

Legislative and Policy Engagement Guidelines

California Public Employees' Retirement System ("System" or "CalPERS")
Board of Administration
November 14, 2016

INTRODUCTION

CalPERS has a long history of engagement in matters of public policy where necessary or appropriate to the fulfillment of our mission to deliver promised retirement and health benefits to our members and beneficiaries. To this end, the CalPERS Board of Administration (Board) establishes and annually reaffirms its public policy goals and priorities in the form of these Legislative and Policy Engagement Guidelines (Guidelines). These Guidelines represent the Board's guidance to staff and its contracted representatives for the development and implementation of engagement strategies with state and federal legislative, regulatory, and policymaking bodies in furtherance of the System's public policy goals and the Board's priorities.

These Guidelines are intended to summarize CalPERS' perspectives on various public policy issues affecting the long-term sustainability and effectiveness of its programs, as well as to ensure the consistent promotion of CalPERS' positions with state and federal policymakers. The Guidelines consolidate previously adopted legislative guidelines and incorporate, in whole or in part, important elements of the following board-approved documents: the CalPERS Pension Beliefs, the Investment Beliefs, the Global Governance Principles, the CalPERS for California Report, and the Emerging Manager Five-Year Plan. These guidelines do not revise or amend source documents or bind the Board in any way when determining its view on various policy proposals.

I. GENERAL GUIDELINES

- A. Advocate for proposals that add protections to the various trusts included in the System (Trusts).
- B. Advocate for proposals that give the Board increased flexibility in its administration or reduce administrative costs.
- C. Advocate for proposals that correct structural deficiencies in, reduce waste in, or prevent fraud in or abuse of the CalPERS plans and programs.
- D. Advocate for proposals that promote transparency and accountability for the System or entities that conduct business with the System, provided those proposals do not jeopardize the System's ability to conduct business or impinge on the Board's fiduciary authority.
- E. Advocate for proposals that enhance ethics and integrity in System governance.
- F. Advocate for proposals that enhance or protect the fiduciary authority of the Board and advocate against proposals that impede or impinge on the Board's fiduciary authority.
- G. Advocate against proposals that deprive members of vested benefits and that do not provide an equivalent, compensating benefit for that deprivation.
- H. Advocate against proposals that endanger the tax-exempt status of the Trusts, or the deferred treatment of income tax on employer and employee contributions and related earnings.
- I. Advocate against proposals that create unreasonable cost or complexity in the administration of the System.

- J. Advocate against proposals that reduce or limit the Board's administrative or actuarial authority.
- K. Respect the distinction of issues that are taken up during collective bargaining and refrain from taking a position.

III. RETIREMENT GUIDELINES

A. RETIREMENT BENEFITS

Defined benefit plans, properly constructed, are a better means for employees to enhance their retirement security than other available options. As a result, areas of interest include, but are not limited to:

1. Advocate for retirement plan designs for workers that include a defined benefit component, where lifetime retirement benefits reflect each employee's years of service, age, and earning and are adequate for full-career employees.
2. Advocate for retirement plan designs for workers that have professionally managed funds with a long-term horizon, incorporate pooled investments and pooled risks, and shares the funding responsibility between employers and employees.
3. Advocate for proposals that provide all employees the opportunity to pursue retirement security, including, but not limited to, access to defined benefit plans, retirement savings accounts, or Social Security.
4. Advocate against proposals that would limit meaningful retirement security in the private sector, such as prohibitions on defined benefit plans.

B. RETIREMENT PLAN FUNDING AND ACCOUNTABILITY

Responsible Trust funding and accountability are central to appropriate fund management. Therefore, we:

1. Advocate for proposals and policies that ensure transparent financial reporting of the Trusts' assets using industry recognized accounting and actuarial standards.
2. Advocate against retirement benefit plan changes that would result in an unfunded liability without proper actuarial funding to address the liability.

C. SOCIAL SECURITY

For many, but not all, workers, Social Security is an important aspect of long-term financial security. Therefore, we:

1. Advocate for proposals and policies that would extend the Social Security system's long-term solvency without reducing retirement security for CalPERS members or others who participate in the system.
2. Advocate for proposals that maintain state and local government and their employees' options to elect participation in the Social Security system and advocate against mandatory participation.

IV. HEALTH CARE GUIDELINES

A. PRESCRIPTION DRUGS

Prescriptions drugs play an increasingly important role in the health and well-being of our members and their dependents. Therefore, we:

1. Advocate for the development of a clear, efficient, and timely regulatory pathway for biosimilars and interchangeable biologics.
2. Advocate for efforts to end anti-competitive arrangements between brand and generic pharmaceutical companies – so-called “pay for delay” settlements.
3. Advocate for proposals to allow Medicare to enter into direct negotiations with pharmaceutical manufacturers in order to obtain discounts on prescription drugs and advocate for reimbursement policies under Medicare that encourage the development of biosimilars and interchangeable biologics, in particular.
4. Advocate for proposals that will reduce the cost of prescription drugs while also maintaining appropriate quality of and access to brand name, generic, biosimilar, and interchangeable drugs.

B. PAYMENT FOR QUALITY AND VALUE

Financial systems drive market, provider, and consumer behavior. Therefore, we:

1. Advocate for payment reform that transitions fee-for-service payments to payments that promote improved patient outcomes.
2. Advocate for proposals that establish and implement benchmarks and targets intended to improve delivery of health care services, patient health outcomes and population health, in addition to prioritizing measures and data that identify the highest value interventions.
3. Advocate for efforts to promote transparency in the reporting of cost and quality for both for-profit and not-for-profit organizations, including health plans, insurers, health care providers, hospitals, and physicians.
4. Advocate for proposals that strengthen the Medicare program, such as strategies to constrain cost growth, implement payment reforms that shift away from fee-for-service, improve the quality of health care, or extend the life of the Medicare Trust Fund.
5. Advocate for federal proposals to test, evaluate, and expand new payment structures, models, and methodologies to reduce health care expenditures while maintaining or improving quality of care, including the commercial market.

C. ACCESS

Competitive and reasonably priced health care advantages employees and employers. Therefore, we:

1. Advocate for proposals that would seek to assure the financial viability of risk-bearing provider groups while ensuring access to reasonably priced health care.
2. Advocate for proposals to enhance affordable provider access in rural areas.

3. Advocate for proposals that would seek to constrain health care costs without adversely affecting access or quality of care.

D. RISK POOL STABILITY

1. Advocate for proposals to stabilize and enhance public agency participation in the CalPERS health program.
2. Advocate against proposals that impinge on risk pool stability.
3. Advocate for proposals that reduce cost-shifting to CalPERS, including cost-shifting from under-funded governmental programs.

E. LONG-TERM CARE

1. Advocate for proposals that maximize the successful implementation coverage offerings for CalPERS Long-Term Care Program.
2. Advocate for efforts to increase availability of reasonably priced long-term care products