

# Annual Review of Funding Levels and Risk Report

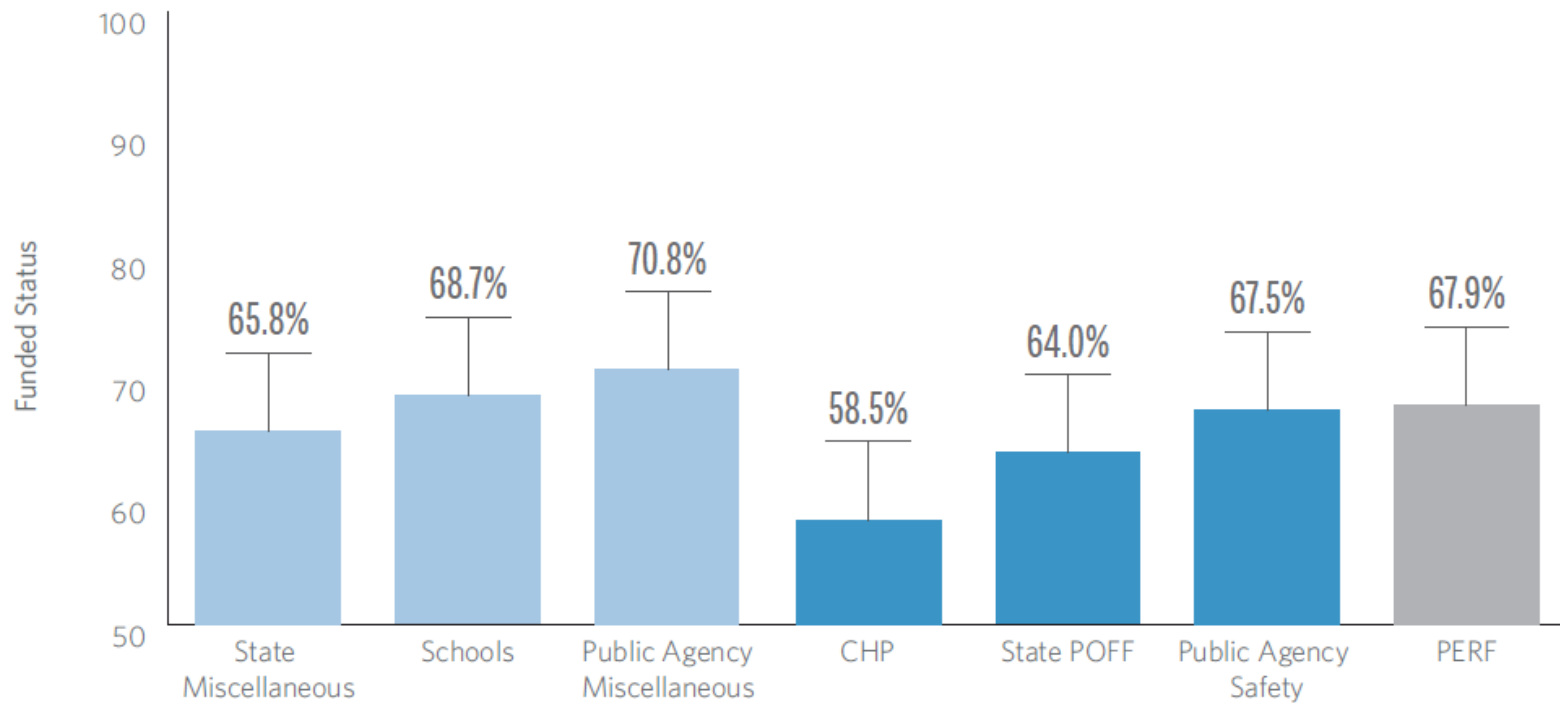
Finance & Administration Committee  
November 14, 2018

# Overview

- Recent trends
  - Improved funded status
  - Lower risk for future low funding levels
- Important risk drivers
  - Discount rate
  - Plan maturity
  - Employer financial pressures
    - Contribution levels
    - Contribution volatility

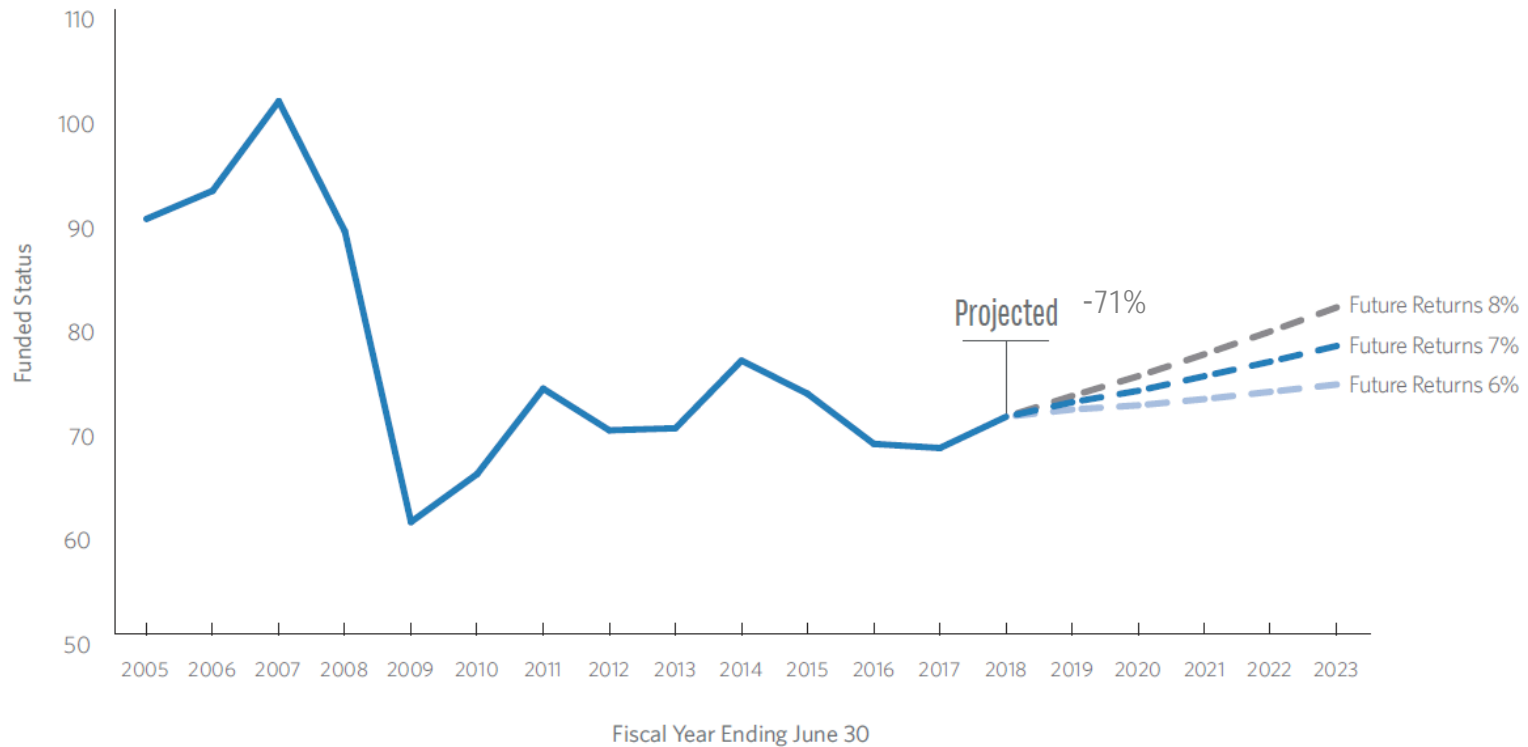
# Recent Trends

Funded Status Based on June 30, 2017 Funding Valuations using a 7.00% Discount Rate



# Recent Trends

PERF Funded Status based on Market Value of Assets (June 30, 2005 to June 30, 2018)



# Recent Trends

Probability of Falling Below Given Funding Level (at any point in the next 30 years)

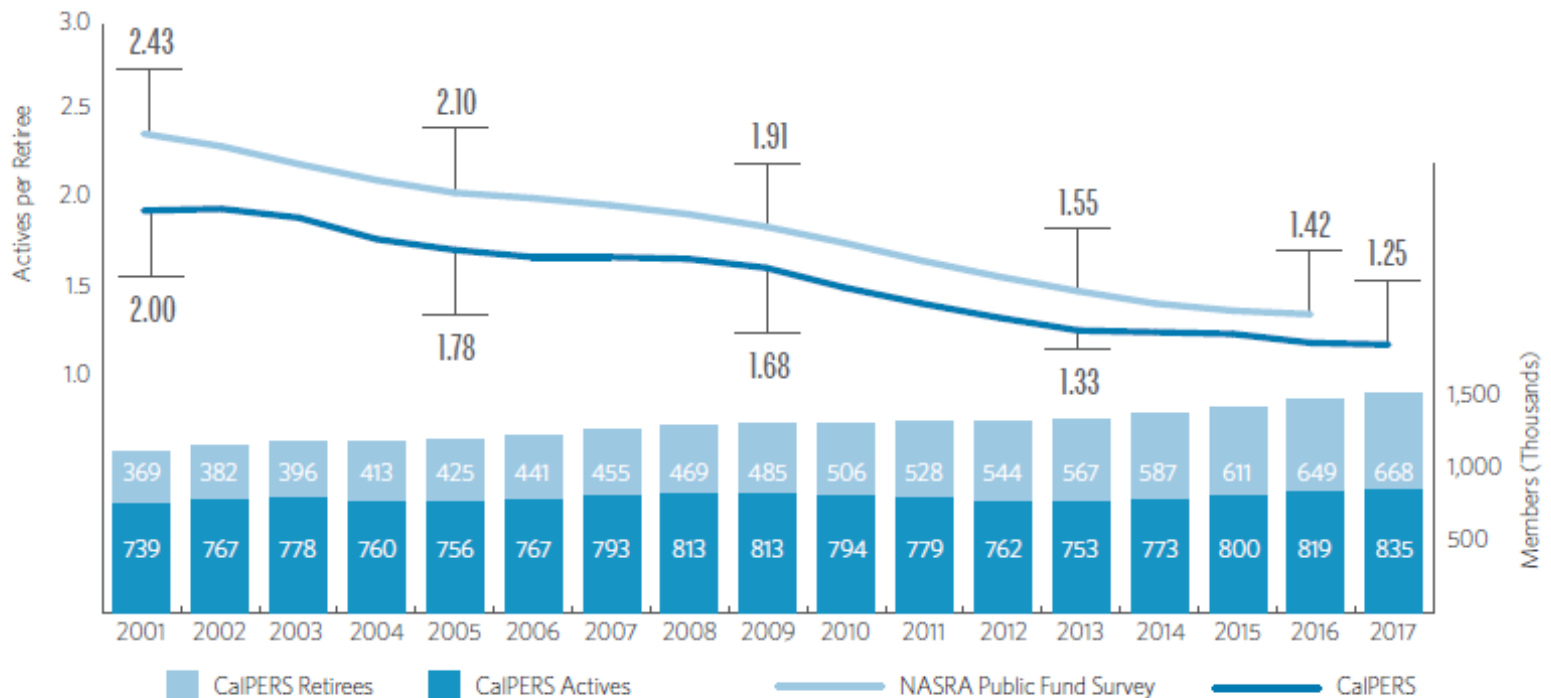
Plan	40%		50%		60%	
	2017	2018	2017	2018	2017	2018
State Misc.	< 1%	< 1%	6%	1%	48%	24%
Schools	< 1%	< 1%	3%	1%	33%	22%
CHP	< 1%	< 1%	15%	2%	100%	100%
POFF	< 1%	< 1%	6%	1%	52%	26%
PA Misc.	< 1%	< 1%	5%	2%	38%	27%
PA Safety	< 1%	< 1%	9%	4%	54%	43%

# Discount Rate

- Scheduled to reduce to 7.0% for June 30, 2018 valuations
- Further reductions may be necessary if:
  - Capitol market assumptions continue to decrease, or
  - Higher asset allocation toward lower risk investments, or
  - The board chooses to lower the assumption to reflect a margin for adverse deviation

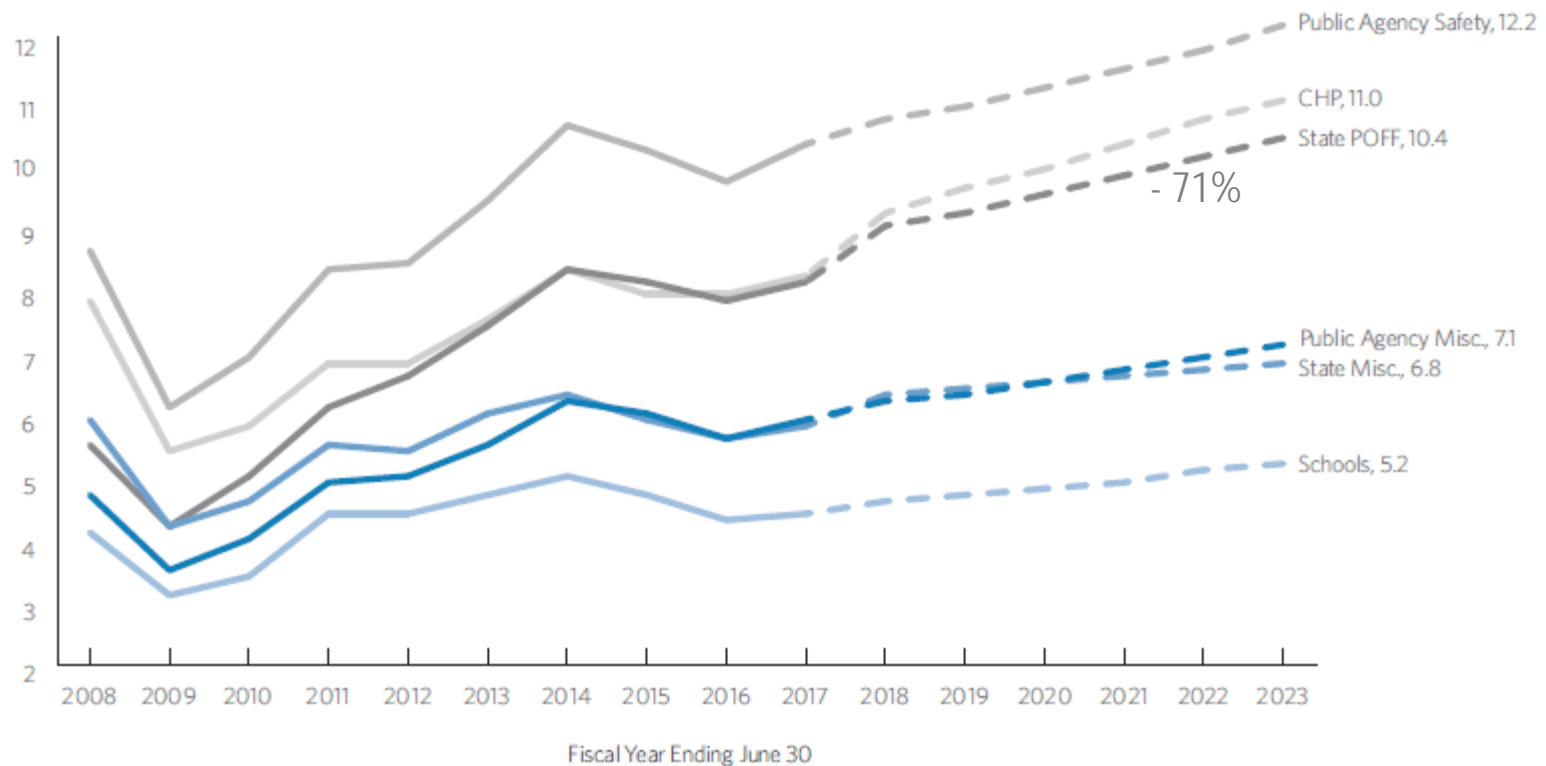
# Maturity Measures

Ratio of Actives to Retirees



# Maturity Measures

Asset Volatility Ratio (MVA to Payroll)



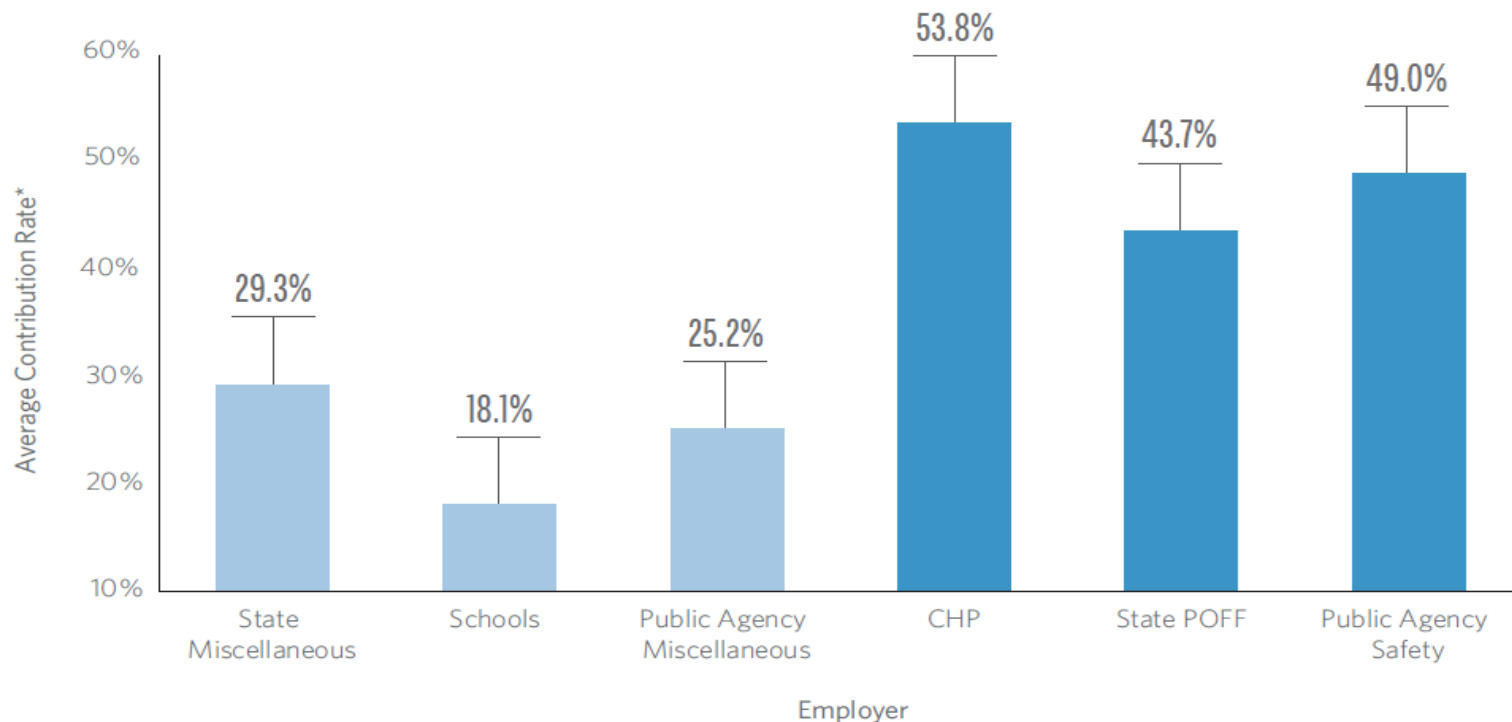


# Employer Financial Pressures

- Average public agency employer contribution rates
  - Miscellaneous plans: 25.2% of payroll
  - Safety plans: 49.0% of payroll
- Required contributions expected to increase over next several years
- Additional discretionary payment (ADPs) have helped
- Risk of increased contribution volatility due to plan maturity and to a lesser extent modifications to the amortization policy

# Employer Financial Pressures

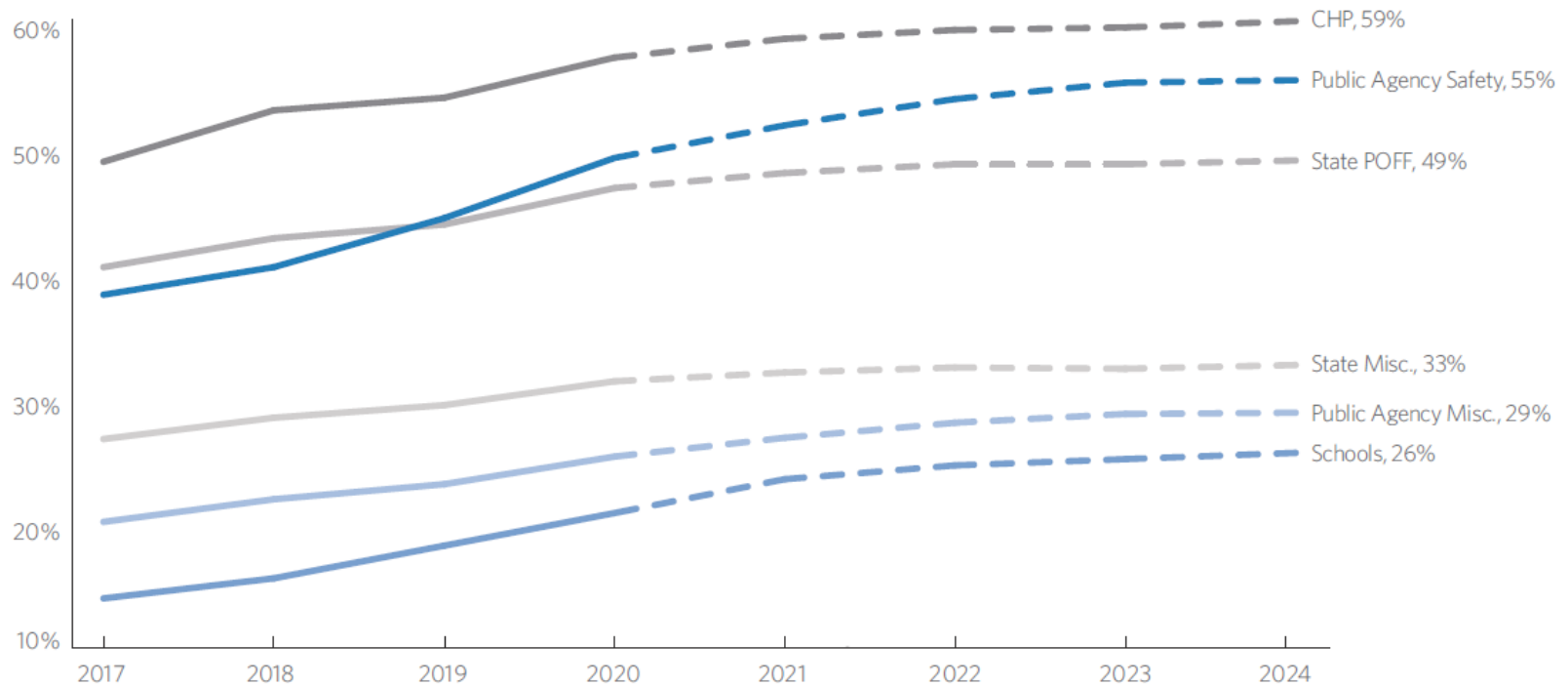
Employer Contribution Rates Based on the June 30, 2017 Valuations\*



\*June 30, 2017 valuations set rates for FY 2019-20 public agency contribution rates and FY 2018-19 state and schools contribution rates. The contribution rates are based on a 7.25 percent discount rate for state and public agency plans and a 7.375 percent discount rate for the schools pool.

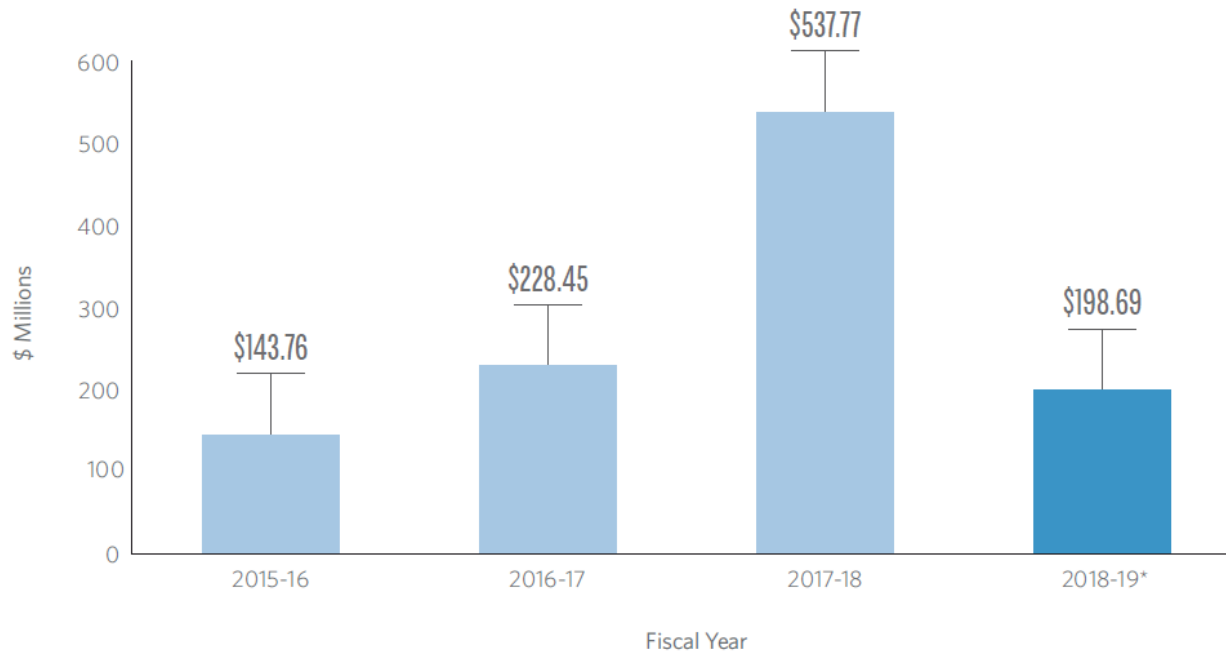
# Employer Financial Pressures

Recent and Projected Employer Contribution Rates



# Employer Financial Pressures

ADP's by Fiscal Year



\* ADP's from July 1, 2018 through August 31, 2018

Average Funded Ratio of CalPERS Public Agency Miscellaneous Plans by County as of June 30, 2017 Valuations



### Average Funded Ratio of CalPERS Public Agency Safety Plans by County as of June 30, 2017 Valuations

