



Agenda Item 6

November 19, 2013

ITEM NAME: Policy Engagement on National Pension Issues

PROGRAM: Legislation-Federal Affairs

ITEM TYPE: Informational

EXECUTIVE SUMMARY

Attachment 1 is a memorandum describing several key threats to the California Public Employees' Retirement System (CalPERS) and other public retirement systems. The memorandum also recommends an engagement strategy for mitigating and addressing these threats individually and collectively. In light of these threats, CalPERS staff is proactively engaging in appropriate leadership activities, including coalition building with California and other state retirement systems, focused advocacy on critical issues, proactive communications and education on completed reforms, and continued support of and leadership with national industry organizations.

For urgent issues or issues requiring specific attention, CalPERS staff will communicate our concerns and perspectives directly with federal legislators, including Senators Boxer and Feinstein and the California House Delegation. These efforts will be enhanced by improved coalition building with the other California public retirement systems, including the California State Teachers' Retirement System and 1937 County Systems. Furthermore, CalPERS analysis and viewpoints on these threats will be better received and understood by continuing to educate decision-makers about the reforms that have already been implemented, and by explaining how the crises facing Detroit and other states are not applicable to CalPERS. CalPERS will also continue its support of industry organizations to better ensure that our priorities and views are part of the national discussion and to encourage national organizations to take a more active role in policy debates.

STRATEGIC PLAN

This item promotes CalPERS Strategic Plan Goal C to engage in State and national policy development to enhance the long-term sustainability and effectiveness of our programs. Under Goal C, this is consistent with the objective to clarify and communicate CalPERS perspective on pension, health and financial markets, and to provide education and engagement opportunities to shape policy agenda and expand impact.

BACKGROUND

Recent municipal bankruptcies and the unfunded pension liabilities associated with the global economic crisis of 2008-09 have raised the political profile of proposals and individuals with a hostile view of public employee retirement benefits. At the federal level, there are several efforts that threaten public retirement systems, including H.R. 1628 authored by Representative Nunes, S. 1270 authored by Senator Hatch, potential new Governmental Accounting Standards Board reporting requirements related to municipal securities, potential reactions to the City of Detroit bankruptcy, and the national drive to focus on state and municipal pension systems. In addition, there is the potential for retirement related legislation becoming a component of a larger compromise deal to address the federal debt ceiling and budget issues.

To implement these engagement strategies in response to these threats staff will be guided by the Board's Federal Legislative Policy Guidelines which recommend support of defined benefit programs, support of workers' opportunities for retirement security, support of tax deferred status for pension plans, support for appropriate retirement system reporting, opposition to mandated pension plan designs, and opposition to efforts that undermine state and local retirement plans.

BENEFITS/RISKS

1. Benefits

- The engagement strategies described in the attached memorandum will improve CalPERS visibility on behalf of defined benefit retirement plans.
- The engagement strategies will better educate federal decision-makers about the myths and realities of defined benefit retirement plans.
- The engagement strategies will ensure that advocates for ending defined benefit retirement plans are challenged with factual evidence and information.

2. Risks

- Inaction may allow federal decision-makers to believe that defined benefit retirement plans do not have active supporters.
- Inaction will allow advocates for ending defined benefit retirement plans to easily promote ideas and viewpoints that are not based in facts, and without any rebuttal or corrections.
- Implementing the engagement strategies may expose CalPERS to criticism from political figures that advocate against the type of retirement plans CalPERS administers.

ATTACHMENTS

Attachment 1 – Federal Threats to State and Local Employee Retirement Systems

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