

CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM

Federal Legislative and Regulatory Policy Guidelines for Retirement Security

OVERARCHING PRINCIPLES

According to researchⁱ conducted by the National Institute for Retirement Security, nearly 9 out of 10 Americans believe the U. S. retirement system is under stress and needs to be reformed. More than 80% of Americans believe that the recent economic downturn exposed the risks of America's retirement system. Nearly three-quarters of Americans believe that stock market volatility makes it impossible for the average American to predict how much money they will have in their nest egg when they retire. In this context, CalPERS underscores its commitment to the fundamental principles of a defined benefit retirement plan as the foundation for a secure retirement.

PRIORITIES

Retirement Benefits

- Support defined benefit retirement plans that provide sound income replacement in retirement through shared employee – employer responsibility, pooled and professionally managed investments and lifetime benefits.
- Support Federal policies that expand opportunities for workers to have access to a pension plan that would provide guaranteed retirement security based on the core principles of a defined benefit retirement plan.
- Support federal tax policies that encourage the preservation of pension plans and retirement savings accounts by allowing the deferral of taxation of contributions and earnings until benefits are paid throughout their retirement; oppose the taxation of public employee retirement system earnings, transactions, and contributions.
- Support policies that ensure the highest level of integrity and accountability in the administration of supplemental retirement accounts; including fee disclosures, asset allocation of target date funds, lifetime income disclosures and leakage mitigation techniques.
- Oppose any federal effort to mandate pension plan design features or to establish policy barriers that would undermine the preservation of pension benefits currently guaranteed by state and local retirement plans; oppose policy barriers that would limit the reestablishment of meaningful retirement security in the private sector.

Retirement Plan Funding and Accountability

- Support policies that report public pension fund liabilities in a manner that reflects: the long term nature of public employee retirement plans and governmental plan sponsors; the

historical investment performance and reasonable expectations for future income; and the guarantee of public pension benefits under State constitutions, statutory, contractual and/or case law.

- Support accounting standards that preserve the link between accounting and funding; support policies that use portfolio diversification, smoothing of investment gains and losses, and managing growth in liabilities to minimize contribution volatility in order to maintain predictable budget requirements and enhance the ability of state and local governments to meet their funding obligations.
- Support the Governmental Accounting Standard Board (GASB) as an independent organization which is representative of state and local governments and reflects the unique accounting needs of the public sector and its stakeholders.
- Oppose any legislation that would establish a federal mandate that would require specific funding, accounting or actuarial standards for state and local pension plans or that would otherwise intervene in the independence of state and local governments to administer their plans within generally accepted accounting and actuarial standards.

Social Security

Since any failure of the Social Security system – the ultimate retirement safety net – to maintain benefits could place additional burdens on CalPERS, the system must be preserved for all current and future generations of Americans.

- Support policies that would extend the long-term solvency of the Social Security system without reducing benefits for CalPERS members and other Americans who participate in the system; oppose any effort that would convert the current Social Security system to a system of private accounts that would jeopardize the retirement security of CalPERS members.
- Support the option for state and local governments, who were originally precluded from participation in the Social Security system, to voluntarily elect to participate in the Social Security system; oppose any federal legislation that would mandate social security coverage for all state and local governmental employees.
- Support reasonable reforms of certain provisions of the Social Security Law that reduce or eliminate Social Security benefits for public employees who receive a public pension, such as the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP) .

ⁱ Pensions and Retirement Security 2011 – A Roadmap for Policy Makers, National Institute on Retirement Security, March 2011