







		FISCAL YEAR 2018–19						
TOLERANCES		FREQ	Q1	Q2	Q3	Q4	FYD*	COMMENTS
 FUND SUSTAINABILITY Strengthen the long-term sustainability of the pension fund								
Probability of PERF funding levels below 50%	<ul style="list-style-type: none"> ■ > 20% ■ 10%–20% ■ < 10% 	Annually	2%					Data as of Nov 2018
Owner: Chief Actuary								
Probability of high employer contribution rate (35% for Miscellaneous, 55% for Safety)	<ul style="list-style-type: none"> ■ > 20% ■ 10%–20% ■ < 10% 	Annually	Misc: 30% Probability					The risk measure detail is provided in the attached documents. Data as of Nov 2018
Owner: Chief Actuary			Safety: 77% Probability					
Probability of sharp employer contribution rate increase (3% for Miscellaneous, 5% for Safety)	<ul style="list-style-type: none"> ■ > 20% ■ 10%–20% ■ < 10% 	Annually	Misc: 45% Probability					The risk measure detail is provided in the attached documents. Data as of Nov 2018
Owner: Chief Actuary			Safety: 54% Probability					
 HEALTH CARE AFFORDABILITY Transform health care purchasing and delivery to achieve affordability								
Percent of contracting agencies retained	<ul style="list-style-type: none"> ■ ≤ 97.9% ■ 98%–98.9% ■ ≥ 99% 	Annually	99.23%					Data as of Jun 2019
Owner: Chief Health Director								
Increase in Total Covered Lives (TCLs)	<ul style="list-style-type: none"> ■ ≤ 5,999 TCLs ■ 6,000–8,999 TCLs ■ ≥ 9,000 TCLs 	Annually	9,992					This increase represents new TCLs for 2019. Data as of Dec 2018
Owner: Chief Health Director								
Legislation that negatively impacts CalPERS	<ul style="list-style-type: none"> ■ Legislation exists ■ No legislation exists 	Quarterly						
Owner: Chief Health Director								
Maintain Health Care Fund Actuarial Reserve	<ul style="list-style-type: none"> ■ +/- 10% reserve ■ +/- 5% reserve ■ Reserve (100%) 	Annually						Data will be available in January 2020
Owner: Chief Health Director								
 REDUCE COMPLEXITY Reduce complexity across the enterprise								
Proposed legislation that would reduce plan designs	<ul style="list-style-type: none"> ■ No Legislation exists ■ Legislation exists 	Quarterly / Point in time						AB 672, SB 782
Owners: Deputy Executive Officer, Communications & Stakeholder Relations								

* FYD = Fiscal Year to Date

		FISCAL YEAR 2018–19						
TOLERANCES	FREQ	Q1	Q2	Q3	Q4	FYD*	COMMENTS	
 REDUCE COMPLEXITY 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 & Stakeholder Relations</i>	<ul style="list-style-type: none"> ■ Legislation exists ■ No legislation exists 	Quarterly / Point in time					AB 979, AB 1198, SB 184, SB 266, SB 430	
Lean white belt training <i>Owners: Deputy Executive Officer, Operations & Technology</i>	<ul style="list-style-type: none"> ■ 0% participation ■ 1%–4% participation ■ 5% participation 	Quarterly	8%	8%	8%	6%	30% 46.6% total team member participation	
 RISK MANAGEMENT Cultivate a risk-intelligent organization								
Enterprise Risk Training Index <i>Owner: Chief Financial Officer</i>	<ul style="list-style-type: none"> ■ ≤ 84% ■ 85%–94% ■ ≥ 95% 	Annually (Dec/Jun)					<i>Data will be available November 2019</i>	
Percent of policies, delegations, and charters up-to-date and current <i>Owner: Chief Compliance Officer</i>							<i>In development</i>	
 TALENT MANAGEMENT Promote a high-performing and diverse workforce								
Employee Engagement Survey – Diversity and Inclusion (D&I) <i>Owners: Deputy Executive Officer, Communications & Stakeholder Relations</i>	<ul style="list-style-type: none"> ■ ≤ 44% agree ■ 45%–59% agree ■ ≥ 60% agree 	Annually	67%					<i>Data as of Jun 2019</i>
Employer Brand <i>Owners: Deputy Executive Officer, Operations & Technology</i>	<ul style="list-style-type: none"> ■ ≤ -11 ■ -10–20 ■ ≥ 21 	Quarterly					<i>Data will be available January 2020</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
■	30%*	<p>Source: 2018 Annual Review of Funding Levels and Risks</p>
■	77%**	
<p>Probability of high employer contribution rate</p> <p>■ > 20% ■ 10%–20% ■ < 10%</p>		

ROOT CAUSE / SUCCESS	NEXT STEPS		
<ul style="list-style-type: none"> There is a 30-percent probability that employer contribution rates for Miscellaneous will increase above 35% of payroll at any point in the next 30 years. 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. The Amortization Policy, approved April 2018, reduced the amortization period from 30 to 20 years. This contributed to an increase in the probability of high employer contribution rates. 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. 	Action Items	Owner	Targeted Completion Date
	<ul style="list-style-type: none"> Employer education and communication plans 	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		
■	45%*	<p>3% for Miscellaneous</p> <p>FY 16–17 FY 17–18</p> <p>Tolerance: 10%</p>		
■	54%**	<p>5% for Safety</p> <p>FY 16–17 FY 17–18</p> <p>Tolerance: 10%</p>		
Probability of employer contribution rate increase ■ > 20% ■ 10%–20% ■ < 10%		Source: 2018 Annual Review of Funding Levels and Risks		
ROOT CAUSE / SUCCESS		NEXT STEPS		
<ul style="list-style-type: none"> There is a 45-percent probability that employer contribution rates for Miscellaneous will have an increase greater than 3% in a single year in the next 30 years. 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. 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. <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"> Employer education and communication plans 	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		
	Legislation exists			
 Legislation exists  No legislation exists				
ROOT CAUSE / SUCCESS		NEXT STEPS		
<ul style="list-style-type: none"> AB 979—Creates a deferred retirement option for judges relating to retirement eligibility and employee contributions. SB 184—Creates a deferred retirement option for judges relating to retirement eligibility. SB 266—Administration of Reportable Compensation. <ol style="list-style-type: none"> May increase the number of MOUs employers submit for review. SB 430—Creates PEPRA 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. 	Action Items	Owner	Targeted Completion Date	
	AB 979, AB 1198, SB 430 – 2-year bills that will not be taken up again by the legislature until 2020.			
	SB 266 – The bill has been amended.			
	SB 184 – System change	JLRS/ITSB		

August 2019 State and Federal Legislation Update