



# Joint Informational Hearing

## California Public Retirement Systems: Upcoming Challenges and Opportunities

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*Senate Labor, Public Employment and Retirement Committee  
Assembly Public Employment and Retirement Committee*

**March 9, 2022**

# Key Points

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- CalPERS financial strength has improved
- Investment risk mitigations established to reduce risk, weather market volatility, improve funding and protect against spikes in employer costs
- Increased allocation to private markets and added leverage to increase returns and diversify assets
- Addressing climate change through advocacy, engagement and integration
- Sustained operational excellence through COVID-19

# We Serve Those Who Serve California

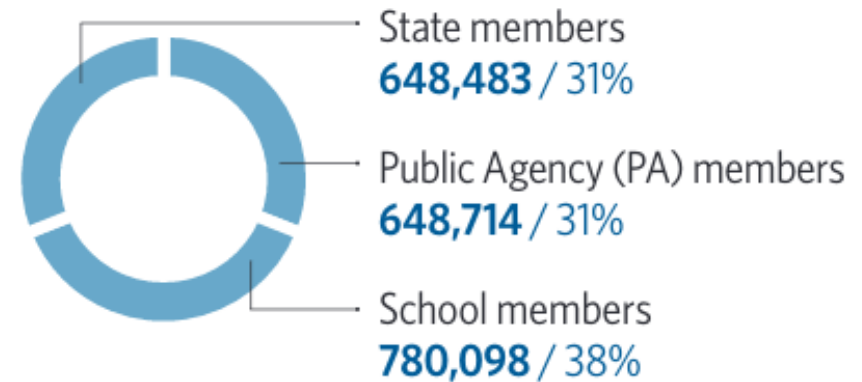
**\$27.4 bil** Paid in pension benefits

**\$3,281** Average monthly allowance,  
all retirees

**\$3,793** Average monthly allowance,  
all new retirees

**33%** Retirees who do not receive  
Social Security

## Members by Employer Type

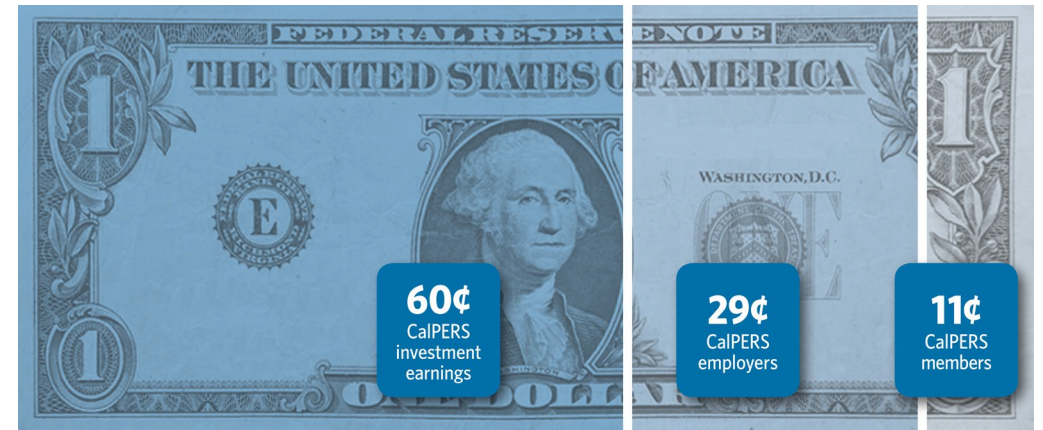
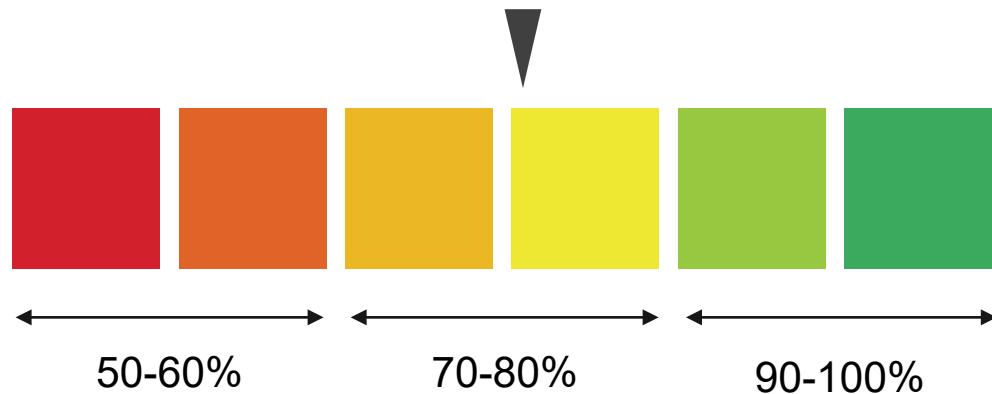


# CalPERS Financial Strength has Improved

**\$469 billion in assets**

**21.3% net  
return on investments**

**80% funded status** (from 71%)



# CalPERS Long Term Returns Remain Strong

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<b>30 year</b>	<b>8.4%</b>
20 year	6.9%
10 year	8.5%
5 year	10.3%
1 year	21.3%

*(As of fiscal-year ending 6/30/21)*

# Upcoming Challenges and Opportunities

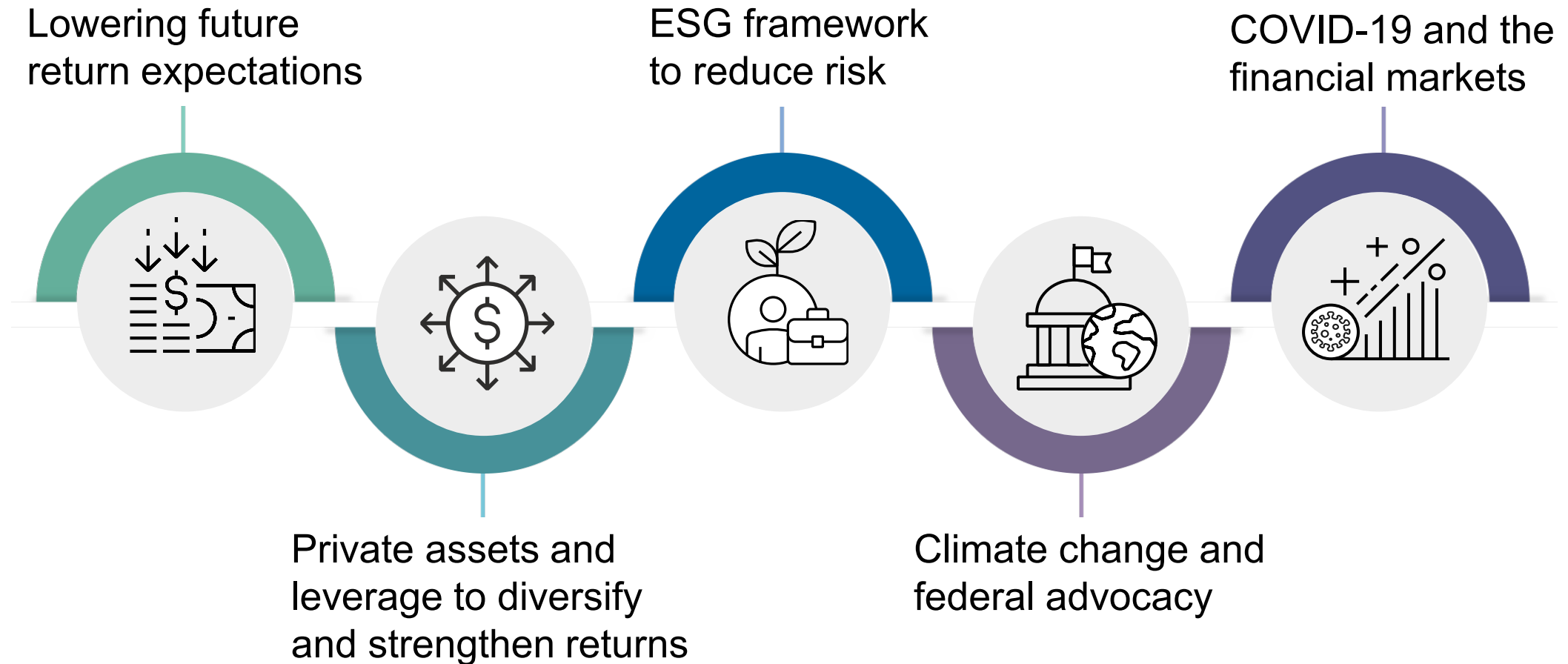
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- Investment Risk
- Sustainability/Climate Risk
- Employer Affordability
- Exceptional Healthcare
- Diversity, Equity, and Inclusion Framework

# Investment Risk

# Strategic Priorities Focused on Risk and Return





# Risk Mitigation in the Portfolio

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- Improved liquidity
- Total fund approach
- Specific allocation to treasuries
- Real assets 90% core holdings
- Significant allocation to defensive equities
- Leveraged portfolio outperformed unleveraged in stress-testing

# Sustainability

# Sustainability Efforts

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Research



Data &  
Corporate  
Reporting



Climate  
Change



Diversity  
& Inclusion



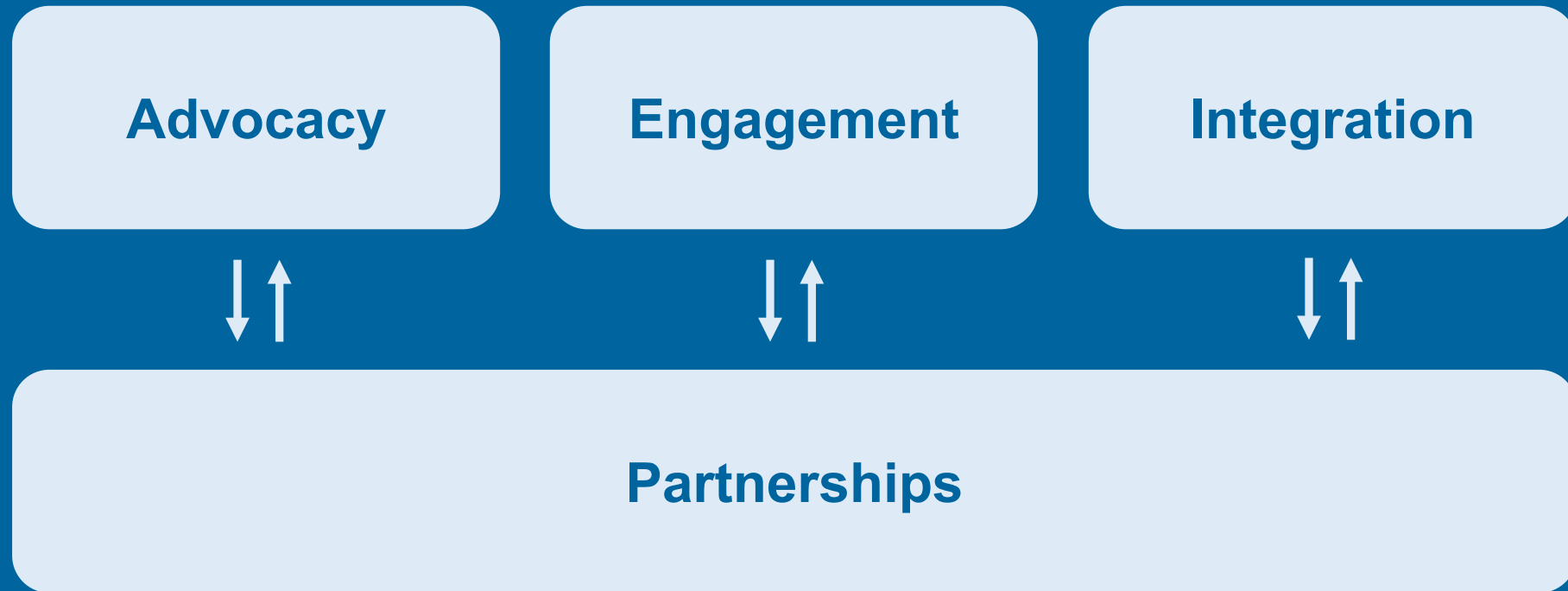
Private Equity  
& Profit/Fee  
Sharing  
Transparency



Manager  
Expectations



# CalPERS' Path to Net Zero





# Engagement: Developing Partnerships

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- **CalPERS convened and cofounded Climate Action 100+**
  - 615 investors representing \$65 Trillion in assets
  - Engaging the world's systemically important corporate greenhouse gas emitters responsible for 85% portfolio emissions
  - CalPERS sits on the Steering Committee, co-chairs Asia Advisory Group and leads on 22 companies
- **Impact is significant**
  - 111 of the 167 Climate Action 100+ companies have set net zero goals by 2050
  - Represents 25% of global emissions ([Bloomberg New Energy Finance](#))

# Employer Affordability

# Employer Affordability

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- **Our employers are our partners. Open and consistent communication is key to success.**
- **Programs and Tools**
  - The California Employers' Pension Prefunding Trust
  - California Employers' Retiree Benefit Trust
  - Fresh Start
  - Additional Discretionary Payments
  - Pension Outlook
- **No employers are delinquent in their pension payments**

# Exceptional Health Care





# Exceptional Health Care



# Purchasing Power in Numbers

## Purchasing Power in Numbers

CalPERS is the **largest public employer purchaser of health benefits in California** and the second largest employer purchaser in the nation after the federal government.

**1.5 million** Members

**\$9.74 billion** Spent in 2020 to purchase health benefits

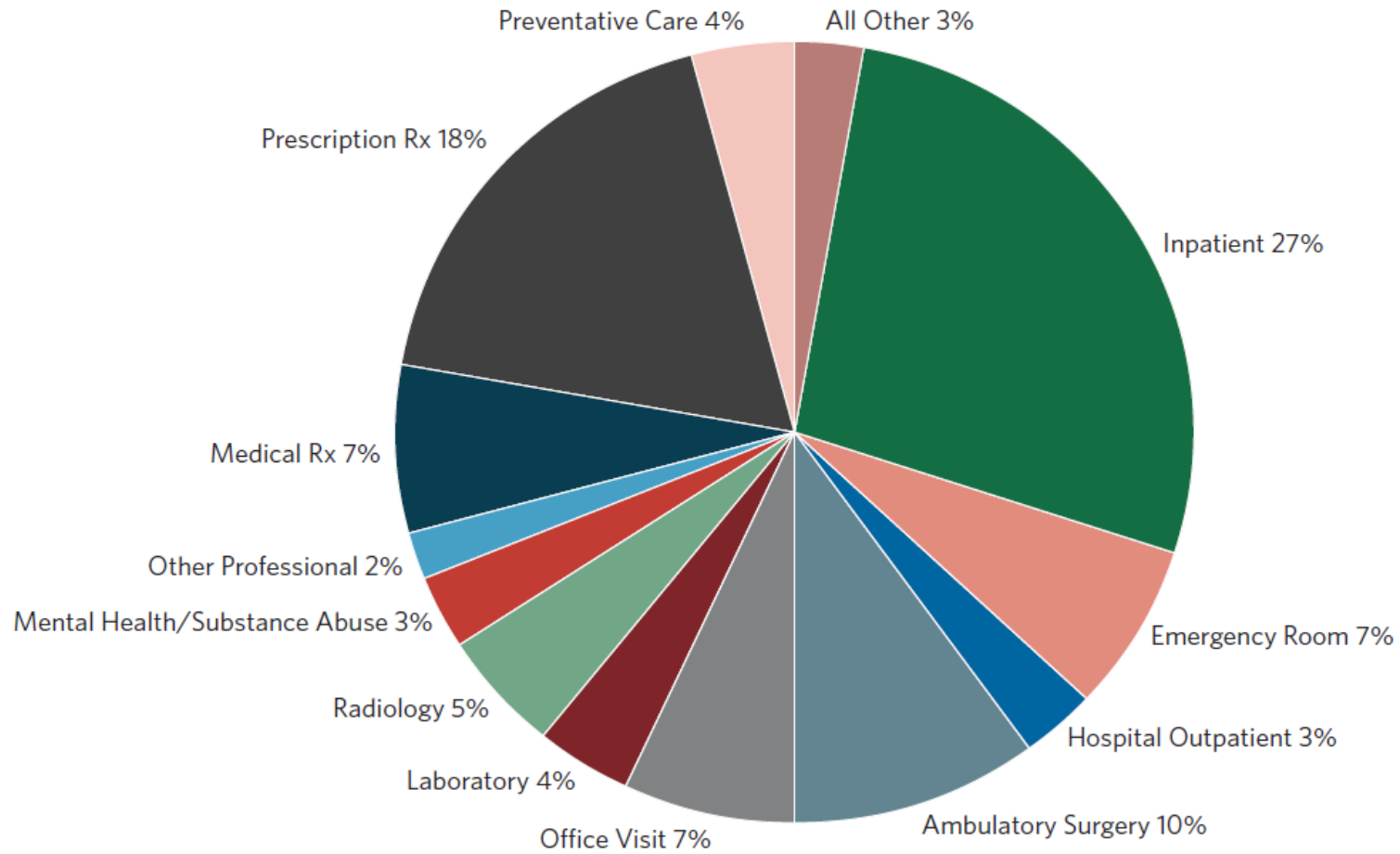
## Historical Premium Changes\*

	2017	2018	2019	2020	2021
<b>Basic plans</b>	<b>3.9%</b>	<b>2.5%</b>	<b>1.1%</b>	<b>5.1%</b>	<b>5.3%</b>
HMOs	4.1%	3.7%	0.4%	6.0%	4.4%
PPOs	3.8%	(2.5%)	2.8%	3.3%	8.5%
Association plans	2.0%	6.6%	3.7%	1.4%	3.6%
<b>Medicare plans</b>	<b>(1.6%)</b>	<b>1.0%</b>	<b>1.6%</b>	<b>1.7%</b>	<b>(2.3%)</b>
HMOs	1.1%	4.3%	(1.2%)	6.1%	(4.5%)
PPOs	(4.0%)	(2.0%)	3.7%	(2.5%)	(0.6%)
Association plans	1.3%	5.1%	6.6%	6.8%	4.5%

\* Percentages are based on premiums paid by active and retired state, school, and public agency members. Premium changes for public agencies vary depending on geographic location.

# Where Does the Money Go?

Percentage of PMPM by Service Category



Data as of June 23, 2021

Source: 2020 CalPERS Health Benefits Program Annual Report

# Alignment with Other Health Care Purchasers



# Diversity, Equity, & Inclusion Framework

# Diversity, Equity & Inclusion Framework

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- Introduced in March 2021
- Guided by CalPERS beliefs and principles, data, and research



**Culture**



**Talent  
Management**



**Health Equity**



**Supplier  
Diversity**



**Investments**

# Conclusion

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- We have a responsibility to (1) ensure the long-term sustainability of the pension fund to deliver on the promised benefits, and (2) ensure our members receive high-quality, affordable healthcare.
- We are looking at mitigation measures to reduce the risk in the fund and improve overall long-term funding.
- We are focused on customer service and operational excellence.
- CalPERS is committed to work with the Legislature and other key stakeholders to meet our goals.