

**LEGISLATIVE HIGHLIGHTS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
June 3, 2015**

Bill Number/Author

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

Held on the Assembly Suspense File

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.

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

Held on the Assembly Suspense File

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.

SB 185 (De León) Amended: 6/2/2015

Significant Amendment

Public Divestiture of Thermal Coal Companies Act. This bill was amended on June 2, 2015 to remove the requirement that CalPERS complete a comprehensive assessment and report on the feasibility of divesting from additional fossil fuel investments, such as natural gas and petroleum.

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

Status as of June 3, 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: 5/21/2015- Senate Public Employment and Retirement Committee

SB 216 (Pan) Amended: 6/3/2015

Board Position: Sponsor

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

Location: 5/14/2015- Assembly Public Employees, Retirement, and Social Security 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.

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

Status as of June 3, 2015

B – Other Bills

Bill Number/Author

AB 103 (Weber) Amended: 5/27/2015

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: 5/28/2015- Assembly Budget

***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: 5/29/2015- Assembly Two Year

AB 339 (Gordon) Amended: 5/20/2015

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 that constitute essential health benefits 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: 6/3/2015- Senate Rules

*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: 6/2/2015- Senate Rules

***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

Board Position: Support

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: 6/2/2015- Senate Rules

***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: 5/21/2015- To be heard in the Senate Public Employment and Retirement Committee on June 8, 2015

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: 5/21/2015- To be heard in the Senate Public Employment and Retirement Committee on June 8, 2015

***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: 5/29/2015- Assembly Two Year

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 information to determine the social determinants of health to the CQDB, which would then post the information on a publicly available web-based, searchable database.

Location: 5/29/2015- Senate Two Year

*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 69 (Leno) Amended: 5/27/2015

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: 5/27/2015- Senate Budget and Fiscal Review Committee

SB 185 (De León) Amended: 6/2/2015

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.

Location: 6/3/2015- Assembly Desk

***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. Existing law requires hospitals and surgical clinics to file various reports with the Office of Statewide Health Planning and Development (OSHPD), including reports on hospital discharges, emergency care, and surgery. These reports include patient demographic and encounter data, but do not include physician identifiers. This bill would require OSHPD to adopt a regulation adding physician identifiers to these reports.

Location: 5/14/2015- Assembly Health Committee

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) which mandate 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 prohibit employers not pay any of the required employee contribution on behalf of these new members.

Location: 5/22/2015- Assembly Public Employees, Retirement, and Social Security Committee

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: 5/28/2015- Assembly Public Employees, Retirement, and Social Security Committee

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

Large Group Health Plan Data Disclosure and Rate Review. Establishes a rate review process for health plans and health insurers that provide coverage in the large group market. The review process would require the plans and insurers to file specified rate information with either the Department of Managed Health Care (DMHC) or the California Department of Insurance (CDI) prior to a rate increase and require these departments to make a determination of whether the increase is reasonable or unreasonable in accordance with the Affordable Care Act (ACA). The bill also modifies existing annual reporting requirements for plans and insurers to file specified aggregate data for all the plans and policies they sell in the large group market.

Location: 6/3/2015- Assembly Desk

SB 588 (De León) Amended: 4/30/2015

Wage Theft Recovery. Among other things, allows the Labor Commissioner to enforce judgments by a court of competent jurisdiction to collect unpaid wages and other compensation, penalties, and interest owed to an employee for work performed in this state, by filing a lien or levy on an employer's assets on the behalf of the employee, as specified.

Location: 6/1/2015- Assembly Desk

Bill Number/Author

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

Board Position: Oppose, Unless Amended

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: 5/22/2015- Assembly Desk

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.

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.