CalPERS Update

Cal Cities Annual Conference & Expo
September 8, 2022

Marcie Frost
CalPERS, Chief Executive Officer
with David Teykaerts, CalPERS Stakeholder Relations
Unprecedented Market Dynamics

Market Volatility

- Correlated Asset Classes
- Rising Rates
- Asset Valuations
- Talent Competition
- Funding Shortfall
- Geopolitics
- High Inflation
- Climate Change
- Disruptive Tech
## Total Net Investment Returns Over Time

<table>
<thead>
<tr>
<th>Time Period</th>
<th>Return (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 year</td>
<td>7.7%</td>
</tr>
<tr>
<td>20 year</td>
<td>6.9%</td>
</tr>
<tr>
<td>10 year</td>
<td>7.7%</td>
</tr>
<tr>
<td>5 year</td>
<td>6.7%</td>
</tr>
<tr>
<td>1 year</td>
<td>-6.1%</td>
</tr>
</tbody>
</table>

(As of fiscal-year ending 6/30/22)
## 2021-22 PERF Investment Returns

$440 Billion Assets Under Management, as of June 30, 2022

### Fiscal Year 2021-22 By Asset Class

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Equity</td>
<td>-13.1%</td>
</tr>
<tr>
<td>Private Equity(^1)</td>
<td>21.3%</td>
</tr>
<tr>
<td>Income</td>
<td>-14.5%</td>
</tr>
<tr>
<td>Real Assets(^1)</td>
<td>24.1%</td>
</tr>
<tr>
<td>Liquidity</td>
<td>0.3%</td>
</tr>
</tbody>
</table>

\(^1\) Private asset valuations are lagged one quarter and reported as of March 31, 2022
<table>
<thead>
<tr>
<th>Index</th>
<th>Performance</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>S&amp;P 500</td>
<td>Down 980.9 points</td>
<td>-20.6%</td>
</tr>
<tr>
<td>Dow Jones</td>
<td>Down 5,562.87</td>
<td>-15.5%</td>
</tr>
<tr>
<td>Nasdaq</td>
<td>Down 4,616.24</td>
<td>-29.5%</td>
</tr>
</tbody>
</table>
Asset Liability Management (ALM) Outcome

Board selected 6.8% discount rate with 5% leverage (Candidate Portfolio B2)

New strategic asset allocation:
- 5% leverage
- Increased allocation to private assets

New actuarial assumptions adopted
<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Pre-ALM Asset Mix</th>
<th>New Asset Mix</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Equity</td>
<td>50%</td>
<td>42%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>28%</td>
<td>30%</td>
</tr>
<tr>
<td>Real Assets</td>
<td>13%</td>
<td>15%</td>
</tr>
<tr>
<td>Private Equity</td>
<td>8%</td>
<td>13%</td>
</tr>
<tr>
<td>Private Debt</td>
<td>0%</td>
<td>5%</td>
</tr>
</tbody>
</table>
Balancing Risk & Reward

- % of Private Assets
- % of Leverage
- Tolerance for Drawdown Risk
- Volatility
Challenges to Achieving Target Returns

Low Risk Assets Do Not Provide Enough Return to Meet Goals

- Low Risk Assets
- Higher Risk Assets

PERF 10Y Rolling Return

10Y Treasury

Discount Rate

Rate & Return %

Asset Allocation

CalPERS
Projected Contribution Rates — Sample Plan

Projected Employer Rates from 6/30/2022 Estimates

- Misc - 6.30.20
- Misc - 6.30.21
- Misc - 6.30.22
- Safety - 6.30.20
- Safety - 6.30.21
- Safety - 6.30.22
When will contribution changes occur?

The 2021-22 investment return will first impact employer contribution rates for public agencies in fiscal year 2024-25.

Member contribution rates will not be impacted by the current year’s negative return.
Our assets have grown over the years, especially since the financial crisis. But liabilities have grown at a faster pace.
CalPERS Board of Administration
Achieving Our Mission

VISION

CalPERS

MISSION

CORE VALUES

MEMBER EXPERIENCE
Ensure member satisfaction through accuracy, responsiveness, and respect

PENSION SUSTAINABILITY
Strengthen the long-term sustainability of the pension fund

ORGANIZATIONAL EXCELLENCE
Cultivate a risk-intelligent and innovative culture through our team and processes

EXCEPTIONAL HEALTH CARE
Ensure our members have access to equitable, high-quality, affordable health care

STAKEHOLDER ENGAGEMENT
Promote collaboration, support, and transparency
Sustainability Efforts

- Research
- Data & Corporate Reporting
- Climate Change
- Diversity & Inclusion
- Private Equity & Profit/Fee Sharing Transparency
- Manager Expectations
Exceptional Health Care

Ensure our members receive high-quality care

Ensure our members receive equitable care

Ensure the care we provide is affordable

Ensure our members have access to care when and where they need it
4 Reasons to Attend

• **Educational Offerings:** Choose from over 30 sessions tailored to your needs
• **Advance Your Career:** Earn Continuing Education Credit, acquire new skills and knowledge
• **Partnerships:** Share best practices with colleagues across the state
• **Personal Connections:** Schedule a consultation, speak directly with experts in the exhibit hall, and participate in interactive discussions

[http://www.calpers.ca.gov/educationalforum](http://www.calpers.ca.gov/educationalforum)
Open Q&A

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