




		FISCAL YEAR 2018–19						
TOLERANCES		FREQ	Q1	Q2	Q3	Q4	FYD*	COMMENTS
<b>FUND SUSTAINABILITY</b>   Strengthen the long-term sustainability of the pension fund								
Probability of PERF funding levels below 50% <i>Owner: Chief Actuary</i>	<ul style="list-style-type: none"> <li><span style="color: red;">■</span> &gt; 20%</li> <li><span style="color: yellow;">■</span> 10%–20%</li> <li><span style="color: green;">■</span> &lt; 10%</li> </ul>	Annually	2%					
Probability of high employer contribution rate (35% for Miscellaneous, 55% for Safety) <i>Owner: Chief Actuary</i>	<ul style="list-style-type: none"> <li><span style="color: red;">■</span> &gt; 20%</li> <li><span style="color: yellow;">■</span> 10%–20%</li> <li><span style="color: green;">■</span> &lt; 10%</li> </ul>	Annually	Misc: 30% Probability Safety: 77% Probability					The risk measure detail is provided in the attached documents.
Probability of sharp employer contribution rate increase (3% for Miscellaneous, 5% for Safety) <i>Owner: Chief Actuary</i>	<ul style="list-style-type: none"> <li><span style="color: red;">■</span> &gt; 20%</li> <li><span style="color: yellow;">■</span> 10%–20%</li> <li><span style="color: green;">■</span> &lt; 10%</li> </ul>	Annually	Misc: 45% Probability Safety: 54% Probability					The risk measure detail is provided in the attached documents.
<b>HEALTH CARE AFFORDABILITY</b>   Transform health care purchasing and delivery to achieve affordability								
Percent of contracting agencies retained <i>Owner: Chief Health Director</i>	<ul style="list-style-type: none"> <li><span style="color: red;">■</span> ≤ 97.9%</li> <li><span style="color: yellow;">■</span> 98%–98.9%</li> <li><span style="color: green;">■</span> ≥ 99%</li> </ul>	Annually	99.23%					
Number of Total covered lives (TCLs) to increase by <i>Owner: Chief Health Director</i>	<ul style="list-style-type: none"> <li><span style="color: red;">■</span> ≤ 5,999 TCLs</li> <li><span style="color: yellow;">■</span> 6,000–8,999 TCLs</li> <li><span style="color: green;">■</span> ≥ 9,000 TCLs</li> </ul>	Annually	9,992					
Legislation that negatively impacts CalPERS <i>Owner: Chief Health Director</i>	<ul style="list-style-type: none"> <li><span style="color: red;">■</span> Legislation exists</li> <li><span style="color: green;">■</span> No legislation exists</li> </ul>	Quarterly						
Maintain Health Care Fund required reserve <i>Owner: Chief Health Director</i>	<ul style="list-style-type: none"> <li><span style="color: red;">■</span> +/- 10% reserve</li> <li><span style="color: yellow;">■</span> +/- 5% reserve</li> <li><span style="color: green;">■</span> Reserve (100%)</li> </ul>	Annually						Data will be available in July 2019
<b>REDUCE COMPLEXITY</b>   Reduce complexity across the enterprise								
Proposed legislation that would reduce plan designs <i>Owners: Deputy Executive Officer, Communications &amp; Stakeholder Relations</i>	<ul style="list-style-type: none"> <li><span style="color: red;">■</span> No Legislation exists</li> <li><span style="color: green;">■</span> Legislation exists</li> </ul>	Quarterly / Point in time						AB 672, SB 782

\* FYD = Fiscal Year to Date

		FISCAL YEAR 2018–19					
TOLERANCES	FREQ	Q1	Q2	Q3	Q4	FYD*	COMMENTS
 <b>REDUCE COMPLEXITY</b>   Reduce complexity across the enterprise							
Externally proposed bills that have the potential to increase the complexity of the plan design <i>Owners: Deputy Executive Officer, Communications &amp; Stakeholder Relations</i>	<ul style="list-style-type: none"> <li><span style="color: red;">■</span> Legislation exists</li> <li><span style="color: green;">■</span> No legislation exists</li> </ul>	Quarterly / Point in time					AB 979, SB 184, SB 266, SB 430 The risk measure detail is provided in the attached documents.
Lean white belt training <i>Owners: Deputy Executive Officer, Operations &amp; Technology</i>	<ul style="list-style-type: none"> <li><span style="color: red;">■</span> 0% participation</li> <li><span style="color: yellow;">■</span> 1%–4% participation</li> <li><span style="color: green;">■</span> 5% participation</li> </ul>	Quarterly	8%	8%	8%	24%	40.7% total team member participation
 <b>RISK MANAGEMENT</b>   Cultivate a risk-intelligent organization							
Enterprise Risk Training Index <i>Owner: Chief Financial Officer</i>	<ul style="list-style-type: none"> <li><span style="color: red;">■</span> ≤ 84%</li> <li><span style="color: yellow;">■</span> 85%–94%</li> <li><span style="color: green;">■</span> ≥ 95%</li> </ul>	Annually (Dec/Jun)					<i>Data will be available July 2019</i>
Percent of policies, delegations, and charters up-to-date and current <i>Owner: Chief Compliance Officer</i>							<i>In development</i>
 <b>TALENT MANAGEMENT</b>   Promote a high-performing and diverse workforce							
Employee Engagement Survey – Diversity and Inclusion (D&I) <i>Owners: Deputy Executive Officer, Communications &amp; Stakeholder Relations</i>	<ul style="list-style-type: none"> <li><span style="color: red;">■</span> ≤ 44% agree</li> <li><span style="color: yellow;">■</span> 45%–59% agree</li> <li><span style="color: green;">■</span> ≥ 60% agree</li> </ul>	Annually	67%				
Employer Brand <i>Owners: Deputy Executive Officer, Operations &amp; Technology</i>	<ul style="list-style-type: none"> <li><span style="color: red;">■</span> ≤ -11</li> <li><span style="color: yellow;">■</span> -10–20</li> <li><span style="color: green;">■</span> ≥ 21</li> </ul>	Quarterly					<i>Data will be available July 2019</i>

\* FYD = Fiscal Year to Date

FUND SUSTAINABILITY | Strengthen the long-term sustainability of the pension fund



Probability of high employer contribution rate

CURRENT STATUS — FY 2017–18		PERFORMANCE
■	<b>30%*</b>	<p>Source: 2018 Annual Review of Funding Levels and Risks</p>
■	<b>77%**</b>	
<p>Probability of high employer contribution rate</p> <p>■ &gt; 20%    ■ 10%–20%    ■ &lt; 10%</p>		

ROOT CAUSE / SUCCESS	NEXT STEPS		
<ul style="list-style-type: none"> <li>There is a 30-percent probability that employer contribution rates for Miscellaneous will increase above 35% of payroll <b>at any point in the next 30 years</b>. There is a 77-percent probability that employer contribution rates for Safety will increase above 55% of payroll at any point in the next 30 years.</li> <li>The Amortization Policy, approved April 2018, reduced the risk of investment volatility by lowering the amortization period from 30 to 20 years. This resulted in a large increase in the calculation of employer contributions levels from FY 2016–17 to FY 2017–18. Employer contributions will continue to increase over the next few years</li> <li>Employer contribution levels are relatively high, especially for safety plans. Actions to reduce the probability of low funded status or contribution volatility generally result in increases in the contribution levels.</li> </ul>	Action Items	Owner	Targeted Completion Date
	<ul style="list-style-type: none"> <li>Employer education and communication plans</li> </ul>	Deputy Executive Officer, Communications & Stakeholder Relations	Ongoing

2018 Annual Review of Funding Levels and Risks  
November 2018 Finance and Administration Committee

\* Represents average of State, Schools, and PA Misc

\*\* Represents average of CHP, POFF, and PA Safety

**FUND SUSTAINABILITY** | Strengthen the long-term sustainability of the pension fund



**Probability of sharp employer contribution rate increase**

CURRENT STATUS — FY 2017–18		PERFORMANCE		
<span style="color: red;">■</span>	<b>45%*</b>	<p>3% for Miscellaneous</p> <p>FY 16–17    FY 17–18</p> <p>Tolerance: 10%</p>		
<span style="color: red;">■</span>	<b>54%**</b>	<p>5% for Safety</p> <p>FY 16–17    FY 17–18</p> <p>Tolerance: 10%</p>		
Probability of employer contribution rate increase <span style="color: red;">■</span> > 20% <span style="color: yellow;">■</span> 10%–20% <span style="color: green;">■</span> < 10%		Source: 2018 Annual Review of Funding Levels and Risks		
ROOT CAUSE / SUCCESS		NEXT STEPS		
<ul style="list-style-type: none"> <li>There is a 45-percent probability that employer contribution rates for Miscellaneous will have an increase greater than 3% in a single year <b>in the next 30 years</b>. There is a 54% probability that employer contribution rates for safety will have an increase greater than 5% in a single year in the next 30 years.</li> <li>The new Amortization Policy raised the risk of larger annual increases in the level of employer contribution rates from the FY 2016–17. However, the new policy is not expected to increase long-term cumulative employer contributions.</li> </ul> <p><i>2018 Annual Review of Funding Levels and Risks November 2018 Finance and Administration Committee</i></p>		Action Items	Owner	Targeted Completion Date
		<ul style="list-style-type: none"> <li>Employer education and communication plans</li> </ul>	Deputy Executive Officer, Communications & Stakeholder Relations	Ongoing

\* Represents average of State, Schools, and PA Misc

\*\* Represents average of CHP, POFF, and PA Safety

**REDUCE COMPLEXITY** | Reduce complexity across the enterprise



**Externally proposed bills that have the potential to increase the complexity of the plan design**

CURRENT STATUS — FY 2018–19		PERFORMANCE		
<span style="color: red;">■</span>	<b>Legislation exists</b>			
<span style="color: red;">■</span> Legislation exists <span style="color: green;">■</span> No legislation exists				
ROOT CAUSE / SUCCESS		NEXT STEPS		
<ul style="list-style-type: none"> <li>• <b>AB 979</b>—Creates a deferred retirement option for judges relating to retirement eligibility and employee contributions.</li> <li>• <b>SB 184</b>—Creates a deferred retirement option for judges relating to retirement eligibility.</li> <li>• <b>SB 266</b>—Administration of Reportable Compensation.               <ol style="list-style-type: none"> <li>1. Could impact the system’s tax qualified status.</li> <li>2. Requires the review of compensation items in employer MOUs</li> </ol> </li> <li>• <b>SB 430</b>—Creates PEPRAs exemption for new judges that are elected prior to January 1, 2013 to a one-year final compensation period used to calculate retirement benefits and employee contribution.</li> </ul>	Action Items	Owner	Targeted Completion Date	
	AB 979 – Re-evaluate after amendments			
	SB 184 – System change	JLRS/ITSB		
	SB 266 – Amendments to (1) eliminate liability to the system and (2) narrow the scope of the bill.	LAD		
	SB 430 – System change	JLRS/ITSB		

May 2019 State and Federal Legislation Update