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UPDATES

League Testifies at CalPERS Board Workshop on Lowering Investment Volatility Risk *Board Tentatively Votes to Implement Risk Reduction Strategy*

The CalPERS Board of Administration conducted a workshop on Aug. 19 to examine whether to implement a long-term strategy to reduce investment volatility risk by gradually implementing a long-term rate hike, a move designed to prevent future rate hike spikes as well. The League of California Cities[®] participated to report on the results of a member survey on the various risk management proposals. The League's comments are available on the [League website](#).

The over 100 city officials who responded to the survey overwhelmingly (77 percent) supported action by CalPERS to reduce investment volatility risk, but there was not a consensus on whether CalPERS should use the Flexible Glide Path (30 percent) or Blended Glide Path (41 percent) options. Twenty-nine percent of the respondents did not indicate a preference of the two options.

In his article on Calpensions.com about the meeting, [Ed Mendel covers](#) the suggestion by aides to Gov. Jerry Brown that CalPERS more quickly lower its investment return assumption of 7.5 percent (i.e., implement it over five years instead of 20 as recommended by staff). Mendel reports on the CalPERS staff reaction to that suggestion, expressing concern about the impact on local governments.

The CalPERS Chief Actuary Alan Milligan said the proposed strategy balances the need to lower investment risk with concern about the impact on the budgets of 3,000 local governments, some in better financial condition than others. "I would be concerned about the amount of strain we would put on some of our public agency (local government) employers," Milligan said of dropping the earnings forecast too quickly. "Apparently, it's not such a concern for the state."

After a straw vote of 8-4, the CalPERS Board of Administration directed staff to develop a detailed Flexible Glide Path option for consideration on first reading at its meeting in October, with a second and final reading set for November.