

**PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
2017-18 LEGISLATIVE SESSION
STATE AND FEDERAL PROGRAM UPDATE
STATUS AS OF SEPTEMBER 7, 2017**

Sponsored Bills

AB 590 (Medina) Chaptered: 7/25/2017

CalPERS 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.

Action Taken: Plan for implementation.

Location: 7/24/2017-Chaptered by the Secretary of State, Chapter 108, Statutes of 2017

AB 679 (Cooley) Chaptered: 9/1/2017

CalPERS Position: Sponsor

CalPERS Securities Lending Program. Among other things, expands the types of collateral that CalPERS can accept in security lending agreements to include marketable public equity securities and marketable 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 or an amount consistent with market practice, whichever is greater.

Action Taken: Met with and briefed Governor's consultant. Plan for implementation.

Location: 9/1/2017-Chaptered by the Secretary of State, Chapter 198, Statutes of 2017

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

CalPERS 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.

Action Taken: Assembly Enrollment

Location: 8/31/2017-Assembly Desk

SB 525 (Pan) Enrolled: 8/25/2017

CalPERS Position: Sponsor

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

Action Taken: Governor's desk

Location: 8/30/2017-Senate Enrolled

Active State Bills

AB 20 (Kalra) Amended: 7/12/2017

CalPERS Position: Neutral

Sponsor: Author

Dakota Access Pipeline. Requires the governing boards of CalPERS and the California State Teachers' Retirement System to submit a report to the Legislature and the Governor on or before April 1, 2018, that lists its investments in companies constructing, or funding the construction of, the Dakota Access Pipeline (DAPL); describes its engagement activities with each company; and the results of those engagements. It also expresses legislative intent that each board review and consider factors related to tribal sovereignty and indigenous tribal rights as part of its investment policies related to environmental, social, and governance issues.

*Action Taken: Monitoring**Location: 9/5/2017-Assembly Enrollment*

AB 265 (Wood) Amended: 8/31/2017

CalPERS Position: N/A

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 (FDA), or the active ingredients of the drug are contained in products regulated by the FDA, available without prescription at a lower cost, and are not otherwise contraindicated for treatment of the condition for which the prescription drug is approved. The bill clarifies the prohibition does not apply to a branded prescription drug, until the time that the first drug designated in the FDA's Administration's "Approved Drug Products with Therapeutic Equivalence Evaluations" as therapeutically equivalent to that branded prescription drug has been nationally available for three calendar months.

*Action Taken: Monitoring**Location: 9/7/2017-Senate Third Reading*

AB 315 (Wood) Amended: 7/11/2017

CalPERS Position: N/A

Sponsor: Author

Pharmacy Benefit Management. Among other things, requires Pharmacy Benefit Managers (PBMs) to register with the Department of Managed Health Care, and authorizes its director to suspend a PBM registration, as specified. For agreements between a PBM and a purchaser or pharmacy network provider entered into, issued, amended, renewed, or delivered on and after January 1, 2018, it requires a PBM to exercise good faith and fair dealing in the performance of its contractual duties to a purchaser and requires a PBM to notify purchasers in writing of any activity, policy, or practice that directly or indirectly presents a conflict of interest. It also requires a PBM to provide quarterly disclosure, upon request, to a purchaser subject to their agreement to keep any proprietary information confidential: 1) the aggregate wholesale acquisition cost from a drug manufacturer or labeler for each therapeutic category of drugs; 2) the aggregate amount of rebates and utilization discounts received from drug manufacturers; 3) any administrative fees received from drug manufacturers; 4) whether the PBM has a contract, agreement, or other arrangement with a drug manufacturer to exclusively dispense or provide a drug to the purchaser's enrollees and the economic benefits received from that arrangement; 5) prescription drug utilization information for the purchaser's enrollees; 6) the aggregate of payments made to pharmacies they own and those they do not owned; and 7) the aggregate amount of fees imposed on or collected from network pharmacies.

*Action Taken: Monitoring**Location: 9/7/2017-Senate Third Reading*

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

CalPERS Position: N/A

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.

*Action Taken: Monitoring**Location: 9/7/2017-Senate Third Reading*

AB 1243 (Arambula) Amended: 6/5/2017

CalPERS Position: N/A

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.

*Action Taken: Monitoring**Location: 8/5/2017-Assembly Enrollment*

AB 1487 (Rodriguez) Enrolled: 8/25/2017

CalPERS Position: N/A

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 employer or governing board or 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 out-of-class appointment must be pursuant to a collective bargaining agreement or a publicly available pay schedule and requires an employer that violates these provisions to pay CalPERS three times the employee and employer contribution that would have been paid to the system for the difference between the compensation paid for the appointment and the compensation paid and reported to the system for the member's permanent position, plus reimbursement for any related administrative expenses.

Action Taken: Monitoring

Location: 8/30/2017-Governor's Desk

ACA 15 (Brough) Introduced: 5/9/2017

CalPERS Position: N/A

Sponsor: Author

Protecting Schools and Keeping Pension Promises Act of 2018. Among other things, amends the State Constitution to prohibit a government employer from enhancing employee pension benefits, enrolling a new government employee in a defined benefit (DB) pension plan, or paying more than half of the total cost of retirement benefits unless approved by the voters of that jurisdiction. It also prohibits retirement boards from imposing termination fees or other financial conditions on a government employer attempting to close its DB plan to new members, unless approved by the voters or the sponsoring government employer.

Action Taken: Monitoring

Location: 5/9/2017-Assembly Print

SB 17 (Hernandez) Amended: 9/5/2017

CalPERS Position: Support

Co-Sponsors: California Labor Federation; Health Access California; and UNITE HERE!

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 of a prescription drug with a wholesale acquisition cost (WAC) of more than \$40 for a course of treatment to notify state purchasers, health plans and insurers, and pharmacy benefit managers, at least 60 days prior to the planned effective date, of any increase in the WAC of a prescription drug, if the cumulative increase is more than 16 percent over the two calendar years prior to the current year. Beginning January 1, 2019, it requires drug manufacturers to report to specified information for each drug for which there is an increase in WAC to the Office of Statewide Health Planning and Development (OSHPD) to be posted on its website within 60 days of receipt. It also requires drug manufacturers to notify OSHPD, within three days after the release of the drug in the commercial market, 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.

*Action Taken: Monitoring**Location: 8/5/2017-Assembly Third Reading*

SB 599 (Portantino) Amended: 8/24/2017

CalPERS Position: N/A

Sponsor: Peace Officers Research Association of California (PORAC)

PEMHCA: Association Health Plans. Allows an employee association health benefit plan that meets minimum standards prescribed by the CalPERS Board of Administration (Board) to offer its membership one or more different health plan options with varying premiums on a regional basis, so long as the plan uses the same geographic regions established by the Board for contracting agency regional premiums, or provides a north and south geographic region.

*Action Taken: Monitoring**Location: 9/5/2017-Senate Enrollment*

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

CalPERS Position: N/A

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.

Action Taken: Monitoring

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

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

CalPERS Position: N/A

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.

Action Taken: Monitoring

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

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

CalPERS Position: N/A

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.

Action Taken: Monitoring

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

Inactive State Bills

AB 29 (Nazarian) Amended: 5/11/2017

Pharmacy Benefit Managers.

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

Investment Return Guarantees for CalPERS Investments in California Infrastructure Projects.

AB 587 (Chiu) Amended: 7/12/2017

California Pharmaceutical Collaborative.

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

Public Agency Contract Termination Cost Requests.

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

Mergers and Acquisitions of Health Care Service Plans.

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

Border Wall Divestment.

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

Unfunded Liability Disclosure.

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

CalPERS Board of Administration.

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

Prescription Drug Coverage: Appeal Processes.

AB 1597 (Nazarian) Amended: 6/22/2017

CalPERS Position: Oppose

Divestment from Turkish Investment Vehicles.

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

California Public Employees' Pension Reform Act of 2018.

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

Health Care Coverage: Fertility Preservation.

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

The California Health Care Cost, Quality, and Equity Atlas.

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

Health Care Coverage: Lipodystrophy Syndrome.

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

Retiree Health Benefits for New State Employees.

SB 538 (Monning) Amended: 5/26/2017

Hospital Contracts.

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

Financial Climate Risk.

SB 562 (Lara) Amended: 5/26/2017

The Healthy California Act.

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

Supplemental Public Employee Retirement Plans: Automatic Enrollment and Contribution Escalation.

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

Retirement System Liability Reporting.

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

Judges' Retirement System II Deferred Retirement.

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

Public Agency Contract Termination.

SR 45 (Mendoza) Introduced: 6/14/2017

Dodd-Frank Wall Street Reform and Consumer Protection Act.

Federal Bills

H.R. 10 – Hensarling, Jeb (R-TX) Introduced: 4/26/2017 CalPERS Position: N/A

Financial CHOICE Act of 2017. A bill that, among many things, would comprehensively reform the Dodd-Frank Wall Street Reform and Consumer Protection Act and many other laws concerning regulation and regulatory agencies in the financial industry. H.R. 10 would repeal the Federal Deposit Insurance Corporation's authority to use the Orderly Liquidation Fund and would change how the operations of the National Credit Union Administration and Consumer Financial Protection Bureau are operated and funded. The bill also prohibits the Securities and Exchange Commission (SEC) from requiring the use of a universal proxy ballot, revises the SEC Rule 14a8 to require one percent ownership in a company over a three-year period to submit a shareholder proposal, and increases resubmission thresholds for shareholder proposals.

Action Taken: Conducted educational briefings with relevant House and Senate committee members.

Status: 7/13/2017 - Hearing held in the Senate Committee on Banking, Housing and Urban Affairs

H.R. 1205 – Davis, Rodney (R-IL) Introduced: 2/21/2017 CalPERS Position: N/A

Social Security Fairness Act. A bill to amend title II of the Social Security Act to repeal the Government pension offset and windfall elimination provisions.

Action Taken: Monitoring

Status: 3/6/2017 - Referred to the Subcommittee on Social Security

H.R. 1628 – Black, Dianne (R-TN) Introduced: 3/20/2017 CalPERS Position: N/A

American Health Care Act. Among many things, this 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.

Action Taken: Comment letter sent to Senate Committee on Finance.

Status: 7/28/2017 - Returned to the Senate Legislative Calendar

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

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.

Action Taken: Monitoring

*Status: 3/6/2017 - Read twice and referred to the Senate Committee on Finance
(The Senate version of H.J. Res. 66.)*

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

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.

Action Taken: Monitoring

Status: 3/6/2017 - Read twice and referred to the Senate Committee on Health, Education, Labor, and Pensions (The Senate version of H.J. Res. 67.)

S. 536 – Reed, Jack (D-RI) Introduced: 3/7/2017 CalPERS Position: N/A

Cybersecurity Disclosure Act of 2017. This requires the Securities and Exchange Commission to issue a final rule to require publicly traded companies to disclose in their annual report or annual proxy statement, whether any member of their governing body, such as a board of directors, has expertise or experience in cybersecurity issues.

Action Taken: Support letter sent to bill's author.

Status: 3/7/2017 - Read twice and referred to Senate Committee on Banking, Housing and Urban Affairs

S. 637 – Wyden, Ron (D-OR) Introduced: 3/15/2017 CalPERS Position: N/A

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 and the proportion of those rebates that are passed on to health plans.

Action Taken: Monitoring

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

S. 915 – Brown, Sherrod (D-OH) Introduced: 2/24/2017 CalPERS Position: N/A

Social Security Fairness Act. A bill to amend title II of the Social Security Act to repeal the Government pension offset and windfall elimination provisions.

Action Taken: Monitoring

Status: 4/24/2017 - Read twice and referred to the Senate Committee on Finance
