131 (Committee on Budget and Fiscal Review) – As Amended April 5, 2017

SENATE VOTE: 28-12

SUBJECT: State public employment: memorandum of understanding: approval

SUMMARY: Provides legislative ratification of the memoranda of understanding (MOUs) agreed to by the state and Bargaining Unit (BUs) 16 – Physicians, Dentists and Podiatrists represented by Union of American Physicians and Dentists (UAPD).

EXISTING LAW:

- 1) Establishes the Ralph C. Dills Act, which requires the state to collectively bargain with the exclusive representatives of employee groups (i.e. bargaining units) regarding wages and working conditions, and to define negotiated agreements in MOUs.
- 2) Establishes the California Department of Human Resources (CalHR) as the official representative of the Governor in all matters related to collective bargaining with state employees.
- 3) Requires that any MOU between the state and an exclusive representative must be ratified by the Legislature.
- 4) Establishes the California Public Employees' Retirement System (CalPERS), which administers health and retirement benefits for state employees.
- 5) Requires the Legislative Analyst's Office (LAO) to analyze all state MOUs and to provide analyses of an MOU and its fiscal impact to the Legislature within 10 days of receipt of an MOU from CalHR.
- 6) Provides that fully vested state retirees (e.g., with 20 or more years of state employment) are entitled to an employer contribution for retiree health care equal to 100% of the weighted average premium of the four health plans most highly utilized by all members. Dependents are eligible for a contribution based on 90% of the average additional premiums paid for dependents during the benefit year in which the formula is applied. This is referred to as the 100/90 formula.
- 7) Requires that Medicare-eligible retirees enroll in Medicare and choose a Medicare-coordinated health plan. Since these plans may be cheaper than non-Medicare (or "Basic" plans), thus resulting in some portion of the employer contribution going unused, current law requires that any unused portion of the 100/90 formula contributions may be applied to reimburse retirees for the costs of Medicare Part B premiums. These reimbursements are made in the form of an additional payment to the retiree on the retirement warrant up to the cost of the Part B premium. Whether or not a retiree receives the Medicare Part B reimbursement in full or in part depends upon the cost of that retiree's health plan.

- 8) Provides that most state employees (those hired after 1985 or 1989, depending on class) must work for 10 years to receive 50% of the 100/90 formula, with an additional 5% per year of service until, after 20 years, they are vested to receive 100% of the 100/90 formula. Individuals hired prior to 1985 or 1989 could be subject to either 5 year or 10 year vesting for full coverage of the 100/90 formula.
- 9) Provides that retirees who were covered in certain bargaining units while actively employed will receive an employer retiree health contribution based on the 80/80 formula (i.e., 80% of the weighted average premium of the four health plans most highly utilized by all members).
- 10) Provides that the employer contribution for active state employee health care shall be determined through collective bargaining.

FISCAL EFFECT: This budget trailer bill includes a continuing appropriation.

COMMENTS: The following information summarizing the general provisions of the MOU was provided by CalHR:

- 1) Number of Employees: Approximately 1,568 full time equivalents.

HEALTH BENEFITS

- 1) Employer Contribution for Future Retirees
 - a. Employees first hired on or after April 1, 2017, will receive an employer contribution for retiree health benefits based on an “80/80” formula. Retirees and their dependents enrolled in a basic health benefit plan will receive an employer contribution equal to 80 percent of the weighted average premium of the four largest basic health benefit plans based on state active employee enrollment. Retirees and their dependents enrolled in a Medicare health benefit plan will receive an employer contribution equal to 80 percent of the weighted average premium of the four largest Medicare health benefit plans based on state retiree enrollment.
- 2) Prefunding of Other Post-Employment Benefits
 - a. Beginning on July 1, 2013, Bargaining Unit (Unit) 16 members started the process of prefunding their retiree healthcare by contributing 0.5 percent of their base salary. The state and Unit 16 members will now both prefund retiree healthcare with the goal of reaching 50 percent cost sharing of actuarially determined total normal cost for employer and employees by July 1, 2018. The state and employees will each make the following contributions:
 - i. Effective July 1, 2017, a total of 1 percent of pensionable compensation.
 - ii. Effective July 1, 2018, an additional 0.4 percent for a total of 1.4 percent of pensionable compensation.

3) Post-Employment Health and Dental Benefit Vesting Schedule

- a. All employees first hired on or after April 1, 2017, will be subject to an extended vesting schedule providing 50 percent of the employer contribution upon completion of 15 years of state service, increasing 5 percent for each additional year of service, until the employee is 100 percent vested at 25 years of state service.

4) Medicare Part B Supplemental Benefit

- a. All employees first hired on or after April 1, 2017, will no longer be eligible to use the employer contribution for a retiree health benefit plan for Medicare Part B premiums.

RETIREMENT BENEFITS

1) Employee Retirement Contributions

- a. Effective July 1, 2017, the employee's current retirement contribution rate shall remain in effect up until the time that CalPERS has determined that (1) the total normal cost rate in effect for the 2016-17 fiscal year has increased by 1 percent, and (2) 50 percent of that increased normal cost rate, rounded to the nearest quarter of 1 percent, is greater than the current employee contribution rate. On July 1 of the fiscal year after CalPERS determines both (1) and (2) above have been met, the employee's retirement contribution rate for state safety, miscellaneous or industrial members shall be adjusted to 50 percent of their respective total normal cost rate rounded to the nearest quarter of one percent. Once the employee contribution rate has been established at 50 percent of the total normal cost, it shall not be adjusted again unless CalPERS determines the total normal cost rate in effect at the time of the last adjustment has increased or decreased by more than 1 percent (Articles 18.1 and 18.4).

COMPENSATION

1) General Salary Increase (GSI)

- a. Effective the first day of the pay period following ratification, all Unit 16 represented classifications shall receive a 2 percent (2%) GSI.
- b. Effective July 1, 2017, all Unit 16 represented classifications shall receive a 3 percent (3%) GSI.
- c. Effective July 1, 2018, all Unit 16 represented classifications shall receive a 2 percent (2%) GSI.
- d. Effective July 1, 2019, all Unit 16 represented classifications shall receive a 2 percent (2%) GSI.

2) Special Salary Adjustments

- a. Effective the first day of the pay period following ratification, the classification of Podiatrist, Correctional Facility will receive a special salary adjustment to match the salaries of the other Podiatrist classifications.
- b. Effective the first day of the pay period following ratification, Physician and Surgeons employed by the Department of State Hospitals, Department of Developmental Services and the California Department of Veteran's Affairs shall receive a 2 percent (2%) special salary adjustment.
- c. Effective the first day of the pay period following ratification, Medical, Dental and Podiatrist Consultant, Public Health Officer, and Podiatrist classifications shall receive a 2 percent (2%) special salary adjustment.
- d. Effective July 1, 2017, Medical, Dental and Podiatrist Consultant, Public Health Officer, and Podiatrist classifications shall receive a 2 percent (2%) special salary adjustment.

3) Pay Differentials

- a. Effective the first day of the pay period following ratification, the state shall provide a monthly pay differential of 15 percent (15%) of the employee's monthly base salary for employees who are appointed in the classification of Physician and Surgeon, and employed by the California Department of Corrections and Rehabilitation or California Correctional Health Care Services at Avenal State Prison, California Medical Facility, California State Prison-Corcoran, California State Prison-Sacramento, California State Prison-Los Angeles, Mule Creek State Prison, North Kern State Prison (Delano I), Kern Valley State Prison (Delano II), Pleasant Valley State Prison, RJ Donovan Correctional Facility, Salinas Valley State Prison or the California Substance Abuse Treatment Facility-Corcoran.
- b. Effective the first day of the pay period following ratification, the state shall provide a monthly pay differential of 15 percent (15%) of the employee's monthly base salary for employees who are appointed in the classification of Physician and Surgeon and employed by California Department of Veteran's Affairs at Chula Vista, Lancaster, West Los Angeles or Yountville, or the Department of Developmental Services at Fairview Developmental Center, Porterville Developmental Center, or Sonoma Developmental Center.
- c. Effective the first day of the pay period following ratification, the state shall provide a monthly pay differential of 12 percent (12%) of the employee's monthly base salary for employees who are appointed in the classification of Physician and Surgeon, and employed by the Department of State Hospitals (DSH) at Coalinga, Napa, Stockton (California Health Care Facility), Salinas Valley or Vacaville.
- d. Effective the first day of the pay period following ratification, the state shall provide a monthly pay differential of 7 percent (7%) of the employee's monthly base salary for employees who are appointed in the classification of Physician and Surgeon, and employed by DSH at Atascadero, Metropolitan or Patton.

- e. All of the pay differentials referenced above will not be considered compensation for purposes of retirement contributions.

MISCELLANEOUS

- 1) Agreements: The complete tentative agreements between the state and the employees represented of the affected BUs can be viewed at: <http://www.calhr.ca.gov/labor-relations/Documents/ta-20160701-20200701-bu16.pdf>

DURATION

- 1) July 1, 2016 through July 1, 2020

REGISTERED SUPPORT / OPPOSITION:

Support

None on file.

Opposition

None on file.

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