

**PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
2017-18 LEGISLATIVE SESSION
STATE AND FEDERAL PROGRAM UPDATE
STATUS AS OF MARCH 7, 2018**

Sponsored Bills

AB 2196 (Cooper) Introduced: 2/12/2018 CalPERS Position: **CalPERS Requested Legislation**

Discontinuing Installment Payments Into Retirement. Requires a member that elects to purchase or convert service credit on or after January 1, 2019, to pay any remaining balance by his or her retirement date, or elect to have his or her monthly allowance reduced by the actuarial equivalent of the unpaid balance, in lieu of making installment payments into retirement. The same payment choices will also apply to the survivor or beneficiary of a member who makes a service credit purchase or conversion in the future, and passes away prior to retirement. It also allows members, survivors, and beneficiaries with an existing election to purchase or convert service credit, the additional option to have his or her monthly allowance reduced by the actuarial equivalent of the unpaid balance at retirement.

Action Taken: Engaging with Capitol staff

Location: 2/26/2018- Assembly Public Employees, Retirement, and Social Security Committee

AB 2415 (Calderon) Introduced: 2/14/2018 CalPERS Position: **CalPERS Requested Legislation**

Appointment and Compensation Authority for a Chief Health Director and Chief Operating Officer. Adds a Chief Health Director and a Chief Operating Officer to the list of key executives for which the CalPERS Board of Administration has authority to set compensation, conditions of employment, and performance standards.

Action Taken: Engaging with Capitol staff

Location: 2/14/2018-Assembly Public Employees, Retirement, and Social Security Committee

AB 3245 (Committee on Public Employees, Retirement, and Social Security)

Introduced: 2/22/2018

CalPERS Position: **CalPERS Requested Legislation**

CalPERS 2018 Omnibus Bill. Makes minor policy and technical changes to the Public Employees' Retirement Law (PERL).

Action Taken: Engaging with Capitol staff

Location: 2/22/2018-Assembly Print

SB 1022 (Pan) Introduced: 2/7/2018

CalPERS Position: **CalPERS Requested Legislation**

CalPERS Terminating Agency Process. Shortens the timeframe in which a contracting agency can voluntarily terminate its participation in CalPERS and requires a terminating agency to notify past and present employees of its intention to terminate.

Action Taken: Engaging with Capitol staff

Location: 2/14/2018-Senate Public Employment and Retirement Committee

Active State Bills

AB 595 (Wood) Amended: 1/22/2018

CalPERS Position: N/A

Sponsor: Health Access

Mergers and Acquisitions of Health Care Service Plans. Requires health plans seeking to merge or consolidate with other health plans or insurers to provide notice and secure prior approval from the Director of the Department of Managed Health Care (DMHC). It allows the Director to disapprove the transaction if it could substantially lessen competition in health plan products or create a monopoly in this state, and to give conditional approval to the transaction if the parties commit to taking action to fulfill one or more conditions that benefits subscribers and enrollees, provides for a stable health care delivery system, improves quality or reduces health disparities. It also allows the DMHC to hold a public hearing on the proposed transaction, and requires that if the Director determines that a material amount of the health plan's assets is subject to purchase, acquisition, or control, he or she must prepare an independent health care impact statement and make it available to the public.

Action Taken: Monitoring

Location: 1/29/2018-Senate Desk

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

CalPERS Position: **See Action Taken**

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.

Action Taken: Engaging with Assembly Member

Location: 7/14/2017-Senate Public Employment & Retirement Committee

AB 2571 (Gonzalez Fletcher) Introduced: 2/15/2018

CalPERS Position: N/A

Sponsor: Unite Here Local 11

Alternative Investment Vehicle Race and Gender Pay Equity Policies: Investment Prohibition. Among other things, requires public retirement systems to cease making new or additional investments, or renewing existing investments in any alternative investment vehicle whose manager or subsidiary entity has not adopted and committed to comply with a race and gender pay equity policy, as specified. It also requires alternative investment managers and subsidiary entities to submit compliance reports to their respective retirement system investors at least once annually, and requires retirement systems to disclose all pay equity reporting information annually at a public meeting, and provide that information to the State Auditor.

Action Taken: Monitoring

Location: 2/15/2018-Assembly Print

AB 2696 (Rodriguez) Introduced: 2/15/2018

CalPERS Position: N/A

Sponsor: Author

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: 2/15/2018-Assembly Print

AB 2731 (Gipson) Introduced: 2/15/2018

CalPERS Position: N/A

Sponsor: Unknown

State Personal Income Taxation of an Investment Management Services Interest. Among other things, imposes an additional personal income tax of 17 percent for California-based natural persons, estates and trusts on income derived from an interest in a business, where the individual provides to the business, a substantial quantity of investment advisory, management, financing, or supporting services with respect to specified assets. These assets include securities, as defined in Internal Revenue Code (IRC) Section 475(c)(2) relating to security defined, real estate held for rental or investment, interest in partnerships, commodities; or as defined in IRC Section 475(e)(2) relating to commodity, or options or derivative contracts to any of these. In addition, the bill states legislative intent that moneys derived from the imposition of the state tax be used for education purposes. It also requires the Franchise Tax Board to notify the Legislature if federal tax law is amended to have an identical effect as the state tax described above, and requires the Legislature, upon Franchise Tax Board notification, to consider the disposition of the state tax provision.

Action Taken: Monitoring

Location: 2/16/2018-Assembly Print

AB 3084 (Levine) Introduced: 2/16/2018

CalPERS Position: N/A

Sponsor: Author

Public Retirement System Annual Reports: Funding of Other Postemployment Benefits (OPEB). Requires public retirement systems to include in their annual audited financial statements, specified information regarding OPEB prefunding.

Action Taken: Monitoring

Location: 2/16/2018-Assembly Print

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 656 (Moorlach) Amended: 1/23/2018

CalPERS Position: N/A

Sponsor: Alliance of California Judges

Judges' Retirement System II Deferred Retirement. Allows a member of the Judges' Retirement System II age 60 years or older with a minimum of five years of service, or who accrues a minimum of twenty years of service, to leave the bench and to elect to receive a monthly defined benefit allowance upon attaining the existing age and service requirements of age 65 with at least 20 years of service, or age 70 with at least five years of service.

Action Taken: Engaging with author's office on conforming amendments

Location: 1/29/2018-Assembly Desk

SB 984 (Skinner) Introduced: 2/5/2018

CalPERS Position: N/A

Sponsor: Author

Gender Representation on State Boards and Commissions. Among other things, requires the composition of state boards and commissions to be, at minimum, 50 percent women. It also requires the Secretary of State to post on its Website the gender composition of each state board and commission.

Action Taken: Monitoring

Location: 2/14/2018-Senate Governmental Organization Committee

SB 1031 (Moorlach) Introduced: 2/8/2018

CalPERS Position: N/A

Sponsor: Author

Suspension of Retirement Allowance Cost-Of-Living Adjustments. Prohibits any public retirement system from paying a cost-of-living adjustment (COLA) to retirees, survivors and beneficiaries in any calendar year that follows a fiscal year in which the system identifies an unfunded actuarial liability greater than 20 percent in its Comprehensive Annual Financial Report (CAFR).

Action Taken: Monitoring

Location: 2/22/2018-Senate Public Employment and Retirement Committee

SB 1032 (Moorlach) Introduced: 2/8/2018

CalPERS Position: N/A

Sponsor: Author

Pension Contract Termination. Among other things, permits a CalPERS contracting agency to terminate its contract at any time without fully funding its pension obligations and allows the agency to transfer its accumulated assets to another pension provider. It also authorizes the CalPERS Board of Administration (Board) to decrease member benefits in the Terminated Agency Pool based on the percentage of the terminating agency's unfunded obligations.

Action Taken: Monitoring

Location: 2/22/2018- Senate Public Employment and Retirement Committee

SB 1033 (Moorlach) Introduced: 2/8/2018

CalPERS Position: N/A

Sponsor: Author

Transfer of Actuarial Liability Between Employers. Among other things, requires a CalPERS state, school, or contracting agency employer that increases the compensation of any member who was previously employed by a different CalPERS employer, to bear actuarial liability for that action when it increases actuarial liability beyond what would have been reasonably expected for the member. It also defines impacted agencies, causative agencies, and establishes principles for identifying reasonable increases in compensation paid on and after January 1, 2019 and, therefore, not subject to actuarial liability transfers.

Action Taken: Monitoring

Location: 2/22/2018- Senate Public Employment and Retirement Committee

SB 1060 (Mendoza) Introduced: 2/12/2018

CalPERS Position: N/A

Sponsor: Author

Member Notification for Delinquent Payments by Contracting Agencies. Requires a CalPERS contracting agency whose payment of employer contributions for member benefits is delinquent, to notify members by mail within 30 days of its delinquent payment.

Action Taken: Monitoring

Location: 2/12/2018-Senate Rules

SB 1062 (Mendoza) Introduced: 2/12/2018

CalPERS Position: N/A

Sponsor: Author

Member Notification for Delinquent Payments by CalPERS and CalSTRS Employers. Requires a CalPERS contracting agency whose payment of employer contributions for member benefits is delinquent, to notify members by mail within 30 days of its delinquent payment. It also requires a CalSTRS employer whose payment of employer contributions for member benefits is delinquent, to notify members by mail within 30 days of its delinquent payment.

Action Taken: Monitoring

Location: 2/12/2018-Senate Rules

SB 1149 (Glazer) Introduced: 2/14/2018

CalPERS Position: N/A

Sponsor: Author

Optional Membership for New State Employees. Allows new state employees not employed by the California State University, the University of California, or the legislative or judicial branch, to participate in a Defined Contribution (DC) Plan administered by the California Department of Human Resources (CalHR), in lieu of mandatory membership in the CalPERS Defined Benefit (DB) Program. It requires DC Plan participants to contribute the same percent of compensation as similarly situated employees who participate in the CalPERS DB Program, and provide an employer contribution equal to its DB normal cost payment which becomes fully vested after five years of employment. The bill also allows employees in the DC Plan to opt into CalPERS DB Program if the balance in their account meets or exceeds the amount that would have accrued in the DB Program, or pay the full difference if the balance in their account is less than the amount that would have accrued in the DB Program.

Action Taken: Monitoring

Location: 2/22/2018- Senate Public Employment and Retirement Committee

SB 1195 (Portantino) Introduced: 2/15/2018

CalPERS Position: N/A

Sponsor: Peace Officers Research Association of California

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.

Action Taken: Monitoring

Location: 3/1/2018- Senate Public Employment and Retirement Committee

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 161 (Levine) Introduced: 1/13/2017 CalPERS Position: N/A
Investment Return Guarantees for CalPERS Investments in California Infrastructure Projects.

AB 315 (Wood) Amended: 7/11/2017 CalPERS Position: N/A
Pharmacy Benefit Management.

AB 587 (Chiu) Amended: 7/12/2017 CalPERS Position: N/A
California Pharmaceutical Collaborative.

SB 199 (Hernandez) Amended: 3/30/2017 CalPERS Position: N/A
The California Health Care Cost, Quality, and Equity Atlas.

SB 538 (Monning) Amended: 5/26/2017 CalPERS Position: N/A
Hospital Contracts.

SB 562 (Lara) Amended: 5/26/2017 CalPERS Position: N/A
The Healthy California Act.

SR 45 (Mendoza) Introduced: 6/14/2017 CalPERS Position: N/A
Dodd-Frank Wall Street Reform and Consumer Protection Act.

Federal Bills

H.R. 1 – Brady, Kevin (R-TX) Introduced:11/2/2017 CalPERS Position: N/A

The Tax Cuts and Jobs Act. Among many things, the bill would amend the Internal Revenue Code to reduce tax rates and modify policies, credits, and deductions for individuals and businesses.

Action Taken: Advocated for removal of the House Unrelated Business Income Tax (UBIT) to state and local pension plans provision, Section 5001.

Status: 12/22/2017-Signed by the President.

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-Referred to the Senate Banking, Housing and Urban Affairs Committee.

H.R. 195 – Russell, Steve (R-OK) Introduced:1/3/2017 CalPERS Position: N/A

Extension of Short-Term Appropriations for Fiscal 2018. The measure extends stop-gap funding to keep the federal government fully operational until February 8, 2018. It also suspends or delays three health related taxes that were enacted as part of the Patient Protection and Affordable Care Act (PPACA), P.L. 111-148. Under the measure, the Cadillac Tax is extended for two more years until 2022; the current suspension on the Medical Device Tax is extended through December 31, 2019, with an effective date of December 31, 2017; and the Health Insurance Tax is suspended for one year until 2019.

Action Taken: Monitoring

Status: 1/22/2018-Signed by the President.

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

Social Security Fairness Act of 2017. 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: 2/21/2017-Read twice and referred to: House Ways and Means, Subcommittee on Social Security.

H.R. 1312 – Poliquin, Bruce (R-ME) Introduced:3/2/2017 CalPERS Position: **Support**

Small Business Capital Formation Enhancement Act. This bill would amend the Small Business Investment Incentive Act of 1980 with respect to the annual government-business forum of the Securities and Exchange Commission (SEC) to review the current status of problems and programs relating to small business capital formation.

Action Taken: Sent a letter to Senator Crapo and Brown requesting inclusion of H.R. 1312 in S. 2155 on December 4, 2017. Conducted educational briefings with relevant House and Senate committee members.

Status: 5/2/2017-Received in the Senate and referred to the Senate Banking, Housing and Urban Affairs Committee.

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

American Health Care Act of 2017. 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: Letter requesting bipartisan approach to health reform sent to Senate Committee on Finance Chairman Orrin Hatch on May 23, 2017.

Status: 7/28/2017-Considered by the Senate.

H.R. 2864 – Sinema, Kyrsten (D-AZ) Introduced:6/8/2017 CalPERS Position: **Support**

Improving Access to Capital Act. This bill would direct the Securities and Exchange Commission to allow certain issuers to be exempt from registration requirements, and for other purposes.

Action Taken: Sent a letter to Senator Crapo and Brown requesting inclusion of H.R. 2864 in S. 2155 on December 4, 2017. Conducted educational briefings with relevant House and Senate committee members.

Status: 9/6/2017-Referred to the Senate Banking, Housing and Urban Affairs Committee.

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

Corporate Governance Reform and Transparency Act. 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: Signed a stakeholder opposition letter that was sent to the House Financial Services Committee on November 9, 2017.

Status: 12/21/2017-Received in the Senate and referred to the Senate Banking, Housing and Urban Affairs Committee.

H.R. 4279 – Hollingsworth, Trey (R-IN) Introduced:11/7/2017 CalPERS Position: **Support**

The Expanding Investment Opportunities Act. This bill would direct the Securities and Exchange Commission to revise any rules necessary to enable closed-end companies to use the securities offering and proxy rules that are available to other issuers of securities.

Action Taken: Sent a letter to Senator Crapo and Brown requesting inclusion of H.R. 4279 in S. 2155 on December 4, 2017. Conducted educational briefings with relevant House and Senate committee members.

Status: 1/18/2018 -Received in the Senate and referred to the Senate Banking, Housing and Urban Affairs Committee.

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

Cybersecurity Disclosure Act. 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: Sent a letter of support to Senator Reed on July 26, 2017.

Status: 9/12/2017-Senate Banking, Housing and Urban Affairs. Hearing held.

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

Creating Transparency to Have Drug Rebates Unlocked (C-THRU) Act. 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: Senate Finance.

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
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: 9/27/2017-Measure, as amended, passed in the Senate by voice vote. Referred to the House Ways and Means Committee and the House Energy and Commerce Committee.

S. 915 – Brown, Sherrod (D-OH) Introduced:4/24/2017 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: Senate Finance.

S. 2155 – Crapo, Michael D. (R-ID) Introduced:11/16/2017 CalPERS Position: **Support**

Economic Growth, Regulatory Relief, and Consumer Protection Act. A bill to promote economic growth, provide tailored regulatory relief, and enhance consumer protections, and for other purposes.

Action Taken: Sent a letter to Senator Crapo and Brown requesting inclusion of certain bipartisan House bills, H.R. 1312, H.R. 2864, and H.R. 2479 on December 4, 2017. Conducted educational briefings with relevant House and Senate committee members.

Status: 3/7/2018- Considered by the Senate.
