

CalPERS: Ensuring Long-Term Sustainability

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CalPERS Background

1,439
School Districts

1 State of California

1,581
Public Agencies

3,021
Total Employers in
Retirement Program

1.85 Million
Members

650,000
Receiving Monthly
Pension Benefit

Source: June 30, 2016 Comprehensive Annual Financial Report

* Retirees and beneficiaries and survivors

What We're Focused On



Risk



Costs



Complexity

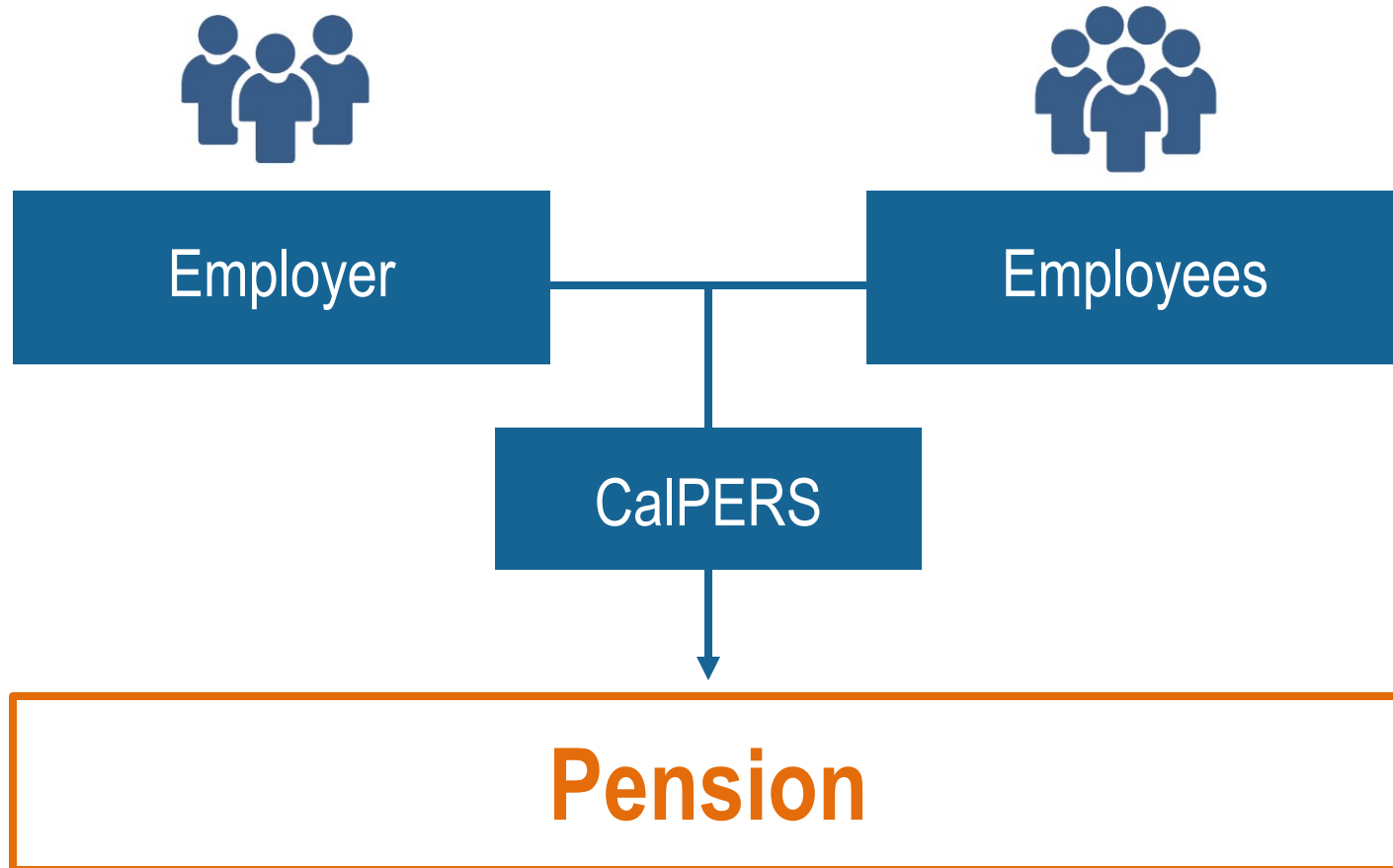
Our Priorities

- Customer Satisfaction Driven
- Team Member Engagement
- Efficient and Effective Organization
- Reliable Partner
- Best Practice Leader

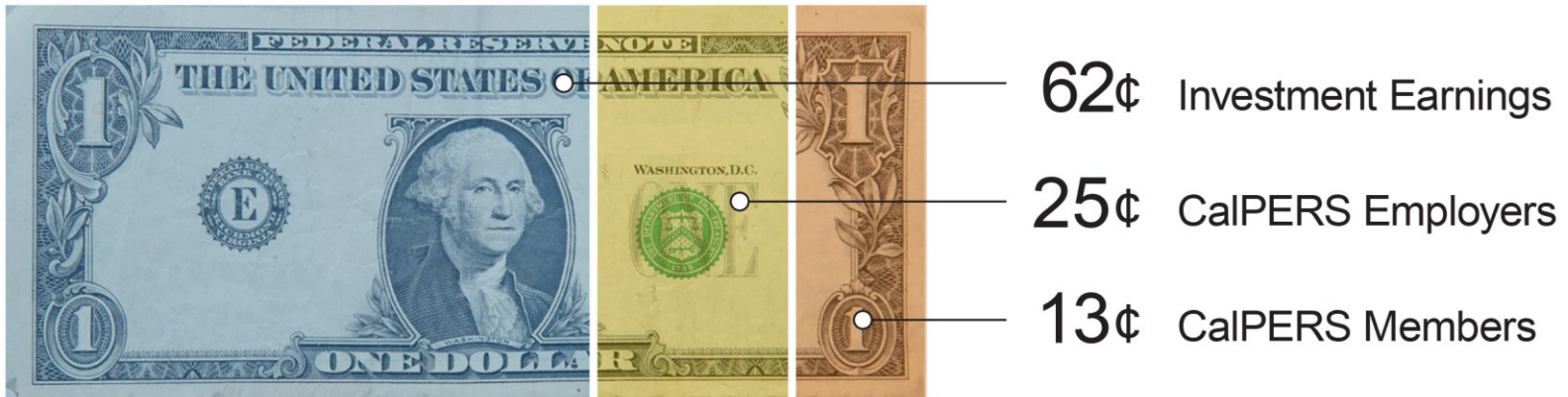
CalPERS Funded Status

65%

Pensions are a Shared Responsibility

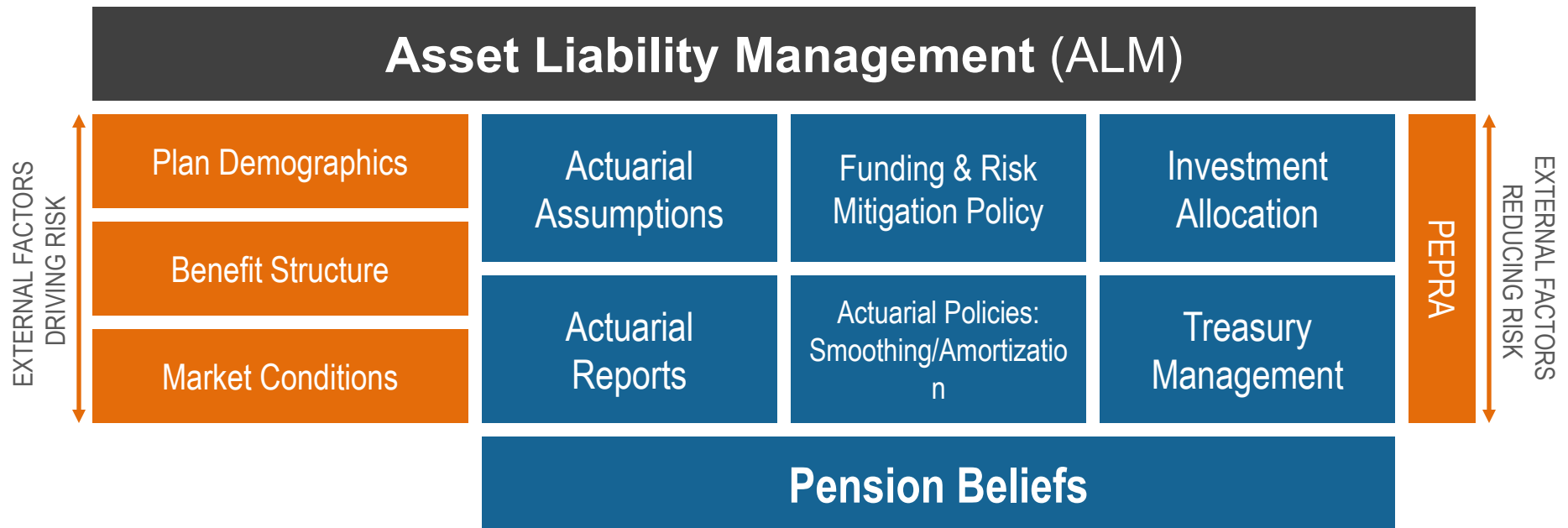


The CalPERS Pension Buck



Source: CalPERS income over the last 20 years as of June 2016.

ALM Framework



Factors Driving Funding Risk



Plan Demographics

- Asset and liability ratios
- Plans are maturing
- Public employees are living longer
- Increased cash outflows

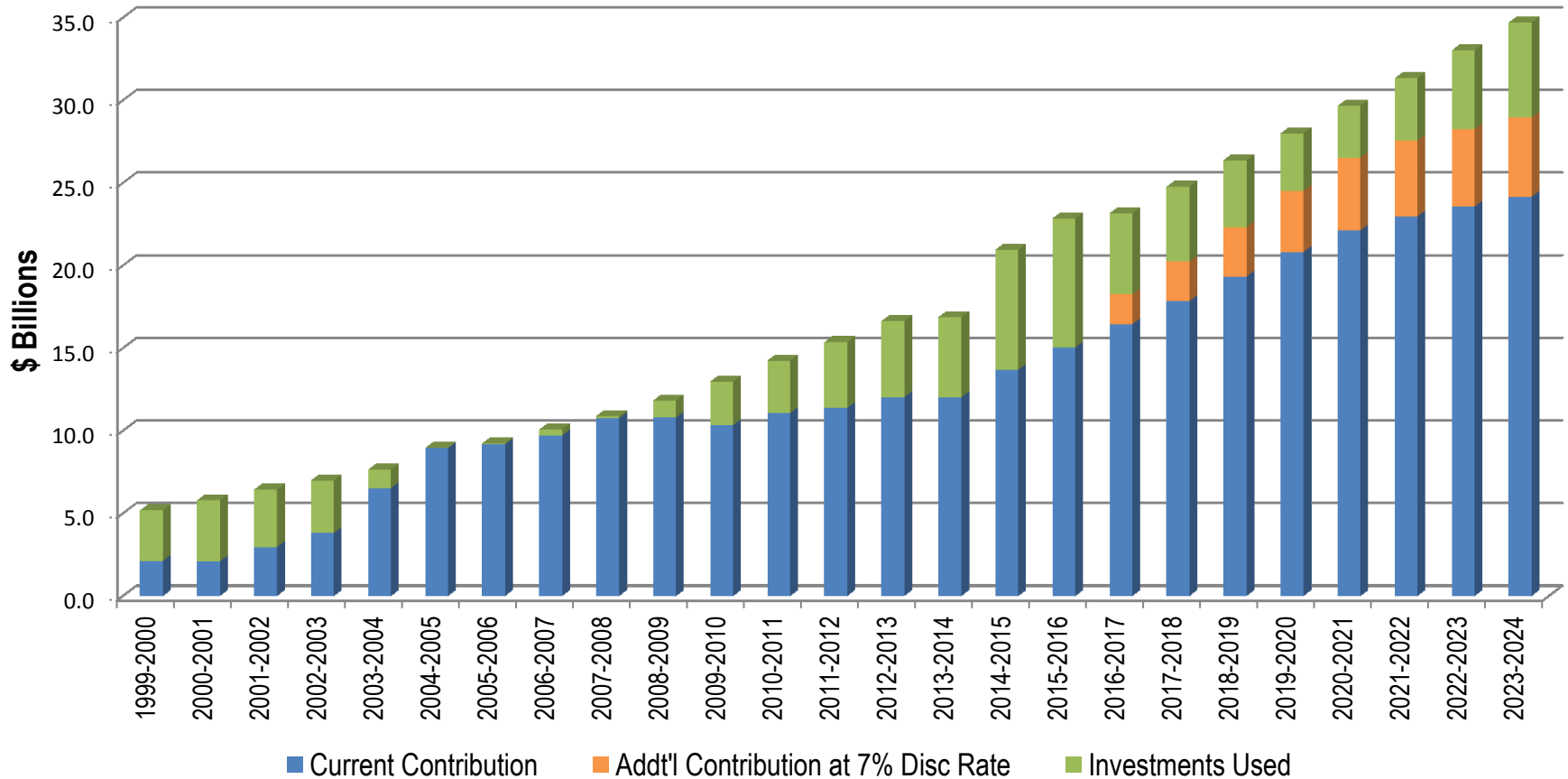


Market Conditions

- Current portfolio and market environment includes significant risk of volatility
- Market valuations and return expectations

Contribution and Benefit Payments

Historical & Projected PERF Contributions & Investments for Benefit Payments



Terminated Agency Pool

- **Secure (immunize)** the benefits for members of agencies which have terminated their CalPERS contract
- **Prudently manage** the short and long term benefit payment and investment risks associated with terminated plan liabilities
- **Accurately track** and account for terminated agencies and their members

TAP Facts at a Glance

As of June 30, 2015:

Number of Agencies	93
Total Membership	1,051
• Retirees	716
• Average Monthly Pension	\$573

Comparison of
Current & Prior Year
Financial results:

\$ Millions	2015	2014
MV Assets	\$219.7	\$215.4
Liabilities	\$88.5	\$82.3
Unfunded Accrued Liability	\$(131.2)	\$(133.1)
Funded Ratio	248.3%	261.9%

TAP Facts at a Glance: Risks

- Small plan size is highly sensitive to change
- Any additional agency that enters the TAP will lower the funded status of the plan even if it is fully funded
- The funded status is largely a result of the last 3 decades of unprecedented performance of long duration bonds; going forward the market return outlook for U.S. Government Securities is low

TAP Facts at a Glance: Risks

- Final compensation for 8% of TAP members not frozen and other variables, such as mortality, exist; potential increase in future liabilities
- Significant changes jeopardize retirement security of TAP members, erode surplus
- CalPERS has no future recourse to agencies in the TAP after termination

Monitoring Employer Financial Health

- Strengthened and streamlined the collection and termination process, including member notification.
- Adopted a risk oversight process to improve monitoring and reduce risk to members.
- Developed tools to identify risks using a standardized review criteria.
- Improved oversight of agencies with all inactive plans to reduce risk.

Public Agency Demographics

1,521—Total Public Agencies in Retirement Program¹

Agency Type	# of Agencies	% of Total Agencies	Total Participants ²	% of Total Participants	Current UAL ⁴ & Funded % @ 7.5% (\$ in Millions)	
Cities or Towns	449	30%	371,032	52%	\$28,071	73%
Counties	39	3%	195,191	27%	\$10,051	75%
Special Districts						
• JPAs	170	11%	23,878	3%	\$641	80%
• Non-Profits	63	4%	15,057	2%	\$218	85%
• Others ³	800	52%	114,537	16%	\$6,582	77%
Total	1,521	100%	719,695	100%	\$45,563	74.38%

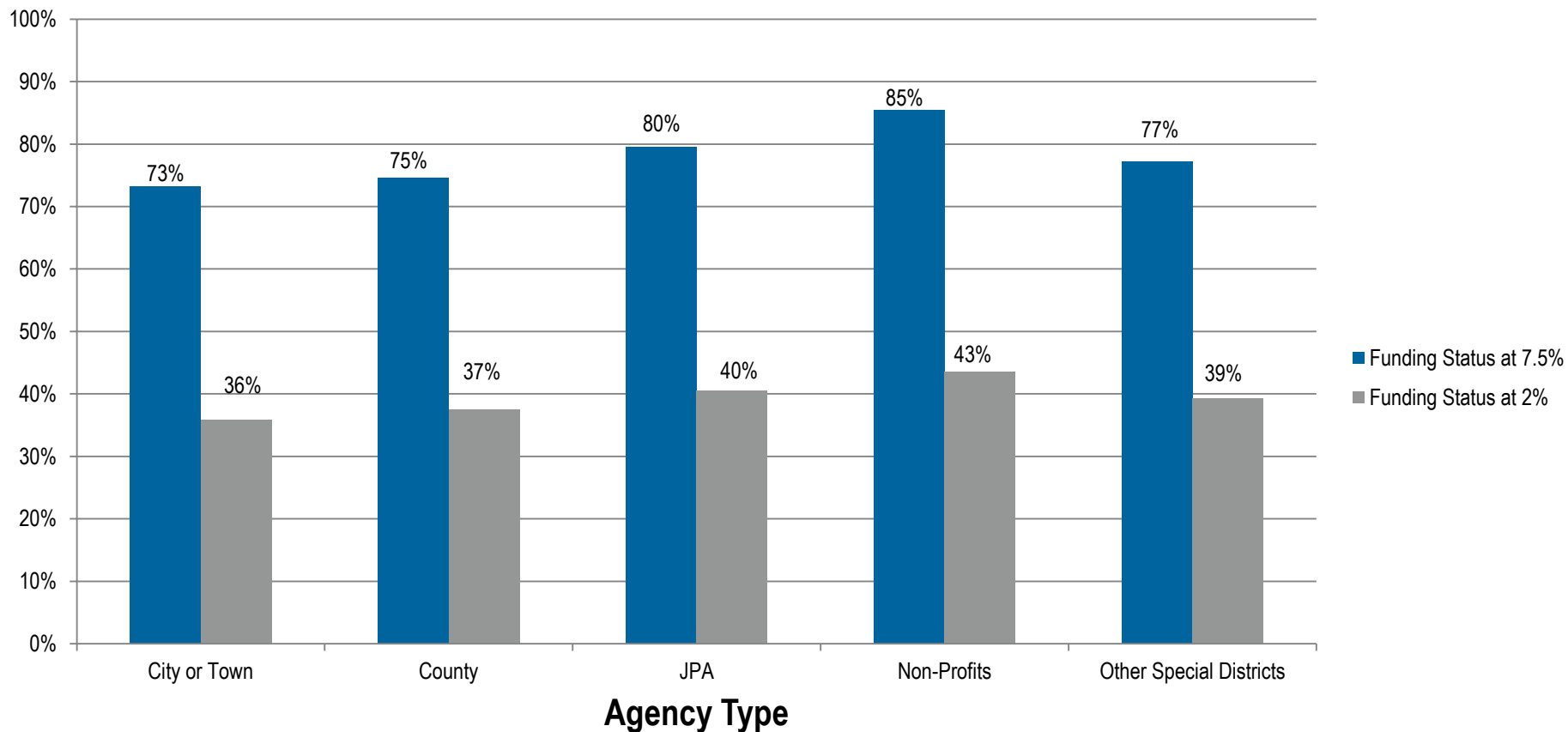
¹Data Source: June 30, 2015 Annual Valuation Reports

²Includes members who have service in more than one rate plan.

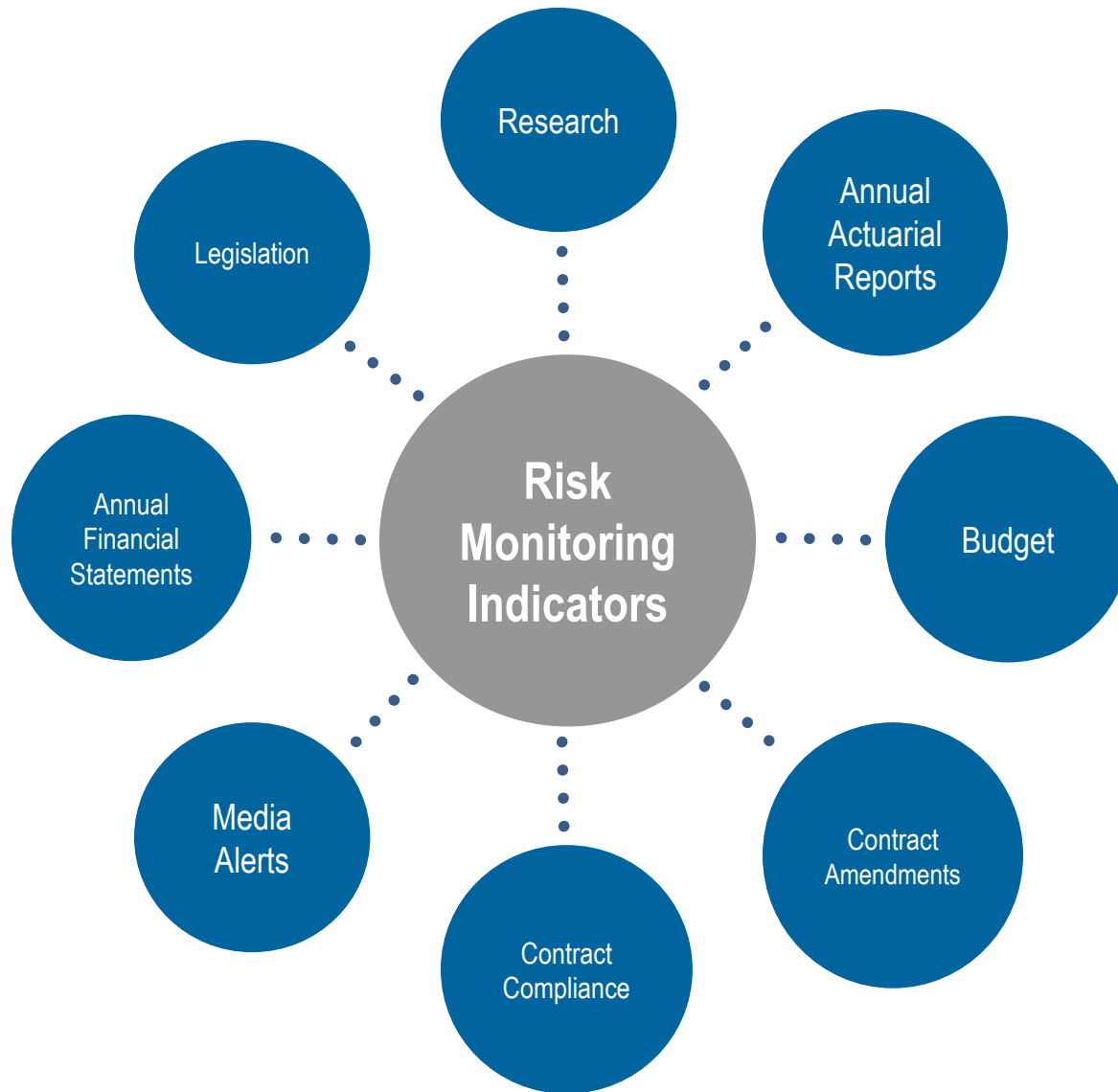
³Represents special districts in California who formed and are governed under a specific California government Code

⁴UAL: Unfunded Accrued Liability

All Public Agency Funded Status







Risk Prioritization





Inactive Agency Demographics

59—Inactive Public Agencies in Retirement Program¹

Agency Type	# of Agencies	% of Total Agencies	Total Participants	% of Total Participants
Cities or Towns	0	0%	0	0%
Counties	1	2%	348	18%
Special Districts				
● JPAs	13	22%	684	36%
● Non-Profits	10	17%	271	14%
● Others ²	35	59%	595	32%
Total	59	100%	1,898	100%

¹Data Source: 2016 valuation report dataset; Total participants represent the actual participants in each rate plan.

²Represents special districts in California who formed and are governed under a specific California government Code.

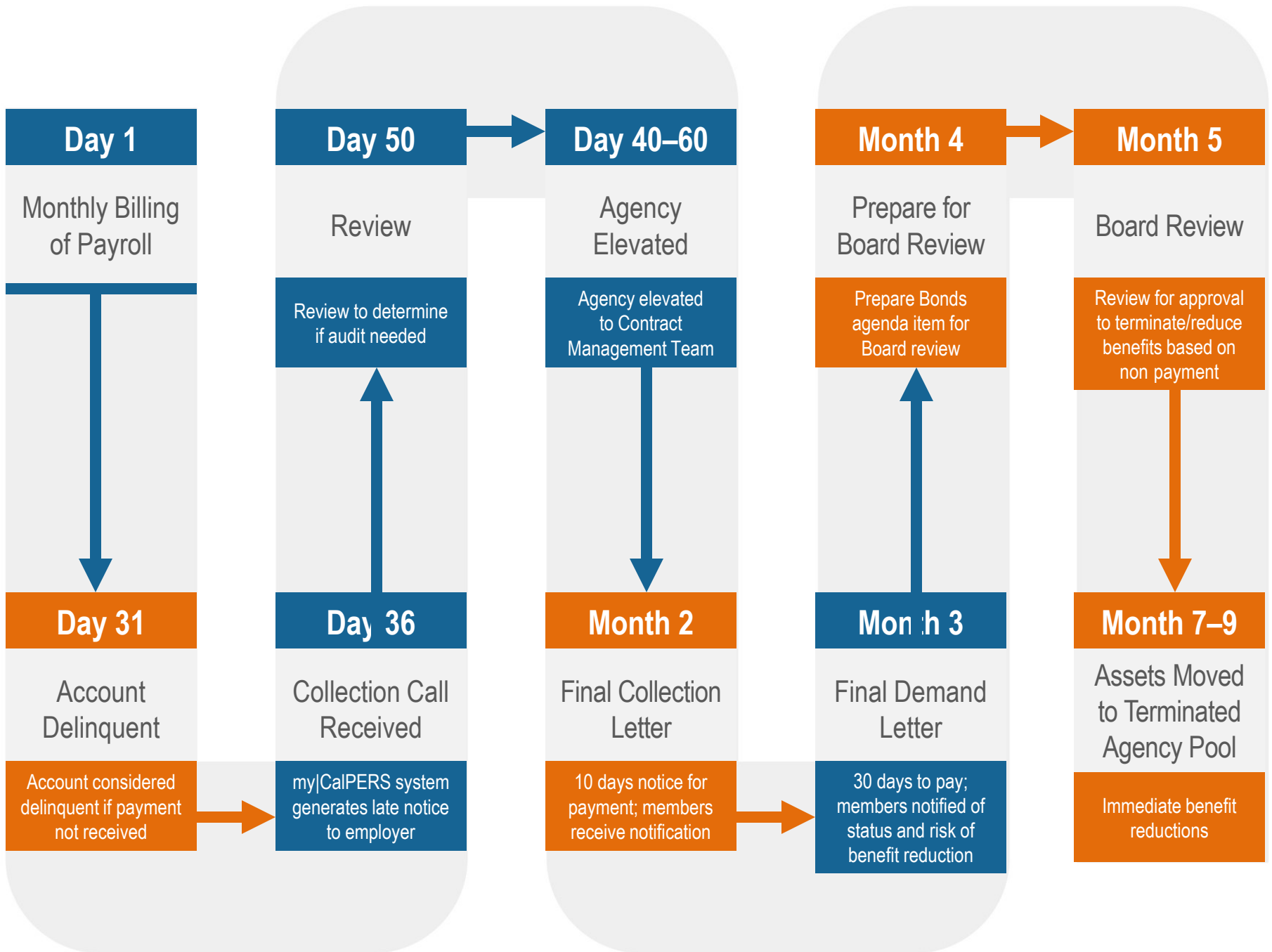
Inactive Agency Unfunded Accrued Liability

59—Inactive Agencies in Retirement Program¹

Agency Type	# of Agencies	Current UAL & Funded % @ 7.5% (\$ in Millions)		Termination UAL & Funded % @ 2.0% (\$ in Millions)	
Cities or Towns	0	\$0	0%	\$0	0%
Counties	1	\$10	75%	\$40	44%
Special Districts					
● JPAs	13	\$45	75%	\$236	36%
● Non-Profits	10	\$3	86%	\$27	44%
● Others ²	35	\$23	82%	\$153	40%
Total	59	\$81	78%	\$456	39%

¹Data Source: 2016 valuation report dataset

²Represents special districts in California who formed and are governed under a specific California government Code.



2018 Legislative Strategies

- **Establish timeframes** from employer's intent to finalizing voluntary terminations and require employers to notify past and present employees of their intention to terminate.
- **Require new contracting** JPA member agencies to be joint and severally liable for the JPA's pension obligations and allow the Board to refuse to contract with a JPA whose members are not liable.