Funded Status Strategic Measure

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CalPERS

Funded Status

PERF Funded Status based on Market Value of Assets

Funded Status based on MVA of Public Agencies, State, and School

Measure
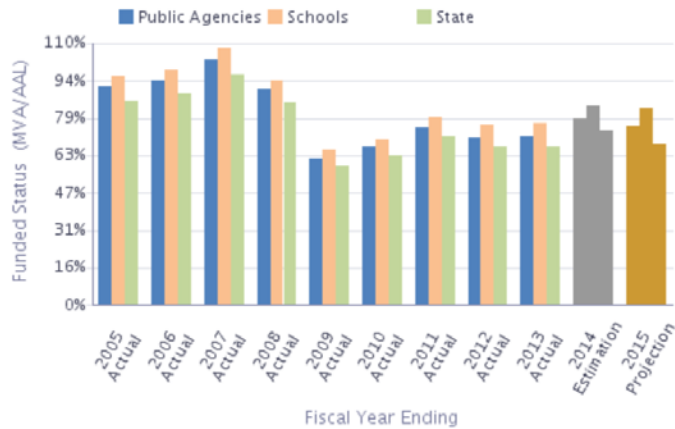Funded Status

Definition & Purpose
This metric is defined as the Market Value of Assets divided by the Actuarial Accrued Liability to calculate the Funded Status percentage. Funded Status is a measure of the health of a pension system.

This measure shows how the funded status of plans in the CalPERS PERF is improving over time. One can gain greater insight about the sustainability of the system's funding methods by evaluating the funded status with the impact of payments on the unfunded liability, actual versus expected investment returns, changes in actuarial methods and assumptions, benefit changes, and other actuarial experience.
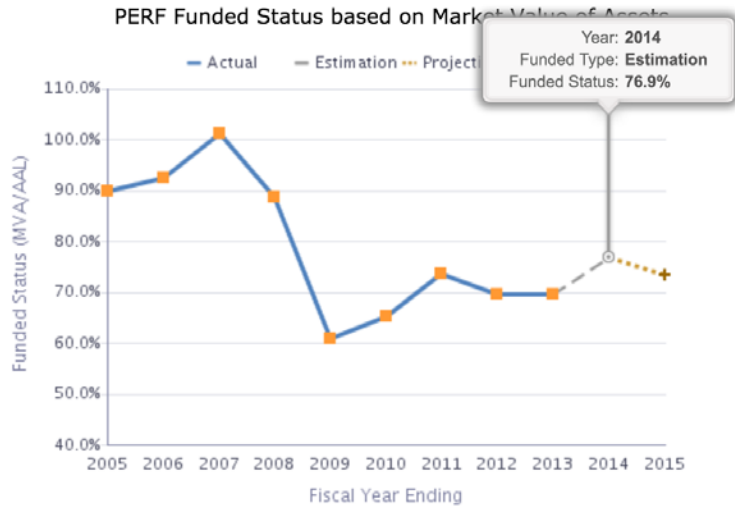
Details & Analysis

Where We Are
Data Frequency
Baseline, Thresholds and Targets
Interpretation of Results
Challenges & Mitigations
References & Sources

Measure 4: Funded Status

Funded Status

PERF Funded Status based on Market Value of Assets

Year: 2014
Funded Type: Estimation
Funded Status: 76.9%

Funded Status based on MVA of Public Agencies, State, and School

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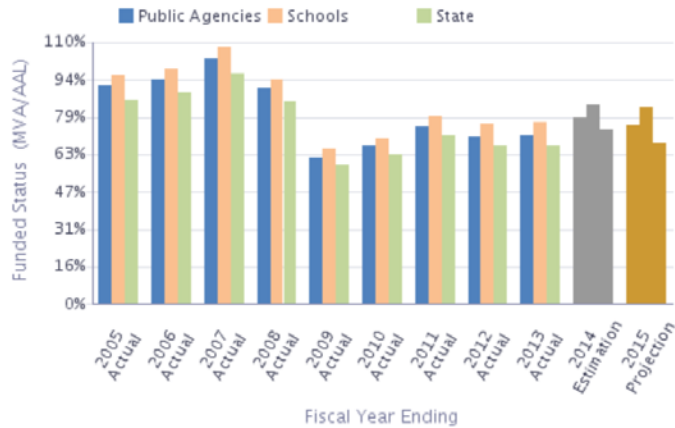Funded Status

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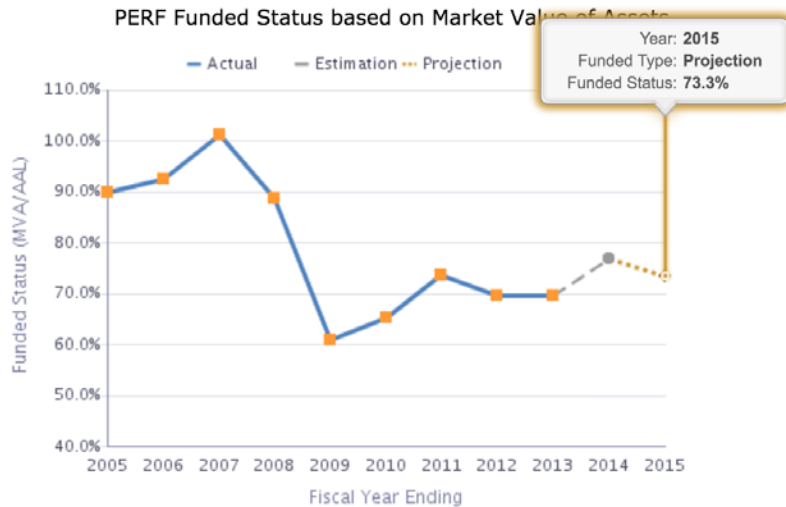
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PERF Funded Status based on Market Value of Assets

Year: **2015**
Funded Type: **Projection**
Funded Status: **73.3%**

Funded Status based on MVA of Public Agencies, State, and School
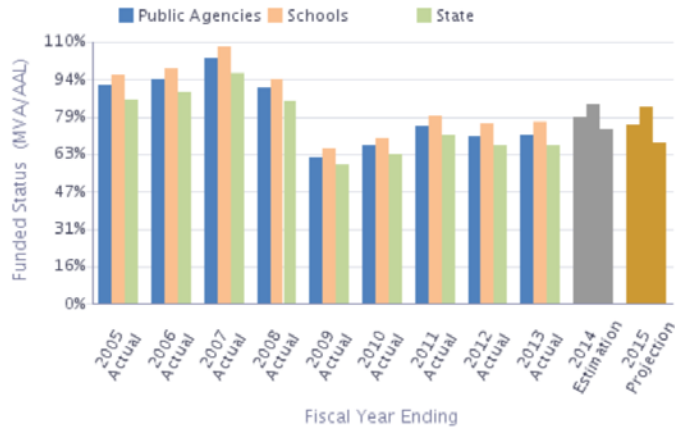
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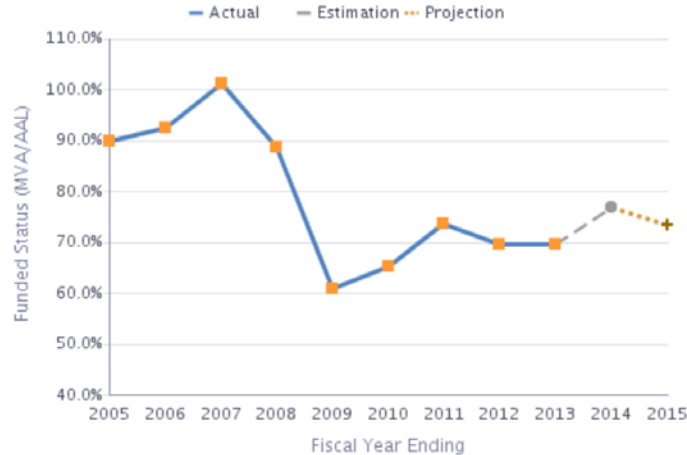
Details & Analysis

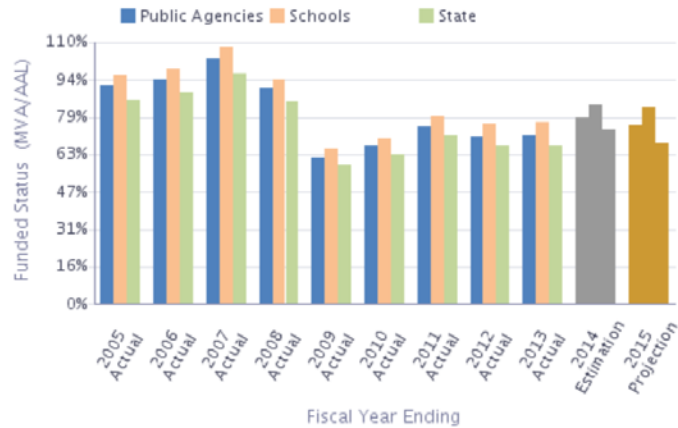| |
|---|
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| Interpretation of Results |
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Details & Analysis

Where We Are
The CalPERS PERF was 69.8% funded as of Jun 30, 2013, the estimated June 30, 2014 funded status is 76.9%, and a projected June 30, 2015 funded status of 73.3%

Data Frequency
Funded status information is typically available in the fall for the previous year. For example, the actual CalPERS PERF funded status for June 30, 2014 should be available in the winter of 2015.

Baseline, Thresholds and Targets
- **Baseline:** 11.93% volatility.
- **Thresholds:** No thresholds have been established for this measure.
- **Target:** CalPERS' goal is to be 100% funded with an acceptable level of risk.
- **Benchmark:** The benchmark is the average annualized investment return among public pension funds as identified by NASRA, currently 7.68%.
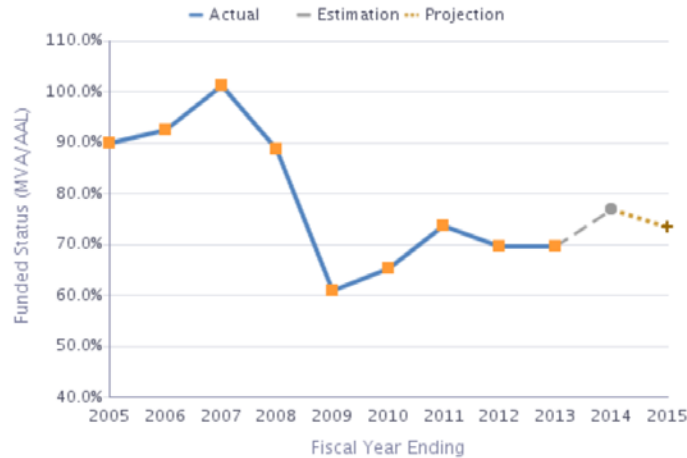
Interpretation of Results
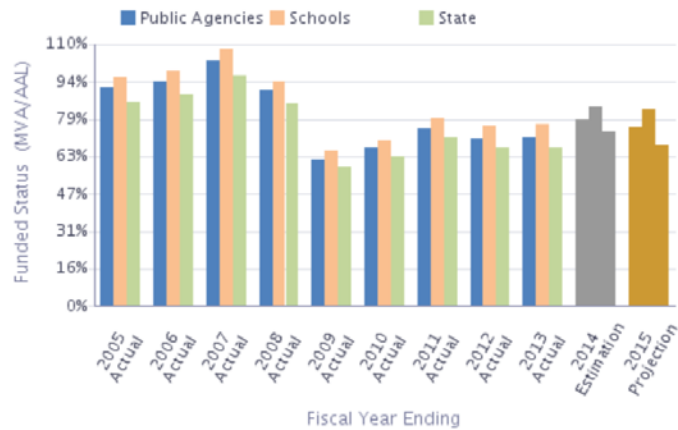
Challenges & Mitigations

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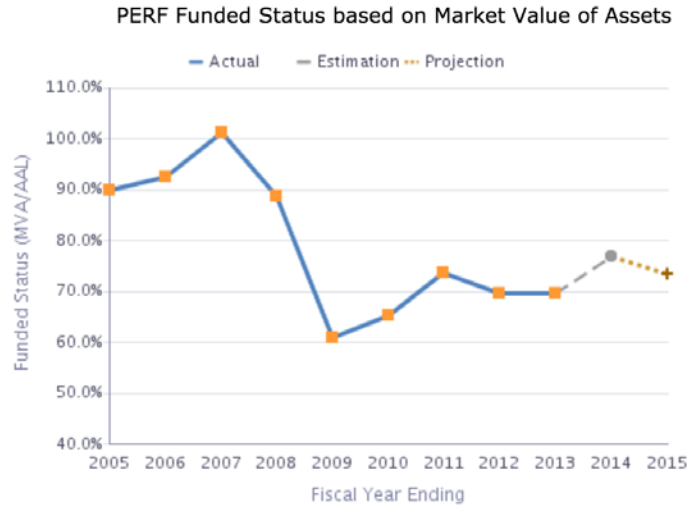| Where We Are |
| --- |
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Changes in funded status are caused by five main reasons:

- Payments on unfunded liability
- Actual vs. Expected Investment Returns
- Changes in Actuarial Methods and Assumptions
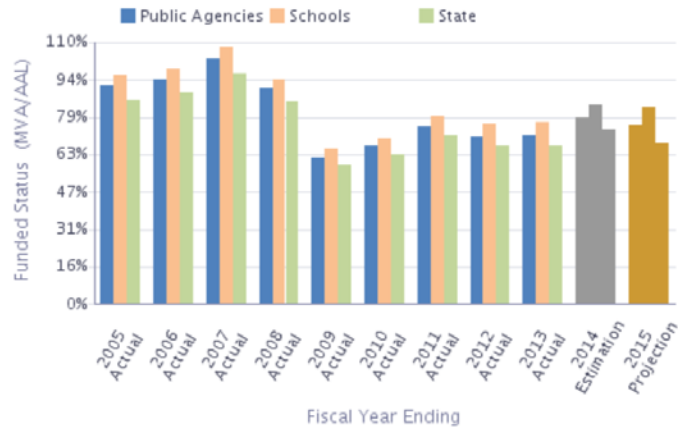- Benefit Changes
- Actuarial Experience

The benchmark of 7.68% average of annualized investment returns among public pension funds helps CalPERS understand its funded status relative to other public pension funds.

Challenges & Mitigations
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Challenges :
- Funded status changes slowly over time.
- Funded status is very sensitive to investment returns.
- Some steps that CalPERS takes to improve pension sustainability lowers the funded status in the short-term (e.g. updating mortality assumptions, lowering assumed rate of return)

Mitigations :
- Adopted a 7.50% discount rate for retirement trust funds in March 2010
- Adopted updated mortality assumptions to reflect longevity of CalPERS retirees in February 2013
- Adopted new amortization and smoothing methods for retirement trust funds in April 2013
- Develop and present pension sustainability measures that supplement funded status measures for a better understanding of the factors that affect sustainability.
- Explain how funded status changes year-over-year so the Board is given information on what factors are impacting the health of the pension system (Annual funding levels and risk reporting).
- Adoption of the risk mitigation policy in November 2015.
- Regular review of actuarial policies to ensure an appropriate target rate of funded status improvement.
- Continued focus on asset liability management.

References & Sources
- 2012 CalPERS Comprehensive Annual Financial Report
- 2013 CalPERS Comprehensive Annual Financial Report
- 2014 CalPERS Comprehensive Annual Financial Report
- June 30, 2005 State and Schools Valuation, Public Agency Valuations
- June 30, 2006 State and Schools Valuation, Public Agency Valuations
- June 30, 2007 State and Schools Valuation, Public Agency Valuations
- June 30, 2008 State and Schools Valuation, Public Agency Valuations
- June 30, 2009 State and Schools Valuation, Public Agency Valuations
- June 30, 2010 State and Schools Valuation, Public Agency Valuations
- June 30, 2011 State and Schools Valuation, Public Agency Valuations
- June 30, 2012 State and Schools Valuation, Public Agency Valuations
- June 30, 2013 State Valuation, Schools Valuation and Public Agency Valuations

CalPERS