

**PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
BOARD OF ADMINISTRATION  
2017-18 STATE LEGISLATIVE SESSION  
PROGRAM UPDATE  
STATUS AS OF May 4, 2017**

## Legislative Highlights

<b>Bill Number/Author</b>	<b>Status</b>
<b>AB 20 (Kalra)</b> Amended: 4/24/2017	Recently Amended
<p><b>Dakota Access Pipeline.</b> On or before April 1, 2018, requires the CalPERS Board of Administration and the Teachers' Retirement Board to include factors related to tribal sovereignty and indigenous tribal rights in the their consideration of environmental, social, and governance issues when selecting or rejecting investments. It also requires each board to submit a report to the Legislature and the Governor that lists its investments in companies constructing, or funding the construction of, the Dakota Access Pipeline; describes its engagement activities with each company; and the results of those engagements.</p> <p><i>Location: 5/03/2017-Assembly Appropriations Suspense File</i></p>	
<b>AB 29 (Nazarian)</b> Amended: 5/4/2017	Recently Amended
<p><b>Pharmacy Benefit Managers.</b> Requires a Pharmacy Benefits Manager (PBM) to provide prescription drug utilization information quarterly, and in writing, to purchasers for their enrollees or insureds. It also requires a PBM to provide written disclosure to purchasers and potential purchasers on a quarterly basis, subject to their agreement to keep any proprietary information confidential: 1) the amount of rebates, retrospective utilization discounts and any other revenue that it received from drug manufacturers and labelers for the benefits provided, as specified; 2) any administrative or other fees charged to the purchaser; and 3) arrangements with providers, pharmacies and other entities that assist the PBM with formulary compliance and benefit management.</p> <p><i>Location: 5/04/2017-Scheduled to be heard in the Assembly Health Committee on May 9, 2015</i></p>	
<b>AB 265 (Wood)</b> Amended: 4/26/2017	Recently Amended
<p><b>Prescription Drugs: Prohibition on Price Discount.</b> Generally prohibits a drug manufacturer from offering in California a discount, repayment, product voucher, or other reduction in a patient's out-of-pocket expenses, for a prescription drug, if a lower cost prescription drug is available that is designated to be therapeutically equivalent by the U.S. Food and Drug Administration's Approved Drug and Products with Therapeutic Equivalence Evaluations, or the active ingredients of the drug are available without prescription at a lower cost and are not otherwise contraindicated for treatment of the condition for which the prescription drug is approved.</p> <p><i>Location: 4/26/2017-Assembly Appropriations Committee</i></p>	

Legislative Highlights  
May 4, 2017

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**Bill Number/Author**

**Status**

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**AB 587 (Chiu)** Amended: 4/18/2017

Recently Amended

**California Pharmaceutical Collective.** Requires the Department of General Services (DGS) to convene the California Pharmaceutical Collective (CPC), whose membership would be comprised of CalPERS and other state agencies, as well as legislative and stakeholder appointees. Among other things, it requires the CPC to identify and implement best value treatment protocols and procurement practices, savings strategies such as adopting a common drug formulary under DGS control, and establishing a drug purchasing consortium for public and private purchasers. It also authorizes DGS, in consultation with the CPC, to contract with a Pharmacy Benefits Manager to purchase drugs, negotiate discounts, and act as a consultant to DGS and the CPC. Finally, the bill requires DGS, on or before July 1, 2018, to submit a report to the Legislature on the activities of the CPC.

*Location: 4/25/2017-Assembly Appropriations Committee*

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**SB 17 (Hernandez)** Amended: 4/25/2017

Recently Amended

**Prescription Drug Cost Transparency.** Among other things, requires health plans and health insurers regulated by the Department of Managed Health Care or the Department of Insurance to report annually, the 25 medications dispensed at a plan pharmacy, network pharmacy, or mail order pharmacy for outpatient use that: 1) are most frequently prescribed; 2) are most costly; and, 3) experienced the highest year over year increase in total plan spending, and requires each department to compile and publish the information on its website. It also requires large group health plans and insurers in rate filings to also disclose: 1) the proportion of the premium dollar spent on prescription drugs during the prior year; 2) the year-over-year increase in drug costs as a percentage of total spending; 3) the year-over-year increase in drug costs on a per member per month basis compared to other premium components; 4) its specialty tier formulary list; and 5) provide information on its use of a pharmacy benefit managers (PBM), as specified. In addition, the bill requires drug manufacturers to notify state purchasers, health plans and insurers, and PBMs, at least 90 days prior to the planned effective date, of any increase in the wholesale acquisition cost (WAC) of a prescription drug, if (1) the WAC is below the Medicare Part D specialty drug threshold and the increase is 25 percent or more over a three calendar year period; or 2) the WAC is above the Medicare Part D specialty drug threshold and the increase is 10 percent or more over a three calendar year period. It also requires drug manufacturers to notify the Office of Statewide Health Planning and Development (OSHPD), within three days of commercial availability, when introducing a new prescription drug to market at a WAC that exceeds the Medicare Part D specialty drug threshold, and to report additional information to OSHPD, as specified, within 30 days of the notification.

*Location: 5/03/2017-Scheduled to be heard in the Senate Appropriations Committee on May 15, 2017*

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Legislative Highlights  
May 4, 2017

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**Bill Number/Author**

**Status**

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**SB 131 (Committee on Budget and Fiscal Review)**

Chaptered by the Secretary of State,

Chaptered: 4/28/2017

Chapter 6, Statutes of 2017

**Memorandum of Understanding: State Bargaining Unit 16.** Among its provisions, it allows for adjustments to member pension contributions for those employees represented by, or associated with BU 16, when the normal cost rate in effect for FY 2016-17 increases by at least one percent, and fifty percent of the new normal cost rate, rounded to the nearest one-quarter of one percent, is greater than the normal contribution rate established in law, as specified. It also requires prefunding for retiree health care coverage, under the CalPERS Annuitant's Health Care Coverage Fund, for all employees represented by, or associated with BU 16, with the goal of reaching a 50 percent cost sharing of normal costs by July 1, 2018. For employees represented by, or associated with, BU 16 that are first hired by the state on and after April 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.

*Location: 4/28/2017-Chaptered by the Secretary of State, Chapter 6, Statutes of 2017*

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**SB 172 (Portantino)** Amended: 5/1/2017

Recently Amended

**Health Care Coverage: Fertility Preservation.** Clarifies that basic health care services provided by health plans include standard fertility preservation services when a necessary medical treatment may directly or indirectly cause iatrogenic infertility. It also requires individual or group health insurance policies issued, amended, or renewed on and after January 1, 2018, that provides coverage for hospital, medical, or surgical expenses to cover standard fertility preservation services when a necessary medical treatment may directly or indirectly cause iatrogenic infertility.

*Location: 5/03/2017-Scheduled to be heard in the Senate Appropriations Committee on May 15, 2017*

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**SB 538 (Monning)** Amended: 5/2/2017

Recently Amended

**Hospital Contracts.** Among other things, prohibits contracts between a health plan or insurer and a hospital from: 1) setting payment rates or other terms and conditions for affiliates of the hospital outside the plan network; 2) requiring the health plan or insurer to contract with all affiliates of the hospital; 3) forcing a health plan or insurer enrollee to be bound by the terms of the contract between the hospital and the health plan or insurer; 4) mandating that a health plan or insurer submit to binding arbitration for antitrust claims; 5) requiring a health plan or insurer to impose the same copayment, coinsurance, and deductible at in-network hospitals but at a different cost sharing tier than other in-network hospitals; and 6) requiring a health plan or insurer to keep rates confidential from enrollees who are or will become liable for payments.

*Location: 5/03/2017-Scheduled to be heard in the Senate Appropriations Committee on May 15, 2017*

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Legislative Highlights  
May 4, 2017

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**Bill Number/Author**

**Status**

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**SB 560 (Allen)** Amended: 4/17/2017

Recently Amended

**Financial Climate Risk.** Requires the CalPERS Board of Administration and the Teachers' Retirement Board to consider financial climate risk, as defined, in the management of any fund they administer, including when making decisions regarding the fund's asset allocation; increasing, decreasing, or maintaining investments in individual companies or commingled funds; or hiring external asset managers. Beginning January 1, 2020, it also requires these Boards to include in their respective Comprehensive Annual Financial Report, the financial climate risks of their investments; alignment of their investment portfolios with the Paris climate agreement and California climate policy goals; the value at risk if these goals are achieved; the exposure of the portfolio to long-term risks; and engagements with portfolio companies that are the most carbon intense, as specified.

*Location: 5/03/2017-Scheduled to be heard in the Senate Appropriations Committee on May 15, 2017*

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**SB 562 (Lara)** Amended: 4/17/2017

Recently Amended

**The Healthy California Act.** Among other things, the bill creates the Healthy California Program (Program) to provide comprehensive universal single-payer health care coverage and a health care cost control system for all California residents. It would establish a nine member Healthy California Board to develop and administer the Program, as well as a public advisory committee. It would also allow health care providers to collectively negotiate payment for services, drugs, and methodologies for use of third-party representatives, as provided.

*Location: 4/26/2017-Senate Appropriations Committee*

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**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 that non-vested California Public Employees' Retirement System (CalPERS) members employed by a school employer, the Board of Governors of the California Community Colleges, or the State Department of Education who have a break in service of up to 120 days are eligible to elect to remain in CalPERS when subsequently appointed to a new position that is otherwise subject to mandatory participation in the California State Teachers' Retirement System (CalSTRS), as long as they meet all other eligibility requirements set forth in existing law.

*Location: 4/19/2017-Assembly Appropriations Committee*

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**AB 679 (Cooley)** Amended: 4/17/2017

**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: 5/03/2017-Assembly Consent Calendar*

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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 member 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: 5/04/2017-Assembly Third Reading*

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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: 5/1/2017-Scheduled to be heard in the Senate Appropriations Committee on May 15, 2017*

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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)** Amended: 4/24/2017

Sponsor: Author

**Dakota Access Pipeline.** On or before April 1, 2018, requires the CalPERS Board of Administration and the Teachers' Retirement Board to include factors related to tribal sovereignty and indigenous tribal rights in their consideration of environmental, social, and governance issues when selecting or rejecting investments. It also requires each board to submit a report to the Legislature and the Governor that lists its investments in companies constructing, or funding the construction of, the Dakota Access Pipeline; describes its engagement activities with each company; and the results of those engagements.

*Location: 5/03/2017-Assembly Appropriations Suspense File*

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**AB 29 (Nazarian)** Amended: 5/4/2017

Sponsor: Author

**Pharmacy Benefit Managers.** Requires a Pharmacy Benefits Manager (PBM) to provide prescription drug utilization information quarterly, and in writing, to purchasers for their enrollees or insureds. It also requires a PBM to provide written disclosure to purchasers and potential purchasers on a quarterly basis, subject to their agreement to keep any proprietary information confidential: 1) the amount of rebates, retrospective utilization discounts and any other revenue that it received from drug manufacturers and labelers for the benefits provided, as specified; 2) any administrative or other fees charged to the purchaser; and 3) arrangements with providers, pharmacies and other entities that assist the PBM with formulary compliance and benefit management.

*Location: 5/04/2017-Scheduled to be heard in the Assembly Health Committee on May 9, 2015*

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

Sponsor: Author

**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: 4/26/2017-Assembly Appropriations Suspense File*

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\*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.

B – Other Bills  
 May 4, 2017

**Bill Number/Author**

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**AB 265 (Wood)** Amended: 4/26/2017

Sponsor: Author

**Prescription Drugs: Prohibition on Price Discount.** Generally prohibits a drug manufacturer from offering in California a discount, repayment, product voucher, or other reduction in a patient's out-of-pocket expenses, for a prescription drug, if a lower cost generic drug is covered on a lower cost-sharing tier that is designated to be therapeutically equivalent by the U.S. Food and Drug Administration, or the active ingredients of the drug are available without prescription at a lower cost and are not otherwise contraindicated for treatment of the condition for which the prescription drug is approved.

*Location: 4/26/2017-Assembly Appropriations Committee*

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**AB 315 (Wood)** Amended: 4/5/2017

Sponsor: Author

**Pharmacy Benefit Management.** Among other things, requires Pharmacy Benefit Managers (PBMs) to be licensed by the State Board of Pharmacy. It also imposes on PBMs a fiduciary duty to purchasers of their services and requires them to notify purchasers in writing of any activity, policy, or practice that directly or indirectly presents a conflict of interest. For agreements between a PBM and a purchaser entered into, issued, amended, renewed, or delivered on and after January 1, 2018, it requires the PBM to provide a purchaser monthly disclosures, beginning the second fiscal quarter after the effective date of the contract, non-identifiable utilization information for the purchaser's enrollees or insureds. In addition, it requires a PBM to provide purchasers, subject to their agreement to keep any proprietary information confidential: 1) its aggregate acquisition cost from a drug manufacturer or labeler for each therapeutic class of drugs; 2) the aggregate amount of rebates and utilization discounts received from drug manufacturers; 3) administrative fees received from drug manufacturers; and 4) aggregate rates negotiated with pharmacies for each therapeutic class of drugs.

*Location: 4/18/2017-Assembly Appropriations Committee*

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

Sponsor: California Professional Firefighters

Co-Sponsors: California Association of Highway Patrolmen; CAL FIRE, Local 2881

**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: 4/26/2017-Assembly Appropriations Suspense File*

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\*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.

B – Other Bills  
May 4, 2017

**Bill Number/Author**

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**AB 587 (Chiu)** Amended: 4/18/2017

Sponsor: Author

**California Pharmaceutical Collaborative.** Requires the Department of General Services (DGS) to convene the California Pharmaceutical Collaborative (CPC), whose membership would be comprised of state agencies, legislative and stakeholder appointees, and CalPERS, Covered California, and University of California with agreements from their respective Boards. Among other things, it requires the CPC to identify and implement best value treatment protocols and procurement practices, savings strategies such as adopting a common drug formulary under DGS control, and establishing a drug purchasing consortium for public and private purchasers. It also authorizes DGS, in consultation with the CPC, to contract with a Pharmacy Benefits Manager to purchase drugs, negotiate discounts, and act as a consultant to DGS and the CPC. Finally, the bill requires DGS, on or before July 1, 2018, and annually until 2022, to submit a report to the Legislature on the activities of the CPC.

*Location: 4/25/2017-Assembly Appropriations Committee*

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

Sponsor: Author

**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: 4/28/2017-Assembly Two Year*

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**AB 595 (Wood)** Amended: 4/3/2017

Sponsor: Health Access

**Mergers and Acquisitions of Health Care Service Plans.** Requires health plans seeking to merge to provide notice and secure prior approval from the Director of the Department of Managed Health Care (DMHC). It also requires DMHC to hold a public hearing on the proposal and make specified findings. If the Director determines that a material amount of the health care service plan's assets are subject to merger, consolidation, acquisition, purchase, or control, as specified, it requires DMHC to prepare an independent health care impact statement. In addition, it allows the Director to give conditional approval if the parties to a merger commit to taking action to prevent adverse impacts on competition, or health care costs, access, and quality of care.

*Location: 5/03/2017-Assembly Appropriations Suspense File*

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\*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.

B – Other Bills  
May 4, 2017

**Bill Number/Author**

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**\*AB 946 (Ting)** Amended: 3/28/2017

Sponsor: Author

**Border Wall Divestment.** Requires CalPERS and CalSTRS to cease making new or additional investments, or renewing existing investments in a company that contracts or subcontracts to build, maintain, or provide material for a wall or barrier constructed on the border of the United States and Mexico. It also requires divestment of any existing investments within 12 months of a company contracting or subcontracting to provide work or material for a border wall, and requires each retirement system to engage with any border wall construction company to identify if it is transitioning its business model away from said activity and report to the Legislature on its related engagement and investment actions on or before January 1, 2019.

*Location: 4/28/2017-Assembly Two Year*

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**AB 1243 (Arambula)** Amended: 3/13/2017

Sponsor: Fresno County Superintendent of Schools

**Replacement Benefits Plan.** Allows a county superintendent of schools to draw requisitions against the county school service fund and the funds of school districts or other local educational agencies under its jurisdiction to pay the annual required contributions to the CalPERS Replacement Benefit Plan for their respective former employees.

*Location: 5/04/2017-Senate Desk*

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

Sponsor: Author

**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: 4/28/2017-Assembly Two Year*

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

Sponsor: Author

**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: 4/28/2017-Assembly Two Year*

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\*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.

B – Other Bills  
May 4, 2017

**Bill Number/Author**

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**\*AB 1353 (Waldron)** Amended: 3/23/2017

Sponsor: California Chronic Care Coalition

**Prescription Drug Coverage: Appeal Processes.** Among other things, requires a health plan or insurer that provides prescription drug coverage, to review and approve an exception request to its prior authorization, utilization or medical management practices for a medically necessary prescription drug, as specified, if 1) the requestor was prescribed the drug within 100 days of his or her enrollment, or the drug had been previously approved for coverage by the plan or insurer for the same medical condition within 100 days prior to his or her exception request. It also prohibits a health plan or insurer from imposing any step therapy, prior authorization, utilization or medical management process for a medically necessary nonformulary prescription drug, if the enrollee was prescribed a drug that had previously been included on the plan or insurer's formulary within 100 days prior to the date of the prescription, as specified.

*Location: 4/28/2017-Assembly Two Year*

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**AB 1487 (Rodriguez)** Amended: 3/28/2017

Sponsor: California Professional Firefighters

**Conditions for Out-of-Class Appointments.** Defines an out-of-class appointment for any CalPERS member employed by a contracting agency or school employer, as an appointment made by the governing body of an employer to a position that is vacant during recruitment for a permanent appointee for a limited duration, not to exceed 960 hours per fiscal year. Among other things, it also specifies the compensation paid to a member for the period or periods served in that vacant position must be pursuant to a collective bargaining agreement, and requires an employer that violates these provisions to pay CalPERS three times the employee and employer contributions made for the period or periods a member served in that vacant position, plus reimbursement for any related administrative expenses.

*Location: 5/04/2017-Assembly Third Reading*

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

Sponsor: Author

**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: 5/03/2017-Assembly Appropriations Suspense File*

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\*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.

B – Other Bills  
May 4, 2017

**Bill Number/Author**

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**SB 17 (Hernandez)** Amended: 4/25/2017

Co-sponsors: California Labor Federation; Health Access California

**Prescription Drug Cost Transparency.** Among other things, requires health plans and health insurers regulated by the Department of Managed Health Care or the Department of Insurance to report annually, the 25 medications dispensed at a plan pharmacy, network pharmacy, or mail order pharmacy for outpatient use that: 1) are most frequently prescribed; 2) are most costly; and, 3) experienced the highest year over year increase in total plan spending, and requires each department to compile and publish the information on its website. It also requires large group health plans and insurers in rate filings to also disclose: 1) the proportion of the premium dollar spent on prescription drugs during the prior year; 2) the year-over-year increase in drug costs as a percentage of total spending; 3) the year-over-year increase in drug costs on a per member per month basis compared to other premium components; 4) its specialty tier formulary list; and 5) provide information on its use of a pharmacy benefit managers (PBM), as specified. In addition, the bill requires drug manufacturers to notify state purchasers, health plans and insurers, and PBMs, at least 90 days prior to the planned effective date, of any increase in the wholesale acquisition cost (WAC) of a prescription drug, if (1) the WAC is below the Medicare Part D specialty drug threshold and the increase is 25 percent or more over a three calendar year period; or 2) the WAC is above the Medicare Part D specialty drug threshold and the increase is 10 percent or more over a three calendar year period. It also requires drug manufacturers to notify the Office of Statewide Health Planning and Development (OSHPD), within three days after approval by the federal Food and Drug Administration, when introducing a new prescription drug to market at a WAC that exceeds the Medicare Part D specialty drug threshold, and to report additional information to OSHPD, as specified, no later than 30 days after the notification.

*Location: 5/03/2017-Scheduled to be heard in the Senate Appropriations Committee on May 15, 2017*

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**SB 28 (Pan)** Chaptered: 3/15/2017

Sponsor: California Department of Human Resources

**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: 3/15/2017-Chaptered by the Secretary of State, Chapter 1, Statutes of 2017*

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\*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.

B – Other Bills  
 May 4, 2017

**Bill Number/Author**

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

Sponsor: Author

**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 PEPPA 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: 4/28/2017-Senate Two Year*

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**SB 48 (Committee on Budget and Fiscal Review)** Chaptered: 3/15/2017

Sponsor: California Department of Human Resources

**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: 3/15/2017-Chaptered by the Secretary of State, Chapter 3, Statutes of 2017*

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\*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.

B – Other Bills  
May 4, 2017

**Bill Number/Author**

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**SB 131 (Committee on Budget and Fiscal Review)** Chaptered: 4/30/2017

Sponsor: California Department of Human Resources

**Memorandum of Understanding: State Bargaining Unit 16.** Among its provisions, it allows for adjustments to member pension contributions for those employees represented by, or associated with BU 16, when the normal cost rate in effect for FY 2016-17 increases by at least one percent, and fifty percent of the new normal cost rate, rounded to the nearest one-quarter of one percent, is greater than the normal contribution rate established in law, as specified. It also requires prefunding for retiree health care coverage, under the CalPERS Annuitant's Health Care Coverage Fund, for all employees represented by, or associated with BU 16, with the goal of reaching a 50 percent cost sharing of normal costs by July 1, 2018. For employees represented by, or associated with, BU 16 that are first hired by the state on and after April 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.

*Location: 4/28/2017-Chaptered by the Secretary of State, Chapter 6, Statutes of 2017*

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**SB 172 (Portantino)** Amended: 5/1/2017

Co-sponsors: American Society for Reproductive Medicine; Alliance for Fertility Preservation; and Fertile Action

**Health Care Coverage: Fertility Preservation.** Clarifies that basic health care services provided by health plans include standard fertility preservation services when a necessary medical treatment may directly or indirectly cause iatrogenic infertility. It also requires individual or group health insurance policies issued, amended, or renewed on and after January 1, 2018, that provides coverage for hospital, medical, or surgical expenses to cover standard fertility preservation services when a necessary medical treatment may directly or indirectly cause iatrogenic infertility.

*Location: 5/03/2017-Scheduled to be heard in the Senate Appropriations Committee on May 15, 2017*

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**SB 199 (Hernandez)** Amended: 3/30/2017

Sponsor: Author

**The California Health Care Cost, Quality, and Equity Atlas.** Requires the Secretary of the California Health and Human Services Agency (CHHS) to convene an advisory committee composed of health care plans, insurers, providers, suppliers, and purchasers to review and make recommendations on the appropriate data sources, technology, governance, financing and priorities necessary to implement a health care cost, quality, and equity atlas, based on research performed by CCHS and contained in a report to the Legislature that is due by March 1, 2017.

*Location: 5/03/2017-Scheduled to be heard in the Senate Appropriations Committee on May 15, 2017*

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\*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.

B – Other Bills  
May 4, 2017

**Bill Number/Author**

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**\*SB 221 (Wiener)** Introduced: 2/2/2017

Sponsor: Equality California

**Health Care Coverage: Lipodystrophy Syndrome.** Among other things, the bill 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 medical or drug treatments to correct or repair disturbances of body composition caused by human immunodeficiency virus associated lipodystrophy syndrome, as specified.

*Location: 4/28/2017-Senate Two Year*

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**\*SB 454 (Moorlach)** Amended: 4/6/2017

Sponsor: Author

**Retiree Health Benefits for New State Employees.** For state employees who are first employed and become CalPERS members on or after January 1, 2018, the bill establishes a longer retiree health care vesting schedule that requires 15 years of service for a 50 percent employer contribution and 25 years for 100 percent employer contribution. It also 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: 4/28/2017-Senate Two Year*

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\*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.

B – Other Bills  
May 4, 2017

**Bill Number/Author**

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**SB 538 (Monning)** Amended: 5/2/2017

Sponsor: Author

**Hospital Contracts.** Among other things, prohibits contracts between a health plan or insurer and a hospital from: 1) setting payment rates or other terms and conditions for affiliates of the hospital outside the plan network; 2) requiring the health plan or insurer to contract with all affiliates of the hospital; 3) forcing a health plan or insurer enrollee to be bound by the terms of the contract between the hospital and the health plan or insurer; 4) mandating that a health plan or insurer submit to binding arbitration for antitrust claims; 5) requiring a health plan or insurer to impose the same copayment, coinsurance, and deductible at in-network hospitals but at a different cost sharing tier than other in-network hospitals; and 6) requiring a health plan or insurer to keep rates confidential from enrollees who are or will become liable for payments.

*Location: 5/03/2017-Scheduled to be heard in the Senate Appropriations Committee on May 15, 2017*

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**SB 560 (Allen)** Amended: 4/17/2017

Co-sponsors: Fossil Free California; Environment California

**Financial Climate Risk.** Requires the CalPERS Board of Administration and the Teachers' Retirement Board to consider financial climate risk, as defined, in the management of any fund they administer, including when making decisions regarding the fund's asset allocation; increasing, decreasing, or maintaining investments in individual companies or commingled funds; or hiring external asset managers. Beginning January 1, 2020, it also requires these Boards to include in their respective Comprehensive Annual Financial Report, the financial climate risks of their investments; alignment of their investment portfolios with the Paris climate agreement and California climate policy goals; the value at risk if these goals are achieved; the exposure of the portfolio to long-term risks; and engagements with portfolio companies that are the most carbon intense, as specified.

*Location: 5/03/2017-Scheduled to be heard in the Senate Appropriations Committee on May 15, 2017*

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**SB 562 (Lara)** Amended: 4/17/2017

Sponsor: California Nurses Association

**The Healthy California Act.** Among other things, the bill creates the Healthy California Program (Program) to provide comprehensive universal single-payer health care coverage and a health care cost control system for all California residents. It would establish a nine member Healthy California Board to develop and administer the Program, as well as a public advisory committee. It would also allow health care providers to collectively negotiate payment for services, drugs, and methodologies for use of third-party representatives, as provided.

*Location: 4/26/2017-Senate Appropriations Committee*

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\*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.

B – Other Bills  
May 4, 2017

**Bill Number/Author**

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

Sponsor: Author

**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: 4/28/2017-Senate Two Year*

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**SB 599 (Portantino)** Amended: 3/23/2017

Sponsor: Peace Officers Research Association of California (PORAC)

**PEMHCA: Peace Officers Research Association of California Health Plans.** Allows the Peace Officers Research Association of California (PORAC) Insurance and Benefits Trust to offer different health benefit plan designs with varying premiums in different areas of the state.

*Location: 5/03/2017-Scheduled to be heard in the Senate Appropriations Committee on May 15, 2017*

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

Sponsor: Author

**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: 4/28/2017-Senate Two Year*

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

Sponsor: Alliance of California Judges

**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: 4/28/2017-Senate Two Year*

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\*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.

B – Other Bills  
May 4, 2017

**Bill Number/Author**

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**\*SB 681 (Moorlach)** Amended: 4/17/2017

Sponsor: Author

**Public Agency Contract Termination.** Requires the CalPERS Board of Administration (Board) to allow public agencies that contract with CalPERS for employee retirement benefits to, among other things, 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 less payments made to its members and their beneficiaries, and ensure that the agency remains responsible for any of its unfunded liabilities. It also requires public agencies to analyze how contract termination would affect its employees' health care benefits, identify federal tax ramifications, and meet notice and approval requirements, as specified.

*Location: 4/28/2017-Senate Two Year*

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

Sponsor: Author

**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

Sponsor: Author

**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

Sponsor: Author

**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: 3/2/2017-Senate Public Employment and Retirement Committee*

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\*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  
115<sup>th</sup> CONGRESS  
LEGISLATIVE PROGRAM UPDATE  
STATUS AS OF MAY 4, 2017**

**Federal Bills**

**Bill Number/Author**

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**H.J. Res. 66 – Walberg, Tim (R-MI)** Introduced: 2/7/2017

**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: 5/03/2017-Senate vote passage and cleared for presidential signature.*

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**H.J. Res. 67 – Rooney, Francis (R-FL)** Introduced: 2/7/2017

**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: 4/13/2017-Signed by the President.*

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**H.R. 10 – Hensarling, Jeb (R-TX)** Introduced: 4/26/2017

**Financial CHOICE Act of 2017.** Among many things, the legislation seeks to reform the Dodd-Frank Wall Street Reform and Consumer Protection Act by providing an “off-ramp” from Basel III capital and liquidity standards, providing relief from some reporting requirements for certain well-capitalized banks, reforming the examination process for financial institutions and requiring federal financial regulatory agencies to tailor regulations to the risk profile and business models of financial institutions, changing the Securities and Exchange Commission’s (SEC) shareholder proposal structure to (1) require 1 percent ownership over a three-year period to submit a proposal, and (2) increase resubmission thresholds consistent with a previous SEC proposal, and (3) prohibit proposal by a proxy other than the shareholder.

*Status: 5/03/2017-Full committee consideration and markup held by the House Financial Services Committee.*

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**Bill Number/Author**

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**H.R. 1628 – Black, Dianne (R-TN)** Introduced: 3/20/2017

**American Health Care Act.** Among many things, this will would amend the Patient Protection and Affordable Care Act (PL 111-148 and PL 111-152) to eliminate funding for the Prevention and Public Health Fund and increase funding for community health centers; impose a one-year freeze on mandatory funding to a class of providers designated as prohibited entities that includes Medicaid, the Children's Health Insurance Program, Maternal and Child Health Services Block Grants, and Social Services Block Grants; delay the Cadillac tax until 2025 (the proposed manager's amendment would delay the tax for an additional year, until 2026); and, repeal the health insurance tax beginning in 2018. The legislation would codify that the Medicaid expansion is a state option upon enactment.

*Status: 5/04/2017-Motion to reconsider laid on the table agreed to without objection, passed in the House.*

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**S.J. Res. 32 – Hatch, Orrin (R-UT)** Introduced: 3/6/2017

**Disapproval of Savings Arrangements Established by States.** This joint resolution nullifies a rule submitted by the Department of Labor's Employee Benefits Security Administration regarding savings arrangements established by states for non-governmental employees.

*Status: 3/06/2017-Read twice and referred to the Committee on Finance. (The Senate version of H.J. Res. 66.)*

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**S.J. Res. 33 – Hatch, Orrin (R-UT)** Introduced: 3/6/2017

**Disapproval of Savings Arrangements Established by Eligible Political Subdivisions.** This joint resolution nullifies a rule submitted by the Department of Labor's Employee Benefits Security Administration regarding savings arrangements established by qualified state political subdivisions for non-governmental employees.

*Status: 3/06/2017-Read twice and referred to the Committee on Health, Education, Labor, and Pensions. (The Senate version of H.J. Res. 67.)*

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**S. 637 – Wyden, Ron (D-OR)** Introduced: 3/15/2017

**Creating Transparency to Have Drug Rebates Unlocked (C-THRU) Act of 2017.** This bill would require public disclosure of the total amount of rebates provided to drug manufacturers to pharmacy benefit managers (PBMs) and the proportion of those rebates that are passed on to health plans.

*Status: 3/15/2017-Read twice and referred to the Committee on Finance.*

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