SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW
Senator Holly Mitchell, Chair
2017 - 2018 Regular

Bill No:	SB 48	**Hearing Date:**	February 9, 2017
Author:	Committee on Budget and Fiscal Review		
Version:	January 30, 2017 As amended		
Urgency:	No	**Fiscal:**	Yes
Consultant:	Anita Lee		

Subject: State public employee benefits

Summary: This bill makes statutory changes to future retiree health and dental benefits of new employees in Bargaining Units 1 (administrative, financial, and staff services), 3 (professional educators and librarians), 4 (office and allied), 11 (engineering and scientific technicians), 14 (printing trades), 15 (allied services), 17 (registered nurses), 20 (medical and social services), and 21 (education consultants and library employees), who are exclusively represented by Service Employees International Union (SEIU) Local 1000. The changes are necessary to implement the Administration's policy of addressing the unfunded liability associated with state employee retiree health and dental benefits and are consistent with identical changes made to other state employees' health and dental benefits.

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 Public Employees' Retirement System (CalPERS), which administers health and retirement benefits for state employees.

3) Establishes the California Department of Human Resources (CalHR) which is tasked with representing the Administration in labor relations with state employees and is also responsible for administering the dental health benefits program.

4) 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 percent 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 percent 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.

5) 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 percent of the weighted average premium of the four health plans most highly utilized by all members).

6) Requires Medicare-eligible retirees to 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.

7) Provides that most state employees (those hired after 1985 or 1989, depending on class) must work for 10 years to receive 50 percent of the 100/90 formula, with an additional five percent per year of service until, after 20 years, they are vested to receive 100 percent of the 100/90 formula. Individuals hired prior to 1985 or 1989 could be subject to either five year or 10 year vesting for full coverage of the 100/90 formula.

8) Provides that most state employees first hired after 2000, depending on their bargaining unit, are subject to a vesting scheduled of 10 years to receive 50percent of the employer contribution for retiree dental benefits with an additional five percent per year of service until, after 20 years, they are vested to receive 100percent of the employer contribution.

9) Provides that state employees first hired after January 1, 2017, depending on their bargaining unit, are subject to a vesting schedule of 15 years to receive 50percent of the employer contribution for retiree dental benefits with an additional five percent per year of service until, after 25 years, they are vested to receive 100 percent of the employer contribution.

Proposed Law: SB 48 would make statutory changes that impact other post-employment benefits for employees in Bargaining Units 1, 3, 4, 11, 14, 15, 17, 20, and 21 hired on or after January 1, 2017.

1) Provides that all employees first hired by the state on or after January, 1, 2017, in BU 1, 3, 4, 11, 14, 15, 17, 20, and 21, will receive an employer retiree health contribution based on the 80/80 formula.

2) Provides that all employees first hired by the state on or after January, 1, 2017, in BU 1, 3, 4, 11, 14, 15, 17, 20, and 21, shall be required to meet an extended vesting schedule for retiree health benefits. Affected employees will be eligible for 50 percent of the employer contribution toward health benefits upon completion of 15 years of state service, increasing five percent for each additional year of service, until the employee is eligible to receive 100 percent of the employer contribution upon completion of 25 years of state service.

3) Provides that all employees first hired by the state on or after January, 1, 2017, in BU 1, 3, 4, 11, 14, 15, 17, 20, and 21, shall not be eligible to use the retiree health benefit employer contribution for reimbursement of Medicare Part B premiums.

4) Provides that all employees first hired by the state on or after January, 1, 2017, in Bargaining Units 1, 3, 4, 11, 14, 15, 17, 20, and 21, shall be required to meet an extended vesting schedule for retiree dental benefits. Affected employees will be eligible for 50 percent of the employer contribution toward health benefits upon completion of 15 years of state service, increasing five percent for each additional year of service, until the employee is eligible to receive 100 percent of the employer contribution upon completion of 25 years of state service.

5) Contains double-jointing provisions necessary to avoid chaptering out identical statutory provisions being amended by Senate Bill 28 (Pan).

6) States that the bill provides for appropriations related to the budget bill within the meaning of subdivision (e) of Section 12 of Article IV of the California Constitution, and has been identified as related to the budget in the budget bill, and shall take effect immediately.

Fiscal Effect: This bill provides $20,000 General Fund to the State Controller for administrative costs related to this act.

Support: None on file.

Opposed: None on file.

Comments: According to CalHR and the Department of Finance (DOF), this bill is part of the Administration's overall strategy through the collective bargaining process to address the state's $74 billion unfunded liability for retiree health benefits.

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