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GOVERNMENT CODE - GOV

TITLE 2. GOVERNMENT OF THE STATE OF CALIFORNIA [8000 - 22980] (Title 2 enacted by Stats. 1943, Ch. 134.)

DIVISION 5. PERSONNEL [18000 - 22980] (Division 5 added by Stats. 1945, Ch. 123.)

PART 5. THE PUBLIC EMPLOYEES' MEDICAL AND HOSPITAL CARE ACT [22750 - 22948] (Part 5 added by Stats. 2004, Ch. 69, Sec. 22.)

CHAPTER 1. Public Employees' Health Benefits [22750 - 22944.6] (Chapter 1 added by Stats. 2004, Ch. 69, Sec. 22.)

ARTICLE 11. Prefunding Plan for Health Care Coverage for Annuitants [22940 - 22944.6] (Article 11 added by Stats. 2004, Ch. 69, Sec. 22.)

22940. (a) There is in the State Treasury the Annuitants' Health Care Coverage Fund that is a trust fund and a retirement fund, within the meaning of Section 17 of Article XVI of the California Constitution. Subject to the limitation provided in subdivision (b), notwithstanding Section 13340, all moneys in the fund are continuously appropriated without regard to fiscal years to the board for expenditure for the prefunding of health care coverage for annuitants pursuant to this part, including administrative costs. The board has sole and exclusive control and power over the administration and investment of the Annuitants' Health Care Coverage Fund and shall make investments pursuant to Part 3 (commencing with Section 20000).

(b) (1) Moneys accumulated in the designated state subaccounts of the fund, or a successor fund, that are derived from investment income shall not be used to pay benefits for state annuitants and dependents until the earlier of:

(A) With regard to a particular designated state subaccount, the date the funded ratio of the designated state subaccount reaches at least 100 percent as determined in that employer's postemployment benefits actuarial valuation and then only for the purpose of paying benefits for state annuitants and dependents associated with that subaccount.

(B) July 1, 2046.

(2) For purposes of this subdivision, "designated state subaccount" means 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.

(3) This subdivision shall not be construed as prohibiting an alternative funding strategy agreed to in a written memorandum of understanding.

(Amended by Stats. 2015, Ch. 28, Sec. 8. (SB 98) Effective June 24, 2015.)

22942. For purposes of this article, the following definitions shall apply:

(a) "Annuitant" means any of the following:

(1) An annuitant described in Section 22760.

(2) A person who retires from employment with an employer described in paragraph (2) of subdivision (c) and who receives postemployment health care benefits or other postemployment benefits from the prefunding plan provided by that employer.

(3) A surviving family member who receives postemployment health care benefits or other postemployment benefits as a beneficiary of a deceased person described in paragraph (2).

(b) "Employee" means an employee described in Section 22772. "Employee" also means an officer or employee of an employer described in paragraph (2) of subdivision (c).

(c) "Employer" means either of the following:

(1) An employer described in Section 22773.

(2) An entity described in Section 22920 that has one or more employees and that entity provides postemployment health care benefits or other postemployment benefits to annuitants.

(Added by Stats. 2007, Ch. 318, Sec. 3. Effective January 1, 2008.)

22943. An employer authorized by the board may elect to participate in the prefunding plan established by this article.

(Added by renumbering Section 22942 by Stats. 2007, Ch. 318, Sec. 2. Effective January 1, 2008.)

22944. The board may, in its discretion and upon terms and conditions set by the board, authorize an employer to participate in the prefunding plan established by this article. The governing body of a participating employer shall enter into a contract with the board, setting forth the terms and conditions of that employer's participation in the prefunding plan, including, but not limited to, funding, expenditures, and actuarial, accounting, reporting, and investment considerations.

(Repealed and added by Stats. 2007, Ch. 318, Sec. 5. Effective January 1, 2008.)

22944.2. (a) A contract entered into between an employer and the board pursuant to Section 22944 shall not create, change, or vest the obligations of an employer or the board that were created under any other contract, law, ordinance, regulation, or similar actions to provide benefits for employees or annuitants of a participating employer.

(b) A contract between an employer and the board entered into pursuant to Section 22944, in and of itself, shall not create, change, or vest an obligation for either party to the contract to provide a specific level of postemployment health care benefits or other postemployment benefits to employees or annuitants of a participating employer.

(c) A contract between an employer and the board entered into pursuant to Section 22944, in and of itself, shall not preclude or in any way affect the authority of the employer to create, change, or vest the specific postemployment health care benefits or other postemployment benefits that the employer may choose to provide to its employees or annuitants.

(Added by Stats. 2007, Ch. 318, Sec. 6. Effective January 1, 2008.)

22944.3. (a) Any amount that would otherwise be used to permanently increase compensation pursuant to Section 19827, effective on July 1, 2009, and on July 1, 2010, shall instead be used to permanently prefund postemployment health care benefits for patrol members. The amount used to prefund benefits relative to any increases under the survey methodology effective July 1, 2010, shall not exceed 2 percent. The state shall take credit for these prefunding contributions in the survey methodology established in Section 19827 in the same manner as it would for an increase to the base salary for patrol members.

(b) Patrol members shall contribute an additional 0.5 percent of base pay toward prefunding retiree health benefit obligations effective on the first day of the pay period following the effective date of the act adding this section and the ratification of the addendum by the members of State Bargaining Unit 5. This contribution shall not reduce the base salary of patrol members under the survey methodology established by Section 19827.

(c) Effective July 1, 2012, the state shall contribute toward prefunding retiree health benefits, on a prospective basis, an amount at least equal to the combined contribution rate established pursuant to subdivisions (a) and (b). These contributions may be used in the survey methodology established by Section 19827 if mutually agreed in a memorandum of understanding.

(d) Contributions paid pursuant to this section shall be used exclusively for the cost of providing postemployment health care to eligible enrolled patrol member annuitants and their eligible enrolled dependents, beneficiaries, and survivors.

(e) Contributions paid pursuant to this section shall not be refundable under any circumstances to a patrol member or his or her beneficiary or survivor.

(f) Any amount used to prefund postemployment health care for patrol members pursuant to subdivision (a) shall not be included in any calculation for benefits using final compensation.

(g) 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.

(h) For purposes of this section, "patrol member" has the same meaning as in Section 20390. This section shall not apply to an employee of a county.

(i) The Director of Human Resources may exercise his or her discretion to apply the provisions of this section to patrol members who are excepted from the definition of "state employee" in subdivision (c) of Section 3513, and an officer or employee of the executive branch of state government who is not a member of the civil service.

(Amended by Stats. 2012, Ch. 665, Sec. 156. (SB 1308) Effective January 1, 2013.)

22944.5. (a) (1) The state and employees in State Bargaining Unit 2, 7, 8, 9, 10, 13, 18, or 19 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 Units 6 and 16 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.

(4) The state and employees in State Bargaining Unit 1, 3, 4, 5, 11, 12, 14, 15, 17, 20, or 21 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, 2020.

(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.

(D) The employees' monthly contribution for prefunding other postemployment benefits for the 2020–21 fiscal year, as described in subparagraph (C), is suspended and shall not be withheld from employees' salaries beginning with the July 2020 pay period and ending on June 30, 2021. The employer's monthly contribution for prefunding other postemployment benefits will continue in the 2020–21 fiscal year, as described in subparagraph (C).

(E) The employer's monthly contribution for prefunding other postemployment benefits for the 2025–26 and 2026–27 fiscal years, as described in subparagraph (C), is suspended and shall not be withheld from employees' salaries or contributed by the employer.

(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.

(D) Effective July 1, 2020, the employer and employee contribution percentages will be increased or decreased to maintain a 50-percent cost sharing of the 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 one-half of 1 percent from the total normal cost contribution percentages in effect on July 1, 2019. The increase or decrease to the employer or employee contribution shall not exceed 0.5 percent per year.

(E) The employees' monthly contribution for prefunding other postemployment benefits for the 2020–21 fiscal year, as described in subparagraph (D), 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, 2021. The employer's monthly contribution for prefunding other postemployment benefits will continue in the 2020–21 fiscal year, as described in subparagraph (D).

(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.

(D) The employees' monthly contribution for prefunding other postemployment benefits for the 2020–21 fiscal year, as described in subparagraph (C), is suspended and shall not be withheld from employees' salaries beginning on July 1, 2020, and ending on June 30, 2021. The employer's monthly contribution for prefunding other postemployment benefits will continue in the 2020–21 fiscal year, as described in subparagraph (C).

(E) The employer's monthly contribution for prefunding other postemployment benefits for the 2025–26 and 2026–2027 fiscal years, as described in subparagraph (C), is suspended and shall not be contributed by the employer. The employees' monthly contribution of 4.0 percent for prefunding other postemployment benefits will continue uninterrupted.

(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, 1.5 percent of pensionable compensation.

(B) Effective July 1, 2018, an additional 1.0 percent for a total employee contribution of 2.5 percent of pensionable compensation.

(C) Effective July 1, 2019, an additional 1.0 percent for a total employee contribution of 3.5 percent of pensionable compensation.

(D) Effective July 1, 2020, an additional 1.1 percent for a total employee contribution of 4.6 percent of pensionable compensation.

(E) The employees' monthly contribution for prefunding other postemployment benefits for the 2020–21 fiscal year, as described in subparagraph (D), 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, 2021. The employer's monthly contribution for prefunding other postemployment benefits will continue in the 2020–21 fiscal year, as described in subparagraph (D).

(F) Effective the first day of the pay period following ratification by both parties, but no sooner than July 1, 2021, the employer and employee contribution percentages shall be increased or decreased to maintain a 50-percent cost sharing of the 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 one-half of 1 percent from the total normal cost contribution percentages in effect at the time. The increase or decrease to the employer or employee contribution shall not exceed 0.5 percent per year.

(G) The employees' and employer's monthly contribution for prefunding other postemployment benefits for the 2025–26 and 2026–27 fiscal years, as described in subparagraphs (D) and (F), is suspended and shall not be withheld from employees' salaries or contributed by the employer.

(H) Effective July 1, 2027, 1.4 percent of pensionable compensation.

(I) Effective July 1, 2028, an additional 1.3 percent for a total employee contribution of 2.7 percent of pensionable compensation.

(J) Effective July 1, 2029, an additional 1.4 percent for a total employee contribution of 4.1 percent of pensionable compensation.

(K) Effective July 1, 2030, the employer and employee contribution percentages shall be increased or decreased to maintain a 50-percent cost sharing of the actuarially determined total normal costs. Adjustments to both the employer and employee contribution percentages shall occur if the actuarially determined total normal costs increase or decrease by more than one-half of one percent from the total normal contribution percentages in effect at the time. The increase or decrease to the employer or employee contribution shall not exceed 0.5 percent per year.

(6) The employees in State Bargaining Unit 2 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 0.6 percent for a total employee contribution of 1.3 percent of pensionable compensation.

(C) Effective July 1, 2019, an additional 0.7 percent for a total employee contribution of 2.0 percent of pensionable compensation.

(D) The employees' monthly contribution for prefunding other postemployment benefits for the 2020–21 fiscal year, as described in subparagraph (C), 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, 2021. The employer's monthly contribution for prefunding other postemployment benefits will continue in the 2020–21 fiscal year, as described in subparagraph (C).

(E) Effective October 1, 2022, the employer and State Bargaining Unit 2 employee contribution percentages will 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 0.5 percent from the total normal cost contribution percentages in effect at the time. Commencing the first day of the pay period following ratification, and on July 1 of each fiscal year thereafter, 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.

(F) Effective July 1, 2025, to June 30, 2027, inclusive, the employees' and employer's monthly contribution for prefunding other postemployment benefits for the 2025–26 and 2026–27 fiscal years, as described in subparagraphs (C) and (E), is suspended and shall not be withheld from employees' salaries or contributed by the employer.

(7) The employees in State Bargaining Unit 7 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, 1.3 percent of pensionable compensation.

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

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

(D) The employees' monthly contribution for prefunding other postemployment benefits for the 2020–21 fiscal year, as described in subparagraph (C), 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, 2021. The employer's monthly contribution for prefunding other postemployment benefits will continue in the 2020–21 fiscal year, as described in subparagraph (C).

(E) Effective July 1, 2025, to June 30, 2027, inclusive, the employees' and employer's monthly contribution for prefunding other postemployment benefits for the 2025–26 and 2026–27 fiscal years, as described in subparagraph (C), is suspended and shall not be withheld from employees' salaries or contributed by the employer.

(F) Effective July 1, 2027, 1.3 percent of pensionable contributions.

(G) Effective July 1, 2028, an additional 1.3 percent for a total employee contribution of 2.6 percent of pensionable compensation.

(H) Effective July 1, 2029, an additional 1.4 percent for a total employee contribution of 4 percent of pensionable compensation.

(I) Beginning July 1, 2030, the employer and employee contribution percentages shall be increased or decreased to maintain a 50-percent cost sharing of the actuarially determined total normal costs. Adjustments to both the employer and employee contribution percentages shall occur if the actuarially determined total normal costs increase or decrease by more than one-half of one percent from the total normal contribution percentages in effect at the time. The increase or decrease to the employer or employee contribution shall not exceed 0.5 percent per year.

(8) The employees in State Bargaining Unit 1, 3, 4, 11, 14, 15, 17, 20, or 21 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, 2018, 1.2 percent of pensionable compensation.

(B) Effective July 1, 2019, an additional 1.1 percent for a total employee contribution of 2.3 percent of pensionable compensation.

(C) Effective July 1, 2020, an additional 1.2 percent for a total employee contribution of 3.5 percent of pensionable compensation.

(D) Effective the first day of the pay period following ratification, the contribution percentage in subparagraph (C) shall be reduced by 0.5 percent for a total employee contribution of 3.0 percent of pensionable compensation.

(E) Effective July 1, 2024, and each July thereafter, State Bargaining Unit 1, 3, 4, 11, 14, 15, 17, 20, or 21 employee contribution percentages will 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 0.5 percent from the total normal cost contribution percentages in effect at the time. 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.

(F) The employees' monthly contribution for prefunding other postemployment benefits for the 2020–21 fiscal year, as described in subparagraph (C), is suspended and shall not be withheld from employees' salaries beginning on July 1, 2020, and ending on June 30, 2021. The employer's monthly contribution for prefunding other postemployment benefits will continue in the 2020–21 fiscal year, as described in subparagraph (C).

(G) Effective July 31, 2025, to June 30, 2027, inclusive, the employees' and employer's monthly contribution for prefunding other postemployment benefits for the 2025–26 and 2026–27 fiscal years, as described in subparagraphs (D) and (E), is suspended and shall not be withheld from employees' salaries or contributed by the employer.

(9) The employees in State Bargaining Unit 8 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, 1.5 percent of pensionable compensation.

(B) Effective July 1, 2018, an additional 1.5 percent for a total employee contribution of 3.0 percent of pensionable compensation.

(C) Effective July 1, 2019, an additional 1.4 percent for a total employee contribution of 4.4 percent of pensionable compensation.

(D) The employees' monthly contribution for prefunding other postemployment benefits for the 2020–21 fiscal year, as described in subparagraph (C), 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, 2021. The employer's monthly contribution for prefunding other postemployment benefits will continue in the 2020–21 fiscal year, as described in subparagraph (C).

(E) Effective the first day of the pay period following ratification by both parties, but no sooner than November 1, 2022, the employer and employee contribution will be decreased by 1 percent from 4.4 percent to 3.4 percent.

(F) Effective July 1, 2023, the contribution percentages will be adjusted based on the actuarially determined total normal cost. Adjustments to both the employer and employee contribution percentages will occur if the actuarially determined total normal costs increase or decrease by more than "0.5 percent" or "one-half of 1 percent" from the normal total 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, 2023, and July 1 of each fiscal year thereafter, 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.

(G) Effective July 1, 2025, to June 30, 2027, inclusive, the employees' and employer's monthly contribution for prefunding other postemployment benefits for the 2025–26 and 2026–27 fiscal years, as described in subparagraphs (E) and (F), is suspended and shall not be withheld from employees' salaries or contributed by the employer.

(10) The employees in State Bargaining Unit 13 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, 1.3 percent of pensionable compensation.

(B) Effective July 1, 2018, an additional 1.3 percent for a total employee contribution of 2.6 percent of pensionable compensation.

(C) Effective July 1, 2019, an additional 1.3 percent for a total employee contribution of 3.9 percent of pensionable compensation.

(D) The employees' monthly contribution for prefunding other postemployment benefits for the 2020–21 fiscal year, as described in subparagraph (C), is suspended and shall not be withheld from employees' salaries beginning with the August 2020 pay period and ending on June 30, 2021. The employer's monthly contribution for prefunding other postemployment benefits will continue in the 2020–21 fiscal year, as described in subparagraph (C).

(E) Effective August 2, 2022, the employer and employee contribution percentages will 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 0.5 percent from the total normal cost contribution percentages in effect at the time. Commencing no sooner than July 1, 2022, 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.

(F) Effective July 1, 2025, to June 30, 2027, inclusive, the employees' and employer's monthly contribution for prefunding other postemployment benefits for the 2025–26 and 2026–27 fiscal years, as described in subparagraph (D) and (E), is suspended and shall not be withheld from employee's salaries or contributed by the employer.

(G) Effective July 1, 2027, 1.2 percent of pensionable compensation.

(H) Effective July 1, 2028, an additional 1.3 percent for a total employee contribution of 2.5 percent of pensionable compensation.

(I) Effective July 1, 2029, an additional 1.3 percent for a total employee contribution of 3.8 percent of pensionable compensation.

(J) Beginning July 1, 2030, both the employer and employee contribution percentages will be increased or decreased to maintain a 50 percent cost sharing of actuarially determined total normal costs. The increase or decrease to the employer or employee contribution in any given fiscal year shall not exceed 0.5 percent per year.

(11) The employees in State Bargaining Unit 18 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, 1.3 percent of pensionable compensation.

(B) Effective July 1, 2018, an additional 1.3 percent for a total employee contribution of 2.6 percent of pensionable compensation.

(C) Effective July 1, 2019, an additional 1.4 percent for a total employee contribution of 4.0 percent of pensionable compensation.

(D) After July 1, 2019, the employer and employee contribution percentages will 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 by more than 0.5 percent from the total normal cost contribution percentages in effect at the time. Commencing no sooner than July 1, 2021, and on July 1 of each fiscal year thereafter, if it is determined that an adjustment to the contribution rate is necessary, the employer and employee contribution percentages will be increased to maintain a 50-percent cost sharing of actuarially determined total normal costs. The increase to the employer or employee contribution in any given fiscal year shall not exceed 0.5 percent per year.

(E) The employees' monthly contribution for prefunding other postemployment benefits for the 2020–21 fiscal year, as described in subparagraphs (C) and (D), 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, 2021. The employer's monthly contribution for prefunding other postemployment benefits will continue in the 2020–21 fiscal year, as described in subparagraphs (C) and (D).

(F) Effective October 1, 2022, the employer and employee contribution percentages will 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 0.5 percent from the total normal cost contribution percentages in effect at the time. Commencing the first day of the pay period following ratification, and on July 1 of each fiscal year thereafter, 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.

(G) Effective July 1, 2025, to June 30, 2027, inclusive, the employees' and employer's monthly contribution for prefunding other postemployment benefits for the 2025–26 and 2026–27 fiscal years, as described in subparagraphs (C) and (F), is suspended and shall not be withheld from employees' salaries or contributed by the employer.

(12) The employees in State Bargaining Unit 19 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, 1.0 percent of pensionable compensation.

(B) Effective July 1, 2018, an additional 1.0 percent for a total employee contribution of 2.0 percent of pensionable compensation.

(C) Effective July 1, 2019, an additional 1.0 percent for a total employee contribution of 3.0 percent of pensionable compensation.

(D) The employees' monthly contribution for prefunding other postemployment benefits for the 2020–21 fiscal year, as described in subparagraph (C), is suspended and shall not be withheld from employees' salaries beginning with the July 2020 pay period and ending on June 30, 2021. The employer's monthly contribution for prefunding other postemployment benefits will continue in the 2020–21 fiscal year, as described in subparagraph (C).

(E) Effective July 1, 2025, to June 30, 2027, inclusive, the employees' and employer's monthly contribution for prefunding other postemployment benefits for the 2025–26 and 2026–27 fiscal years, as described in subparagraph (C), is suspended and shall not be withheld from employees' salaries or contributed by the employer.

(13) The employees in State Bargaining Unit 16 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 percent of pensionable compensation.

(B) Effective July 1, 2018, an additional 0.4 percent for a total employee contribution of 1.4 percent of pensionable compensation.

(C) The employees' monthly contribution for prefunding other postemployment benefits for the 2020–21 fiscal year, as described in subparagraph (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, 2021. The employer's monthly contribution for prefunding other postemployment benefits will continue in the 2020–21 fiscal year, as described in subparagraph (B).

(D) Effective the first day of the pay period following ratification by both parties, to June 30, 2027, inclusive, the employees' and employer's monthly contribution for prefunding other postemployment benefits for the 2025–26 and 2026–27 fiscal years, as described in subparagraph (B), is suspended and shall not be withheld from employees' salaries or contributed by the employer.

(14) Notwithstanding Section 22944.3 of the Government Code, the state and employees in State Bargaining Unit 5 shall prefund retiree health care, with the goal of reaching a 50-percent cost sharing of actuarially determined total normal costs for both employer and employees by July 1, 2020.

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

(B) Effective July 1, 2020, 0.0 percent of pensionable compensation for employees and 3.4 percent of pensionable statutory salary increases redirected to prefund OPEB paid for by the employer.

(C) After July 1, 2020, the employer and employee contribution percentages will 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 0.5 percent from the total normal cost contribution percentages in effect at the time. Commencing no sooner than July 1, 2021, and on July 1 of each fiscal year thereafter, if it is determined that an adjustment to the contribution rate is necessary, the employer and employee contribution percentages will be increased or decreased to maintain a 50-percent cost sharing of actuarially determined total normal costs. The increase or decrease to the employer or employee contribution in any given fiscal year shall not exceed 0.5 percent per year.

(D) The employees' monthly contribution for prefunding other postemployment benefits for the 2020–21 fiscal year, as described in subparagraphs (B) and (C), is suspended and shall not be withheld from employees' salaries beginning with the July 2020 pay period and ending on June 30, 2021. The employer's monthly contribution for prefunding other postemployment benefits will also be suspended during the 2020–21 fiscal year, as described in subparagraphs (B) and (C), beginning with the July 2020 pay period and ending on June 30, 2021.

(E) Effective July 1, 2020, the statutory increase redirected as a result of subdivision (a) of Section 19827 shall count towards the employee contribution percentage when determining the 50-percent cost sharing of actuarially determined total normal costs.

(F) Effective the first day of the pay period following ratification by both parties, but no sooner than July 1, 2021, the parties shall incorporate the 3.4 percent employee share of pensionable compensation into the salary survey conducted pursuant to Section 19827 of Government Code.

(G) Effective the first day of the pay period following ratification by both parties, but no sooner than July 1, 2021, the employees in State Bargaining Unit 5 and the state shall make contributions to prefund retiree health care based on the following schedule:

(i) Effective the first day of the pay period following ratification by both parties, but no sooner than July 1, 2021, employees shall contribute 0.9 percent of pensionable compensation and the employer shall contribute 5.9 percent of pensionable compensation, for a total of 6.8 percent pensionable compensation.

(ii) Effective July 1, 2022, or July 1, 2024, employees shall contribute 1.7 percent of pensionable compensation and the employer shall contribute 5.1 percent of pensionable compensation, for a total of 6.8 percent pensionable compensation.

(iii) Effective July 1, 2023, or July 1, 2025, employees shall contribute 2.6 percent of pensionable compensation and the employer shall contribute 4.2 percent of pensionable compensation, for a total of 6.8 percent pensionable compensation.

(iv) Effective July 1, 2024, employees shall contribute 3.4 percent of pensionable compensation and the employer shall contribute 3.4 percent of pensionable compensation, for a total of 6.8 percent of pensionable compensation.

(v) Effective the first day of the pay period following ratification by both parties but no earlier than July 31, 2025, to June 30, 2027, inclusive, the employees' and employer's monthly contribution for prefunding other postemployment benefits for the 2025–26 and 2026–27 fiscal years, as described in clause (iv), is suspended and shall not be withheld from employees' salaries or contributed by the employer.

(c) This section only applies to employees 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 or the employee's beneficiary or survivor.

(e) If the provisions of this section are in conflict with the provisions of a memorandum of understanding or addenda, or both, reached pursuant to Section 3517.5, that memorandum of understanding or addenda, or both, shall be controlling without further legislative action, except that if those provisions of the memorandum of understanding or addenda 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 a bargaining unit described in subdivision (a) who is excepted from the definition of "state employee" in subdivision (c) of Section 3513, and the Director of the Department of Human Resources may establish the total employee contribution to prefund retiree health care as a percentage of pensionable compensation.

(g) (1) With the goal of reaching a 50-percent cost sharing of actuarially determined normal costs for both employer and employees by July 1, 2020, the Director of the Department of Human Resources may establish the total employee contribution to prefund retiree health care as a percentage of pensionable compensation for the following:

(A) A state employee who is not related to a bargaining unit described in subdivision (a) and who is excepted from the definition of "state employee" in subdivision (c) of Section 3513.

(B) An officer or employee of the executive branch of state government who is not a member of the civil service.

(2) An employee or officer to whom this subdivision applies shall make contributions to prefund retiree health care based on the percentages established in paragraph (1), and the state shall match the contributions.

(Amended (as amended by Stats. 2025, Ch. 26, Sec. 10.5) by Stats. 2025, Ch. 78, Sec. 15. (AB 138) Effective July 29, 2025.)

22944.6. (a) (1) In addition to the appropriation required for state contributions to prefund retiree health care and other postemployment benefits pursuant to Section 22944.5, the Legislature hereby appropriates six hundred sixteen million dollars (\$616,000,000) from the General Fund, for the purposes described in subclause (IV) of clause (ii) of subparagraph (B) of paragraph (1) of subdivision (c) of Section 20 of Article XVI of the California Constitution, on behalf of employees for the 2020–21 employee prefunding contributions that were suspended. The appropriation made by this section represents a portion of the amount identified in paragraph (3) of subdivision (d) of Section 35.50 of the Budget Act of 2021. The appropriation shall be consistent with the requirements of this section and at the direction of the Department of Finance. The Department of Finance shall provide to the Controller a schedule establishing the timing of specific transfers to be used as described in subdivision (b).

(2) The supplemental payment to the Annuitants' Health Care Coverage Fund described in paragraph (1) shall be apportioned to the following state employee bargaining unit subaccounts, as directed by the Department of Finance, not to exceed the following amounts:

(A) Two hundred fifty-one million dollars (\$251,000,000) to the subaccount for employees in State Bargaining Units 1, 3, 4, 11, 14, 15, 17, 20, and 21.

(B) Eleven million dollars (\$11,000,000) to the subaccount for employees in State Bargaining Unit 2.

(C) Sixty-five million dollars (\$65,000,000) to the subaccount for employees in State Bargaining Unit 5.

(D) One hundred fifteen million dollars (\$115,000,000) to the subaccount for employees in State Bargaining Unit 6.

(E) Twenty-five million dollars (\$25,000,000) to the subaccount for employees in State Bargaining Unit 7.

(F) Twenty-three million dollars (\$23,000,000) to the subaccount for employees in State Bargaining Unit 8.

(G) Twenty-eight million dollars (\$28,000,000) to the subaccount for employees in State Bargaining Unit 9.

(H) Nine million dollars (\$9,000,000) to the subaccount for employees in State Bargaining Unit 10.

(I) Thirty-two million dollars (\$32,000,000) to the subaccount for employees in State Bargaining Unit 12.

(J) Three million dollars (\$3,000,000) to the subaccount for employees in State Bargaining Unit 13.

(K) Six million dollars (\$6,000,000) to the subaccount for employees in State Bargaining Unit 16.

(L) Seventeen million dollars (\$17,000,000) to the subaccount for employees in State Bargaining Unit 18.

(M) Seventeen million dollars (\$17,000,000) to the subaccount for employees in State Bargaining Unit 19.

(N) Fourteen million dollars (\$14,000,000) to the subaccount for employees described in paragraph (1) of subdivision (g) of Section 22944.5 of the Government Code.

(b) Beginning July 1, 2021, the appropriation made in paragraph (1) of subdivision (a) shall be applied to the employee contribution required to prefund retiree health care and other postemployment benefits described in paragraph (2) of subdivision (a) that equates to the suspended contribution amount for the 2020–21 fiscal year.

(Amended by Stats. 2021, Ch. 279, Sec. 8. (SB 165) Effective September 23, 2021.)