CalPERS Update:

A Solid Foundation for the Future

National Conference on Public Employee Retirement Systems
2018 Public Pension Funding Forum

Marcie Frost, CalPERS CEO
September 17, 2018
Decisions to Mitigate Risk

**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

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

**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
Risk Management Strategies Aligned with Key Goals

**Strategic Goals**

- Fund Sustainability
- Health Care Affordability
- Reduce Complexity
- Risk Management
- Talent Management

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CalPERS
Employee Awareness Key to Culture of Risk

- Risk Reporting
- Performance Reporting
- Strategic Plan & Business Plan
Looking to the Future

Technology  Innovation  Change

CalPERS
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
Thank You