

Federal Representatives Update

January 18, 2016



CalPERS

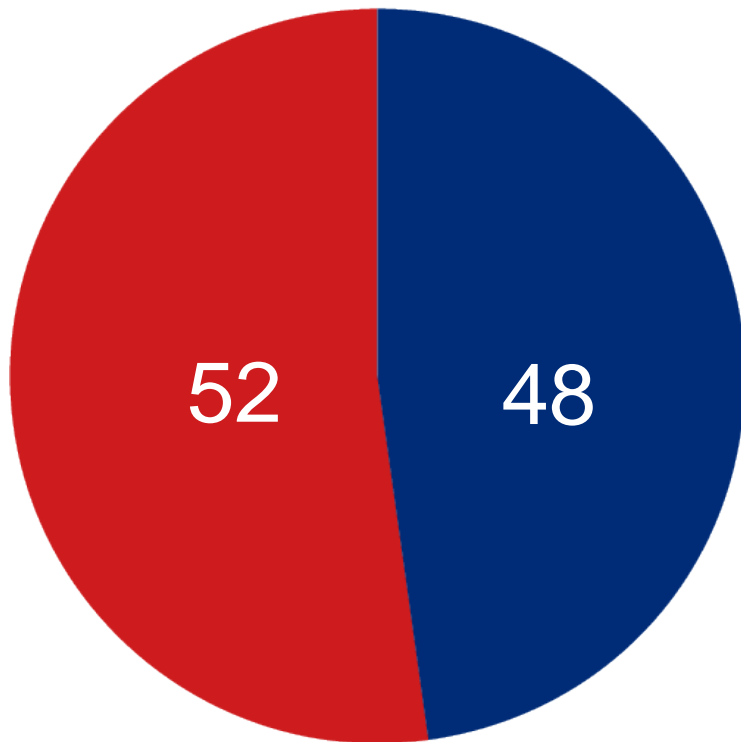
Board of Administration and Executive Offsite
JANUARY 2017

Federal Representatives Update Agenda

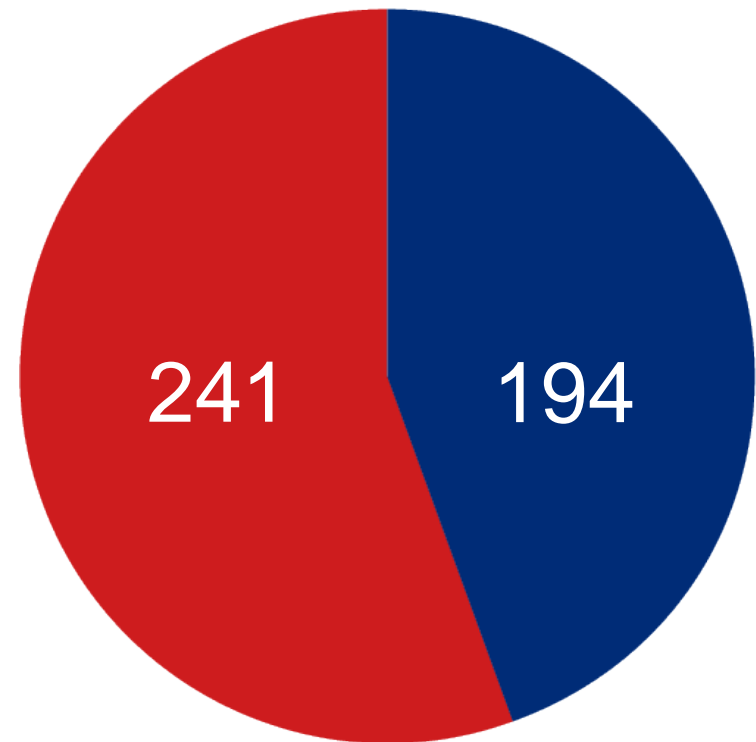
- Significant policy shifts in federal legislation and regulations anticipated in 115th Congress and 45th Presidential term
 - What are the financial services policy implications?
 - Health care policy implications?
 - Retirement security policy implications?
- Determine an appropriate strategic approach

Makeup of the 115th Congress

Senate



House



As of December 2016

2017 Federal Framework

- Position CalPERS as a trusted, credible resource
- Maintain relationships with key members of Congress, regulatory agencies and affected stakeholder groups
- Identify and engage on legislative and regulatory developments that impact CalPERS
- International dimension to domestic regulation
 - New policy direction post-Brexit, Trump election
 - Bilateral relations rather than global harmonization

Financial Policy Committees & Agencies in 2017

- Securities and Exchange Commission
- Senate Committee on Banking, Housing and Urban Affairs
 - Subcommittee on Securities, Insurance and Investment
- House Committee on Financial Services
 - Capital Markets and Government Sponsored Enterprises Subcommittee
- U.S. Treasury, Federal Reserve, FSOC
- Int'l regulators: IOSCO, FCA, BOE, ESMA, EP, EC, ECB

Financial Policy Issues in 2017

- Dodd Frank Act reform - H.R. 5983 Financial CHOICE Act
- Diminished emphasis on macroprudential regulation
- Bilateral agreements post-Brexit
- Renewed emphasis on capital formation globally
- Consumer Financial Protection Bureau reform
- Housing finance reform

Financial Policy Issues in 2017

- Financial Stability Oversight Council reform
- Fiduciary duty regulation
- Comprehensive tax reform

Financial Policy Opportunities and Challenges

- **Opportunities**

- Institutional investor advocacy agenda
- Evolving financial regulatory framework
- Economic growth agenda

- **Additional Challenges**

- H.R. 5424, the Investment Advisers Modernization Act (Hurt)
- H.R. 5311, the Corporate Governance Reform and Transparency Act (Duffy)
- H.R. 5429, the SEC Regulatory Accountability Act (Garrett)

Health Care Policy Reform Leaders in 2017

- White House and HHS/Treasury/Labor
- Bicameral and bipartisan congressional leaders
- Relevant committees of legislative jurisdiction:
 - Senate Finance Committee
 - Senate Health, Education, Labor and Pensions Committee
 - House Ways and Means Committee
 - House Energy and Commerce
 - House Education and the Workforce Committee

Health Care Policy Issues in 2017

- Repeal and delay Affordable Care Act (ACA)
- Replace ACA
- Prescription drug cost containment
- Delivery system/physician payment reform

Health Care Policy Opportunities and Challenges

- **Opportunities**

- Repeal of the Cadillac Tax
- Opportunity to advance value-based benefit designs
- State-based flexibility that provides opportunity for positive innovation
- Possible acceleration of generic drug approvals

- **Challenges**

- Employer tax exclusion cap that undermines employer coverage
- Under age 65 coverage declines that shift cost
- Medicare/Medicaid reform that shifts cost

Retirement Policy Committees & Agencies in 2017

- Senate Finance Committee
- House Ways and Means Committee
 - Subcommittees on Social Security and Tax Policy
- Senate Health, Education, Labor and Pensions
- House Education and the Workforce Committee
 - Subcommittee on Health, Employment, Labor and Pensions
- Senate Select Committee on Aging
- Departments of Treasury, Labor and the IRS

Retirement Security Policy Issues in 2017

- Federal intervention in state and local pension plans
 - Public Employee Pension Transparency Act (PEPTA)
- Federal incentives/options to replace DB Pension plans
 - Annuity Accumulation Plan
- Social Security
 - Entitlement reform/mandatory coverage
 - Reform Windfall Elimination Provision (WEP) and Government Pension Offset (GPO)
- Retirement security
 - State-based retirement savings plans/Fiduciary Rule
- Tax reform

Retirement Security Opportunities and Challenges

- **Challenges**

- Potential influence of anti-DB advocates
- Unpredictable regulatory environment (normal retirement age, definition of a governmental plan, allowable federal reimbursements/normal cost)
- “Sustainability” risk caused by market losses and/or significant contribution increases

- **Opportunities/Tactics**

- The President’s relationship with public safety workers
- Traditional republican respect for federalism
- CalPERS – real people...critical benefits

Questions