

CALIFORNIA DEPARTMENT OF HUMAN RESOURCES

SUMMARY OF SIDE LETTER AGREEMENT

FOR BARGAINING UNIT 12

Exclusive Employee Representative:
International Union of Operating Engineers (IUOE)

Number of Employees: Approximately 12,605 full-time equivalents

General Provisions

I. Compensation

General Salary Adjustment

- The existing MOU contains a 4 percent (4%) increase to the maximum of the salary range for all Bargaining Unit (BU) 12 classifications effective July 1, 2025. This agreement amends that provision and all BU 12 employees shall receive a general salary increase of 3 percent (3%) effective July 1, 2025. (Article 2.2)

Personal Leave Program (PLP 2025) New

- Effective July 1, 2025 pay period through the June 2027 pay period, PLP 2025 will apply to BU 12-represented employees.
- Employees continue to work their assigned work schedules and shall have a reduction in pay equal to three percent (3%) pay reduction.
- Each full-time employee shall be credited with five (5) hours of PLP 2025 on the first day of each pay period for the duration of the PLP 2025 program. On June 1, 2027, BU 12-represented employees shall receive an additional eight (8) hours of PLP 2025.
- PLP 2025 accruals do not expire. PLP 2025 may be cashed out upon separation from state service.
- PLP 2025 leave shall not be considered as "time worked" for overtime purposes except when an employee is "mandated" to work overtime.
- The State shall not seek furlough compensation or additional personal leave program (PLP) reductions from BU 12-represented employees during the term of this MOU.

II. Health Benefits

Health, Dental, Vision

- The State's monthly health benefit contribution for each employee shall continue to be a flat dollar amount equal to 80 percent (80%) of

the weighted average of the basic health benefit plan premiums of the four largest enrolled basic health plans. The flat dollar amounts shall be increased or decreased as appropriate pursuant to the formula on January 1, 2027.

Prefunding of Other Post-Employment Benefits (OPEB)

- Notwithstanding Government Code sections 22940, 22942, 22943, 22944, 22944.2, 22944.3, and 22944.5, the employer and employee's monthly contribution for prefunding other post-employment benefits (OPEB) for the 2025-26 and 2026-27 fiscal years of 4.1 percent (4.1%) is suspended and shall not be contributed by the employer and shall not be withheld from employees' salaries from July 1, 2025 through June 30, 2027.
- Commencing July 1, 2027, OPEB contributions shall be restored with the goal of reestablishing a 50-percent cost sharing of actuarially determined total normal costs for both the employer and employees with a three-year phase-in period (see Side Letter).
 - Beginning July 1, 2027, both the employer and employee shall contribute 1.40 percent (1.40%) of pensionable compensation.
 - Beginning July 1, 2028, both the employer and employee shall contribute 2.7 percent (2.7%) of pensionable compensation.
 - Beginning July 1, 2029, both the employer and employee shall contribute 4.1 percent (4.1%) of pensionable compensation.
 - Effective 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 (0.5%) per year.

III. Retirement

- The existing MOU contains changes to employee retirement contributions effective July 1, 2025. Increases to employee retirement contributions provided for in Article 11.1 and Article 11.4 will be suspended through June 30, 2027.

IV. Term

- Upon ratification by both parties, the MOU current term is extended from June 30, 2026, to June 30, 2027.

V. Fiscal

- Fiscal Year 2025-26 savings: \$30.3 million (\$10.9 million General Fund)
- Total 5-Year Incremental savings: \$17.0 million (\$6.1 million General Fund)
- Total 5-Year Budgetary Cost: \$75.7 million (\$27.3 million General Fund)

VI. Agreement

- This Side Letter Agreement represents the reductions in employee compensation as proposed in the May Revision of the Budget and extends the current Bargaining Unit 12 MOU for one year.
- The complete Tentative Agreement/Side Letter Agreement between the state and IUOE is posted on the [CalHR Bargaining Unit 12 Contract Webpage](#).