CalPERS and COVID-19: How CalPERS is Responding to COVID-19 Pandemic

COVID-19 Webinar Series
May 5, 2020
How to Ask a Question

- All phone lines have been muted.
- For **written** questions - use the Q&A window to the right side of your screen. Please enter your name, title and city.
Upcoming COVID-19 Webinars:

- Do More with Available Grant Funding to Help Meet Your Housing Needs on May 7
- Keeping Resort Towns Afloat: Managing Revenue Shortages and Tourism Messaging During COVID-19 on May 12
Speakers & Agenda:

Bijan Mehryar
*Legislative Representative*
League of California Cities

Michael Cohen
*Chief Financial Officer*
CalPERS
Bijan Mehryar
Legislative Representative
League of California Cities
Three Key Risk Management Priorities

- Investment risk
- Employer affordability
- Climate risk
Financial Picture – Current Estimates

$375 billion
current assets

~1.0%
current investment
returns

Strategic asset allocation

- 50% Global Equity
- 28% Fixed Income
- 13% Real Assets
- 8% Private Equity
- 1% Liquidity
Better Prepared than 2008

Positioned to mitigate risk and capitalize on investment opportunities

**Investments**
- Healthy liquidity position
- Diversified portfolio and asset allocation
- Total fund perspective

**Employers**
- 7% discount rate
- Shortened amortization to 20 years
- Additional payments by the State and many public agencies
Have a Plan & Follow the Plan

Following our agreed plan from June 2019 on what to do during a drawdown

- Meet all of our required cash flow obligations
- Assess and understand impacts of drawdown across the portfolio
- Maintain our desired risk exposures
- Opportunistically seek to deploy capital / dry powder

Ensuring we do NOT deviate from our June 2019 plan

- Succumb to common investment behavioral biases
- Allow deviation from pre-determined plan without a strong justification
How Investment Losses are Amortized – Public Agencies

Public Agency Contributions

- June 30, 2020: Fiscal Year Returns Locked-In
- July 2020: Returns Announced
- Today
- 2022-23: Public Agencies
- 2026-27
- 2041-42
- 5-year ramp
- 20-year UAL Amortization
- 15 years of full payments
Potential Employer Contributions – Sample Misc. Plan

Employer Rate Impact - Misc. Plan - With Various Projected Returns for 2019-20, 7% after
Potential Employer Contributions – Sample Safety Plan

Employer Rate Impact - Safety Plan - With Various Projected Returns for 2019-20, 7% after
Options Exist, But Are Limited

Operating principles

• Actuarial soundness for active and retired members
• Pensions must be funded and benefits paid

Pension laws govern decision-making

• COLAs
• Benefit design changes

Finding ways to be flexible

• Case-by-case reviews for employers with financial necessity
• Contact CalPERS to explore options
CalPERS Contact Information & Resources

Financial Assistance Inquiries

Pension Contract Management Team:
pensioncontracts@calpers.ca.gov

Prefunding Trusts:
CEPPT4U@calpers.ca.gov

Operational Questions

888 Employer Contact Center:
888-CalPERS

Employer Response Team:
ERT@calpers.ca.gov
800-253-4594

Inquiries and Connections:
CalPERS_Stakeholder_Relations@calpers.ca.gov

References and Resources

Employer FAQs:
www.calpers.ca.gov

PA/School Reference Guide

Virtual Training Available