

**PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
BOARD OF ADMINISTRATION  
2017-18 STATE LEGISLATIVE SESSION  
PROGRAM UPDATE  
STATUS AS OF MARCH 2, 2017**

**A – CalPERS-Sponsored Bills**

**Bill Number/Author**

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**AB 590 (Medina)** Introduced: 2/14/2017

**Board Position: Sponsor**

**CalPERS Right of Election.** Provides non-vested CalPERS members a break in service of up to 120 days in order to elect to retain CalPERS membership when appointed to a new position that is otherwise subject to mandatory CalSTRS participation.

*Location: 2/27/2017-Assembly Public Employees, Retirement, and Social Security Committee*

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**AB 679 (Cooley)** Introduced: 2/15/2017

**Board Position: Sponsor**

**CalPERS Securities Lending Program.** Expands the types of collateral that CalPERS can accept in security lending agreements to include public equity securities and international government bonds. It also requires the value of all collateral to be at least 102 percent of the market value of the loaned securities.

*Location: 2/15/2017-Assembly Print*

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**AB 1309 (Cooley)** Introduced: 2/17/2017

**Board Position: Sponsor**

**Reporting of Post-Retirement Employment.** Allows, but does not require, CalPERS to assess employers a \$200 per month fee for failure to report the hiring and payroll information of members working in retirement. This will assist the System in ensuring employers and retired members remain in compliance with existing post-retirement employment restrictions.

*Location: 2/17/2017-Assembly Print*

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**SB 525 (Pan)** Introduced: 2/16/2017

**Board Position: Sponsor**

**CalPERS 2017 Omnibus Bill.** Makes minor policy and technical changes to the Public Employees' Retirement Law (PERL).

*Location: 2/16/2017-Senate Rules Committee*

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**PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
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**B – Other Bills**

**Bill Number/Author**

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**AB 20 (Kalra)** Introduced: 12/5/2016

**Dakota Access Pipeline: Divestment.** Among other things, prohibits CalPERS and CalSTRS from renewing or making any additional investments in any company constructing, or funding the construction of, the Dakota Access Pipeline on and after January 1, 2018. It also requires CalPERS and CalSTRS to liquidate any existing investments in such companies on or before July 1, 2018.

*Location: 1/19/2017-Assembly Public Employees, Retirement, and Social Security Committee*

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**AB 29 (Nazarian)** Introduced: 12/5/2016

**Pharmacy Benefit Managers.** Expresses legislative intent to enact legislation relating to pharmacy benefit managers.

*Location: 12/5/2016-Assembly Print*

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**AB 161 (Levine)** Introduced: 1/13/2017

**Investment Return Guarantees for CalPERS Investments in California Infrastructure Projects.** Authorizes the Department of Finance to identify infrastructure projects in California for which the Department will guarantee a rate of return for investments made by CalPERS, subject to the availability of special fund moneys deposited into a newly-established Reinvesting in California Special Fund.

*Location: 1/30/2017-Assembly Public Employees, Retirement, and Social Security Committee*

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**AB 512 (Rodriguez)** Introduced: 2/13/2017

**Safety Member Industrial Disability Retirement.** Removes the sunset date on a provision of the Public Employees' Retirement Law that allows CalPERS public safety members who qualify for Industrial Disability Retirement and are under age 50 to receive an actuarially reduced retirement benefit.

*Location: 2/27/2017-Assembly Public Employees, Retirement, and Social Security Committee*

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**AB 592 (Dahle)** Introduced: 2/14/2017

**Public Agency Contract Termination Cost Requests.** Allows a contracting agency to request a calculation of total costs necessary to terminate its contract with CalPERS.

*Location: 2/27/2017-Assembly Public Employees, Retirement, and Social Security Committee*

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**B – Other Bills**  
**March 2, 2017**

**Bill Number/Author**

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**AB 1243 (Arambula)** Introduced: 2/17/2017

**Replacement Benefits Plan.** Clarifies that participating agencies contributing to the Replacement Benefit Custodial Fund are not required to pay their contributions from a particular fund or account.

*Location: 2/17/2017-Assembly Print*

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**AB 1310 (Allen, Travis)** Introduced: 2/17/2017

**Unfunded Liability Disclosure.** Requires the governing board of a public retirement system to disclose the unfunded liability and health care debt of the system on each member statement.

*Location: 2/17/2017-Assembly Print*

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**AB 1311 (Allen, Travis)** Introduced: 2/17/2017

**CalPERS Board of Administration.** Adds two gubernatorial appointees with specific qualifications to the 13-member CalPERS Board of Administration, changes the qualification requirements for the current life insurance official appointed by the Governor, and adds qualification requirements for the legislative appointee. It also prohibits reimbursement to the employing agency of an elected board member from exceeding 35 percent of his or her annual salary and benefits, or the travel reimbursement to board members from exceeding \$10,000 per year. Finally, the bill allows board candidates to provide campaign materials to the system, for mailing by the system to the members eligible to vote for the candidate, at the candidate's expense.

*Location: 2/17/2017-Assembly Print*

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**AB 1597 (Nazarian)** Introduced: 2/17/2017

**Divestment from Turkish Investment Vehicles.** Requires CalPERS and CalSTRS to cease making new or additional investments, or renewing existing investments in any investment vehicle owned, controlled, managed, or issued by the government of Turkey, as defined. It also requires divestment of any existing investments within six months of the passage of a federal law imposing sanctions on Turkey, and requires each retirement system to report on their divestment actions within one year of the passage of sanctions, as specified.

*Location: 2/17/2017-Assembly Print*

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**SB 17 (Hernandez)** Introduced: 12/5/2016

**Prescription Drug Cost Transparency.** Expresses legislative intent to enact legislation requiring public and private purchasers of health care and health care coverage receive advance notice of price increases for prescription drugs, and also requires the public receive information justifying the prices of new prescription drugs and price increases for existing prescription drugs.

*Location: 12/5/2016-Senate Rules Committee*

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**B – Other Bills**  
**March 2, 2017****Bill Number/Author**

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**SB 28 (Pan)** Amended: 2/8/2017

**State Public Employment: Memoranda of Understanding.** Ratifies the memoranda of understanding (MOUs) for State Bargaining Units (BUs) 1, 3, 4, 8, 11, 12, 13, 14, 15, 17, 18, 19, 20, and 21. Among other things, it requires prefunding for retiree health care coverage, under the CalPERS Annuitant's Health Care Coverage Fund, for all employees represented by, or associated with BUs 8, 13, and 18 with the goal of reaching a 50 percent cost sharing of normal costs by July 1, 2019 and for all employees represented by, or associated with BUs 1, 3, 4, 11, 12, 14, 15, 17, 20, and 21, with the goal of reaching a 50 percent cost sharing of normal costs by July 1, 2020. For employees represented by, or associated with, BUs 8, 13, 18, and 19, first hired by the state on and after January 1, 2017, the bill eliminates employer contributions for Medicare Part B premiums, establishes a longer retiree dental and health care vesting schedule that requires 15 years of service for a 50 percent employer contribution and 25 years for a 100 percent employer contribution, and reduces the maximum employer contribution for annuitants and their family members to either 80 percent of the weighted average of premiums for active state employees enrolled in a basic plan, or 80 percent of the weighted average of premiums for state annuitants enrolled in a Medicare plan. As a budget trailer bill, this bill would take effect immediately.

*Location: 2/23/2017-Assembly Budget Committee*

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**SB 32 (Moorlach)** Amended: 3/2/2017

**California Public Employees' Pension Reform Act of 2018.** Among other things, requires the CalPERS Board of Administration (Board) to determine the unfunded liability of the system in 1980 and reduce the unfunded liability to that level by 2030 with the goal of fully funding the system. In any year in which the unfunded actuarial liability of the system is greater than zero, it requires the Board to increase the employer contribution rate otherwise adopted by the Board by 10 percent. Furthermore, it requires the Board to develop and submit a hybrid plan with defined benefit and defined contribution components to the Legislature for approval, which would be provided to all new members entering the system on and after legislative adoption, or existing CalPERS members that elect to participate in the hybrid plan, and also to review and reclassify the positions eligible to be included in its safety member classifications. In addition, it prohibits any public retirement board from making a cost of living adjustment to any allowance payable to, or on behalf of, a person retired under the system, or to any survivor or beneficiary of a member or person retired under the system, for any year beginning on or after January 1, 2018, in which CalPERS or CalSTRS is not fully funded. It also prohibits retirement boards from classifying as pensionable compensation, any incentive, educational, premium, special assignment, or holiday pay earned by PEPRA new members. Finally, for individuals entering a public retirement system on and after January 1, 2018, it imposes a five-year final compensation period, and limits their ability to a leave public employer for greater than a year and retain their former benefit formulas, contribution levels, etc. for future service.

*Location: 12/5/2016-Senate Rules Committee*

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**B – Other Bills**  
**March 2, 2017****Bill Number/Author**

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**SB 48 (Committee on Budget and Fiscal Review)**

Amended: 1/30/2017

**Annuitant Health Care Coverage: State Bargaining Units 1, 3, 4, 11, 14, 15, 17, 20, and 21.** For employees represented by, or associated with, State Bargaining Units (BUs) 1, 3, 4, 11, 14, 15, 17, 20, and 21, first hired by the state on and after January 1, 2017, the bill eliminates employer contributions for Medicare Part B premiums, establishes a longer retiree dental and health care vesting schedule that requires 15 years of service for a 50 percent employer contribution and 25 years for a 100 percent employer contribution, and reduces the maximum employer contribution for annuitants and their family members to either 80 percent of the weighted average of premiums for active state employees enrolled in a basic plan, or 80 percent of the weighted average of premiums for state annuitants enrolled in a Medicare plan. As a budget trailer bill, this bill would take effect immediately.

*Location: 2/23/2017-Assembly Budget Committee*

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**SB 172 (Portantino)** Introduced: 1/23/2017

**Health Care Coverage: Fertility Preservation.** Requires an individual or group health care service plan contract or insurance policy issued, amended, or renewed on and after January 1, 2018, that covers hospital, medical, or surgical expenses, to provide coverage for standard fertility preservation services when a necessary medical treatment may directly or indirectly cause iatrogenic infertility.

*Location: 2/2/2017-Senate Health Committee*

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**SB 454 (Moorlach)** Introduced: 2/16/2017

**Retiree Health Benefits for New State Employees.** For state employees who are first employed and become CalPERS members on or after January 1, 2018, establishes the employer contribution for annuitants at 80 percent of the weighted average of health plan premiums for the four most enrolled-in basic health plans by active state employees enrolled for self-alone. For eligible family members, it sets the employer contribution at 80 percent of the weighted average of the additional premiums required for enrollment of those family members in those same four health plans. The bill also allows all existing agreements with State Bargaining Units that specify different employer contribution levels to remain in effect until their expiration. In addition, it requires the state, on and after January 1, 2018, to assume all responsibility for prefunding retiree health care, with the goal of paying 100 percent of the actuarially determined normal costs by July 1, 2019. It also requires the state to pay unfunded liabilities associated with existing retiree healthcare liabilities that have accrued, as reported by the Controller, with the goal of paying 50 percent of the actuarially determined cost of these liabilities by January 1, 2022, and 100 percent of the actuarially determined cost of these liabilities by January 1, 2026.

*Location: 2/16/2017-Senate Rules Committee*

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**B – Other Bills**  
**March 2, 2017****Bill Number/Author**

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**SB 560 (Allen)** Introduced: 2/17/2017

**Financial Climate Risk.** Beginning January 1, 2019, requires the CalPERS Board of Administration and the Teachers' Retirement Board to consider as part of the discharge of their fiduciary duties, the financial climate risk of each investment or potential investment. It also, beginning January 1, 2020, requires each board to report annually on the financial climate risks of its investments, including a calculation of the carbon footprint of its investments, as specified.

*Location: 2/17/2017-Senate Rules Committee*

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**SB 571 (Pan)** Introduced: 2/17/2017

**Supplemental Public Employee Retirement Plans: Automatic Enrollment and Contribution Escalation.** Allows, but does not require, a public employer participating in specified employee retirement plans to automatically enroll employees in such plans, and establish automatic paycheck deductions on their behalf. The bill allows employees to opt-out of the plan and change the amount automatically deducted from their paychecks. It also specifies that a participating employer is not liable for any investment decisions made by the employer with regard to default investments, if specified employee notification requirements are met.

*Location: 2/17/2017-Senate Rules Committee*

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**SB 601 (Morrell)** Introduced: 2/17/2017

**Retirement System Liability Reporting.** Requires CalPERS to annually report the liabilities of its state employee retirement plans, calculated using a discount rate equal to the yield on a 10-year United States Treasury note in the year prior to the report. Among other things, it also requires CalSTRS and the University of California Retirement Plan to calculate the liabilities of their retirement plans in the same manner.

*Location: 2/17/2017-Senate Rules Committee*

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**SB 656 (Moorlach)** Introduced: 2/17/2017

**Judges' Retirement System II Deferred Retirement.** Allows members of the Judges' Retirement System II to leave the bench prior to attaining both age 65 and 20 years of service or age 70 with at least five years of service, and receive a monthly defined benefit allowance upon attaining these existing age and service requirements.

*Location: 2/17/2017-Senate Rules Committee*

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**SB 681 (Moorlach)** Introduced: 2/17/2017

**Public Agency Contract Termination.** Expresses legislative intent to enact legislation to allow public agencies that contract with CalPERS for employee retirement benefits to terminate their contract in a manner that does not result in excessive costs or penalties to the agency, to withdraw assets paid into the system with the original assumed rate of return, and to ensure that the agency remains responsible for any of its unfunded liabilities.

*Location: 2/17/2017-Senate Rules Committee*

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**B – Other Bills**  
**March 2, 2017**

**Bill Number/Author**

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**SCA 1 (Moorlach)** Introduced: 12/5/2016

**Secure Choice Retirement Savings Program.** Amends the State Constitution to prohibit the state from incurring any liability for payment of the retirement savings benefit earned by program participants in the California Secure Choice Retirement Savings Program. It also prohibits the appropriation, transfer, or encumbrance of General Fund moneys for the Program, except to fund its startup and first-year administrative costs.

*Location: 1/12/2017-Senate Public Employment and Retirement Committee*

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**SCA 8 (Moorlach)** Introduced: 2/15/2017

**Retirement Benefits for Future Service.** Amends the State Constitution to specifically allow all state, school, and local government employers to reduce promised retirement benefits to existing public employees for work performed in the future. Benefits affected would include defined benefit pension plans, defined contribution plans, retiree health care plans, or any form of deferred compensation.

*Location: 2/23/2017-Senate Public Employment and Retirement Committee*

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**SCA 10 (Moorlach)** Introduced: 2/17/2017

**Voter Approval of Public Retirement Benefit Increases.** Prohibits a state or local government employer from providing public employees any retirement benefit increase, to include a defined benefit pension plan, defined contribution plan, retiree health care plan, or any form of deferred compensation, unless approved by a two-thirds vote of the electorate of the applicable jurisdiction.

*Location: 2/17/2017-Senate Rules Committee*

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**PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
BOARD OF ADMINISTRATION  
115<sup>th</sup> CONGRESS  
LEGISLATIVE PROGRAM UPDATE  
STATUS AS OF MARCH 2, 2017**

**Federal Bills**

**Bill Number/Author**

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**H.J. Res. 66 (Walberg, Tim R-MI)** Introduced: 2/07/2017

**State Government Retirement Plans Disapproval.** A joint resolution that would nullify and disapprove of the rule submitted by the Department of Labor relating to "Savings Arrangements Established by States for Non-Governmental Employees" (published at 81 Fed. Reg. 59464, August 30, 2016). The joint resolution would nullify and disapprove of a Labor Department rule that exempts certain state-administered retirement savings plans from select federal regulations governing pension plans if the state programs meet certain standards. Under the rule, the savings program must be established and administered by the state, and the savings plans must be voluntary for the employee for the program to qualify for the exemption.

*Status: 2/15/2017-Passed/agreed to in the House Education and the Workforce Committee.  
2/16/2017-Received in the Senate.*

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**H.J. Res. 67 (Rooney, Francis R-FL)** Introduced: 2/07/2017

**Local Government Retirement Plans Disapproval.** A joint resolution that would nullify and disapprove of the rule submitted by the Department of Labor relating to "Savings Arrangements Established by Qualified State Political Subdivisions for Non-Governmental Employees" (published at 81 Fed. Reg. 92639, December 20, 2016). The joint resolution would nullify and disapprove of a Labor Department rule that exempts certain local government-administered retirement savings plans for non-government employees from select federal regulations governing pension plans. Under the rule, a city or county must have a population at least as large as the least populated state in the nation, and must administer a retirement plan for its own employees for the program to qualify for the exemption.

*Status: 2/15/2017-Passed/agreed to in the House Education and the Workforce Committee.  
2/16/2017-Received in the Senate.*

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