



California Public Employees' Retirement System
P.O. Box 942715 | Sacramento, CA 94229-2715
888 CalPERS (or 888-225-7377) | TTY: (877) 249-7442
www.calpers.ca.gov

Health Benefits

Circular Letter

June 30, 2021

Circular Letter: 600-040-21

Distribution: Special

To: Contracting Agency Health Benefits Officers and Assistant Health Benefits Officers

Subject: PEPRA Section 7522.40 Impact to Health Vesting

Purpose

This Circular Letter informs contracting public agencies and schools of Public Employees' Pension Reform Act (PEPRA) section 7522.40 and its impact to health vesting.

Background

Public Employees' Medical & Hospital Care Act sections 22893 and 22895 allow contracting public agencies and schools to adopt health vesting as an optional provision. Health vesting imposes additional service credit criteria that must be earned in order to receive a post-retirement employer health contribution.

The California Public Employees' Pension Reform Act of 2013 was enacted to address the rising cost of public employee pension benefits. PEPRA section 7522.40 touches upon retiree health coverage and imposes additional restrictions to vesting schedules implemented on or after January 1, 2013. It prohibits employers from providing a more advantageous health benefit vesting schedule to managers or other certain employees than it does for others of the same public employer who are in related retirement membership classifications.

PEPRA section 7522.40 reads in full:

- a) *A public employer shall not provide to a public employee who is elected or appointed, a trustee, excluded from collective bargaining, exempt from civil service,*

or a manager any vesting schedule for the employer contribution payable for postretirement health benefits that is more advantageous than that provided generally to other public employees, including represented employees, of the same public employer who are in related retirement membership classifications.

- b) This section shall not require an employer to change the vesting schedule for the employer contribution payable for postretirement health benefits of any public employee who was subject to a specific vesting schedule pursuant to statute, collective bargaining agreement, or resolution for these employer contributions prior to January 1, 2013, or who had a contractual agreement with an employer prior to January 1, 2013, for a specific vesting schedule for these employer contributions. (Amended by Stats. 2013, Ch. 528, Sec. 9. (SB 13) Effective October 4, 2013.)*

Adopting Health Vesting

Contracting agencies may elect to adopt health vesting as an optional provision by filing a vesting resolution passed by a majority vote of their governing body. If received on or before the 10th of any month, vesting resolutions are effective the first day of the following month.

Questions

We are committed to assisting you conduct business with the CalPERS Health Program. If you have any questions regarding the information in this Circular Letter or to request a vesting resolution template, contact the CalPERS Customer Contact Center at **888 CalPERS** (or **888-225-7377**).

Rob Jarzombek, Chief
Health Account Management Division