

**LEGISLATIVE HIGHLIGHTS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
May 7, 2015**

Bill Number/Author

AB 463 (Chiu) Introduced: 2/23/2015

Held by Author

Pharmaceutical Cost Transparency Act of 2015. Requires the manufacturer of a prescription drug sold in California that has a wholesale acquisition cost of at least \$10,000 annually or per course of treatment, to disclose specified development costs, pricing trend, profit and patient financial assistance data for the drug, to the Office of Statewide Health Planning and Development (OSHPD) by May 1st of each year. It also requires the OSHPD to publish an annual report on the information submitted, provide copies to the Legislature, and post on its Internet website.

Location: 5/1/2015 - Assembly Two Year

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

Significant Amendment

Divestment from Turkish Investment Vehicles. During the Assembly Public Employees, Retirement, and Social Security Committee hearing the author agreed to amend the bill so the requirement to divest from Turkish Investment Vehicles would be permissive instead of mandatory.

Location: 4/22/2015 - Assembly Appropriations Committee Suspense File

SB 292 (Pan) Amended: 4/21/2015

Newly Amended

Retirement Contributions: PEPR A Exemption. This bill was amended from a "Spot Bill" on April 21, 2015 to exempt employees of cities and counties with voter-approved property tax levies to fund pension costs from the retirement contribution requirements of the Public Employees' Pension Reform Act of 2013 (PEPRA). More specifically, from the requirement for employees that first become members of a State Retirement System or a 1937 Act County Retirement System on or after January 1, 2013 to pay at least half the normal cost of benefits, and that employers not pay any of the required employee contribution on behalf of these new members.

Location: 5/5/2015 - Assembly Desk

Bill Number/Author

SB 354 (Huff) Amended: 4/6/2015

Newly Amended

PEPRA: Joint Powers Authorities. This bill was amended from a "Spot Bill" on April 6, 2015 to clarify an exemption from the Public Employees' Pension Reform Act of 2013 (PEPRA) granted to a joint powers authority (JPA) established by the Cities of Brea and Fullerton to provide individuals employed by the JPA who, prior to its formation, were employed by one of the JPA's member cities on December 31, 2012 and not otherwise considered "new members" under PEPRA, the same defined benefit plan or formula those employees received when employed by one of the cities. Specifically, it would instead allow individuals employed by one of the JPA's member cities in a position whose function is transferred to the JPA, and who subsequently become employed by the JPA within 180 days of the transfer, to retain their defined benefit plan or formula.

Location: 4/27/2015 - Senate Appropriations Committee

SB 546 (Leno) Amended 4/30/2015

Newly Amended

Large Group Health Plan Data Disclosure and Rate Review. This bill was amended on April 30, 2015 to: 1) remove provisions that would have allowed the Department of Managed Health Care and Department of Insurance to modify or deny a rate change; 2) limit the conditions that would trigger a rate review by the departments; and 3) expand notification requirements for large group plans that modify premium rates or make changes in coverage. Now among other things, SB 546 requires a large group health care service plan or insurer to include specified rate information in filings to DMHC or DOI at least 60 days prior to implementing any rate increase when the rate increase is greater than the average aggregate rate increase for all of its large group plans; or if the rate increase would cause the health plan for the large group purchaser to incur the excise tax under the federal Affordable Care Act. It also requires a large group health plan or insurer to provide additional aggregate data and rate information as part of their rate filings on an annual basis.

Location: 4/22/2015 - Scheduled to be heard in the Senate Appropriations Committee on May 18, 2015.

SB 574 (Pan) Amended: 4/22/2015

Significant Amendment

Public Records Act: Disclosure of Private Equity Information. This bill was amended on April 22, 2015 and now only applies to University of California. The bill requires the University of California to obtain specified information as defined, under the Public Records Act, regarding alternative investments from each private equity fund, venture fund, hedge fund, or absolute return fund in which the University of California provides or has provided funds for investment.

Location: 4/29/2015 - Senate Appropriations Committee

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

Status as of May 7, 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: 5/7/2015 – Senate Rules

SB 216 (Pan) Amended: 4/21/2015

Board Position: Sponsor

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

Location: 4/30/2015 - Assembly Desk

*Did not meet the legislative calendar deadline for passage from policy or fiscal committee; would require rule waivers to be given further consideration in the current year.

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

Status as of May 7, 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) Amended: 4/29/2015

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, includes a \$25,000 civil penalty for a violation of this limitation, and allows retirees to opt-out of having their names and addresses provided to any organization under this bill.

Location: 4/30/2015 - Assembly Appropriations Committee

AB 339 (Gordon) Amended: 5/4/2015

Health Care Coverage: Outpatient Prescription Drugs. Among other things, requires a health plan contract or insurance policy offered, renewed, or amended on or after January 1, 2016 that provides coverage for outpatient prescription drugs, to provide coverage for medically necessary prescription drugs, including those that do not have a therapeutic equivalent. It also prohibits placement of most or all medications that treat a specific condition on the highest cost tier of a formulary, limits the copayment, coinsurance, or other cost sharing for an individual outpatient prescription drug to 1/24 of the annual out-of-pocket limit for a 30 day supply, and requires the plan or policy to cover single-tablet and extended release regimens if they are clinically as, or more, effective than a multi-tablet drug regimen.

Location: 5/5/2015 - Assembly Appropriations Committee

*Did not meet the legislative calendar deadline for passage from policy or fiscal committee; would require rule waivers to be given further consideration in the current year.

Bill Number/Author

AB 374 (Nazarian) Amended: 4/30/2015

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: 5/4/2015 - Scheduled to be heard in the Assembly Appropriations Committee on May 13, 2015.

***AB 463 (Chiu)** Introduced: 2/23/2015

Pharmaceutical Cost Transparency Act of 2015. Requires the manufacturer of a prescription drug sold in California that has a wholesale acquisition cost of at least \$10,000 annually or per course of treatment, to disclose specified development costs, pricing trend, profit and patient financial assistance data for the drug, to the Office of Statewide Health Planning and Development (OSHPD) by May 1st of each year. It also requires the OSHPD to publish an annual report on the information submitted, provide copies to the Legislature, and post on its Internet website.

Location: 5/1/2015 - Assembly Two Year

AB 533 (Bonta) Amended: 4/23/2015

Balance Billing by Individual Health Professionals. Among other things, requires health plan contracts and insurance policies issued, amended, or renewed on or after January 1, 2016, to provide that patients only owe in-network cost sharing when they receive care from a non-contracting health professional at an in-network health facility. It also requires in-network cost-sharing amounts paid to a non-contracting health professional to count toward annual deductibles and out-of-pocket limits, and allows a patient to voluntarily consent to use an out-of-network health professional and pay any amounts beyond the in-network rate, as specified.

Location: 4/27/2015 - Assembly Appropriations Committee Suspense File

***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: 5/1/2015 - Assembly Two Year

Bill Number/Author

***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: 5/1/2015 - Assembly Two Year

AB 868 (Oberholte) 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: 5/7/2015 - Senate Rules

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 Third Reading

***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: 5/1/2015 - Assembly Two Year

Bill Number/Author

***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: 5/1/2015 - Assembly Two Year

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: 4/29/2015 - Assembly Appropriations Committee Suspense File

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: 4/6/2015 - Assembly Public Employees, Retirement, and Social Security Committee

SB 26 (Hernandez) Amended: 5/5/2015

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, pricing information, and to assess the impact of social determinations of health demographic information to the CQDB, which would then post the information on a publicly available web-based, searchable database.

Location: 5/5/2015 - Scheduled to be heard in the Senate Appropriations Committee on May 18, 2015.

Bill Number/Author

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

SB 185 (De León) Amended: 4/8/2015

Board Position: No Position

Public Divestiture of Thermal Coal Companies Act. Requires CalPERS and CalSTRS to constructively engage publicly traded coal companies (Company) 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 and CalSTRS to sell or transfer any investments in that Company, and report to the Legislature and the Governor regarding these investments within specific timeframes. SB 185 does not require divestment unless the respective retirement boards determine, in good faith, that such action is consistent with their fiduciary responsibilities. The bill also requires a report on the feasibility of divesting from additional fossil fuel investments such as natural gas and petroleum.

Location: 4/27/2015 - Senate Appropriations Committee Suspense File

***SB 190 (Beall)** Amended: 4/6/2015

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: 5/1/2015 - Senate Two Year

SB 275 (Hernandez) Introduced: 2/19/2015

Health Facility Data. Under existing law, hospitals and surgical clinics are required to file various reports with the Office of Statewide Health Planning and Development (OSHPD), including Hospital Discharge Abstract, Emergency Care, and Ambulatory Surgery Data Records that include specified patient demographic, encounter and disposition data elements. This bill requires OSHPD to adopt a regulation adding physician identifiers to the patient level data elements to facilitate more outcome reports at both the hospital and physician level.

Location: 4/27/2015 - Assembly Desk

*Did not meet the legislative calendar deadline for passage from policy or fiscal committee; would require rule waivers to be given further consideration in the current year.

Bill Number/Author

SB 292 (Pan) Amended: 4/21/2015

Retirement Contributions: PEPR A Exemption. Exempts employees of cities and counties with voter-approved property tax levies to fund pension costs from the retirement contribution requirements of the Public Employees' Pension Reform Act of 2013 (PEPRA). More specifically, from the requirement for employees that first become members of a State Retirement System or a 1937 Act County Retirement System on or after January 1, 2013 to pay at least half the normal cost of benefits, and that employers not pay any of the required employee contribution on behalf of these new members.

Location: 5/5/2015 - Assembly Desk

SB 354 (Huff) Amended: 4/6/2015

PEPRA: Joint Powers Authorities. Clarifies an exemption from the Public Employees' Pension Reform Act of 2013 (PEPRA) granted to a joint powers authority (JPA) established by the Cities of Brea and Fullerton to provide individuals employed by the JPA who, prior to its formation, were employed by one of the JPA's member cities on December 31, 2012 and not otherwise considered "new members" under PEPRA, the same defined benefit plan or formula those employees received when employed by one of the cities. Specifically, it would instead allow individuals employed by one of the JPA's member cities in a position whose function is transferred to the JPA, and who subsequently become employed by the JPA within 180 days of the transfer, to retain their defined benefit plan or formula.

Location: 4/28/2015 - Senate Appropriations Committee

SB 546 (Leno) Amended: 4/30/2015

Large Group Health Plan Data Disclosure and Rate Review. 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 increase that is greater than the aggregate rate increase for all its large group plans, or if the rate increase would cause the health plan for the large group purchaser to incur the excise tax under the federal Affordable Care Act (ACA). It also requires a plan or insurer to file specified aggregate data for all products sold in the large group market on an annual basis, and allows health plans that exclusively contract with no more than two medical groups in the state to meet this requirement by providing their prior year trend experience using benefit categories that are the same or similar to those of other plans and insurers. In addition, the bill requires health plans and insurers to notify a large group purchaser of the amount by which its rate change is equal to or greater than the average rate increase for: a) individual market health plan and insurance products approved by the California Health Benefits Exchange during a specified period; or b) the aggregate rate increase for all its large group plans or policies, as specified; as well as whether the rate increase would cause the health plan for the large group purchaser to incur the excise tax for any part of the period the proposed rate would be in effect, if any. Finally, it requires the DMHC and DOI to determine within sixty days of filing whether any large group rate increase is reasonable or unreasonable as defined by the ACA, and to hold a public meeting concerning large group rate changes on an annual basis.

Location: 4/30/2015 - Scheduled to be heard in the Senate Appropriations Committee on May 18, 2015.

Bill Number/Author

SB 574 (Pan) Amended: 4/22/2015

Public Records Act: Disclosure of Private Equity Information. Requires the University of California to collect specified information related to its alternative investments and absolute return funds. A previous amended version of the bill would have expanded 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: 4/29/2015 - Senate Appropriations Committee

Per April 22, 2015 amendments, this bill no longer affects CalPERS.

SB 671 (Hill) Amended: 5/5/2015

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 established as interchangeable by the FDA, and the prescriber does not affirmatively indicate “Do not substitute” on the prescription order. It also requires the pharmacist to communicate to the prescriber the specific biological product provided to the patient, including the name of the biological product and the manufacturer, within five days following the dispensing of any biological product where there is both a reference product and an FDA-approved interchangeable product available for substitution, by entering the appropriate information in an interoperable electronic medical records system or record system accessible to the prescriber.

Location: 5/5/2015 - Scheduled to be heard in the Senate Appropriations Committee on May 18, 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: 4/16/2015 - Assembly Desk

*Did not meet the legislative calendar deadline for passage from policy or fiscal committee; would require rule waivers to be given further consideration in the current year.