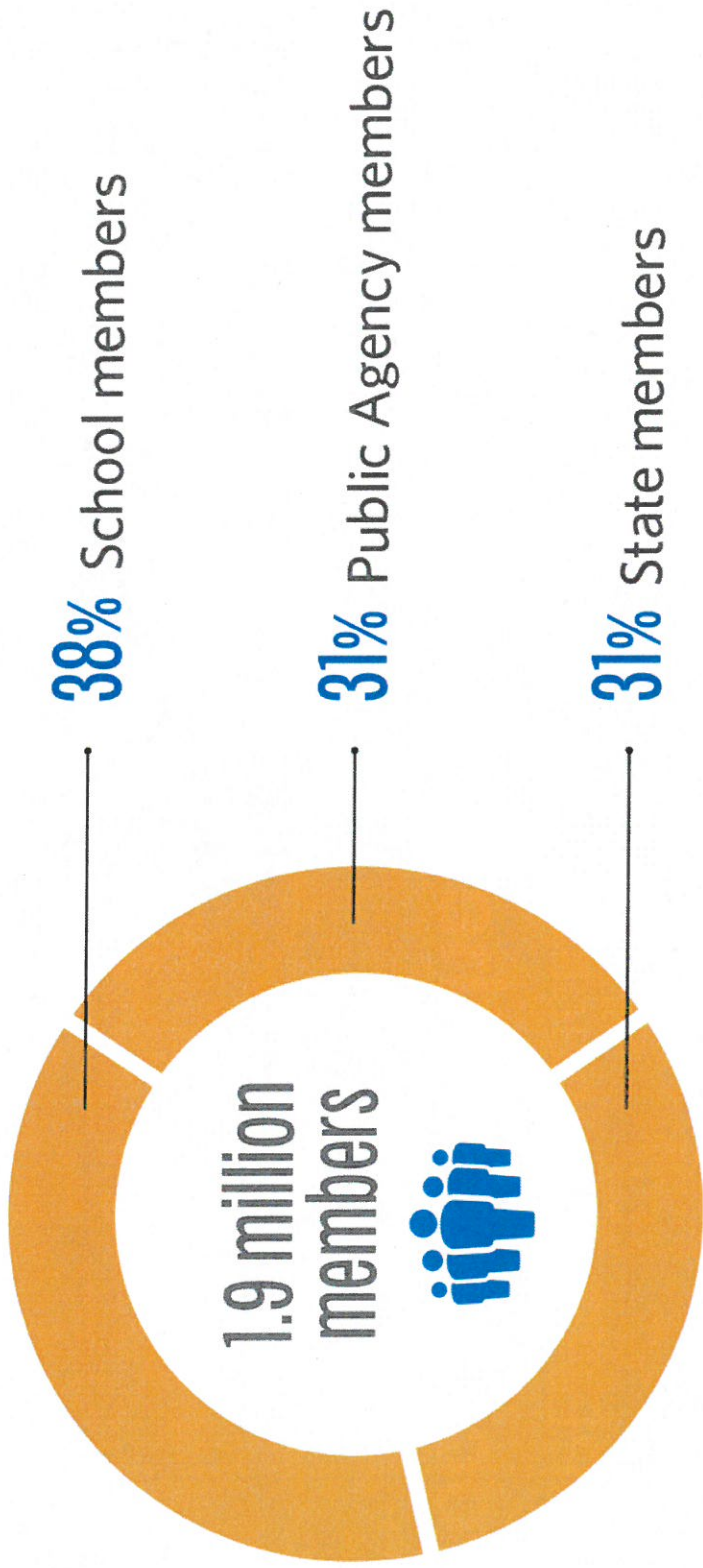


California State Legislature – Joint Hearing – Assembly Public Employment And Retirement &
Senate Labor, Public Employment And Retirement | February 13, 2019

CalPERS Perspective: Focused on the Future

Marcie Frost, CalPERS Chief Executive Officer
Ben Meng, CalPERS Chief Investment Officer





Our Members Tell Our Story



\$22.9 billion

Paid in pension benefits annually



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¢

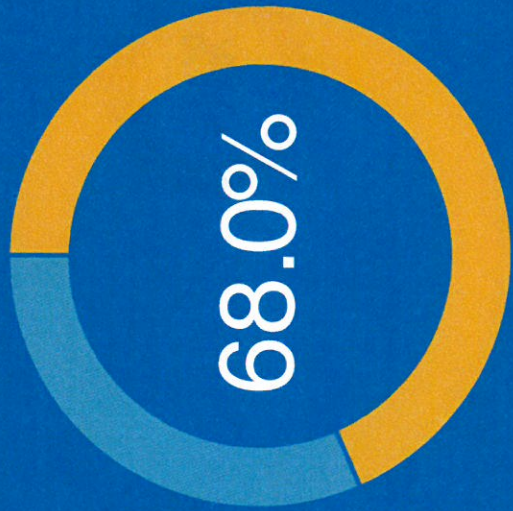
CalPERS investment earnings

28¢

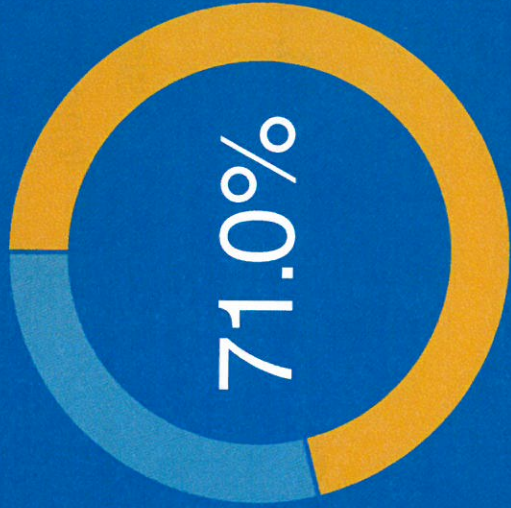
CalPERS employers

13¢

CalPERS members



Funded Status
June 30, 2017



Funded Status
June 30, 2018

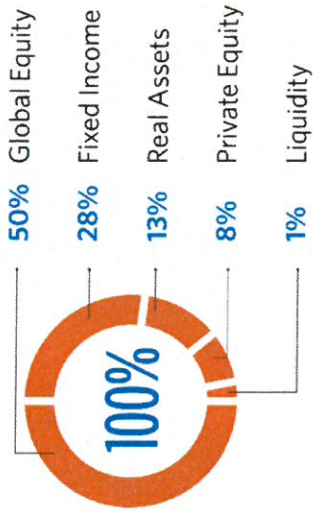
Lower Discount Rate

Lowered the discount rate from 7.5% to 7% over three years
(assumed rate of return)

7.5% → 7%

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



\$3 Billion

Proposed additional contribution
(FY 2019-2020)

\$6 Billion

Additional contribution
(FY 2017-2018)



Michael Cohen
Chief Financial Officer



Ben Meng
Chief Investment Officer

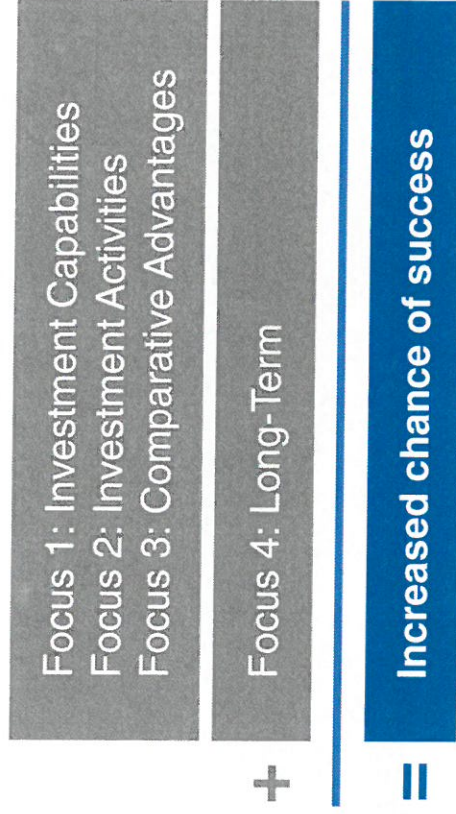
CalPERS Investment Office



Challenges

- Challenges over the next 10 years
 - Declining interest rates, increasing profit margins are less likely to repeat
 - Current valuations are high
 - Slower global economic growth
 - Fewer opportunities to generate excess returns
 - Underfunded status limits options

Focus Areas



Investment Returns



As of June 30, 2018

Importance of **Private Markets**

\$27 billion invested

Private Equity

16.1%

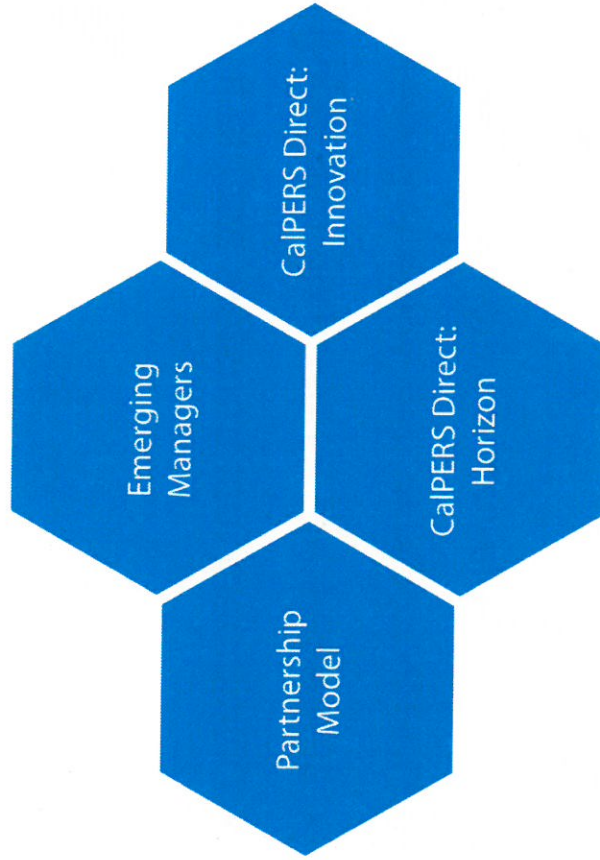
2017-18 fiscal-year return

10.5%

20-year return

As of June 30, 2018

Proposed Private Equity Investment Models



Innovation

Late stage venture capital investments in bio-tech, life sciences and health care

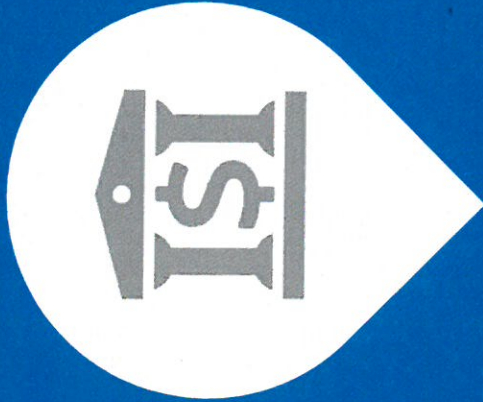
Horizon

Long-term investments in core economy established companies

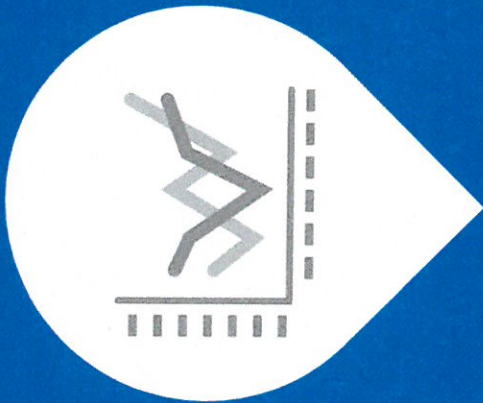
Engagement vs. Divestment

- CalPERS favors engagement over divestment
- Due to our size, our voice is powerful
- Strategies are focused on mitigating risk
- Divestment just transfers assets from one owner to another

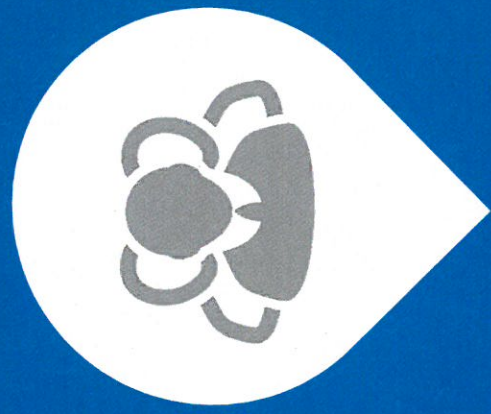
Key Takeaways



Funding Strategy



Investments



Partnerships

