

AMENDED IN ASSEMBLY AUGUST 8, 2016

AMENDED IN ASSEMBLY MAY 25, 2016

SENATE BILL

No. 857

Introduced by Committee on Budget and Fiscal Review

January 7, 2016

~~An act relating to the Budget Act of 2016.~~ *An act to amend Sections 19829.9845, 19829.9846, 22871.3, 22874.3, 22879, 22944.5, and 22958.1 of the Government Code, relating to state employment, and making an appropriation therefor, to take effect immediately, bill related to the budget.*

LEGISLATIVE COUNSEL'S DIGEST

SB 857, as amended, Committee on Budget and Fiscal Review.
~~Budget Act of 2016.~~ *State employment: memorandum of understanding: Bargaining Unit 7.*

(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 7, the California Statewide Law Enforcement Association, 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 \$38,611,000 in augmentation of certain items of the Budget Act of 2016, according to a specified schedule, for State Bargaining Unit 7 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 memorandum of understanding described above if the Budget Act is not enacted on or before July 1 in the 2017–18 or 2018–19 fiscal years, as specified.

(2) 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 state employees who are first employed and become members of the retirement system on or after January 1, 2017, and are represented by State Bargaining Unit 7, as specified, 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.

(3) 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 state employees who are first employed and become members of the retirement system on or after January 1, 2017, and are represented by State Bargaining Unit 7, as specified, 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.

(4) 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 from this requirement state employees who are first employed and become members of the retirement system on or after specified dates and are represented by specified state bargaining units.

This bill would also except from the requirement described above state employees who are first employed and become members of the retirement system on or after January 1, 2017, and are represented by State Bargaining Unit 7, as specified.

(5) 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 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 9, 10, or 12 to prefund retiree health care with the goal of reaching a 50% cost sharing of normal costs by July 1, 2019, and prescribes schedules of contribution percentages in this regard.

This bill would require the state and employees of State Bargaining Unit 7 to prefund retiree health care with the goal of reaching a 50% cost sharing of normal costs by July 1, 2019, and would prescribe a schedule of contribution percentages in this regard, 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.

(6) 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 or for other specified employees unless the person is credited with 15 or more years of state service.

This bill would prohibit state employees, as specified, who are first employed and become members of the retirement system on or after January 1, 2017, and are represented by State Bargaining Unit 7 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.

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

~~This bill would express the intent of the Legislature to enact statutory changes relating to the Budget Act of 2016.~~

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

The people of the State of California do enact as follows:

- 1 *SECTION 1. The Legislature finds and declares that the*
- 2 *purposes of this act is to approve the agreement entered into by*

1 *the state employer and State Bargaining Unit 7 pursuant to Section*
2 *3517.5 of the Government Code.*

3 *SEC. 2. The provisions of the memorandum of understanding*
4 *prepared pursuant to Section 3517.5 of the Government Code and*
5 *entered into by the state employer and State Bargaining Unit 7,*
6 *dated June 9, 2016, and that require the expenditure of funds, are*
7 *hereby approved for the purposes of subdivision (b) of Section*
8 *3517.6 of the Government Code.*

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

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

23 *SEC. 5. The sum of thirty-eight million six hundred eleven*
24 *thousand dollars (\$38,611,000) is hereby appropriated for State*
25 *Bargaining Unit 7 for expenditure in the 2016–17 fiscal year in*
26 *augmentation of, and for the purpose of, state employee*
27 *compensation, as provided in Items 9800-001-0001,*
28 *9800-001-0494, and 9800-001-0988 of Section 2.00 of the Budget*
29 *Act of 2016, in accordance with the following schedule:*

30 *(a) Nine million six hundred sixty-seven thousand dollars*
31 *(\$9,667,000) from the General Fund in augmentation of Item*
32 *9800-001-0001.*

33 *(b) Nineteen million three hundred ninety-two thousand dollars*
34 *(\$19,392,000) from unallocated special funds in augmentation of*
35 *Item 9800-001-0494.*

36 *(c) Nine million five hundred fifty-two thousand dollars*
37 *(\$9,552,000) from other unallocated nongovernmental cost funds*
38 *in augmentation of Item 9800-001-0988.*

39 *SEC. 6. Section 19829.9845 of the Government Code is*
40 *amended to read:*

1 19829.9845. (a) Notwithstanding Section 13340, for the
 2 2017–18 fiscal year, if the Budget Act of 2017 is not enacted by
 3 July 1, 2017, for the ~~memorandum~~ *memoranda* of understanding
 4 entered into between the state employer and *State Bargaining Unit*
 5 *7 (effective July 2, 2016, to July 1, 2019, inclusive)* and *State*
 6 *Bargaining Unit 12 (effective July 1, 2015, to July 1, 2019,*
 7 *inclusive)* there is hereby continuously appropriated to the
 8 Controller from the General Fund, unallocated special funds,
 9 including, but not limited to, federal funds and unallocated
 10 nongovernmental cost funds, and any other fund from which state
 11 employees are compensated, the amount necessary for the payment
 12 of compensation and employee benefits to state employees covered
 13 by ~~the an~~ above memorandum of understanding until the Budget
 14 Act of 2017 is enacted. The Controller may expend an amount no
 15 greater than necessary to enable the Controller to compensate state
 16 employees covered by ~~the an~~ above memorandum of understanding
 17 for work performed between July 1, 2017, of the 2017–18 fiscal
 18 year and the enactment of the Budget Act of 2017.

19 (b) If the ~~memorandum~~ *memoranda* of understanding entered
 20 into between the state employer and *State Bargaining Unit 7*
 21 *(effective July 2, 2016, to July 1, 2019, inclusive)* and *State*
 22 *Bargaining Unit 12 (effective July 1, 2015, to July 1, 2019,*
 23 *inclusive)* ~~is are~~ in effect and approved by the Legislature, the
 24 compensation and contribution for employee benefits for state
 25 employees represented by ~~this these~~ bargaining ~~unit units~~ shall be
 26 at a rate consistent with the applicable memorandum of
 27 understanding referenced above.

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

33 (d) This section shall only apply to an employee covered by the
 34 ~~term~~ *terms* of the *State Bargaining Unit 7 (effective July 2, 2016,*
 35 *to July 1, 2019, inclusive)* and *State Bargaining Unit 12 (effective*
 36 *July 1, 2015, to July 1, 2019, inclusive)* ~~memorandum~~ *memoranda*
 37 of understanding. Notwithstanding Section 3517.8, this section
 38 shall not apply after the ~~term~~ *terms* of the ~~memorandum~~
 39 *memoranda* of understanding ~~has have~~ expired. For purposes of
 40 this section, the ~~memorandum~~ *memoranda* of understanding for

1 *State Bargaining Unit 7 and State Bargaining Unit 12*—~~expires~~
2 *expire on July 1, 2019.*

3 *SEC. 7. Section 19829.9846 of the Government Code is*
4 *amended to read:*

5 19829.9846. (a) Notwithstanding Section 13340, for the
6 2018–19 fiscal year, if the Budget Act of 2018 is not enacted by
7 July 1, 2018, for the ~~memorandum~~ *memoranda* of understanding
8 entered into between the state employer and *State Bargaining Unit*
9 *7 (effective July 2, 2016, to July 1, 2019, inclusive) and State*
10 *Bargaining Unit 12 (effective July 1, 2015, to July 1, 2019,*
11 *inclusive) there is hereby continuously appropriated to the*
12 *Controller from the General Fund, unallocated special funds,*
13 *including, but not limited to, federal funds and unallocated*
14 *nongovernmental cost funds, and any other fund from which state*
15 *employees are compensated, the amount necessary for the payment*
16 *of compensation and employee benefits to state employees covered*
17 *by the an above memorandum of understanding until the Budget*
18 *Act of 2018 is enacted. The Controller may expend an amount no*
19 *greater than necessary to enable the Controller to compensate state*
20 *employees covered by the an above memorandum of understanding*
21 *for work performed between July 1, 2018, of the 2018–19 fiscal*
22 *year and the enactment of the Budget Act of 2018.*

23 (b) If the ~~memorandum~~ *memoranda* of understanding entered
24 into between the state employer and *State Bargaining Unit 7*
25 *(effective July 2, 2016, to July 1, 2019, inclusive) and State*
26 *Bargaining Unit 12 (effective July 1, 2015, to July 1, 2019,*
27 *inclusive)*—~~is~~ *are* in effect and approved by the Legislature, the
28 compensation and contribution for employee benefits for state
29 employees represented by ~~this~~ *these* bargaining ~~unit~~ *units* shall be
30 at a rate consistent with the applicable memorandum of
31 understanding referenced above.

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

37 (d) This section shall only apply to an employee covered by the
38 ~~term~~ *terms* of the *State Bargaining Unit 7 (effective July 2, 2016,*
39 *to July 1, 2019, inclusive) and State Bargaining Unit 12 (effective*
40 *July 1, 2015, to July 1, 2019, inclusive)*—~~memorandum~~ *memoranda*

1 of understanding. Notwithstanding Section 3517.8, this section
2 shall not apply after the ~~term~~ *terms* of the ~~memorandum~~
3 *memoranda* of understanding ~~has~~ *have* expired. For purposes of
4 this section, the ~~memorandum~~ *memoranda* of understanding for
5 *State Bargaining Unit 7 and State Bargaining Unit 12* ~~expires~~
6 *expire* on July 1, 2019.

7 *SEC. 8. Section 22871.3 of the Government Code is amended*
8 *to read:*

9 22871.3. (a) The employer contribution for each annuitant
10 enrolled in a basic plan shall be an amount equal to 80 percent of
11 the weighted average of the health benefit plan premiums for an
12 employee or annuitant enrolled for self-alone, during the benefit
13 year to which the formula is applied, for the four health benefit
14 plans that had the largest active state civil service enrollment,
15 excluding family members, during the previous benefit year. For
16 each annuitant with enrolled family members, the employer
17 contribution shall be an amount equal to 80 percent of the weighted
18 average of the additional premiums required for enrollment of
19 those family members, during the benefit year to which the formula
20 is applied, in the four health benefit plans that had the largest active
21 state civil service enrollment, excluding family members, during
22 the previous benefit year.

23 (b) The employer contribution for each annuitant enrolled in a
24 Medicare health benefit plan in accordance with Section 22844
25 shall be an amount equal to 80 percent of the weighted average of
26 the health benefit plan premiums for an annuitant enrolled in a
27 Medicare health benefit plan for self-alone, during the benefit year
28 to which the formula is applied, for the four Medicare health benefit
29 plans that had the largest state annuitant enrollment, excluding
30 family members, during the previous benefit year. For each
31 annuitant with enrolled family members, the employer contribution
32 shall be an amount equal to 80 percent of the weighted average of
33 the additional premiums required for enrollment of those family
34 members, during the benefit year to which the formula is applied,
35 in the four Medicare health benefit plans that had the largest state
36 annuitant enrollment, excluding family members, during the
37 previous benefit year. If the annuitant is eligible for Medicare Part
38 A, with or without cost, and Medicare Part B, regardless of whether
39 the annuitant is actually enrolled in Medicare Part A or Part B, the

1 employer contribution shall not exceed the amount calculated
2 under this subdivision.

3 (c) This section applies to:

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

7 (2) A state employee related to State Bargaining Unit 9 or 10
8 who is excepted from the definition of “state employee” in
9 subdivision (c) of Section 3513 and first employed by the state
10 and becomes a state member of the system on or after January 1,
11 2016.

12 (3) A state employee represented by State Bargaining Unit ~~6~~ 6,
13 7, or 12 who is first employed by the state and becomes a state
14 member of the system on or after January 1, 2017.

15 (4) A state employee related to State Bargaining Unit ~~6~~ 6, 7, or
16 12 who is excepted from the definition of “state employee” in
17 subdivision (c) of Section 3513 and first employed by the state
18 and becomes a state member of the system on or after January 1,
19 2017.

20 (5) A judicial branch employee who is first employed by the
21 state and becomes a state member of the system on or after January
22 1, 2017. This paragraph does not apply to a judge who is subject
23 to Chapter 11 (commencing with Section 75000) or Chapter 11.5
24 (commencing with Section 75500) of Title 8.

25 (d) If the provisions of this section are in conflict with the
26 provisions of a memorandum of understanding reached pursuant
27 to Section 3517.5 or Chapter 12 (commencing with Section 3560)
28 of Division 4 of Title 1, the memorandum of understanding shall
29 be controlling without further legislative action, except that if those
30 provisions require the expenditure of funds, the provisions may
31 not become effective unless approved by the Legislature.

32 *SEC. 9. Section 22874.3 of the Government Code is amended*
33 *to read:*

34 22874.3. (a) Notwithstanding Sections 22870, 22871, 22873,
35 and ~~22874~~ 22874, a state employee, defined by subdivision (c) of
36 Section 3513, who is first employed by the state and becomes a
37 state member of the system on or after January 1, 2017, and who
38 is represented by State Bargaining Unit ~~6~~ 6 or 7 shall not receive
39 any portion of the employer contribution payable for annuitants

1 unless the person is credited with 15 years of state service at the
2 time of retirement.

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

7 8 Years of Service Contribution 9 <i>Credited Years</i> 10 <i>of Service</i>	11 Credited Years Percentage 12 of Employer Contribution 13 <i>Percentage of Employer</i> 14 <i>Contribution</i>
15 15.....	50
16 16.....	55
17 17.....	60
18 18.....	65
19 19.....	70
20 20.....	75
21 21.....	80
22 22.....	85
23 23.....	90
24 24.....	95
25 25 or more.....	100

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

30 (d) This section does not apply to:

31 (1) Former state employees previously employed before January
32 1, 2017, who return to state employment on or after January 1,
33 2017.

34 (2) State employees hired prior to January 1, 2017, who become
35 subject to representation by State Bargaining Unit 6 *or* 7 on or
36 after January 1, 2017.

37 (3) State employees on an approved leave of absence employed
38 before January 1, 2017, who return to active employment on or
39 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

1 ~~6, 6 or 7~~, who later become represented by State Bargaining Unit
2 ~~6, 6 or 7~~.

3 (e) Notwithstanding Section 22875, this section shall also apply
4 to a related state employee who is excepted from the definition of
5 “state employee” in subdivision (c) of Section 3513 and is first
6 employed by the state and becomes a state member of the system
7 on or after January 1, 2017.

8 *SEC. 10. Section 22879 of the Government Code is amended*
9 *to read:*

10 22879. (a) The board shall pay monthly to an employee or
11 annuitant who is enrolled in, or whose family member is enrolled
12 in, a Medicare health benefit plan under this part the amount of
13 the Medicare Part B premiums, exclusive of penalties, except as
14 provided in Section 22831. This payment may not exceed the
15 difference between the maximum employer contribution and the
16 amount contributed by the employer toward the cost of premiums
17 for the health benefit plan in which the employee or annuitant and
18 his or her family members are enrolled. No payment may be made
19 in any month if the difference is less than one dollar (\$1).

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

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

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

31 (e) This section does not apply to:

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

35 (2) A state employee related to State Bargaining Unit 9 or 10
36 who is excepted from the definition of “state employee” in
37 subdivision (c) of Section 3513 and is first employed by the state
38 and becomes a state member of the system on or after January 1,
39 2016.

1 (3) A state employee who is first employed by the state and
2 becomes a state member of the system on or after January 1, 2017,
3 and who is represented by State Bargaining Unit 6, 7, or 12.

4 (4) A state employee related to State Bargaining Unit 6, 7, or
5 12 who is excepted from the definition of “state employee” in
6 subdivision (c) of Section 3513 and is first employed by the state
7 and becomes a state member of the system on or after January 1,
8 2017.

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

14 *SEC. 11. Section 22944.5 of the Government Code is amended*
15 *to read:*

16 22944.5. (a) ~~(1) The~~ (1) The state and employees in State
17 Bargaining Unit 7, 9, 10, or 12 shall prefund retiree health care,
18 with the goal of reaching a 50-percent cost sharing of actuarially
19 determined normal costs for both employer and employees by July
20 1, 2019.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

38 (6) *The employees in State Bargaining Unit 7 shall make*
39 *contributions to prefund retiree health care based on the following*
40 *schedule, and the state shall make a matching contribution:*

1 (A) Effective July 1, 2017, 1.3 percent of pensionable
2 compensation.

3 (B) Effective July 1, 2018, an additional 1.4 percent for a total
4 employee contribution of 2.7 percent of pensionable compensation.

5 (C) Effective July 1, 2019, an additional 1.3 percent for a total
6 employee contribution of 4.0 percent of pensionable compensation.

7 (c) This section only applies to employees who are eligible for
8 health benefits, including permanent intermittent employees.

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

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

20 (f) This section shall also apply to a state employee related to
21 a bargaining unit described in subdivision (a) who is excepted
22 from the definition of "state employee" in subdivision (c) of
23 Section 3513.

24 *SEC. 12. Section 22958.1 of the Government Code is amended*
25 *to read:*

26 22958.1. (a) Notwithstanding Sections 22953, 22957, and
27 22958, the following employees shall not receive any portion of
28 the employer contribution payable for annuitants unless the person
29 is credited with 15 or more years of state service, as defined by
30 this section, at the time of retirement:

31 (1) A state employee, as defined by subdivision (c) of Section
32 3513, who is first employed by the state and becomes a state
33 member of the system on or after January 1, 2017, and is
34 represented by State Bargaining Unit-6 6, 7, or 12.

35 (2) A state employee related to State Bargaining Unit-6 6, 7, or
36 12 who is excepted from the definition of "state employee" in
37 subdivision (c) of Section 3513 and is first employed by the state
38 and becomes a state member of the system on or after January 1,
39 2017.

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

7 Credited Years	Percentage of Employer
8 of Service	Contribution
9 15.....	50
10 16.....	55
11 17.....	60
12 18.....	65
13 19.....	70
14 20.....	75
15 21.....	80
16 22.....	85
17 23.....	90
18 24.....	95
19 25 or more.....	100

20
 21 (c) This section shall apply only to state employees that retire
 22 for service. For purposes of this section, “state service” means
 23 service rendered as an employee of the state or an appointed or
 24 elected officer of the state for compensation.

25 (d) This section does not apply to:

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

29 (2) State employees hired prior to January 1, 2017, who become
 30 subject to representation by State Bargaining Unit-6 6, 7, or 12 on
 31 or after January 1, 2017.

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

35 (4) State employees hired after January 1, 2017, who are first
 36 represented by a State Bargaining Unit other than Bargaining Unit
 37 6 6, 7, or 12, who later become represented by State Bargaining
 38 Unit-6 6, 7, or 12.

39 (e) In those cases where the state has assumed from a public
 40 agency a function and the related personnel, service rendered by

1 that personnel for compensation as employees or appointed or
2 elected officers of that public agency may not be credited as state
3 service for the purposes of this section unless the former employer
4 has paid or agreed to pay the state the amount actuarially
5 determined to equal the cost for any employee dental benefits that
6 were vested at the time that the function and the related personnel
7 were assumed by the state, and the Department of Finance finds
8 that the contract contains a benefit factor sufficient to reimburse
9 the state for the amount necessary to fully compensate for the
10 postretirement dental benefit costs of those personnel. For
11 noncontracting public agencies, the state agency that has assumed
12 the function shall certify the completed years of public agency
13 service to be credited to the employee as state service credit under
14 this section.

15 *SEC. 13. This act is a bill providing for appropriations related*
16 *to the Budget Bill within the meaning of subdivision (e) of Section*
17 *12 of Article IV of the California Constitution, has been identified*
18 *as related to the budget in the Budget Bill, and shall take effect*
19 *immediately.*

20 ~~SECTION 1. It is the intent of the Legislature to enact statutory~~
21 ~~changes, relating to the Budget Act of 2016.~~