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

www.cacities.org/events
Bijan Mehryar  
*Legislative Representative*  
League of California Cities

Michael Cohen  
*Chief Financial Officer*  
CalPERS
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

- Today
- July 2020 Returns Announced
- June 30, 2020 Fiscal Year Returns Locked-In

- 5-year ramp
- 20-year UAL Amortization
- 15 years of full payments

Public Agencies 2022-23

2026-27

2041-42
Potential Employer Contributions – Sample Misc. Plan

Employer Rate Impact - Misc. Plan - With Various Projected Returns for 2019-20, 7% after


- 7% - 0% - 5% - 10%
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

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<thead>
<tr>
<th>Financial Assistance Inquiries</th>
<th>Operational Questions</th>
<th>References and Resources</th>
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</thead>
<tbody>
<tr>
<td>Pension Contract Management Team: <a href="mailto:pensioncontracts@calpers.ca.gov">pensioncontracts@calpers.ca.gov</a></td>
<td>888 Employer Contact Center: 888-CalPERS</td>
<td>Employer FAQs: <a href="http://www.calpers.ca.gov">www.calpers.ca.gov</a></td>
</tr>
<tr>
<td>Prefunding Trusts: <a href="mailto:CEPPT4U@calpers.ca.gov">CEPPT4U@calpers.ca.gov</a></td>
<td>Employer Response Team: <a href="mailto:ERT@calpers.ca.gov">ERT@calpers.ca.gov</a> 800-253-4594</td>
<td>PA/School Reference Guide</td>
</tr>
<tr>
<td>Inquiries and Connections: <a href="mailto:CalPERS_Stakeholder_Relations@calpers.ca.gov">CalPERS_Stakeholder_Relations@calpers.ca.gov</a></td>
<td>Inquiries and Connections: <a href="mailto:CalPERS_Stakeholder_Relations@calpers.ca.gov">CalPERS_Stakeholder_Relations@calpers.ca.gov</a></td>
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Questions?

www.cacities.org/coronavirus