

EMPLOYEE COMPENSATION AND RETIREMENT

In 2011-12, state employee salaries are projected to cost \$7 billion General Fund and benefits including health care and retirement contributions are projected to cost \$3.4 billion General Fund. As such, reducing the cost for salaries and benefits continues to be a necessary part of closing the budget deficit.

The labor agreements reached in 2010, covering 15 of the state's 21 collective bargaining units, contained compensation concessions ranging in a reduction to take-home pay between 8 and 10 percent for most of the state workforce. The Governor's Budget reflects the carryover savings obtained from the collectively bargained 12-month personal leave program (PLP) and the additional savings associated with the PLP program for non-represented employees. The 6 bargaining units without contracts, representing 36 percent of the state's General Fund payroll, remain on 3-day-per-month furlough through June 30, 2011. The Governor's Budget includes a reduction of 10 percent in take-home pay from the employees in these 6 bargaining units. Further, to address the increasing costs of state employee and retiree health care, the Budget includes savings associated with the creation of a core health care plan option to augment existing plans.

The significant General Fund budget solutions are as follows:

- Personal Leave Program—The Governor's Budget reflects savings of \$71.6 million resulting from the personal leave program carrying over into 2011-12. The 13 bargaining units that signed contracts in 2010, as well as the compensation package

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in place for most excluded employees, included a 12-month, one-day-per-month, unpaid personal leave program.

- **Reduced Employee Compensation Costs**—A reduction of \$308.4 million achieved through a 10-percent reduction in take-home pay for the 6 bargaining units without contracts. These savings will be achieved through collective bargaining or other administrative actions.
- **Core Health Care Option**—Health care benefit costs in 2010-11 for active employees and retirees are approximately \$2.4 billion. To reduce the escalating cost of state employee and retiree health care, the Governor's Budget includes the addition of a core health plan to the current benefit plan options for a savings of \$72 million from the projected increase in the 2012 calendar year health rates. The core health plan would provide fundamental coverage at a lower premium. Through legislation, the California Public Employees' Retirement System (CalPERS) would be directed to: (1) negotiate and add a core health plan option to the existing portfolio of health plans and (2) include a state representative in the health contract negotiations both for the purpose of shaping the core health plan option and identifying and advocating for more economical options within the existing plans.

The significant General Fund workload adjustment is:

- **CalPERS Contributions**—An increase of \$235.6 million over 2010-11 contributions for a total of \$2.4 billion in 2011-12. The net changes in 2011-12 are a result of various factors that include anticipated changes in CalPERS' actuarial assumptions and past investment performance which are partially offset by increased employee contributions.