

SEMI-ANNUAL FINANCIAL REPORT (PERF)

Fiscal Year-to-Date December 31, 2019

Preliminary Unaudited Financial Results

For the mid-year ended December 31,	2019	2018	\$ Change	% Change	MID-YEAR TO MID-YEAR COMPARISON
	(\$ Thousands)				
ADDITIONS					
Retirement Contributions					
Members	\$2,437,140	\$2,313,165	\$123,975	5% ↑	The increase in member contributions is primarily attributable to an increase in covered payroll resulting from: 1. State employee salary increase effective July 1, 2019 2. The number of active PEPRA members who contribute at higher rates than Classic members continues to increase. As of 6/30/19 there were 362,488 active PEPRA employees, compared to 312,319 at 6/30/18.
Employers	\$13,962,771	\$9,168,958	\$4,793,813	52% ↑	Large increase this period results from SB 90 which resulted in \$3.4 billion in additional contributions for State Safety, Schools, and State Miscellaneous pools, among others; additionally, employer contributions increased by \$0.6 billion this period compared to prior period (effective 7/1/19, employer contribution rates increased between 0.1% and 4.0% for State, 1.7% for schools, and between 1.9% and 4.8% on average for public agency Miscellaneous and Safety plans, respectively).
Total Retirement Contributions	\$16,399,911	\$11,482,123	\$4,917,788	43% ↑	
Investment & Other Income					
Net Appreciation (Depreciation) in Fair Value of Investments	\$17,933,098	(\$15,582,878)	33,515,976	215% ↑	More favorable market conditions in FY 2019-20 resulted in positive returns. Per State Street Bank (SSB) performance analytics, PERF total fund return increased from a negative return of 3.9% at 12/31/18 to the positive 5.7% in the mid-FY 2019-20.
Interest & Amortization	1,352,754	840,037	512,717	61% ↑	Interest income will vary, depending on the specific interest payment policies of holdings within global debt securities. Interest from fixed income securities increased by \$537.8 million, partially offset by \$25.0 million decrease in short term interest revenue.
Dividends	2,285,407	978,962	1,306,445	133% ↑	Dividend income will vary depending on the specific dividend payment policies of holdings within global equity securities. Increase correlates with an increase of \$26.4 billion in holdings in global equity securities.
Other Investment Income	15,081	7,934	7,147	90% ↑	Other investment income includes income from securities litigation, credit enhancement program, draw fees etc. Amount can fluctuate depending on the activities. Increase is primarily due to higher security litigation income (Petrobras Petroleo Brasileiro corruption lawsuit).
<i>Less Investment Expenses:</i>					
Management & Performance Fees	(375,366)	(317,221)	(58,145)	18% ↑	Real assets performance fees increased \$77 million, coinciding with a significant increase in unrealized gains for real assets, which increased from a loss of \$59.4 million as of mid-FY2018-19 to unrealized gain of \$1,076.7 million as of mid-FY2019-20. This was partially offset by lower expenses in other management fee categories.
Other [1]	(122,167)	(107,772)	(14,395)	13% ↑	Increase results primarily from an increase in dividend tax withheld expense in FY 2019-20, compared to FY 2018-19.
Net Investment & Other Income	\$21,088,807	(\$14,180,938)	\$35,269,745	249% ↑	
Securities Lending Income	\$81,013	\$110,943	(29,930)	(27%) ↓	Securities lending income does not necessarily correlate to prior years balances due to CalPERS auctioning all asset classes every year - current activity is reflective of current demand to borrow securities. As such, these balances will fluctuate from year to year. Variance is mostly due to a decrease of \$29.4 million in Securities Lending Collateral Reinvestment earnings plus a \$0.5 million decrease in lending fee income.
Securities Lending Expense	(\$41,923)	(\$68,271)	\$26,348	(39%) ↓	Securities lending rebates paid from Securities Lending Collateral Reinvestment earnings decreased \$26.0 million, in addition to slight decrease in lending expenses.
Net Securities Lending	\$39,090	\$42,672	(\$3,582)	(8%) ↓	
Other Income	\$5,035	\$3,165	1,870	59% ↑	Unclaimed benefits over 4 years are escheated and recorded as Other Income. Variance in activity will vary depending on the dollar amount and the number of unclaimed benefits escheated.
Plan-to-Plan Resource Movement	\$191	\$457	(266)	(58%) ↓	Decrease in the internal transfer of funds resulting from adjustments in balances between PERF A, B, and C at mid-year.
TOTAL ADDITIONS	\$37,533,034	(\$2,652,521)	\$40,185,555	1515% ↑	
DEDUCTIONS					
Retirement, Death & Survivor Benefits	(\$12,683,461)	(\$11,903,703)	(\$779,758)	7% ↑	The increase in retirement, death & survivor benefits is attributable to an increase in the number of benefit recipients based on the fiscal year end numbers, in combination with a COLA increase of between 1% and 2% for most retirees. The number of retirees and beneficiaries increased by 2.5%, from 694,570 at 6/30/18 to 712,115 as of 6/30/19. <i>Note: member data only run at fiscal year end (mid-year data unavailable for trending purposes).</i>
Refund of Contributions	(169,135)	(143,126)	(26,009)	18% ↑	Increase in members separating from the plan. This activity will naturally vary year to year depending on the number of participants who elect to separate from PERS.
Plan to Plan Resource Movement	(\$191)	(\$457)	266	(58%) ↓	Decrease in the internal transfer of funds resulting from adjustments in balances between PERF A, B, and C, at mid-year.
Administration Costs [2]	(161,495)	(154,156)	(7,339)	5% ↑	Increase due to suspension of reimbursements from most Affiliate funds to PERF for shared admin expenses, which temporarily resulted in overstatement of PERF expenses.
TOTAL DEDUCTIONS	\$ (13,014,282)	\$ (12,201,442)	\$ (812,840)	7% ↑	
Change in Net Position	\$24,518,752	(\$14,853,963)	\$39,372,715	265% ↑	
NET POSITION					
Beginning of Year	\$ 372,611,433	\$ 353,995,501	\$ 18,615,932	5% ↑	From July 2018
Net Position, December 31	\$ 397,130,185	\$ 339,141,538	\$ 57,988,647	17% ↑	From December 2018

[1] OTHER INVESTMENT EXPENSES

Other investment expenses includes administrative and legal costs incurred in the Investment office (INVO), dividend tax withheld, other tax related expenses, and investment related consultant services.

[2] ADMINISTRATION COSTS

Administrative costs include personnel service, external consultant and professional services, and operating expenses and equipment. Excludes INVO admin expenses for both FY's.