CalPERS
Pension Funding and Costs Update
Kelly Fox – Chief, Stakeholder Relations
December 12-13, 2018
Fire Chiefs Leadership Seminar

Current Fund Value $350 billion

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.6%</td>
<td>2017/18 Portfolio Return</td>
</tr>
<tr>
<td>8.1%</td>
<td>5-yr Annualized Return</td>
</tr>
<tr>
<td>5.6%</td>
<td>10-yr Annualized Return</td>
</tr>
<tr>
<td>6.1%</td>
<td>20-yr Annualized Return</td>
</tr>
<tr>
<td>8.40%</td>
<td>30-yr Annualized Return</td>
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2014 vs Current Capital Market Assumptions

Three Key Actions in Past 24 Months

- **Lower Discount Rate**: Lowered the discount rate from 7.5% to 7% over three years (assumed rate of return)
- **New Asset Allocation**: Adopted new strategic asset allocation effective July 1, 2018
- **Shorter Amortization**: Shortened the amortization period for employers to pay their unfunded liability

30 yrs. ➔ 20 yrs. = significant long-term savings
Funded Status
June 30, 2017
68.3%

Funded Status
June 30, 2018
71.0%

How are CalPERS Retirement Benefits Funded?

The CalPERS Pension Buck
As of June 2018, CalPERS’ income over the last 20 years demonstrates that every dollar spent on public employee pensions comes from the following sources:

- 59¢ CalPERS investment earnings
- 28¢ CalPERS employers
- 13¢ CalPERS members

Average Projected Contribution Rates (as % of payroll)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Percentage of Projected Payroll</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016-2017</td>
<td>20.40%</td>
</tr>
<tr>
<td>2017-2018</td>
<td>21.80%</td>
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<tr>
<td>2018-2019</td>
<td>22.90%</td>
</tr>
<tr>
<td>2019-2020</td>
<td>25.60%</td>
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<tr>
<td>2020-2021</td>
<td>26.67%</td>
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<tr>
<td>2021-2022</td>
<td>27.80%</td>
</tr>
<tr>
<td>2022-2023</td>
<td>28.64%</td>
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<tr>
<td>2023-2024</td>
<td>28.72%</td>
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<tr>
<td>2024-2025</td>
<td>28.88%</td>
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</tbody>
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CalPERS
Sample Miscellaneous Plan
Projected Employer Contributions (Normal Cost + UAL Payment)

Sample Safety Plan
Projected Employer Contributions (Normal Cost + UAL Payment)
Strategies to Pay Down UAL

Ad Hoc Additional Discretionary Payments
- Single/multiple additional payments
- Short/long-term strategies
- Significant savings possible
- Annual payment stabilization with multiple ADPs
- Flexibility

Fresh Start
- Election to consolidate UAL bases into one base
- Amortization period reduced
- Annual payment stabilization and potential savings
- Commits employer to set strategy

IRS Section 115 Trusts
- Trust assets independent of plan’s assets
- Accumulate additional funds to manage contribution volatility
- Alternative investment strategies available
- SB1413 (signed)

Sample City - Projected UAL Payments with $11m pre-payment
Private Equity: Top Performing Asset Class

$27 billion invested

16.1%
2017-18 fiscal-year return

10.6%
20-year return

As of June 30, 2018
Considerations

• SB1124 (employer pays for misreported compensation)
  • Vetoed by Governor
  • Likely to return

• CAL FIRE/Air Time case – Dec 5
  • Final State Supreme Court Judge appointed by Gov Brown, Nov 14
  • Potential impacts to vested rights law interpretations

• Public Records Act – Retirement Type disputed
Committed to Partnership

- Transparency
- Engagement/Outreach
- One Message to All Stakeholder Groups
- Open Board Meetings

Questions?
Thank you

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