

## California Employers' Retiree Benefit Trust (CERBT)

### CERBT Program Overview

The CERBT Fund is an Internal Revenue Code (IRC) Section 115 trust dedicated to prefunding Other Post-Employment Benefits (OPEB) for all eligible California public agencies. The CERBT was established in 2007 and is referenced in section 22940 of the California Public Employees' Retirement Law (PERL). This program is available to public agencies to prefund future retiree benefits such as health, vision, dental, and life insurance. CERBT is the largest public employer OPEB trust fund in the State of California. Attributes of the CERBT program's success are excellent investment management, low total participation cost, personal direct service support, financial reporting compliance with governmental accounting standards, and uncomplicated administrative processes.

### CERBT Program Update

In FY 2021-22, the program focused on providing regular retention outreach efforts to current participating employers, onboarding new employers, promoting more efficient and effective operational performance, and increasing service delivery to employers. In FY 2021-22 the program maintained successful operations by the following:

- Added 15 new employers.
- Completed 19 workshops with 366 employers in attendance.
- Made 850 new prospective education employer calls.
- Met with 206 employers to perform annual reviews.
- Increased customer outreach by providing quarterly account updates to 583 contracted employers who have invested assets in the trust.

### CERBT Employer Retention

Participating employers receive year-round communication, education outreach services, and quarterly account update reports to support retention. CalPERS team members conducted semi-annual workshops virtually and annual administration webinars.

Participating employers also receive tailored reports that provide information on program developments, improvements, performance results, and account information for stakeholder communication and reporting requirements. The 97% retention is attributed to the program advantages and service delivery.

### CERBT Participating Employer Enrollments and Contributions

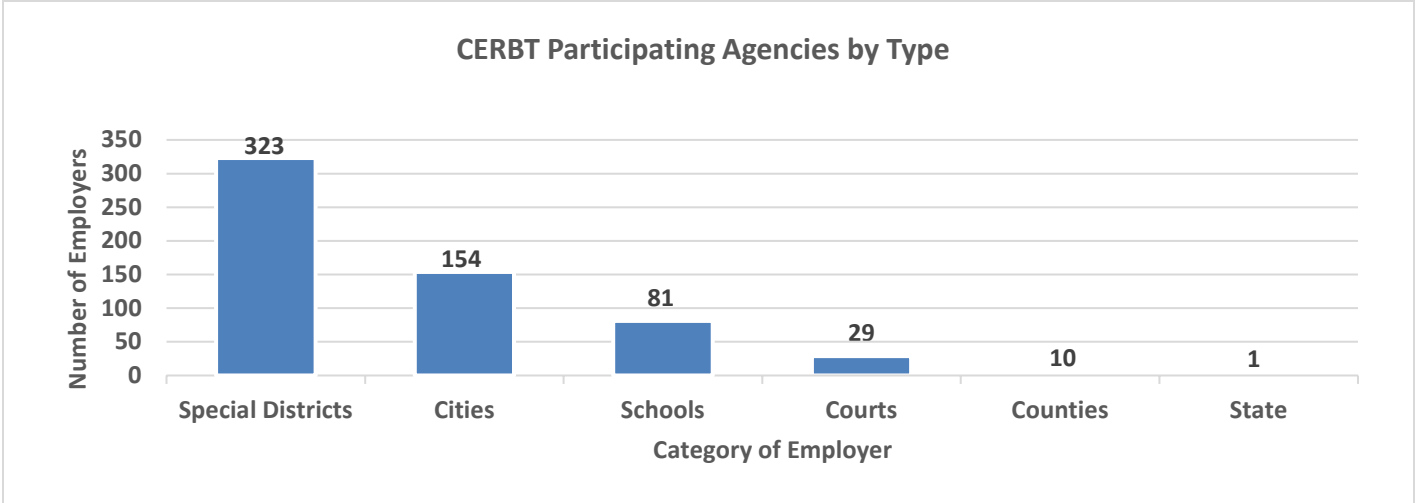
During FY 2021-22, CERBT contracted employers increased from 586 to 598 employers. The following table shows the percentage of assets under management (AUM) decreased by 2% and the number of participating

employers increased by 2% in FY 2021-22. The table also provides a comparison of the total plan members that increased in FY 2021-22.

CERBT Annual Program Information				
Fiscal Year	Participating Employers	Employer Net Contributions	Plan members	AUM
FY 2021-22	598	\$11.5 billion	1,182,119	\$15.3 billion
FY 2020-21	586	\$9.4 billion	1,160,317	\$15.7 billion

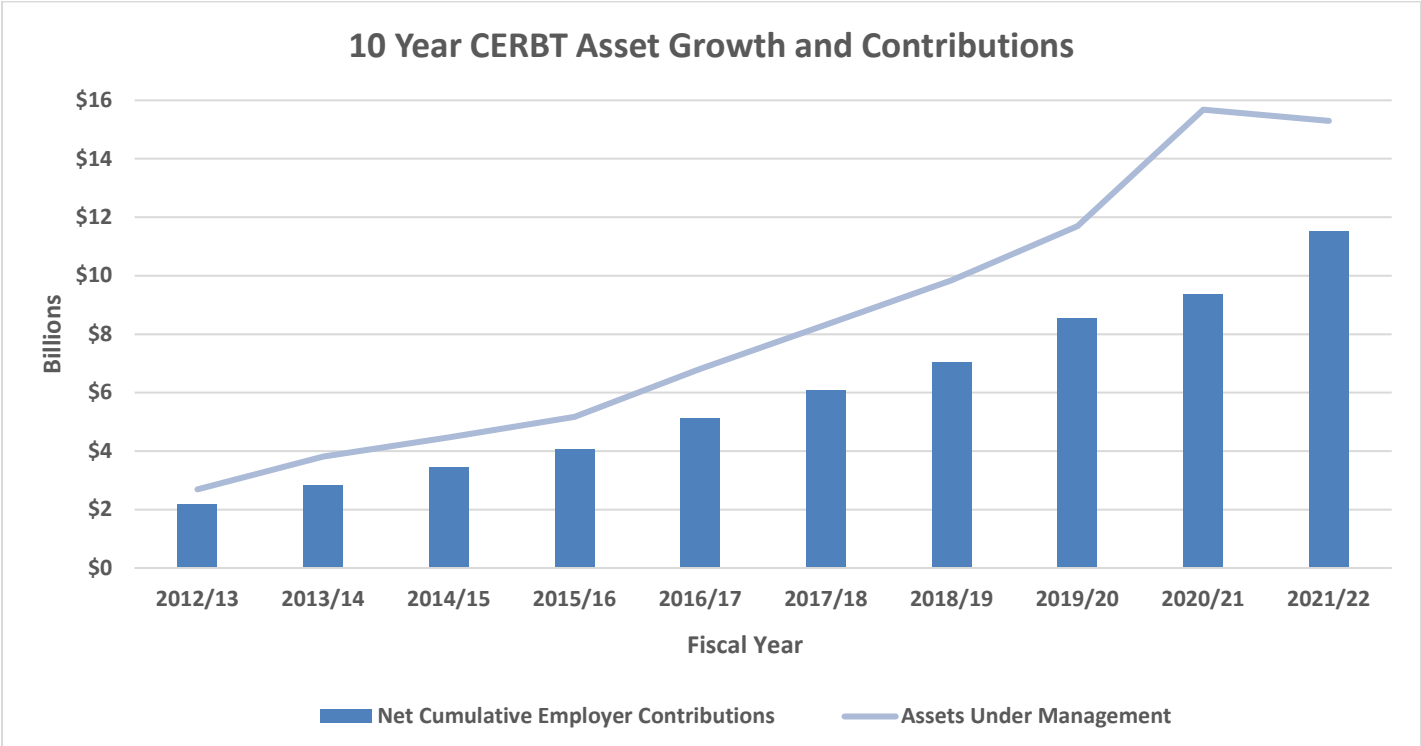
**CERBT Participating Employers by Agency Type**

Special districts represented the highest proportion of participating employers in CERBT followed by cities. The new agencies who joined in FY 2021-22 contributed \$24.7 million to the program. The State of California represents the largest participating employer in the CERBT with over \$5.13 billion in assets. A list of employers who contracted with the CERBT in FY 2021-22 may be found in the appendix. The following graph shows the number of participating employers in the CERBT by category type.



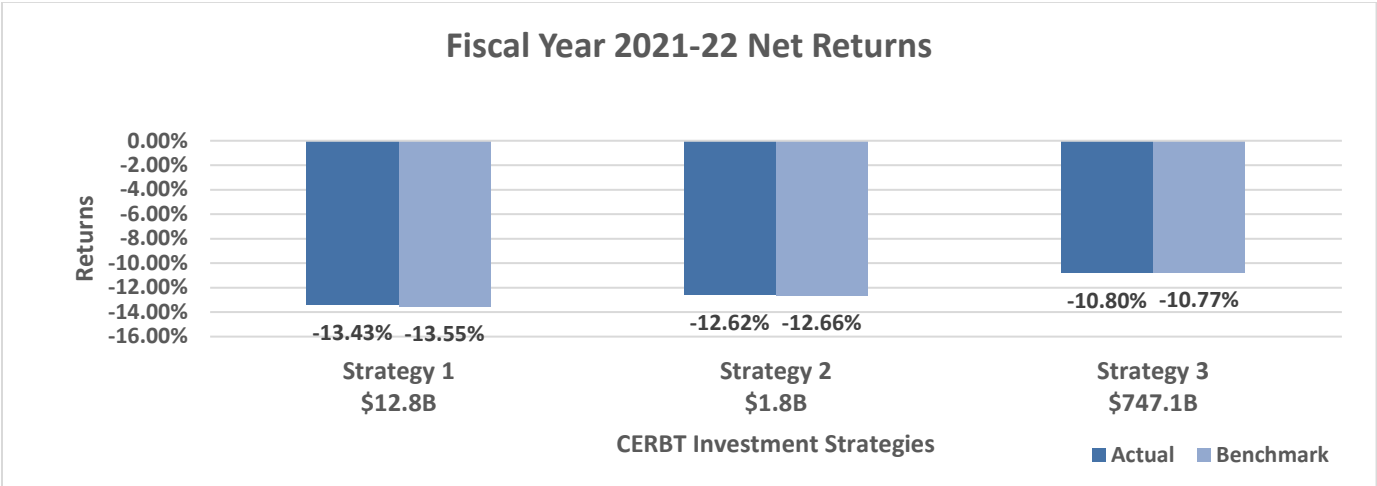
**CERBT Fund Assets and Cumulative Net Contributions**

During FY 2021-22, CERBT assets decreased to \$15.3 billion, a decrease of \$300 million due to investment performance. During the same period, employer cumulative net contributions were \$11.5 billion, an increase of \$2.1 billion. The following graph shows the most recent 10-year CERBT asset growth in billions and contributions since FY 2012-13.



### CERBT Investment Performance

The CERBT Fund returns net of fees for the 12 months ending June 30, 2022, as compared to their respective benchmarks is shown in the chart below. CERBT Strategy 3 posted more favorable returns, which are primarily attributable to a lower allocation to global equities, which was a weak-performing asset class during fiscal year 2021-22. The table below shows the CERBT net returns for FY 2021-22.



### CERBT Investment Strategy Options

Each strategy offers a distinctly different long-term expected return and return volatility. Strategy 1 has the highest long-term expected rate of return and return volatility while Strategy 3 has the lowest long-term expected rate of return and return volatility.

In March 2022, the new asset allocations with projected rates of return and volatility for each strategy were approved through the Asset Liability Management for the Affiliate Funds. Full implementation of the asset allocation adjustments is expected to be completed by October 2022. The following table provides the expected rates of return and standard deviations for each of the three CERBT investment strategies.

CERBT Investment Strategies		
Strategy Options	Expected Rate of Return	Standard Deviation
Strategy 1	6.0%	12.1%
Strategy 2	5.5%	9.9%
Strategy 3	5.0%	8.4%

# California Employers’ Pension Prefunding Trust (CEPPT)

## CEPPT Program Overview

California Employers’ Pension Prefunding Trust Fund (CEPPT) became operational in July 2019 and is referenced in section 21711 of the California Public Employees’ Retirement Law (PERL). CEPPT is an IRC Section 115 trust dedicated to prefunding employer contributions to defined benefit pension systems for eligible California public agencies. Even those not contracted with CalPERS are potentially eligible to participate. CEPPT also offers excellent investment management, low total participation cost, personal direct service support, and financial reporting compliance with governmental accounting standards.

## CEPPT Program Update

In FY 2021-22, the program focused on providing regular retention outreach efforts to current participating employers, onboarding new employers, promoting more efficient and effective operational performance, and increasing service delivery to employers. The program maintained successful operations by the following:

- Added 29 new employers, increasing participation by 67%.
- Completed 19 workshops with 366 employers in attendance.
- Made 859 new prospective education employer calls.
- Increased customer outreach by providing quarterly account updates to 53 currently contracted employers.

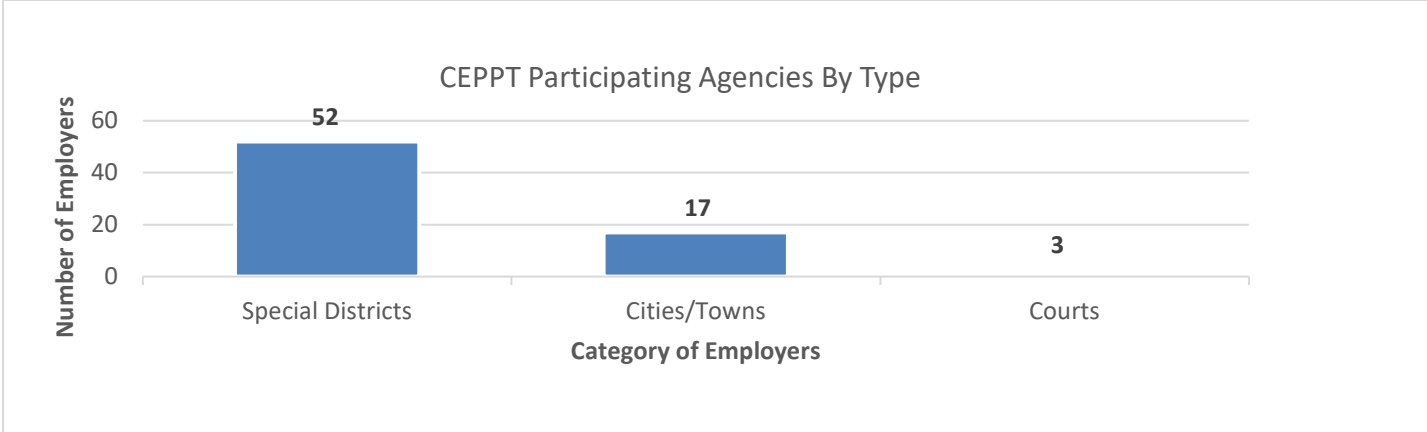
## CEPPT Participating Employer Enrollments and Contributions

The CEPPT program provides employers an opportunity to save money by investing now for their future pension contributions, and by using investment earnings to offset future pension expenses. As of June 30, 2022, CEPPT contracted employers increased from 43 to 72 participating employers. Since 2019, the program continues to grow while retaining 100% of the employer participants. In FY 2021-22, new contracted employers contributed \$12 million to the program. When comparing the last two fiscal years, shown in the table below, the percentage of assets under management (AUM) increased by 427% and the number of participating employers increased by 67%. Since inception, program team members have hosted in person and virtual workshops to communicate the advantages of the CEPPT program and increased customer outreach by phone calls and emails. The following table provides CEPPT growth for last two years.

CEPPT Annual Program Information			
Fiscal Year	Total Participating Employers	Net Contributions	AUM
FY 2021-22	72	\$89.9 million	\$84 million
FY 2020-21	43	\$54.6 million	\$58 million

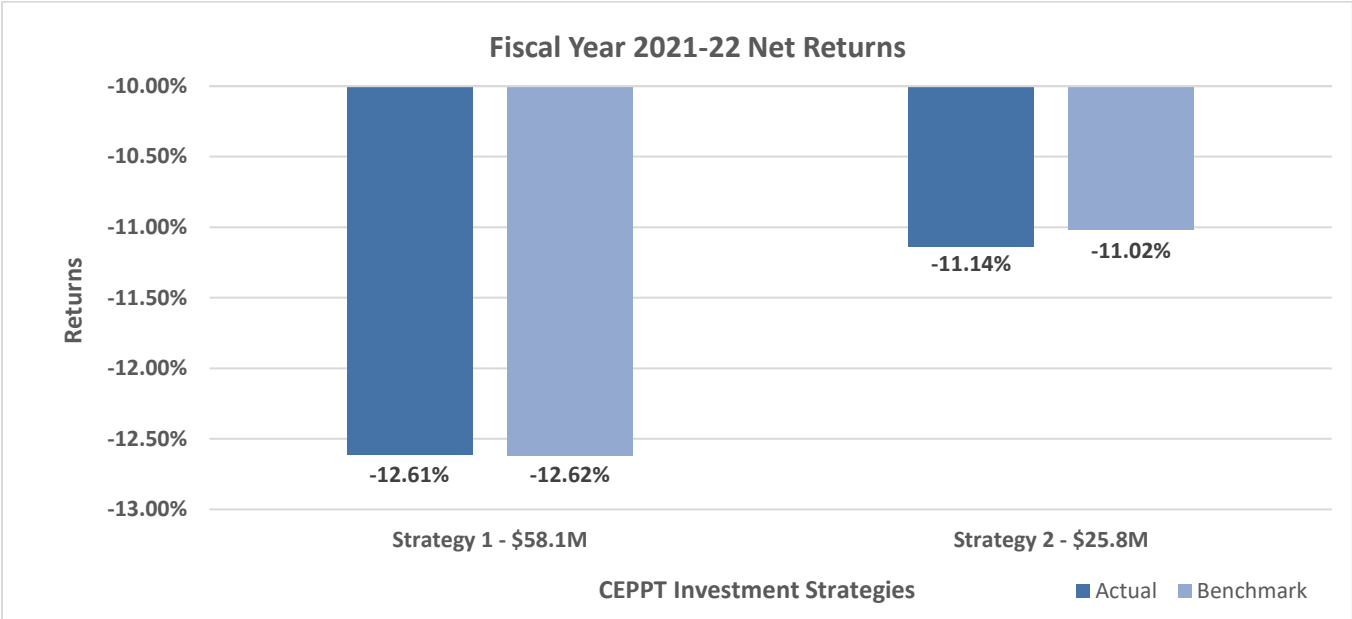
**CEPPT Participants by Agency Type**

Special districts represent the highest proportion of participating employers in CEPPT followed by cities. A list of employers who contracted with the CEPPT in FY 2021-22 may be found in the appendix. The following graph shows number of participating employers in the CEPPT by category type.



**CEPPT Investment Performance**

The CEPPT Fund returns net of fees for the 12 months ending June 30, 2022, as compared to their respective benchmarks, is shown in the chart below. CEPPT Strategy 2 posted more favorable returns, which are primarily attributable to a lower allocation to global equities, which was a weak-performing asset class during the previous fiscal year. The following table provides CEPPT net returns for FY 2021-22.



**CEPPT Investment Strategy Options**

Each strategy offers a distinctly different long-term expected return and return volatility. Strategy 1 has the higher long-term expected rate of return and return volatility while Strategy 2 has the lower long-term expected rate of return and return volatility.

In March 2022, the new asset allocations with projected rates of return and volatility for each strategy were approved through the Asset Liability Management for the Affiliate Funds. Full implementation of the asset allocation adjustments is expected to be completed by October 2022. The following table provides the expected rates of return and standard deviations for each of the two CEPPT investment strategies.

CEPPT Investment Strategies		
Strategy Options	Expected Rate of Return	Standard Deviation
Strategy 1	4.5%	8.8%
Strategy 2	3.5%	6.1%

## Supplement Income Plans (SIP)

### SIP Program Overview

The Supplemental Income Plans (SIP) program offers two deferred compensation plans—the CalPERS 457 and the Supplemental Contributions Plan (SCP). The CalPERS 457 Plan was established in 1995 and is referenced in section 21670 of the California Public Employees’ Retirement Law (PERL). The CalPERS 457 Plan is a deferred compensation supplemental retirement income plan that is available to employees of local public agencies and schools that contract with CalPERS for this plan. The CalPERS Supplemental Contributions Program (SCP) was established in 1999 and is referenced in section 22970 of the PERL. The SCP is an after-tax supplemental contributions program available to state employees, as well as active judges who are members of the Judge’s Retirement Systems I and II.

### SIP Program Updates

Below are program highlights made in FY 2021-22 to promote more efficient and effective operational performance while increasing service delivery to employers:

- Enrolled 2,694 new participants.
- Conducted 396 participant group education presentations and 51 participant webinars.
- Conducted 8,735 individual participant 457 Plan reviews.
- Conducted 37 plan reviews with contracted employers.
- Distributed an “end-of-year” annual summary email to all contracting agencies with personalized agency participant demographic statistics.
- Conducted ongoing Roth awareness campaign resulting in 268 agency Roth provisions adopted since implementation, with 36 added provisions in FY 2021-22. There have been 1,458 total participant Roth accounts created since inception with 583 added in FY 2021-22. Total Roth assets under management are \$6.01 million.
- Created and implemented Spanish-language education and communication resources and materials.

### SIP Employer Retention

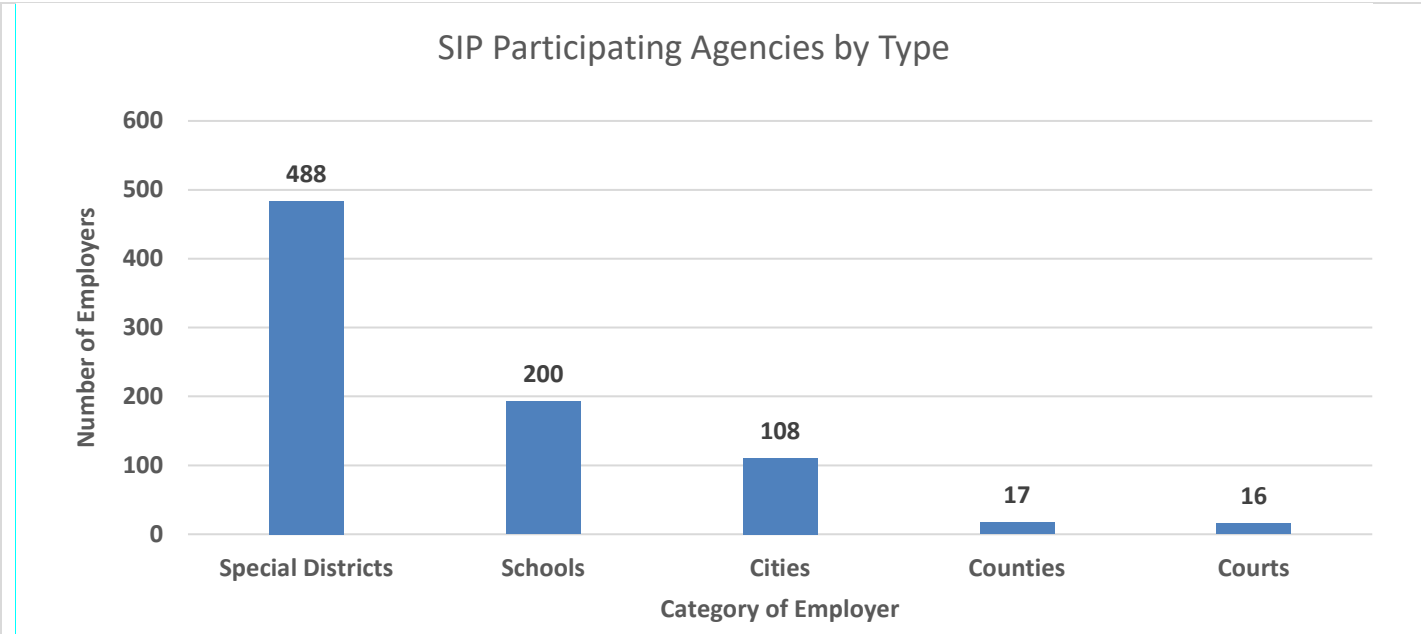
SIP team members have a proactive agency retention program that utilizes both internal communication methods and in-person or teleconference outreach meetings to ensure quality customer service at the agency level.

In addition, SIP’s third-party administrator, Voya Financial, provides participant education and field services to all SIP contracting employers. This ensures that at the participant level all active and prospective participants have a venue to learn about SIP and have their questions answered. For FY 2021-22, Voya team members conducted in-person as well as phone plan reviews to provide a choice of access for participants. In addition, a strategic presentation and webinar campaign yielded substantial support to 457 Plan participants.



**SIP Participating Employers by Agency Type**

There are a total of 829 employers participating in the SIP program. Special districts represent the highest proportion of participating agencies in SIP followed by schools and school employers. The table below provides a breakout of participating agencies types. A list of employers who contracted with the SIP (457 Plan) in FY 2021-22 may be found in the appendix. The following graph shows the SIP participating agencies by agency type.



**SIP Participant Enrollments and Contributions**

During FY 2021-22, SIP employer participants had a net increase of eight employers. Twelve new plan adoptions and four plan terminations. Assets under management were \$2.0 billion, a decrease of \$275 million mainly due to market condition influences. During the same period, the table below shows participant cumulative net contributions were \$125.1 million, an increase of \$8.0 million. The following table shows SIP annual program information for the last two fiscal years.

SIP Annual Program Information				
Fiscal Year	Participating Employers	Participant Contributions	Plan members	AUM
FY 2021-22	829	\$125.1 million	39,502	\$2.02 billion
FY 2020-21	821	\$117.1 million	38,236	\$2.30 billion

**SIP Investment Update**

In June 2022, the new 2065 Target Date Fund was approved through the Asset Liability Management for the Affiliate Funds. In addition, the asset allocations within each Target Retirement Date Fund will also be updated effective October 1, 2022. CalPERS periodically reviews and makes changes to the asset allocations of each

fund based on factors such as a review of participant demographics, life expectancy, estimated salary growth, and changing market conditions.

### SIP Target Retirement Date Fund Highlights

Returns were between -15.13% and -10.49% before fees for the 12 months ending June 30, 2022, and all outperformed their respective benchmarks by between 10 and 24 basis points on a gross basis.

The CalPERS Target Retirement Date Funds and Core Fund returns before fees for the 12 months ending June 30, 2022, as compared to their respective benchmarks are shown in the tables below.

SIP Target Date Fund Line Up and Performance				
Fund	Assets (mil)	Gross Return	Benchmark	Excess Return
Income	\$104.0	(10.49%)	(10.59%)	0.10%
2015	\$84.2	(10.52%)	(10.61%)	0.10%
2020	\$156.6	(11.31%)	(11.43%)	0.12%
2025	\$201.1	(12.35%)	(12.51%)	0.15%
2030	\$190.8	(13.18%)	(13.36%)	0.18%
2035	\$122.5	(14.27%)	(14.48%)	0.21%
2040	\$113.0	(15.12%)	(15.37%)	0.24%
2045	\$65.4	(15.12%)	(15.37%)	0.24%
2050	\$38.9	(15.12%)	(15.37%)	0.24%
2055	\$14.0	(15.12%)	(15.37%)	0.24%
2060	\$8.1	(15.13%)	(15.37%)	0.24%

SIP Core Fund Line Up and Performance				
Fund	Assets (mil)	Gross Return	Benchmark	Excess Return
US Equity Index Fund	\$580.3	(13.69%)	(13.87%)	0.18%
International Equity Index Fund	\$62.8	(19.49%)	(19.86%)	0.37%
Real Assets Fund	\$22.2	8.96%	8.83%	0.13%
Intermediate-Term Bond Index Fund	\$55.8	(10.28%)	(10.29%)	0.01%
Short-Term Bond Index Fund	\$38.7	(3.59%)	(3.56%)	(0.02%)
Short-Term Investment Fund	\$115.5	0.28%	0.17%	0.12%

On October 1, 2021, the annual glide path rebalance was applied to the Target Retirement Date Funds, which moved certain funds to a slightly more conservative allocation.

## Appendix

The following table provides a listing of new contracted employers for CERBT, CEPPT and SIP who joined in FY 2021-22.

New Contracted Employers		
CERBT	CEPPT	SIP (457 Plan)
Beaumont-Cherry Valley Water District	Arrowbear Park County Water District	Allen Hancock Joint Community College District
Burlingame School District	Callayomi County Water District	Cascade Union Elementary School District
City of Cathedral City	Carmel Area Wastewater District	City of Fowler
City of Lindsay	Castro Valley Sanitary District	City of Lathrop
City of Morgan Hill	City of Cotati	County of Humboldt
City of South Pasadena	City of Irwindale	Feather River Resource Conservation District
Fairfield-Suisun Unified School District	City of Lindsay	Kensington Community Services District
Lowell Joint School District	City of San Marino	Lake Don Pedro Community Services District
Lynwood Unified School District	City of Sonora	Recourse Conservation District of Tehama County
Metropolitan Education District	City of Torrance	Santa Cruz Port District
Olympic Valley Public Service District	Delta Mosquito and Vector Control District	Solano County Schools
Rural County Representatives of California	El Dorado County Transportation Commission	Yolo County Resource Conservation District
Santa Cruz County Regional Transportation Commission	Fairfield-Suisun Sewer District	
Superior Court of California County of San Luis Obispo	Felton Fire Protection District	
West Contra Costa Integrated Waste Management Authority	Inland Empire Health Plan	
	Livermore/Amador Valley Transit Authority	
	Main/Sonoma Mosquito and Vector Control District	
	Murphys Sanitary District	
	North Tahoe Public Utility District	
	Olympic Valley Public Service District	
	San Bernardino Valley Water Conservation District	
	Santa Cruz County Regional Transportation Commission	
	Sausalito-Marin City Sanitary District	
	Serrano Water District	
	Southern California Library Cooperative	
	Sunnyslope County Water District	
	Turlock Mosquito Abatement District	
	West Contra Costa Integrated Waste Management Authority	
	Woodside Fire Protection District	