

# CAPS COUNTER PROPOSAL

**Bargaining Unit:** 10

**Date:** August 12,  
2021; 11:16AM

**Exclusive Representative:** CAPS

**Article:** 8

**Subject:** Retirement

## 8.9 Prefunding of Post-Retirement Health Benefits

The State and Bargaining Unit 10 hereby agree to share in the responsibility toward the prefunding of postretirement health benefits for members of Bargaining Unit 10; and agree that the foregoing concepts will be implemented as a means to begin to offset the future financial liability for health benefits for retired members.

- A. Beginning July 1, 2017, the State and Bargaining Unit 10 will prefund retiree healthcare with the goal of reaching a 50 percent cost sharing of actuarially determined total normal costs for both employer and employees by July 1, 2019. The amount of employee and matching employer contributions required to prefund retiree healthcare was previously phased in over three years as follows: shall increase by the following percentages of pensionable compensation;
  1. July 1, 2017: by 0.7 percent,
  2. July 1, 2018: by 0.7 percent, for a total of 1.4 percent,
  3. July 1, 2019: by 1.4 percent, for a total of 2.8 percent.
- B. After July 1, 2019, the contribution percentages described in paragraph A shall be adjusted based on actuarially determined total normal costs. Adjustments to both the employer and employee contribution percentages will occur if the actuarially determined total normal costs increase or decrease by more than half a percent from the total normal cost contribution percentages in effect at the time. If it is determined that an adjustment to the contribution rate is necessary, commencing no sooner than July 1, 2020, the employer and employee contribution percentages will be increased or decreased to maintain a 50 percent cost-sharing of actuarially determined total normal costs. Furthermore, the increase or decrease to the employer or employee contribution in any given fiscal year shall not exceed 0.5 percent per year. The contribution rate calculated for Unit 10 employees shall not exceed 2.1% for the duration of the Contract term.
- C. ~~Notwithstanding Government Code Sections 22940, 22942, 22943, 22944, 22944.2, 22944.3, and 22944.5, the employees' monthly contribution for prefunding other post-employment benefits for the 2020-21 and 2021-22 fiscal years, as described in paragraphs A and B, is suspended and shall not be withheld from employees' salaries beginning on the first day of the pay period following ratification, and ending on June 30, 2022. The employer's monthly contribution for prefunding other post-employment benefits will continue in the 2020-21 and 2021-22 fiscal years, as described in paragraphs A and B.~~ Notwithstanding Government Code Sections 22940, 22942, 22943, 22944, 22944.2, 22944.3, and 22944.5, the employees' monthly contribution for prefunding other post-employment benefits for the 2020-21 fiscal year, as described in paragraphs A and B, was suspended and was not withheld from employees'

salaries. The employer's monthly contribution for prefunding other post-employment benefits continued in the 2020-21 fiscal year, as described in paragraphs A and B.

- D. Effective on the first day of the July 2021 pay period, this article returned to full effect and the employees' monthly contributions for prefunding other post-employment benefits resumed at the actuarially determined total normal costs calculated pursuant to 8.9(B), which was 2.1 percent, based on the June 30, 2019 valuation and 2019-20 pensionable compensation.
- E. **Employees Subject to Other Post Employment Benefit (OPEB) Prefunding**  
All Bargaining Unit members who are eligible for health benefits must contribute, including permanent intermittent employees. Bargaining unit members whose appointment tenure and/or time base make them ineligible for health benefits, such as: seasonal, temporary, and employees whose time base is less than halftime, do not contribute. Bargaining unit members not subject to OPEB prefunding shall begin contributing upon attaining eligibility for health benefits. New hires and employees transferring into Bargaining Unit 10 shall begin contributing immediately, unless they are not subject, as set forth above.
- F. **Withholding of Contributions**  
Contributions shall be withheld from employee salary on a pre-tax basis, except for employees receiving disability benefits that require contributions to be withheld post-tax as determined by the State Controller's Office.
- G. Contributions will be deposited in the designated state sub-account for BU10 of the Annuitant's Health Care Coverage Fund for the purpose of providing retiree health benefits to state annuitants and dependents associated with BU10. As defined in Government Code Section 22940, a designated state sub-account is a "separate account maintained within the fund to identify prefunding contributions and assets attributable to a specified state collective bargaining unit or other state entity for the purpose of providing benefits to state annuitants and dependents associated with a specified collective bargaining unit or other state entity."
- H. Contributions paid pursuant to this agreement shall not be recoverable under any circumstances to an employee or ~~his/her~~ their beneficiary or survivor.
- I. The costs of administering payroll deductions and asset management shall be deducted from the contributions and/or account balance.
- J. The parties agree to support any legislation necessary to facilitate and implement prefunding of retiree health care obligations.