

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

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**Sponsored Bills**

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**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: - Chaptered by the Secretary of State, Chapter 108, Statutes of 2017*

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**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: Plan for implementation.*

*Location: - Chaptered by the Secretary of State, Chapter 198, Statutes of 2017*

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**AB 1309 (Cooley)** Chaptered: 9/23/2017

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: Plan for implementation.*

*Location: - Chaptered by the Secretary of State, Chapter 261, Statutes of 2017*

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**SB 525 (Pan)** Chaptered: 9/11/2017

CalPERS Position: Sponsor

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

*Action Taken: Plan for implementation.*

*Location: - Chaptered by the Secretary of State, Chapter 241, Statutes of 2017*

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## Chaptered State Bills

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**AB 20 (Kalra)** Chaptered: 10/8/2017

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: Plan for implementation.*

*Location: - Chaptered by the Secretary of State, Chapter 575, Statutes of 2017*

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**AB 97 (Ting)** Chaptered: 6/27/2017

Sponsor: Author

**2017-18 Budget Act.** Makes appropriations for support of state government for the 2017-18 fiscal year. As a budget bill, it takes effect immediately.

*Action Taken: Plan for implementation.*

*Location: - Chaptered by the Secretary of State, Chapter 14, Statutes of 2017*

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**AB 99 (Committee on Budget)** Chaptered: 6/27/2017

Sponsor: Author

**School Finance: Education Omnibus Budget Trailer Bill.** Among other things, it transfers authority to contract with a Local Educational Agency (LEA) or consortium of LEAs, to act as the fiscal agent for the California Collaborative for Educational Excellence (CCEE), an entity that advises and assists school districts, county superintendents of schools, and charter schools in achieving their local control and accountability plan goals, from the Superintendent of Public Instruction (with the approval of the State Board of Education), to the CCEE governing board (with the approval of the Department of Finance), to contract with a LEA or consortium of LEAs, to serve as its fiscal agent. It also reappropriates remaining one-time funding for the CCEE provided in the FY 2016-17 State Budget from the Riverside County Office of Education to the Marin County Office of Education, due to a change in the fiscal agent for the CCEE, and specifies that employees working with schools under the CCEE are considered employees of the fiscal agent for purposes of participating in either CalPERS or CalSTRS.

*Action Taken: Plan for implementation.*

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

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**AB 115 (Committee on Budget)** Chaptered: 6/27/2017

Sponsor: Author

**Transportation Budget Trailer Bill.** Among other things, it extends from January 1, 2018 to April 1, 2019, an exemption from the age 60 compulsory retirement requirement that applies to CalPERS State Patrol members, for the Commissioner of the California Highway Patrol.

*Action Taken: Plan for implementation.*

*Location: - Chaptered by the Secretary of State, Chapter 20, Statutes of 2017*

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**AB 265 (Wood)** Chaptered: 10/9/2017

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. The bill would specify exceptions to these prohibitions, including, among other things, if the individual has completed any applicable step therapy or prior authorization for the prescription drug as mandated by the individual's health insurer or health care service plan or if a rebate is received by a state agency. The bill would also clarify that it does not prohibit an entity, including a manufacturer of prescription drugs, from offering pharmaceutical products free of cost to patients, insurers, and health care service plans, that it does not affect a pharmacist's ability to substitute a prescription drug, and that it does not prohibit or limit assistance to a patient provided by an independent charity patient assistance program, as defined.

*Action Taken: Plan for implementation.*

*Location: - Chaptered by the Secretary of State, Chapter 611, Statutes of 2017*

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**AB 512 (Rodriguez)** Chaptered: 10/15/2017

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

**Safety Member Industrial Disability Retirement.** Extends 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 from January 1, 2018, to January 1, 2023.

*Action Taken: Plan for implementation.*

*Location: - Chaptered by the Secretary of State, Chapter 841, Statutes of 2017*

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**AB 1243 (Arambula)** Chaptered: 9/25/2017

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.

*Action Taken: Plan for implementation.*

*Location: - Chaptered by the Secretary of State, Chapter 277, Statutes of 2017*

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**AB 1487 (Rodriguez)** Chaptered: 9/12/2017

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 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: Plan for implementation.*

*Location: - Chaptered by the Secretary of State, Chapter 229, Statutes of 2017*

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**SB 17 (Hernandez)** Chaptered: 10/9/2017

CalPERS Position: Support

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

**Prescription Drug Cost Transparency.** Among other things beginning January 1, 2019, 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 to notify state purchasers, health plans and insurers, and PBMs, 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. 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 60 days after the notification.

*Action Taken: Plan for implementation.*

*Location: - Chaptered by the Secretary of State, Chapter 603, Statutes of 2017*

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

Sponsor: California Department of Human Resources

**State Public Employment: Memoranda of Understanding.** 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 Bargaining Unit (BU) 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, BU 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.

*Action Taken: Plan for implementation.*

*Location: - Chaptered by the Secretary of State, Chapter 1, Statutes of 2017*

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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 these Bargaining Units that are 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.

*Action Taken: Plan for implementation.*

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

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**SB 84 (Committee on Budget and Fiscal Review)** Chaptered: 7/10/2017

Sponsor: Author

**State Employer Contributions: Supplemental Payment.** Makes a one-time \$6 billion supplemental payment to the Public Employees' Retirement Fund (PERF) to reduce the state's unfunded liabilities for its employee pension plans, to be supplied through a loan of state government funds in the Surplus Money Investment Fund and other funds in the Pooled Money Investment Account that serve as the state's short-term savings account. It also prescribes the application of this supplemental payment to specified state employee categories, and requires that repayment of the loan principal and the payment of interest be made in a specified manner from the General Fund and other special funds that supply the state's regular and ongoing employer contributions to the PERF. In addition, it requires the Department of Finance to submit a report to the Joint Legislative Budget Committee that describes the actuarial impact on employer contribution rates for each state employee member category receiving a supplemental payment by September 1, 2017.

*Action Taken: Plan for implementation.*

*Location: - Chaptered by the Secretary of State, Chapter 50, Statutes of 2017*

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**SB 85 (Committee on Budget and Fiscal Review)** Chaptered: 6/27/2017

Sponsor: Author

**Higher Education Budget Trailer Bill.** Among other things, it prohibits an employee of the California State University (CSU) who is first employed and becomes a CalPERS member on or after July 1, 2017, and who is either a non-represented employee or is represented by CSU Bargaining Unit (BU) 3, from receiving any portion of the employer contribution for retiree health and dental benefits unless the employee is credited with 10 or more years of state service at the time of his or her service retirement. In addition, it provides these proposed changes will only become operative only if adopted by action of the CSU Trustees, or pursuant to a memorandum of understanding with CSU BU 3, as specified.

*Action Taken: Plan for implementation.*

*Location: - Chaptered by the Secretary of State, Chapter 23, Statutes of 2017*

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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 Bargaining Unit (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.

*Action Taken: Plan for implementation.*

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

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## Vetoed State Bills

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**SB 599 (Portantino)** Vetoed: 10/15/2017

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.

*Governor's Veto Message: To the Members of the California State Senate: I am returning Senate Bill 599 without my signature. This bill allows specified public safety employee associations to offer multiple statewide and regional health benefit plans to their members. Existing association health benefit plans are currently afforded very little oversight by the California Public Employees' Retirement System. By allowing these employee associations to offer additional health plans to their members, CalPERS would be left with major unanticipated costs should any of the plans fail. The state now faces over \$240 billion in unfunded pension and health liabilities. Since 2011, the annual costs for all this have increased significantly as the state takes steps to pay down the long-term obligation faster. In light of these enormous fiscal commitments, I am unable to sign this bill. Sincerely, Edmund G. Brown Jr.*

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## Inactive State Bills

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

**Pharmacy Benefit Managers.**

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

**Investment Return Guarantees for CalPERS Investments in California Infrastructure Projects.**

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

**Pharmacy Benefit Management.**

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

**California Pharmaceutical Collaborative.**

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

**Public Agency Contract Termination Cost Requests.**

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

**Mergers and Acquisitions of Health Care Service Plans.**

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

**Border Wall Divestment.**

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

**Unfunded Liability Disclosure.**

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

**CalPERS Board of Administration.**

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

**Prescription Drug Coverage: Appeal Processes.**

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

CalPERS Position: Oppose

**Divestment from Turkish Investment Vehicles.**

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

**Protecting Schools and Keeping Pension Promises Act of 2018.**

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

**California Public Employees' Pension Reform Act of 2018.**

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

**Health Care Coverage: Fertility Preservation.**

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

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

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

**Health Care Coverage: Lipodystrophy Syndrome.**

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

**Retiree Health Benefits for New State Employees.**

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

**Hospital Contracts.**

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

**Financial Climate Risk.**

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

**The Healthy California Act.**

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

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

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

**Retirement System Liability Reporting.**

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

**Judges' Retirement System II Deferred Retirement.**

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

**Public Agency Contract Termination.**

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

**Secure Choice Retirement Savings Program.**

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

**Retirement Benefits for Future Service.**

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

**Voter Approval of Public Retirement Benefit Increases.**

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

**Dodd-Frank Wall Street Reform and Consumer Protection Act.**

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**Federal Bills**

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**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*

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**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*

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**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*

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**H.R. 4015 – Duffy, Sean P. (R-WI)** Introduced: 10/11/2017 CalPERS Position: N/A

**Corporate Governance Reform and Transparency Act of 2017.** Among many things, this bill would establish a new registration regime for proxy advisory firms and subject such firms to additional regulatory requirements.

Action Taken: Monitoring

*Status: 10/11/2017 - Referred to the House Committee on Financial Services*

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**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: 9/12/2017 - Committee on Banking, Housing, and Urban Affairs. Hearings held.*

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**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*

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**S. 870 – Hatch, Orrin G. (R-UT)** Introduced: 4/6/2017

CalPERS Position: N/A

**Creating High-Quality Results and Outcomes Necessary to Improve Chronic (CHRONIC) Care Act of 2017.** This bill would amend title XVIII (Medicare) of the Social Security Act to implement Medicare payment policies designed to improve management of chronic disease, streamline care coordination, and improve quality outcomes without adding to the deficit.

Action Taken: Monitoring

*Status: 9/29/2017 - Referred to the Subcommittee on Health*

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**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*

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