CalPERS Update:
A Solid Foundation for the Future

Council of State Governments West 71st Annual Meeting
Westrends Board

Marcie Frost, CalPERS CEO
September 14, 2018
Our Members Are Our Focus

1.9 million members

38% School members
31% Public Agency members
31% State members
Our Members Tell Our Story

$2,876 Average allowance for all retirees

64% Receive less than $3,000

3% Earn pensions greater than $100,000

$21.4 billion Paid in pension benefits annually
Funded Status
June 30, 2017
68.3%

Funded Status
June 30, 2018
71.0%
How Will We Do It?

Tackling financial challenges

Operating efficiently

Managing risk

Sound investing
Addressing Financial Challenges

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

100%

- 50% Global Equity
- 28% Fixed Income
- 13% Real Assets
- 8% Private Equity
- 1% Liquidity

Shorter Amortization
Shortened the amortization period for employers to pay their unfunded liability

30 yrs. → 20 yrs. = significant long-term savings
Operating As Efficiently As Possible

1.5–2% reduction annually
70% managed in-house
$170 million savings
Stress Testing for Long-Term Stability

Asset Liability Management Process

- Investment Scenarios
- Funded Status
- Future Financial Events
- Employer Contributions
Risk Management Strategies Aligned with Key Goals

Strategic Goals

- Fund Sustainability
- Health Care Affordability
- Reduce Complexity
- Risk Management
- Talent Management
Employee Awareness Key to Culture of Risk

- Strategic Plan & Business Plan
- Performance Reporting
- Risk Reporting

CalPERS
Looking to the Future

Technology  Innovation  Change
Private Equity: Best-Returning Asset Class

$27 billion invested

16.1%
2017-18 fiscal-year return

10.6%
20-year return

As of June 30, 2018
Proposed Private Equity Strategy: **CalPERS Direct Model**

**CalPERS Direct: Innovation**
Late stage investments in tech/life sciences/healthcare

**CalPERS Direct: Horizon**
Long-term investments in core economy established companies
Forward Looking Models

1. Emerging Managers
2. Partnership Model
3. CalPERS Direct: Innovation
4. CalPERS Direct: Horizon
Fund Sustainability

Engagement vs. Divestment

ESG & Risk Mitigation
Thank You