

**PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
2015 Legislative Year
Legislative Program Update**

Status as of April 1, 2015

A – CalPERS-Sponsored Bills

Bill Number/Author

AB 1052 (Cooley) Introduced: 2/26/2015

Board Position: Co-Sponsor

Pension System Investment Contracting Procedures. Permits the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) to enter into investment-related contracts without following the provisions of state contracting law. Specifically, it allows the Teachers' Retirement Board to enter into contracts related to the investment of fund assets, or contract with investment managers, utilizing any process it deems necessary and consistent with its fiduciary duties. It also allows the CalPERS Board of Administration to enter into contracts for investment custodian services, or contracts to invest or manage fund assets under terms, conditions and processes it deems necessary and consistent with its fiduciary duties.

Location: 3/19/2015-Assembly Public Employees, Retirement, and Social Security Committee

SB 216 (Pan) Introduced: 2/12/2015

Board Position: Sponsor

CalPERS 2015 Omnibus Bill. Makes minor policy and technical changes to the Public Employees' Retirement Law (PERL).

Location: Scheduled to be heard in the Senate Public Employment and Retirement Committee on April 13, 2015

**PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
2015 Legislative Year**

Status as of April 1, 2015

B – Other Bills

Bill Number/Author

AB 103 (Weber) Introduced: 1/9/2015

2014-15 Budget Act. Makes appropriations for support of state government for the 2015-16 fiscal year. Among other things, it adds a Medicare Supplement policy report detailing efforts to convert age 65 retirees from Basic plans to Medicare plans and related costs and benefits of improving those conversions. It also modifies an existing CalPERS reporting requirement to include a more detailed reconciliation of premium changes when the Board of Administration adopts new health rates. As a budget bill, it takes effect immediately.

Location: 1/26/2015-Assembly Budget Committee

AB 241 (Gordon) Introduced: 2/5/2015

Municipal Bankruptcy: Retiree Names and Addresses. Requires a local public entity that has either initiated a neutral evaluation process or declared a fiscal emergency as required by state law prior to filing for municipal bankruptcy, or has filed for municipal bankruptcy, to provide the names and mailing addresses of its retired employees and their beneficiaries to any non-profit organization established for the purpose of representing the retired employees of that local public entity, upon request. It limits an organization's use of that information to the purpose of representing the retired employees and their beneficiaries as a member of the organization as an interested party in these proceedings, and includes unspecified penalties for a violation of this limitation.

Location: Scheduled to be heard in the Assembly Local Government Committee on April 8, 2015

AB 339 (Gordon) Introduced: 2/13/2015

Health Care Coverage: Outpatient Prescription Drugs. Among other things, requires specified health plan contracts and insurance policies offered, renewed, or amended after January 1, 2016 that provide coverage for outpatient prescription drugs, to provide coverage for medically necessary prescription drugs, including those that do not have a therapeutic equivalent. It also requires copayments, coinsurance, and other cost sharing for these drugs to be reasonable so as to allow access, and prohibits placement of most or all medications that treat a specific condition on the highest cost tier of a formulary, unless another therapeutic equivalent is available on a lower cost tier.

Location: Scheduled to be heard in the Assembly Health Committee on April 28, 2015

Bill Number/Author

AB 374 (Nazarian) Amended: 3/2/2015

Health Care Coverage: Prescription Drugs. Prohibits a health care service plan or health insurer from applying a step therapy or fail-first protocol requirement to a patient who has made a step therapy override determination request if, in the professional judgment of the prescribing physician, the requirement would be medically inappropriate for that patient for specified reasons.

Location: Scheduled to be heard in the Assembly Health Committee on April 28, 2015

AB 537 (Allen, Travis) Introduced: 2/23/2015

Postemployment Health Care Benefits: Prefunding Strategy. Prohibits any public agency, including the state, and any public employee or employee group from entering into a memorandum of understanding (MOU) that provides for postemployment health care benefits unless the MOU includes a strategy for permanently prefunding the benefits. The bill allows the provisions of an existing MOU to remain in effect until its expiration, but requires subsequent MOUs to comply with this requirement.

Location: Anticipated to be heard in Assembly Public Employees, Retirement, and Social Security Committee on April 8, 2015

AB 714 (Melendez) Introduced: 2/25/2015

PEMHCA Opt Out for State Employees. Allows an employee of the state to elect not to enroll in a health benefit plan approved or maintained by the CalPERS Board of Administration, and instead be paid the contribution that the state would have made toward the cost of health benefits for the employee and his or her eligible dependents.

Location: 3/12/2015-Assembly Public Employees, Retirement, and Social Security Committee

AB 843 (Hadley) Amended: 3/26/2015

Public Employees' Retirement System: Public Information. States the intent of the Legislature to enact legislation that improves the methods by which CalPERS delivers information to the public, that more fully reflects the information practices of the System, and that provides for the delivery of information that better satisfies the public's need to understand its operations.

Per March 26, 2015 amendment, this bill no longer affects CalPERS

Bill Number/Author

AB 868 (Obernolte) Introduced: 2/26/2015

Transfer of Public Safety Functions: Membership Transfer to County System. Allows a CalPERS contracting agency that transfers its firefighting or law enforcement functions to a county, fire authority, or district that participates in the San Bernardino County Employees' Retirement Association, to transfer all assets and liabilities associated with the service credit earned by any transferred employees to that retirement system. It also requires any transferred employees to become members of that retirement system, and to have any CalPERS service credit earned under their former employer become service credit in their new retirement system without payment of additional contributions, as specified. This authority currently exists for CalPERS contracting agencies that transfer such safety functions to employers that participate in the Kern County Employees' Retirement Association, Los Angeles County Employees' Retirement Association, or the Orange County Employees' Retirement System.

Location: 3/16/2015-Assembly Public Employees, Retirement, and Social Security Committee

AB 1031 (Thurmond) Introduced: 2/26/2015

PEMHCA: Contracting Agencies. Specifies that a contracting agency that has elected to be subject to the Public Employees Medical and Hospital Care Act (PEMHCA) is required to fulfill its employer contribution obligations for health benefits, including reimbursement for Medicare Part B premiums, as mutually agreed upon through collective bargaining or as required by statute.

Location: 3/19/2015-Assembly Public Employees, Retirement, and Social Security Committee

AB 1109 (Wilk) Introduced: 2/27/2015

Legislators' Health Benefits. Limits the availability of employer-subsidized health benefit plans for state legislators elected or serving in office on or after January 1, 2016, to those plans offered through the California Health Benefit Exchange, otherwise known as Covered California. It also limits the employer reimbursement for legislators' cost of health care coverage to the contribution amounts in effect on December 31, 2015. Currently, state legislators are eligible to enroll in the CalPERS health benefit plans.

Location: 3/19/2015-Assembly Rules Committee

AB 1190 (Cooley) Introduced: 2/27/2015

CalPERS Board of Administration: Certification of Election Results. Allows an entity designated by the Secretary of State to certify the CalPERS Board election results. Currently, only the Secretary of State may certify the election results.

Location: 3/23/2015-Assembly Public Employees, Retirement, and Social Security Committee

Bill Number/Author

AB 1410 (Nazarian) Introduced: 2/27/2015

Divestment from Turkish Investment Vehicles. Prohibits CalPERS and CalSTRS from investing retirement funds in any investment vehicle owned, controlled, managed, or issued by the government of Turkey, as defined. Specifically, it requires the governing Board of each respective System to identify portfolio assets subject to engagement and divestment by June 30, 2016, to transfer or sell any assets within specific timeframes, and report to the Legislature regarding its actions.

Location: 3/26/2015-Assembly Public Employees, Retirement, and Social Security Committee

ACA 3 (Gallagher) Introduced: 2/26/2015

Constitutional Prohibition on Retroactive Benefit Increases. Prohibits retroactive retirement formula increases for public employees in the California Constitution. This amendment is substantively identical to the statutory prohibition in Government Code section 7522.44, which was enacted as part of the Public Employees' Pension Reform Act of 2013 (PEPRA).

Location: 2/26/2015-Assembly Print

SB 26 (Hernandez) Introduced: 12/1/2014

Statewide Health Care Cost and Quality Database. Among other things, this bill would create the California Health Care Cost and Quality Database (CQDB) to receive and report information from all types of health care entities to facilitate comparisons of cost, quality, and satisfaction across payers, provider organizations, and other suppliers of health care services. The bill would also require the Secretary of California Health and Human Services Agency to contract with one or more independent, nonprofit organizations to administer the CQDB. It would require health plans and insurers, suppliers, and providers to provide utilization data and pricing information to the CQDB, which would then post the information on a publicly available web-based, searchable database.

Location: Scheduled to be heard in the Senate Health Committee on April 22, 2015

SB 69 (Leno) Introduced: 1/9/2015

2014-15 Budget Act. Makes appropriations for support of state government for the 2015-16 fiscal year. Among other things, it adds a Medicare Supplement policy report detailing efforts to convert age 65 retirees from Basic plans to Medicare plans and related costs and benefits of improving those conversions. It also modifies an existing CalPERS reporting requirement to include a more detailed reconciliation of premium changes when the Board of Administration adopts new health rates. As a budget bill, it takes effect immediately.

Location: 1/9/2015-Senate Budget and Fiscal Review Committee

Bill Number/Author

SB 185 (De León) Amended: 3/25/2015

Public Divestiture of Thermal Coal Companies Act. Requires CalPERS and CalSTRS to constructively engage in publicly traded coal companies that generate 50 percent or more of their revenue from mining thermal coal. If following engagement, a company is not transitioning its business model to adapt to clean energy generation, it requires CalPERS to sell or transfer any investments in that company, and report to the Legislature and the Governor regarding these investments within specific timeframes. This bill does not require divestment if CalPERS determines, in good faith, the action would not be consistent with its fiduciary responsibilities. This bill also requires a report on the feasibility of divesting from additional fossil fuel investments such as natural gas and petroleum.

Location: Scheduled to be heard in the Senate Public Employment and Retirement Committee on April 13, 2015

SB 190 (Beall) Introduced: 2/10/2015

Health Care Coverage: Acquired Brain Injury. Among other things, requires health plan contracts and insurance policies offered, renewed, or amended on or after January 1, 2016, to provide coverage for post-acute residential transitional rehabilitation services made necessary as a result of, and related to, an acquired brain injury. It also requires coverage for these services not be included in any lifetime limits on the number of days of covered acute care treatment.

Location: 2/19/2015-Senate Health Committee

SB 546 (Leno) Introduced: 2/26/2015

Large Group Health Plan Data Disclosure and Rate Review. Among other things, requires a large group health care service plan or insurer to file specified rate information in filings to the Department of Managed Health Care (DMHC) or Department of Insurance (DOI) at least 60 days prior to implementing any rate change if any of the following conditions apply: a) the rate change is equal to or greater than the average rate increase for individual market products approved by the California Health Benefits Exchange; b) the rate change is equal to or greater than the average rate increase approved by the CalPERS Board for the subsequent year; c) the rate change would cause the large group purchaser to incur the excise tax; d) at the request of the large group purchaser. It also requires a health plan or insurer to file additional aggregate data and rate information as part of their rate filings on an annual basis, and allows the Director of the DMHC and the Insurance Commissioner, respectively, to modify or deny a rate change that is unreasonable, inadequate, or otherwise in violation of state or federal law.

Location: Scheduled to be heard in the Senate Health Committee on April 15, 2015

Bill Number/Author

SB 574 (Pan) Introduced: 2/26/2015

Public Records Act: Disclosure of Private Equity Information. Expands the obligation of public investment funds to disclose specified information regarding alternative investments, as defined, under the Public Records Act, to an obligation to both obtain and disclose the information. It also redefines the term “records” under the Public Records Act to include records relating to the conduct of the public’s business that are in the constructive possession of, or are otherwise accessible or obtainable by, a public investment fund.

Location: 3/12/2015-Senate Judiciary Committee

SB 671 (Hill) Introduced: 2/27/2015

Prescription Drugs: Biosimilar Products. Allows a pharmacist filling a prescription order for a prescribed biological product to select an alternative biological product (commonly known as a “biosimilar”) if it is approved and deemed interchangeable with the prescribed biologic product by the Food and Drug Administration (FDA), and the prescriber does not affirmatively indicate “Do not substitute” on the prescription order. It also requires the dispensing pharmacist or their designee to notify the prescriber or enter the information in a patient record system shared by the prescriber within a reasonable time following the dispensing of a biological product, whether the prescription dispensed was the prescribed biological product or an interchangeable alternative biological product.

Location: Scheduled to be heard in the Senate Business, Professions and Economic Development Committee on April 13, 2015

SJR 1 (Beall) Amended: 1/12/2015

Government Pension Offsets Repeal. Requests the United States Congress to pass and the President to sign legislation to repeal the Government Pension Offset and the Windfall Elimination Provision, which impacts state and local government retirees that have earned pensions through employment not included in Social Security.

Location: Scheduled to be heard in the Senate Public Employment and Retirement Committee on April 13, 2015

Bill Number/Author

Trailer Bill Language

RN 15 10875: Health Benefit Administration

Among other things, the bill would:

- Require the Board of Administration (Board) to add one or more high deductible health plan options, provide a low-cost Medicare supplemental health plan, and exempt these plans from risk adjustment.
- Require CalPERS to verify dependent eligibility for state annuitants before enrolling a dependent into a health plan, maintain the verifying documentation on file, and substantiate eligibility at least every three years. State agencies would be required to verify the dependent eligibility for active employees.
- Prohibit the Board from granting any further exemptions after January 1, 2015 to the rule against enrolling employees, annuitants, and their family members who are eligible for Medicare in a basic health benefit plan.
- Modify an existing reporting provision to require the Board to report to the Legislature and Department of Finance more detailed information regarding its health benefit plans.
- Eliminate the requirement that contracting agency contribute to the Public Employees' Contingency Reserve Fund for each of its employees and annuitants the same amount as the state.
- Prohibit the use of funds in the Annuitant Health Care Coverage Fund for the payment of benefits for state annuitants and dependents until the earlier of: (1) the date the funded ratio of a designated 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; (2) July 1, 2046.
- Declare equal sharing of normal cost between the State and its employees to be the standard for prefunding postemployment health care benefits and specify that the State intends to pursue this standard through collective bargaining with its employee bargaining units.

Trailer Bill Language

RN 15 09900: Retiree Health Care

Among other things, this bill would, for all state officers, state employees, and annuitants first hired, appointed, or elected on or after January 1, 2016:

- Limit the annual employer contribution for annuitants to no more than 80 percent of the weighted average of the premiums for an active employee enrolled for self-alone during the benefit year to which the formula is applied.
 - Provide an employer contribution towards annuitant health benefits and specify that an individual credited with at least 15 years of state service at the time of retirement will receive half of the full employer contribution and will receive five percent of the full contribution for each additional year of service.
 - Prohibit reimbursement for the cost of Medicare Part B premiums for themselves or their enrolled family members, as specified.
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