# Finance & Administration Committee

**California Public Employees' Retirement System**

## Agenda Item 9a

March 18, 2013

**ITEM NAME:** Annual Review of Pension Plans Funding Levels and Risks

**PROGRAM:** Pension

**ITEM TYPE:** Information

**EXECUTIVE SUMMARY**

This agenda item and the attached report is intended to assist the CalPERS Board of Administration in assessing the funded status of the Public Employees Retirement System and its overall soundness and sustainability. It focusses on the funding levels and risks associated with the funding of the system.

The report shows that the current funding levels are generally between 65 and 80 percent funded, significantly below the desired level of 100%.

The report notes that payments toward the unfunded liability (UAL) are generally less than the interest on the unfunded liability. This shows that employer contribution rates will need to increase in the future.

Overall, the report highlights that employers are exposed to a considerable amount of contribution rate volatility and a risk of further changes in funded status. Contribution rates are expected to remain high for an extended period unless there is a period of exceptional returns in the markets.

**STRATEGIC PLAN**

This agenda item supports the Strategic Plan Goal A – Improve long-term pension and health benefit sustainability – by focusing on the funding risk. A CalPERS strategic initiative is to actively manage and assess funding risk through an asset liability management framework to guide investment strategy and actuarial policy. An understanding of the funding risks is essential to that strategic initiative.

**BACKGROUND**

The Finance & Administration Committee is authorized to oversee the financial soundness of the overall CalPERS system, including an annual review of funded status and overall pension soundness and sustainability. In order to assist the committee in this task, the actuarial office has prepared the attached report.

This is the second annual report on funding levels and risks.

**ANALYSIS**
Please see the attached report for an analysis of funding levels and risks.

**ATTACHMENTS**
Attachment 1 – Annual Review of Funding Levels and Risks

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