

# CalPERS Executive Summary

of the Comprehensive Annual Financial Report

Fiscal year ended June 30, 2012

The California Public Employees' Retirement System (CalPERS) is the nation's largest public pension fund providing retirement services to more than 3,000 public employers and 1.6 million public employees and their families and health benefits to more than 1.3 million members. Headquartered in Sacramento, CalPERS also serves customers in eight Regional Offices located in Fresno, Glendale, Orange, Sacramento, San Diego, San Bernardino, San Jose and Walnut Creek.

The *2012 Comprehensive Annual Financial Report (CAFR)* and this *Executive Summary* are available online at [www.calpers.ca.gov](http://www.calpers.ca.gov).



# A Message from the President and CEO



*Rob Feckner*



*Anne Stausboll*

We are pleased to present the CalPERS Executive Summary of the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012.

CalPERS mission is to provide responsible and efficient stewardship of the System in order to deliver the promised retirement and health benefits to our members. We have been securing the retirement futures of California's public employees since we opened our doors 80 years ago. Today, we have 1.6 million members in our retirement system, and 1.3 million in our health program.

We're very proud of the work we accomplished this year. The foundation we laid in our five-year Strategic Plan will serve as a blueprint for meeting the retirement and health benefit needs of CalPERS members and their families in the years ahead.

This year marked the historic launch of my|CalPERS. We combined 49 dated computer legacy systems into one state-of-the-art platform. This new technology system provides employers and members with real-time account data, decreases dependency on paper documents, increases data security and streamlines many CalPERS processes — allowing us to provide enhanced customer service now and well into the future. The system will also position CalPERS to offer additional self-service capabilities in years to come.

Our 13-member Board of Administration sets policy and provides oversight for our organization. Over the last year, through our Board Governance project, we have turned the microscope on ourselves in an effort to enhance our strategic oversight, accountability and decision-making. As fiduciaries of this fund, we seek to adhere to the highest ethical standards.

It's a given that most everyone thinks dollars when they think about us. But we never forget that we're about people, those who serve California every day of their careers — school custodians and secretaries ... city and county workers ... peace officers and firefighters ... and State clerks and managers — those public servants who are counting on us for their retirement security.

In the new year, CalPERS will continue to lead with a commitment to our core values: Quality, Integrity, Openness, Respect, Balance and Accountability.

That's what drives us, and why we take a leadership role at the national level, working for market reforms and better and more cost-effective health care. We believe that during these challenging economic times, our investment strategy and long-term outlook have put us in a better position to weather adverse market conditions and deliver on the promise made to those who serve California.

Sincerely,

Rob Feckner,  
*Board President*

Anne Stausboll,  
*Chief Executive Officer*

# Financial Highlights

Complete financial information on all the funds administered by CalPERS can be found in the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012.

## Net Assets\* — Public Employees' Retirement Fund (PERF)

(dollars in thousands)

	2012	2011	Total Percentage Change
<b>ASSETS</b>			
Cash, Cash Equivalents & Total Receivables	\$3,115,452	\$3,432,110	(9.2)%
Investments	233,935,996	239,289,463	(2.2)
Securities Lending Collateral	9,325,426	20,420,264	(54.3)
Capital Assets, Net & Other Assets	715,911	691,045	3.6
<b>Total Assets</b>	<b>\$247,092,785</b>	<b>\$263,832,882</b>	<b>(6.3)%</b>
<b>LIABILITIES</b>			
Retirement Benefits in Process of Payment, Investment Settlement & Other	\$959,255	\$1,806,205	(46.9)%
Securities Lending Obligations	9,151,585	20,264,886	(54.8)
<b>Total Liabilities</b>	<b>\$10,110,840</b>	<b>\$22,071,091</b>	<b>(54.2)%</b>
<b>TOTAL NET ASSETS</b>	<b>\$236,981,945</b>	<b>\$241,761,791</b>	<b>(2.0)%</b>

**\$237 billion**  
total PERF net assets

## Changes in Net Assets — PERF (dollars in thousands)

	2012	2011	Total Percentage Change
<b>ADDITIONS</b>			
Member Contributions	\$3,598,437	\$3,600,089	(0.0)%
Employer Contributions	7,772,913	7,465,397	4.1
Investment Income (Loss)	(203,084)	43,904,425	(100.5)
Other Income	7,070	3,011	134.8
<b>Total Additions</b>	<b>\$11,175,336</b>	<b>\$54,972,922</b>	<b>(79.7)%</b>
<b>DEDUCTIONS</b>			
Retirement Death & Survivor Benefits	\$15,356,696	\$14,242,258	7.8%
Refund of Contributions	218,082	227,168	(4.0)
Administrative Expenses	380,404	357,779	6.3
<b>Total Deductions</b>	<b>\$15,955,182</b>	<b>\$14,827,205</b>	<b>7.6%</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>(\$4,779,846)</b>	<b>\$40,145,717</b>	<b>(111.9)%</b>
<b>NET ASSETS</b>			
Beginning of Year	\$241,761,791	\$201,616,074	19.9%
End of Year	\$236,981,945	\$241,761,791	(2.0)%

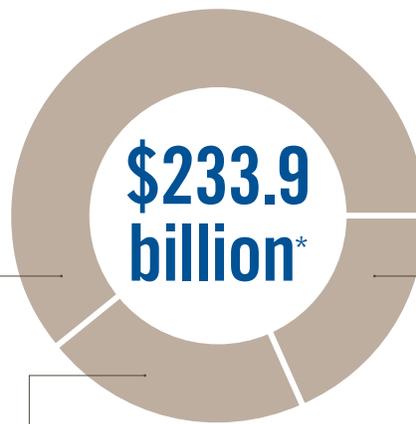
**\$3.6 billion**  
member contributions

**\$7.8 billion**  
employer contributions

\* Differences in the amount shown for investment assets in these financial highlights and the investment portfolio amount reported in the Investments Section of this Summary are due to differences in reporting methods. In accordance with Governmental Accounting Standards Board Statement No. 28, the financial statements include securities lending collateral. Net investment receivables/payables are included here.

# Investments

CalPERS investment strategy weighs risk against returns in order to sustain the retirement security of our pension plan members. We look for a balance between investments which will grow the fund over the long term, those which can pay cash, and those which are intended to protect the fund against future uncertainty.



**GROWTH ASSETS**  
63.1% » \$147.8 billion

**PUBLIC EQUITY: 48.5% » \$113.6 billion**

Shares of public companies which grow the fund as the share price increases over time.

**PRIVATE EQUITY: 14.6% » \$34.2 billion**

Ownership of privately held companies not listed on a stock exchange.

**INCOME ASSETS**  
23.3% » \$54.3 billion

**FIXED INCOME: 21.4% » \$49.9 billion**

Investment in debt securities to produce income and reduce fund volatility.

**SHORT TERM INVESTMENTS:**  
1.9% » \$4.4 billion

Portfolio of investments readily convertible into cash.

**REAL & OTHER ASSETS**  
13.6% » \$31.8 billion

**REAL ASSETS: 10.6% » \$24.7 billion**

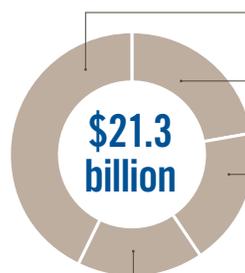
Ownership interests in real estate, infrastructure and forestland assets.

**INFLATION ASSETS: 3% » \$7.1 billion**

Investments in assets which diversify and hedge against inflation risks.

\* PERF investments excluding securities lending collateral as of June 30, 2012.

## California Investment Portfolio



**PUBLIC EQUITY: 43.2% » \$9.2 billion**

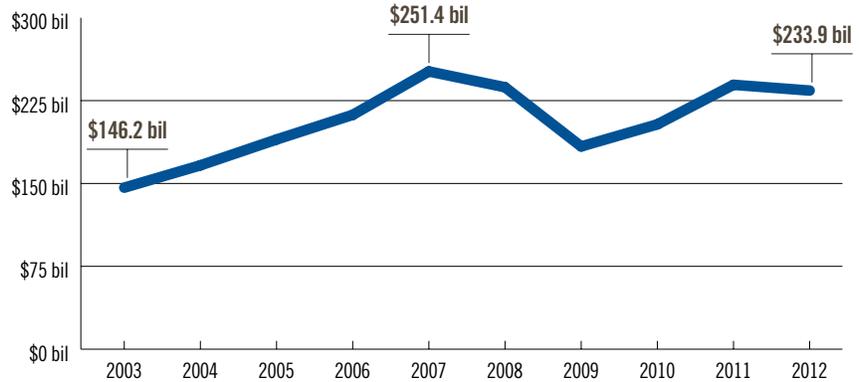
**REAL ASSETS: 22.1% » \$4.7 billion**

**PRIVATE EQUITY: 18.3% » \$3.9 billion**

**FIXED INCOME: 16.4% » \$3.5 billion**

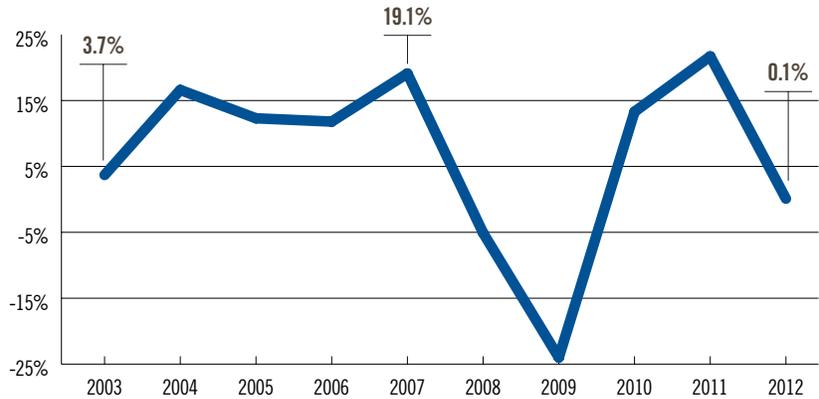
Volatility in global economic markets and a sluggish economic recovery resulted in net returns of only 0.1 percent in Fiscal Year 2011-12, causing a 2.2 percent drop in investments to \$233.9 billion.

### Growth of Investment Portfolio (at market value, 10-year review)



**+12.2%**  
real estate portfolio  
return

### Historical Investment Returns (10-year review)



**+9.3%**  
real assets portfolio  
return

**+13.8%**  
domestic debt securities  
return

### Ten Largest Stock Holdings (dollars in thousands)

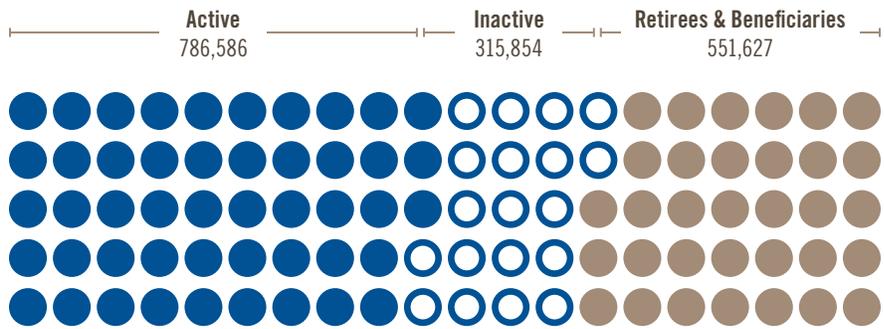
Stock	No. of Shares	Market Value
Apple, Inc.	2,731,607	\$1,602,709
Exxon Mobile Corporation	15,036,400	1,292,259
Microsoft Corporation	26,156,739	803,630
General Electric Corporation	32,366,196	677,521
AT&T, Inc.	18,906,593	677,072
Nestle SA Reg	10,847,505	674,133
International Business Machines Corporation	3,399,402	668,028
Chevron Corporation New	6,140,330	650,687
Wells Fargo & Company	17,267,847	579,856
Pfizer, Inc.	24,981,446	576,946

# Retirement

CalPERS is committed to serving the hundreds of thousands of public employees who serve California. Our members are made up of classified school employees, public servants in cities, counties and special districts, and employees of the State.

## Retirement Plan Membership

**1.65+ million**  
retirement plan membership



**\$15.4 billion**  
paid in retirement, death,  
& survivor benefits

## Average Benefit Payments (as of most recent actuarial valuation, June 30, 2011)

Years of Credited Service	0-5	5-10	10-15	15-20	20-25	25-30	30+
Average monthly allowance*	\$517	\$782	\$1,291	\$1,856	\$2,815	\$4,146	\$5,130
Average final compensation	\$6,442	\$4,508	\$4,739	\$4,927	\$5,606	\$6,500	\$6,741

**\$3,025**  
average monthly  
retirement benefit

## Service Retirement (2-year review)

Fiscal Year	2011-12	2010-11
Number of new service retirees	29,999	30,832
Average years of service	20.8	21.2
Average monthly allowance	\$3,025	\$3,065
Average age at retirement	60	60

## Type of Participating Employers

State of California	1
County Offices of Education	57
School districts & charter schools	1,488
School district offices	4
Cities and towns	450
Counties	36
Districts & other public agencies	1,029

**Total number of employers  
contracting with CalPERS** **3,065**

## Five Largest Participating Employers (by number of participants)

State of California	326,109
Los Angeles County Office of Education	105,470
Los Angeles Unified School District	42,958
San Diego County Office of Education	36,499
Orange County Office of Education	32,311

\* These averages and totals are for retired members, beneficiaries, and community property recipients.

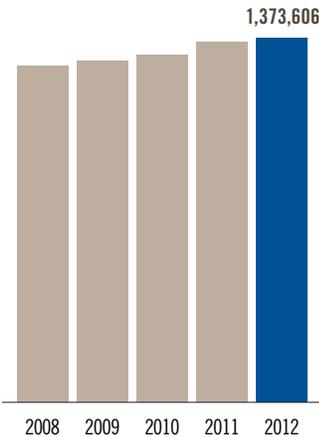
# Health Program

Making high-quality, accessible and affordable health care available to our more than 1.3 million enrolled health plan members is a top priority for our Health Benefits Program. We are the largest purchaser of public employee health benefits in California and second largest in the U.S. after the federal government. We are focused on containing health care costs, improving and preserving benefits, and educating our members so they can effectively manage their health care needs and create a lifestyle of wellness.

**\$6.9 billion**  
paid in health premiums

## Health Program Membership (5-year review)

**1.37+ million**  
health program membership



## Health Benefit Providers

A Health Maintenance Organization (HMO) offers a range of health benefits including preventive care, with no deductibles or maximums and set co-payments. CalPERS offers the following HMO options:

- » Blue Shield
- » Blue Shield NetValue
- » Blue Shield 65 Plus
- » Kaiser Permanente

A Preferred Provider Organization (PPO) allows the enrollee to select a primary care provider and specialists without referral. CalPERS offers the following PPO options through Anthem Blue Cross:

- » PERS Select
- » PERS Choice
- » PERSCare

# California Employers' Retiree Benefit Trust Fund

CalPERS administers the California Employers' Retiree Benefit Trust Fund (CERBT). CERBT is available to all California public employers including counties, cities, schools and special purpose districts to prefund non-pension benefits such as employer-paid retiree medical, dental and vision insurance coverage. CERBT participating agencies contribute funds on a voluntary schedule. These funds are invested by CalPERS so that returns can be used to pay premiums, lowering costs for employers.

**\$2 billion**  
total CERBT assets

### CERBT Highlights (FY 2011–12, dollars in thousands)

CONTRIBUTIONS . . . . .	<b>\$258,896</b>
DISBURSEMENTS . . . . .	<b>(\$50,592)</b>
<b>TOTAL TRUST ASSETS . . . . .</b>	<b>\$2,078,234</b>

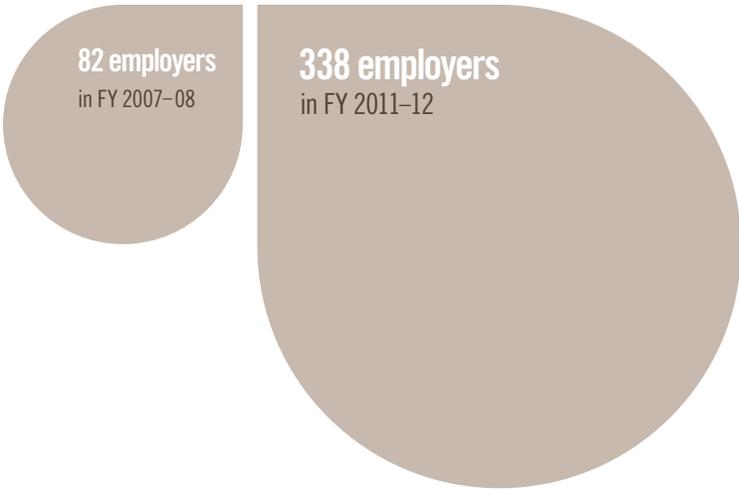
**\$1.4 billion**  
increase in fund assets  
since inception

### CERBT Assets (5-year review, dollars in thousands)

FY	Total Trust Assets
2007–08	\$643,639
2008–09	\$848,881
2009–10	\$1,287,201
2010–11	\$1,866,688
2011–12	\$2,078,234

**300%**  
growth in employer  
participation since  
inception

### CERBT Participation Growth



# CalPERS Staff Accomplishments

Behind the scenes, CalPERS staff worked hard during Fiscal Year 2011–12 to improve operations, create savings and enhance efficiency for our members and employers.



**690,000+** phone calls

answered by Customer Service Agents



**36,700**

service & disability retirement applications processed



**97,000+** members

visited regional offices for help on retirement planning



**5-year strategic plan**

for 2012–17 was developed as a blueprint for the future



**launched Diverse Director Datasource**

to identify new talent & fresh perspective to Board rooms



**more transparency**

provided by posting 2,225 actuarial valuation reports online



**reduced cost of elective surgery**

for hip & knee replacement by implementing a value-based purchasing program



**56,500+**

members educated through online classes, workshops, and webinars



**information security**

was improved to protect confidential member information

# The Year Ahead

The fundamental mission of CalPERS is to deliver the promised retirement and health benefits for our more than 1.6 million members. Everything we do — our global investment portfolio, our governance program, our health care benefits, and our pension plan — are all inter-related components of a program designed to keep faith with the promise made to California’s public workers for a modest, secure retirement. We are proud to serve those who serve California.

This past year, CalPERS was tested by continued economic uncertainty, criticism of public pensions and the responsibility of participating in the pension reform process. Looking ahead, we are guided by the overarching goals we developed to improve long-term pension and health benefit sustainability; cultivate a high-performing, risk-intelligent and innovative organization; and engage in State and national policy development to enhance the long-term sustainability and effectiveness of our programs.

In the next 12 months, we will continue our focus on improved customer service as we enhance the my|CalPERS system that will allow members to manage their own accounts more easily, and ultimately apply for retirement online.

Additionally, we will utilize the strict guidelines adopted this year to ensure that openness and honesty among members of our staff and Board exceed public expectations for the highest principles of integrity — including oversight, accountability, transparency, efficiency and decision-making.

Finally, we look forward to smoothly implementing pension reform laws, educating our employers and ensuring our members receive the assistance and information they need.



# CalPERS Board of Administration

CalPERS is governed by a 13-member Board of Administration. Visit CalPERS On-Line for Board structure, composition and responsibilities.

**Rob Feckner, President**  
*School Member Representative*

**George Diehr, Vice President**  
*State Member Representative*

**Michael Bilbrey**  
*All Member Representative*

**Julie Chapman**  
*Ex Officio Member: Designated  
by California Department of  
Human Resources*

**John Chiang**  
*Ex Officio Member: State  
Controller*

**Richard Costigan**  
*Ex Officio Member: Designated  
by State Personnel Board*

**Dan Dunmoyer**  
*Appointed by Governor:  
Insurance Industry Representative*

**JJ Jelincic**  
*All Member Representative*

**Henry Jones**  
*Retired Member Representative*

**Bill Lockyer**  
*Ex Officio Member: State  
Treasurer*

**Priya Sara Mathur**  
*Public Agency Member  
Representative*

**Vacant**  
*Appointed by Governor:  
Local Government Elected  
Official*

**Vacant**  
*Appointed Jointly by the  
Speaker of Assembly and  
Senate Rules Committee*

CalPERS

**California Public Employees'  
Retirement System**

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