

League of California Cities Policy Committees
January 23, 2020

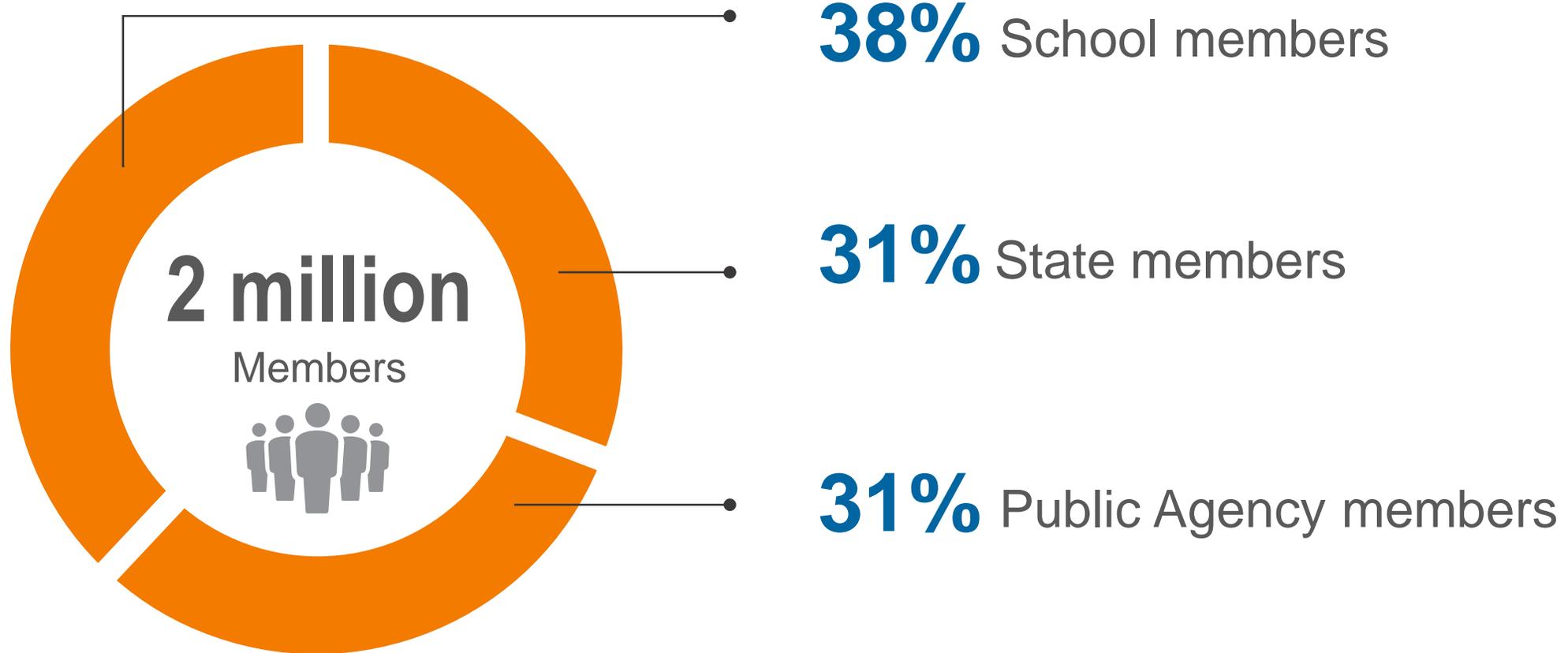
CalPERS Priorities for the Future

Marcie Frost

CalPERS Chief Executive Officer



Members Are Our Focus



Partnering with California's Cities



Where We Stand Today



71%

Funded status
(estimate)



**\$372.6
billion**

Market value



2 million

Members

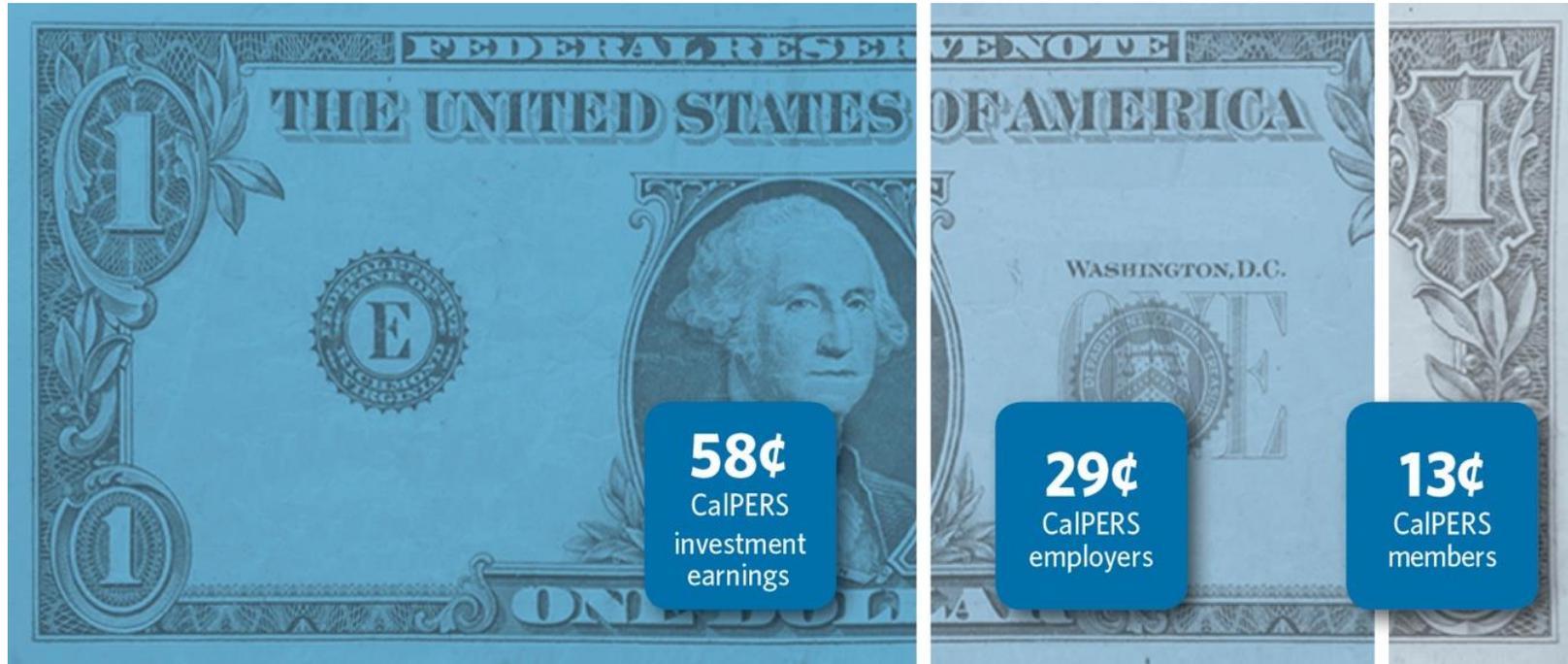


**\$24.2
billion**

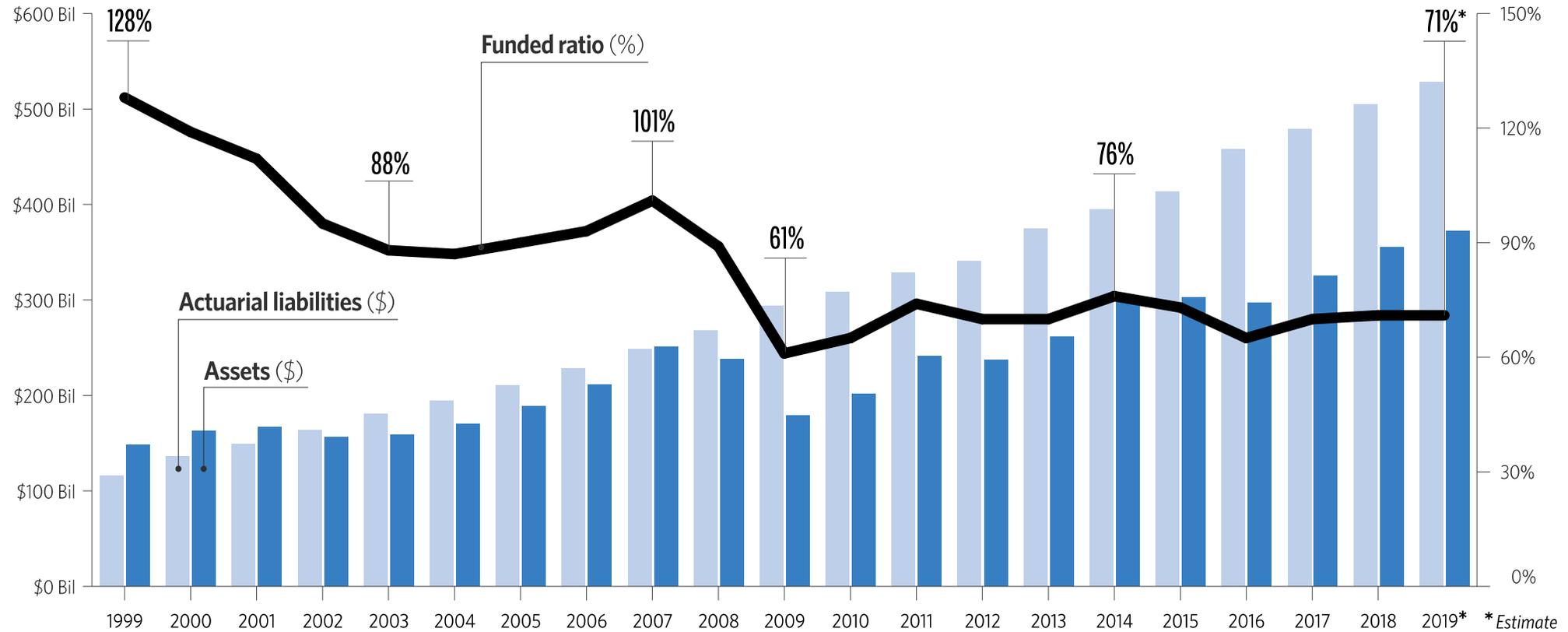
Paid in benefits

Fiscal Year 2018-19

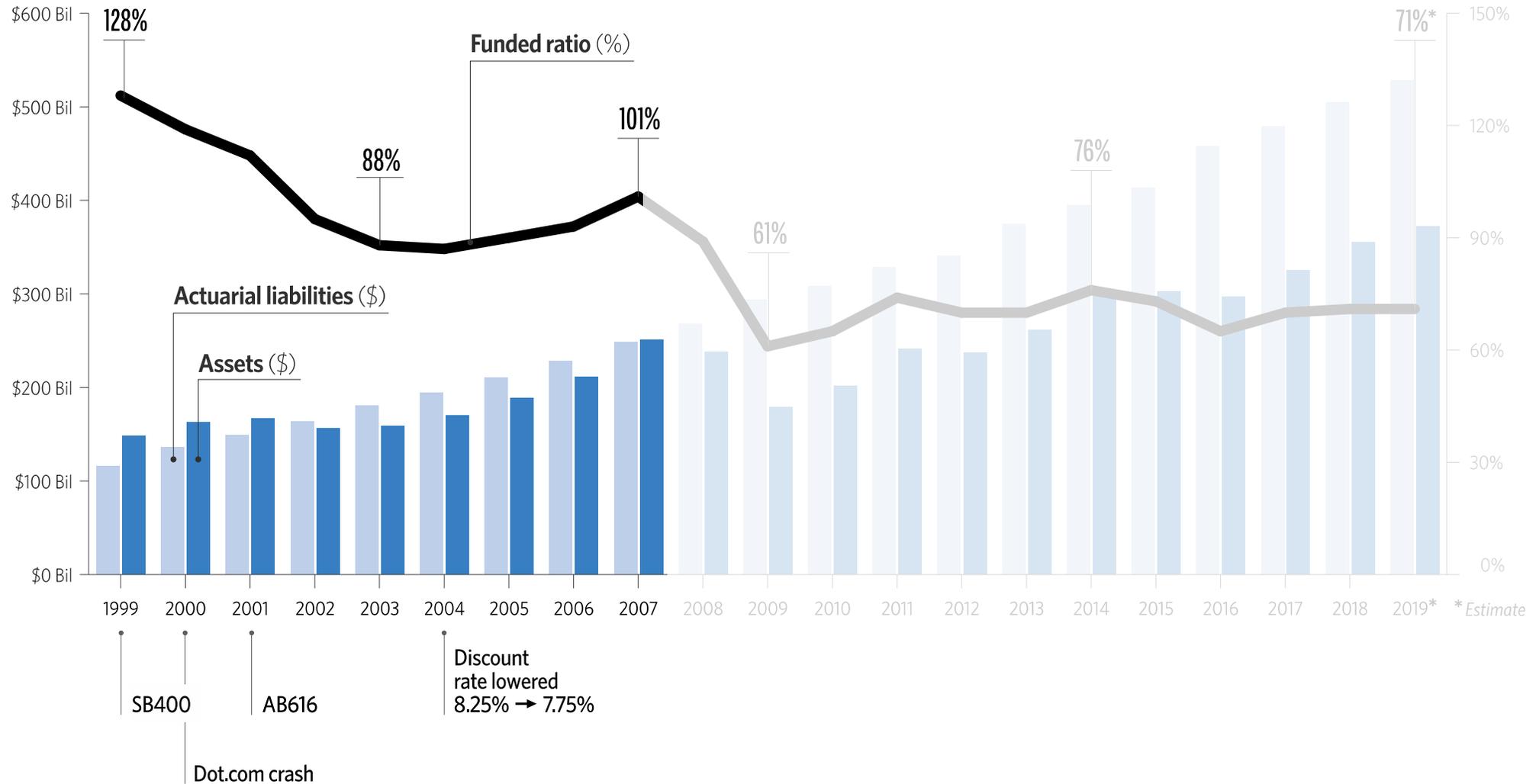
How Contributions Are Paid



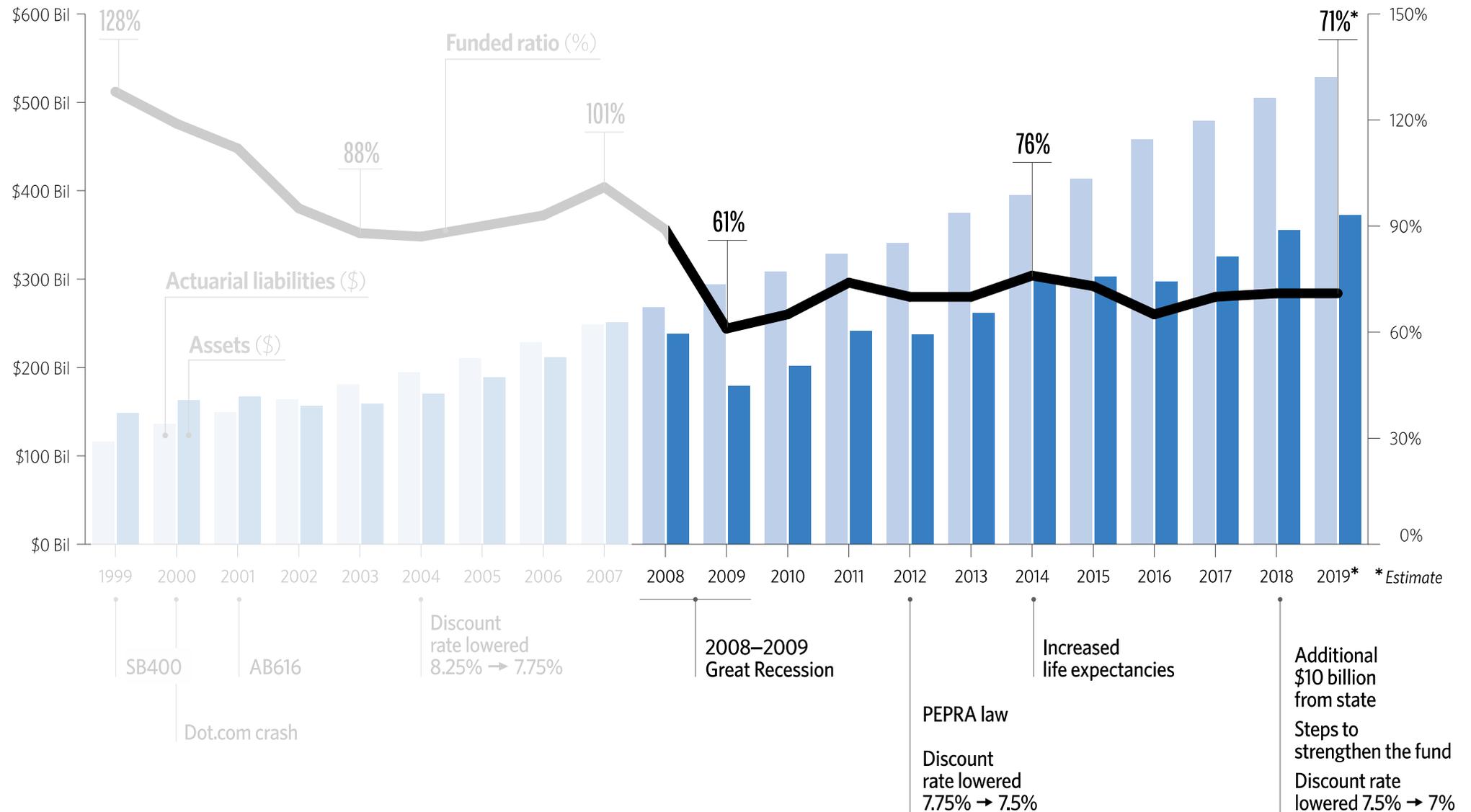
How We Got Here – 20-Year Look



How We Got Here – 1999-2007



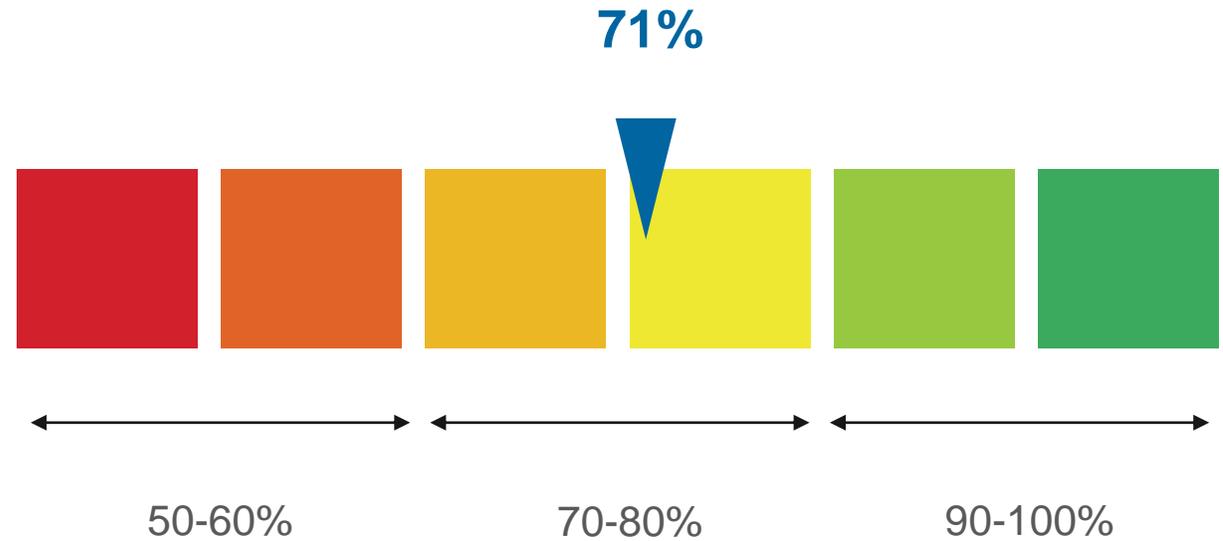
How We Got Here – 2008-2018



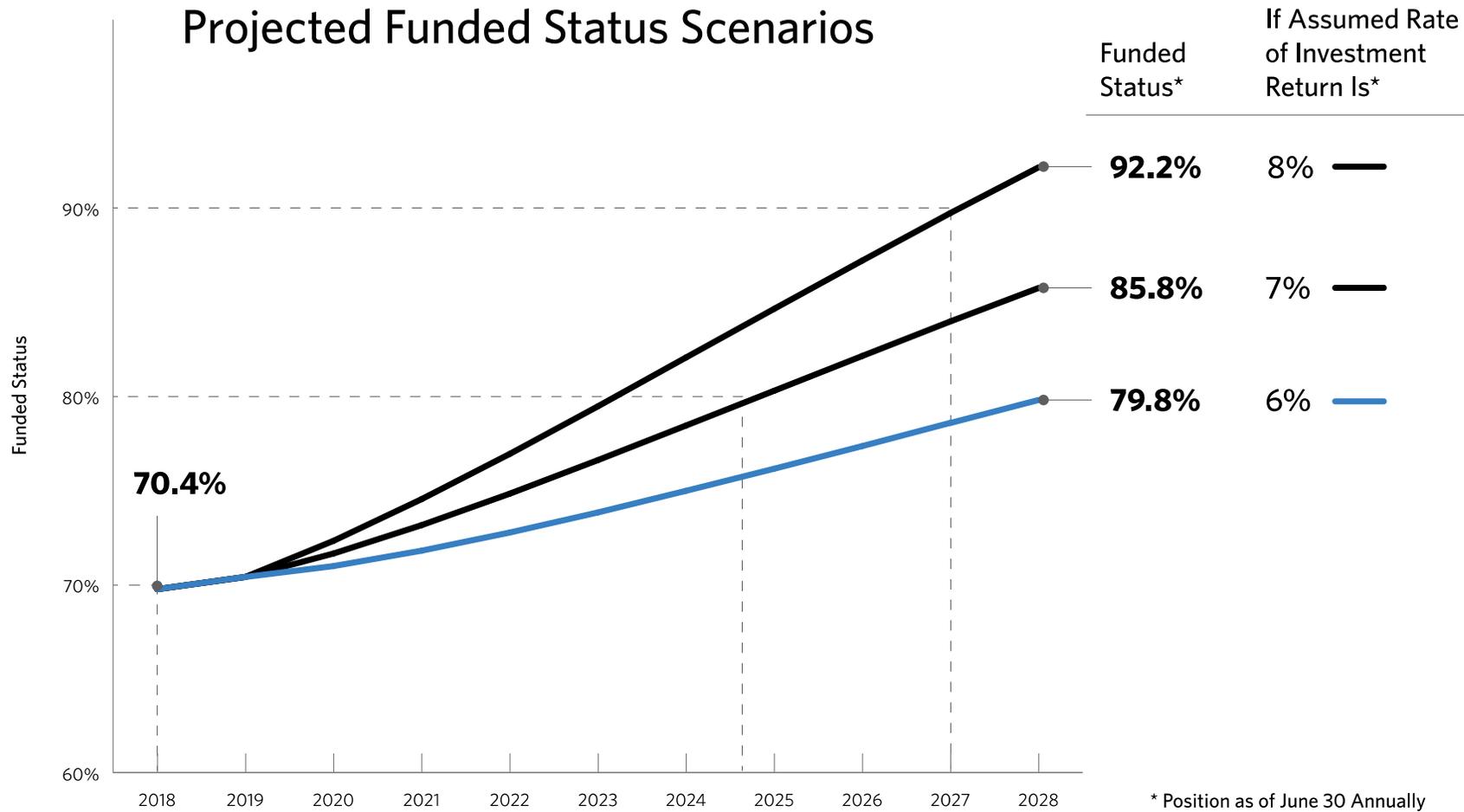
Strong Progress but Challenges Ahead



Funded status goal:
100%



Looking Ahead



Public Agency Employer Contributions

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



Risk Mitigation Policy

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

If actual investment returns exceed the discount rate by: <i>(percentage points)</i>	Then the discount rate will be reduced by:	And the expected investment return will be reduced by:
2	5 bps (6.95%)	5 bps (6.95%)
7	10 bps	10 bps
10	15 bps	15 bps
13	20 bps	20 bps
17	25 bps	25 bps

Three Key Risks



Investment
risk

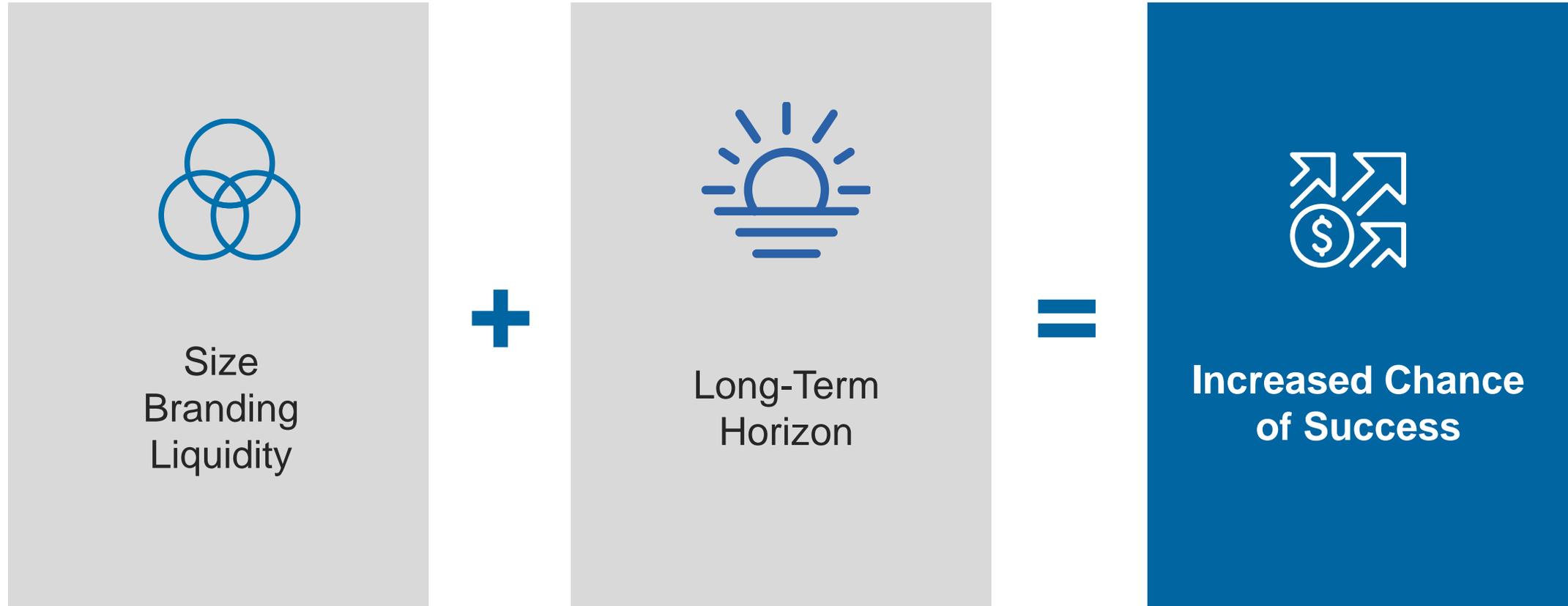


Employer
affordability



Climate risk

Investment Focus: CalPERS Advantages



Employer Affordability



Funding
Programs



Pension
Tools



Partnerships

Introducing “Pension Outlook” Tool

▼ Modeling Assumptions

Years to Project: 10 20 30
 Discount Rate %:*
PEPRA: Yes No

Random Investment Scenario: Yes No
 Additional Discretionary Payment: Yes No
PEPRA Transition Years: 10 15 20

Rate %*	Number of Years*
7.000	1
7.000	9
7.000	20

Summary
Funding
Cash Flow
Budget

Economic Assumptions		Investment Scenario Chosen	
	Baseline	Rate	Period
Discount Rate	7.000%	7.000%	1
Payroll Growth	2.750%	7.000%	9
Inflation Rate	2.500%	7.000%	20

Other Assumptions		Cost Over 30 Years (\$M)	
	Baseline	Baseline	Scenario
PEPRA	Yes		\$123.67
Transition Years	15	Change	\$0.00
ADP	No	Increase/Decrease	0.00%

Funded Status		Future Funded Status	
	Baseline	at 06/30/2022	at 06/30/2024
Current at 06/30/2018	71.20%	75.18%	78.21%
Projected at 06/30/2019	71.77%		86.32%
Lowest Funded Status	71.20%		

Employer Rates		Plan Cost Diagnostics	
	Baseline	Relative to Current Rate	
Current FY (at 06/30/2019)	36.74%	Average Rate	13.47%
Projected for next FY (at 06/30/2020)	40.92%	Maximum Rate	20.53%

Over 30 Years		Relative to Baseline	
	Baseline	Average Rate	Maximum Rate
Average	41.69%	Average Rate	0.00%
Increase Over Baseline	0.00%	Maximum Rate	0.00%
Maximum	44.28%	Cost Over 30 Years	0.00%
Increase Over Baseline	0.00%		

CalPERS Health Program

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



We Serve  CA