

CalPERS Funding Levels, Projections & Strategic Update

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Cal Cities Annual Conference and Expo
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CalPERS By the Numbers



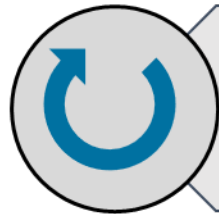
\$ 41,040 Average Annual Pensions *(for all retirees)*



2,155,896 CalPERS Members



72% *(with a 6.8% discount rate)* Funded Status Estimate



\$29.1 billion Annual Pension Benefits Paid

Fiscal Year 2022-23 Investment Returns

Preliminary Net Return of 5.8%

Estimated PERF funded status at 6/30/2023 is 72%
(neither asset values nor liability values are final)

Public Employees' Retirement Fund (PERF) Metrics

As of June 30, 2023

\$462.8bn

Assets Under
Management

7.1%

10-Yr
Total Return

5.8%

1-Yr
Total Return

\$3.8bn

5-Yr Cumulative
Value Added

\$0.6bn

1-Yr Cumulative
Value Added

Preliminary Returns by Asset Class – FY 2022-23

Asset Class	Net Rate of Return	Policy Benchmark
Public Equity	14.1	14.1
Income	0.0	0.0
Private Equity*	-2.3	-5.9
Real Assets*	-3.1	-4.0
Private Debt*	6.5	3.7
Total Fund	5.8	5.5

* Private market asset valuations lag one quarter and are as of March 31, 2023.

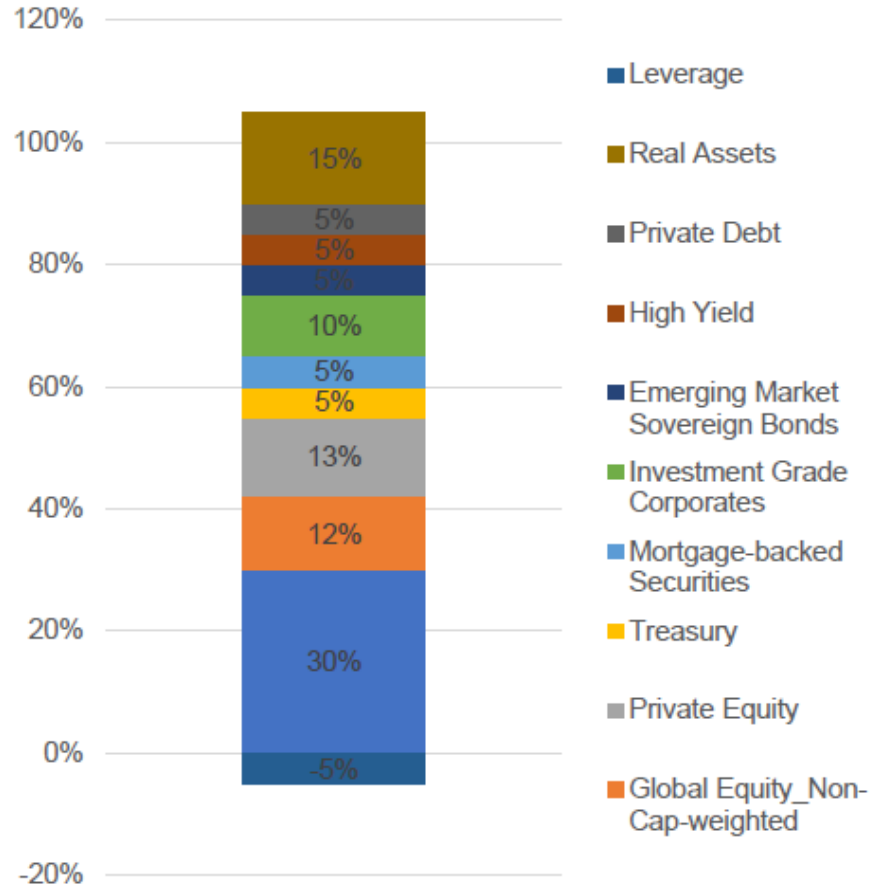
Long-Term Investment Returns

30 year	7.5%
20 year	7%
10 year	7.1%
5 year	6.1%
1 year	5.8%

(As of fiscal-year ending 6/30/23)

Current PERF Policy Portfolio

2021 PERF Policy Portfolio



November 2021

- Projected 20-year return of 6.8%
- Strategic leverage used for the first time, with the purpose of improving diversification by reducing equity exposure and increasing exposures to fixed income.
- New sources of diversification include:
 - First allocation to private debt, improving diversification
 - First allocation to EM sovereign debt

ALM Mid-Cycle Review - What to Expect

- Current survey suggests projected 20-year policy portfolio return is in the range of 6.2% to 7.9%, with a median around 7%.
- Actuarial Office indicates no material changes to 2021 analysis; believe the current 6.8% target return remains appropriate.
- November Board meeting:
 - Discussion of Capital Market Assumptions
 - Risk and return assessment of current portfolio (w/stress tests)
 - Risk and return assessment of candidate portfolios (w/stress tests)
 - Board to determine if any changes needed to asset allocation

Economic Update | Factors to Watch

Recent developments

- Weak expectations for growth over 2022 and 2023 were not realized
- Policy normalization continued
- Headline inflation improved, in line with expectations

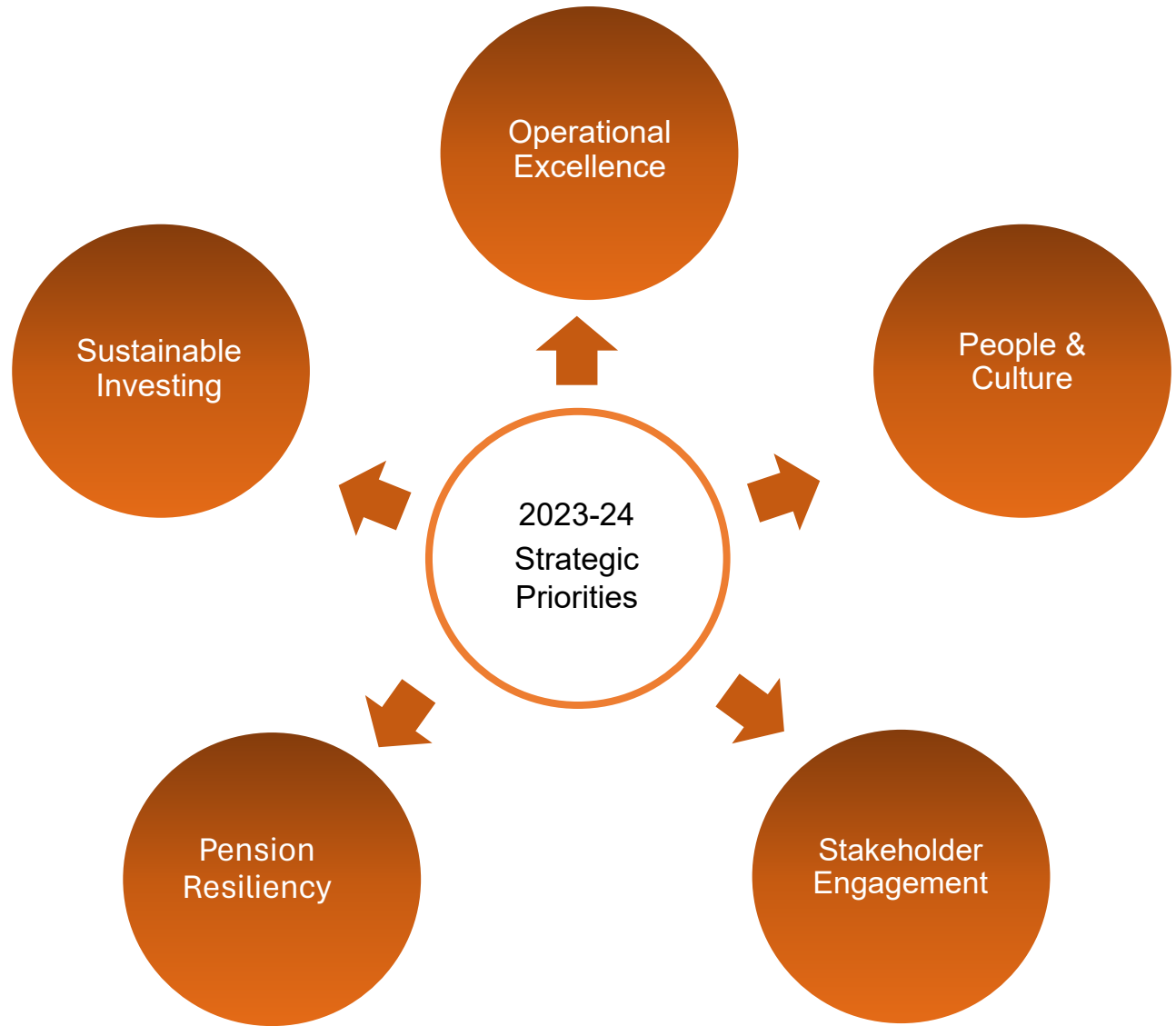
Looking ahead

- Policy acts with a lag, interest rates adjusted for inflation are expected to move higher
- There are a wide range of expectations surrounding the risk of recession
- Risks to the global and US economic outlook remain tilted to the downside



Resilience & Innovation in Motion

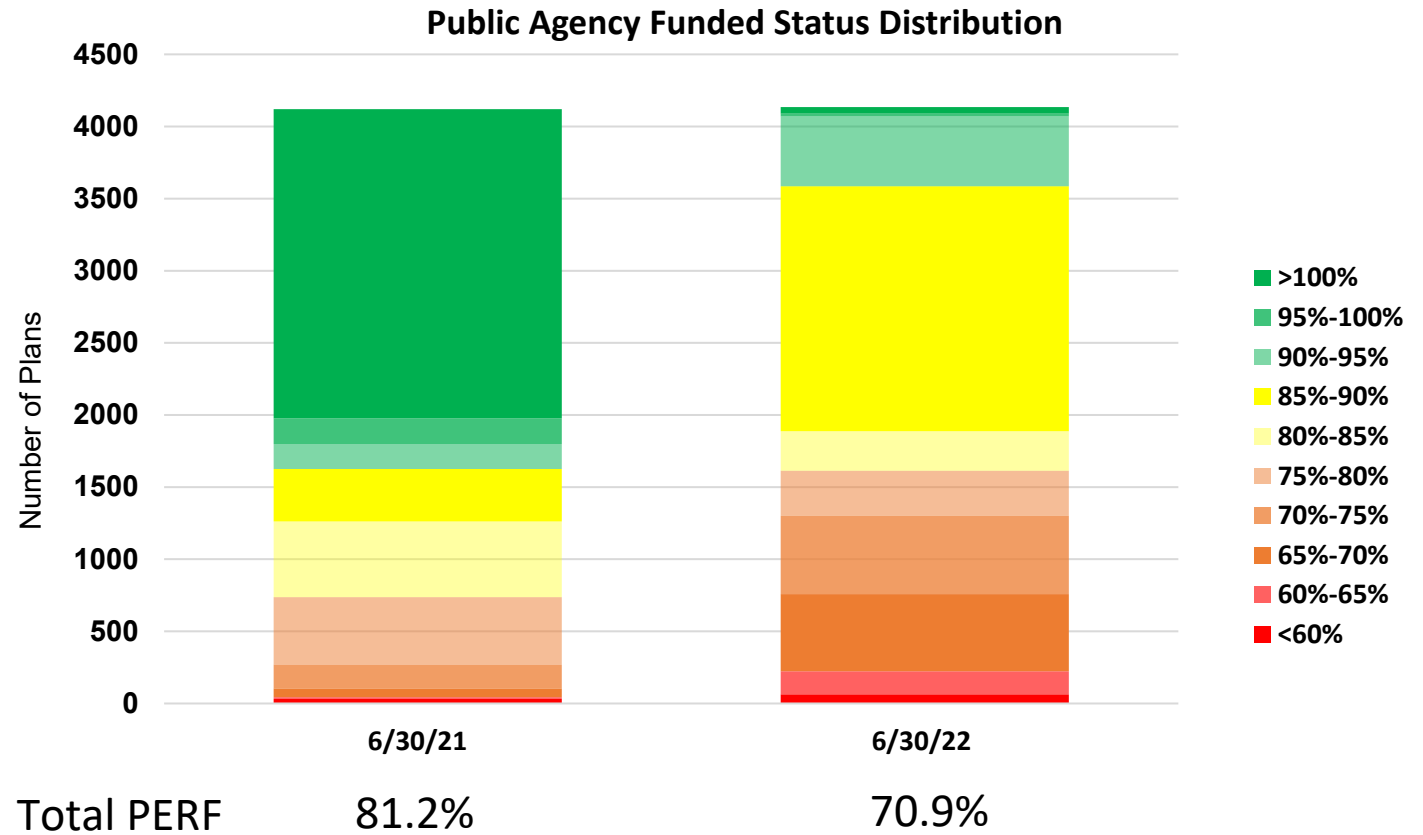
Strategy 2030



Timing of Valuation Results

- **Public Agencies**
 - Individual reports as of June 30, 2022, were released to myCalPERS
 - You must have access to your employer account to view
 - Reports will be posted to the public website in September

6/30/2022
Public Agency
Funded
Ratios



Recent History of Experience / Assumption Changes

FY 2020-21

- 21.3% return
- Discount rate lowered to 6.8%
- Other actuarial assumption changes
- Higher mortality due to COVID

First year required contributions impacted:

- PAs: FY 2023-24
- Schools: FY 2022-23

FY 2021-22

- -6.1% return
- Higher COLAs due to high inflation

First year required contributions impacted:

- PAs: FY 2024-25
- Schools: FY 2023-24

FY 2022-23

- 5.8% return
- Potentially higher COLA and pay increases due to lingering high inflation

First year required contributions impacted:

- PAs: FY 2025-26
- Schools: FY 2024-25

Summary of Valuation Results (Preliminary for 6/30/2022)

	Assets/Payroll	Average Funded Status ¹		Average Employer Contribution Rate ²	
		From 6/30/2021 Valuation Results	From 6/30/2022 Valuation Results	From 6/30/2021 Valuation Results	From 6/30/2022 Valuation Results
Non-Pooled Misc Plans	7.7	83.2%	73.1%	27.3%	28.8%
Non-Pooled Safety Plans	13.5	80.1%	70.5%	52.7%	57.1%
Pooled Misc Plans	6.8	86.9%	76.1%	22.1%	23.1%
Pooled Safety Plans	13.6	82.8%	73.4%	48.5%	52.1%

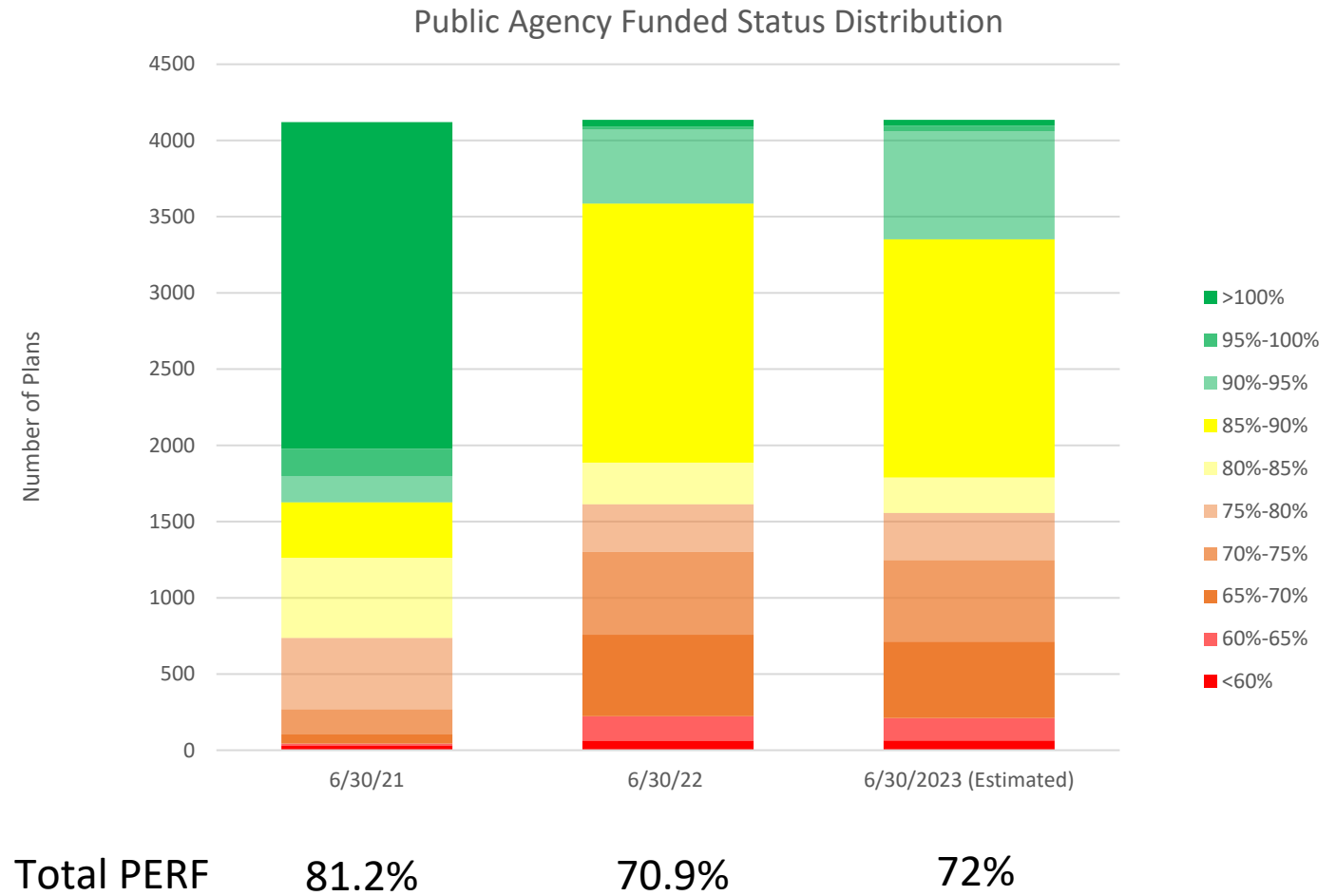
¹ Averages determined by dividing the sum of assets by the sum of accrued liability.

² Averages determined by dividing the sum of required contributions (\$'s) by the sum of payroll.

Impact of 1% Investment Loss – Typical Miscellaneous Plans

Miscellaneous Plans		Asset Value	Asset Volatility Ratio (Assets /Payroll)	Funded %	1st Year Contribution Change +/-		5th Year Contribution Change +/-	
					Dollars	% Payroll	Dollars	% Payroll
Plan 1	Typical Plan	\$50,000,000	7	74%	\$12,259	0.2%	\$61,293	0.8%
Plan 2	Larger Plan	\$100,000,000	7	74%	\$24,517	0.2%	\$122,587	0.8%
Plan 3	Typical Plan w/ Higher Payroll	\$50,000,000	4	74%	\$12,259	0.1%	\$61,293	0.4%
Plan 4	Typical Plan w/ Lower Payroll	\$50,000,000	15	74%	\$12,259	0.4%	\$61,293	1.6%
Plan 5	Typical Plan w/Lower Funded Status	\$40,540,541	5.7	60%	\$9,939	0.1%	\$49,697	0.6%
Plan 6	Typical Plan w/Higher Funded Status	\$67,567,568	9.5	100%	\$16,566	0.2%	\$82,829	1.0%

6/30/2023
Estimated —
Public Agency
Funded
Ratios



Pension Outlook Tool

- Resides on CalPERS website
- Available for anyone to use
- Updated annually with new valuation results
- Projects funded status and employer contribution requirements
- User can select plan(s) and various assumptions for future experience

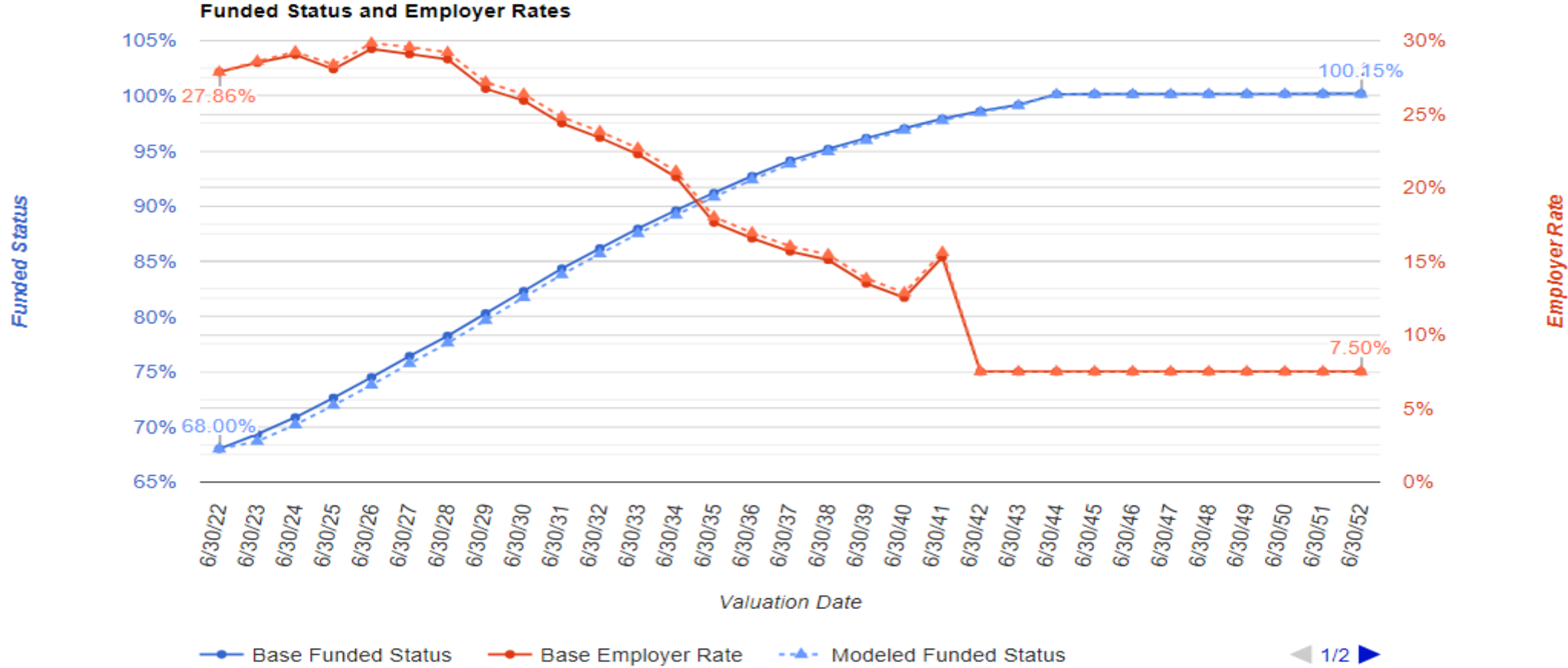
Pension Outlook Tool – Model Any Plan’s Contribution Rate Projections

Summary

Funding

Cash Flow

Budget



CalPERS Educational Forum

- Location Change!
- Attend educational sessions
- Speak with CalPERS experts
- Hear CalPERS leaders discuss issues facing your organizations
- Network with colleagues from around the state
- Registration is now open!



Thank you!

Questions?