CalPERS Priorities for the Future

Marcie Frost  
CalPERS Chief Executive Officer

Members Are Our Focus

2 million Members

- **38%** School members
- **31%** State members
- **31%** Public Agency members
Partnering with California’s Cities

Where We Stand Today

- 452 Cities & Towns
- 121,098 Members

Fiscal Year 2018-19

- 71% Funded status (estimate)
- $372.6 billion Market value
- 2 million Members
- $24.2 billion Paid in benefits
How Contributions Are Paid

[Diagram showing the breakdown of contributions into 58¢ for CalPERS investment earnings, 29¢ for employers, and 13¢ for members.]

How We Got Here – 20-Year Look

[Graph illustrating the changes in actuarial liabilities, funded ratio, assets, and other factors over a 20-year period. Key events include:
- 2001–2002: DotCom crash
- 2003: Discount rate lowered from 6.25% to 5.75%
- 2010–2012: Increased life expectancy
- 2010–2012: Additional $2 billion from state
- 2013–2014: Steps to strengthen the fund
- 2015–2016: Discount rate lowered from 5.75% to 3.00%]

[Graph showing trends in actuarial liabilities and funded ratio over time.]
Strong Progress but Challenges Ahead

Funded status goal: 100%

Funded Status Projections (As of June 30)
Public Agency Employer Contributions

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

Recent Trends-Contribution Rates

Employer Contribution Rates Based on June 30, 2018 Valuations*

Source: 2019 Annual Funding Levels and Risk Report
Recent Trends-Negative Amortization

Percentage of Plans with Negative Amortization by Contribution Year

Recent Trends-Additional Discretionary Payments

Public Agency Additional Discretionary Payments by Fiscal Year

*ADPs from July 1, 2019 through September 30, 2019

Source: 2019 Annual Funding Levels and Risk Report
Funded Ratio by Region

Average of CalPERS Public Agency Plans
As of June 30, 2018 Valuations

Three Key Risks

Investment risk
Employer affordability
Climate risk

Source: 2019 Annual Funding Levels and Risk Report
Investment Focus: CalPERS Advantages

Size + Branding + Liquidity = Increased chance of success

Introducing “Pension Outlook” Tool
Health Priorities

- Address rising Rx costs
- Engage in health policy
- Contain costs and drive quality
- Improve health outcomes

How We’re Addressing Climate Risk

Three-channel strategic approach supported by partnerships:
- Engagement
  - Ceres - Investor Network on Climate Risk
  - Principles for Responsible Investments
  - UN Net-Zero Asset Owner Alliance
- Advocacy
  - UN Global Investors for Sustainable Development Alliance
  - Council for Inclusive Capitalism at the Vatican
- Integration
  - Global Peer Exchange Task-force on Climate-related Financial Disclosure