CalPERS Priorities for the Future

Marcie Frost
CalPERS Chief Executive Officer
Where We Stand Today

Fiscal Year 2018-19

71%
Funded status (estimate)

$372.6 billion
Market value

2 million
Members

$24.2 billion
Paid in benefits

Fiscal Year 2018-19
How Contributions Are Paid

- **58¢**: CalPERS investment earnings
- **29¢**: CalPERS employers
- **13¢**: CalPERS members
How We Got Here – 20-Year Look

- SB400
- AB616
- Dot.com crash
- Discount rate lowered 8.25% → 7.75%
- 2008–2009 Great Recession
- Increased life expectancies
- PEPR law
- Discount rate lowered 7.75% → 7.5%
- Additional $10 billion from state
- Steps to strengthen the fund
- Discount rate lowered 7.5% → 7%
Strong Progress but Challenges Ahead

Funded status goal: 100%

- 50-60% - 70-80% - 90-100%
Projecting Funded Status Scenarios

<table>
<thead>
<tr>
<th>Funded Status*</th>
<th>If Assumed Rate of Investment Return Is*</th>
</tr>
</thead>
<tbody>
<tr>
<td>79.8%</td>
<td>6%</td>
</tr>
<tr>
<td>85.8%</td>
<td>7%</td>
</tr>
<tr>
<td>92.2%</td>
<td>8%</td>
</tr>
</tbody>
</table>

* Position as of June 30 Annually
Public Agency Employer Contributions

Average of Public Agency Total Employer Contribution Rates (FY 2019-20 to 2025-26)

Legend
- PA Safety
- Actual
- Projected
- PA Miscellaneous
- Actual
- Projected

Fiscal Year Ending June 30

- 2020: 25.2%
- 2021: 27.0%
- 2022: 28.1%
- 2023: 28.9%
- 2024: 29.0%
- 2025: 29.1%
- 2026: 27.9%
Recent Trends-Contribution Rates

Employer Contribution Rates Based on June 30, 2018 Valuations*

- State Miscellaneous: 31.0%
- Schools: 20.7%
- Public Agency Miscellaneous: 27.0%
- CHP: 57.8%
- State POFF: 47.2%
- Public Agency Safety: 52.7%

Source: 2019 Annual Funding Levels and Risk Report
Recent Trends - Negative Amortization

Percentage of Plans with Negative Amortization by Contribution Year

- Public Agency Safety, 45.9%
- All Plans, 38.2%
- Public Agency Miscellaneous, 34.3%

Source: 2019 Annual Funding Levels and Risk Report
Recent Trends - Additional Discretionary Payments

Public Agency Additional Discretionary Payments by Fiscal Year

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Agencies</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015-16</td>
<td>153 Agencies</td>
<td>$143.8M</td>
</tr>
<tr>
<td>2016-17</td>
<td>185 Agencies</td>
<td>$228.5M</td>
</tr>
<tr>
<td>2017-18</td>
<td>195 Agencies</td>
<td>$537.8M</td>
</tr>
<tr>
<td>2018-19</td>
<td>203 Agencies</td>
<td>$548.8M</td>
</tr>
<tr>
<td>2019-20*</td>
<td>90 Agencies</td>
<td>$213.1M</td>
</tr>
</tbody>
</table>

*ADPs from July 1, 2019 through September 30, 2019

Source: 2019 Annual Funding Levels and Risk Report
### Risk Mitigation Policy

For **valuations effective**: State and schools: FY 21-22; Public agencies: FY 22-23

<table>
<thead>
<tr>
<th>If actual investment returns exceed the discount rate by: (percentage points)</th>
<th>Then the <strong>discount rate</strong> will be reduced by:</th>
<th>And the expected <strong>invest ment return</strong> will be reduced by:</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>5 bps (6.95%)</td>
<td>5 bps (6.95%)</td>
</tr>
<tr>
<td>7</td>
<td>10 bps</td>
<td>10 bps</td>
</tr>
<tr>
<td>10</td>
<td>15 bps</td>
<td>15 bps</td>
</tr>
<tr>
<td>13</td>
<td>20 bps</td>
<td>20 bps</td>
</tr>
<tr>
<td>17</td>
<td>25 bps</td>
<td>25 bps</td>
</tr>
</tbody>
</table>
Three Key Risks

- Investment risk
- Employer affordability
- Climate risk
Introducing “Pension Outlook” Tool
1.5 million COVERED LIVES
2nd largest PURCHASER IN U.S.
$9 billion SPENT ON BENEFITS
Health Priorities

- Address rising Rx costs
- Engage in health policy
- Contain costs and drive quality
- Improve health outcomes