

# CalPERS Executive Summary

of the Comprehensive Annual Financial Report

Fiscal year ended June 30, 2013

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 nearly 1.7 million public employees, retirees, 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 *2013 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 Executive Summary of the CalPERS Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2013.

CalPERS mission is to provide responsible and efficient stewardship of the System in order to deliver promised retirement and health benefits to our members. Nearly 1.7 million members rely on us for their retirement security, and 1.3 million members and their dependents rely on us for their health insurance.

CalPERS financial foundation was strengthened over the past fiscal year with a solid 13.2 percent return on investments, well above our 7.5 percent average annual assumption. Our 20-year average annual return is 7.6 percent, and our 30-year average is 9.4 percent.

As of June 30, 2013, net assets for the Public Employees' Retirement Fund were \$262 billion, a gain of \$25 billion over the previous 12 months.

While the past year's healthy investment performance was encouraging, we remain focused on ensuring the long-term sustainability of CalPERS pension benefits. With that in mind, we established the Asset Liability Management framework – an integrated, holistic approach to aligning the long-term growth of pension assets and liabilities.

As a part of this work, we developed a set of investment beliefs that will guide the long-term strategic management of the CalPERS investment portfolio – with the goal of enhancing the sustainability of CalPERS pensions.

In the health-care area, we were able to moderate the increase in health-care costs by negotiating an average premium just 3 percent higher than the previous year when rates increased by an average of 9.6 percent.

We are proud of the work we accomplished this year. We continued our emphasis on risk management, which includes training for staff; risk assessments of our business operations, benefit program administration, information technology systems, and investment programs; and developing policies and procedures for enterprise-wide risk mitigation.

As fiduciaries, we have a duty to act in the interest of our members and to deliver on the promises made by their employers. We discharge our duties every day with care and dedication. Our members inspire us and give our work purpose. We are proud to serve those who serve California, today and for generations to come.

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, 2013.

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

(dollars in thousands)

	2013	2012	Total Percentage Change
<b>ASSETS</b>			
Cash, Cash Equivalents & Total Receivables	\$3,039,073	\$3,115,452	(2.5)%
Investments	260,158,786	233,935,996	11.2%
Securities Lending Collateral	17,142,084	9,325,426	83.8%
Capital Assets, Net & Other Assets	710,722	715,911	(0.7)
<b>Total Assets</b>	<b>\$281,050,665</b>	<b>\$247,092,785</b>	<b>13.7%</b>
<b>LIABILITIES</b>			
Retirement Benefits in Process of Payment, Investment Settlement & Other	\$2,172,123	\$959,255	126.4%
Securities Lending Obligations	16,888,638	9,151,585	84.5
<b>Total Liabilities</b>	<b>\$19,060,761</b>	<b>\$10,110,840</b>	<b>88.5%</b>
<b>TOTAL NET POSITION</b>	<b>\$261,989,904</b>	<b>\$236,981,945</b>	<b>10.6%</b>

**\$262 billion**  
total PERF net position

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

	2013	2012	Total Percentage Change
<b>ADDITIONS</b>			
Member Contributions	\$3,896,078	\$3,598,437	8.3%
Employer Contributions	8,123,333	7,772,913	4.5
Investment Income (Loss)	30,284,807	(203,084)	15,012.5
Other Income	7,176	7,070	1.5
<b>Total Additions</b>	<b>\$42,311,894</b>	<b>\$11,175,336</b>	<b>278.6%</b>
<b>DEDUCTIONS</b>			
Retirement Death & Survivor Benefits	\$16,635,263	\$15,356,696	8.3%
Refund of Contributions	242,595	218,082	11.2
Administrative Expenses	426,077	380,404	12.0
<b>Total Deductions</b>	<b>\$17,303,935</b>	<b>\$15,955,182</b>	<b>8.5%</b>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<b>\$25,007,959</b>	<b>(\$4,779,846)</b>	<b>623.2%</b>
<b>NET POSITION</b>			
Beginning of Year	\$236,891,945	\$241,761,791	(2.0)%
<b>End of Year</b>	<b>\$261,989,904</b>	<b>\$236,981,945</b>	<b>10.6%</b>

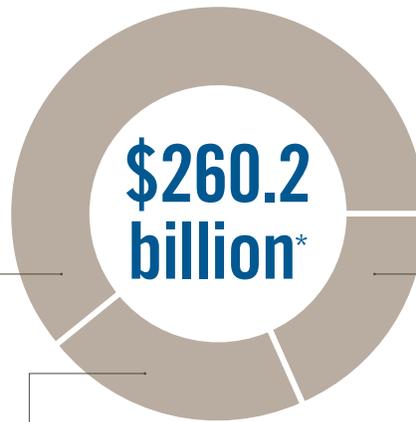
**\$3.9 billion**  
member contributions

**\$8.1 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 that will grow the fund over the long term, those that pay cash, and those that are intended to protect the fund against future uncertainty.



**GROWTH ASSETS**  
63% » \$163.9 billion

**PUBLIC EQUITY: 51% » \$131.6 billion**  
Shares of public companies that grow the fund as the share price increases over time.

**PRIVATE EQUITY: 12% » \$32.3 billion**  
Ownership of privately held companies not listed on a stock exchange.

**INCOME ASSETS**  
23% » \$60.0 billion

**FIXED INCOME: 20% » \$51.6 billion**  
Investment in debt securities to produce income and reduce fund volatility.

**SHORT TERM INVESTMENTS: 3% » \$8.4 billion**  
Portfolio of investments readily convertible into cash.

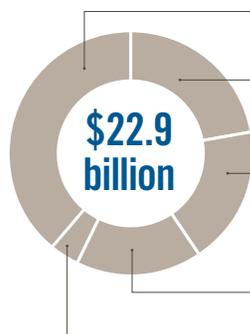
**REAL & OTHER ASSETS**  
14% » \$36.3 billion

**REAL ASSETS: 10% » \$27.1 billion**  
Ownership interests in real estate, infrastructure and forestland assets.

**INFLATION ASSETS: 4% » \$9.2 billion**  
Investments in assets that diversify and hedge against inflation risks.

\* PERF investments excluding securities lending collateral as of June 30, 2013. Differs from total net position, which includes all assets and liabilities.

## California Investment Portfolio



**PUBLIC EQUITY: 44.1% » \$10.1 billion**

**REAL ASSETS: 21.4% » \$4.9 billion**

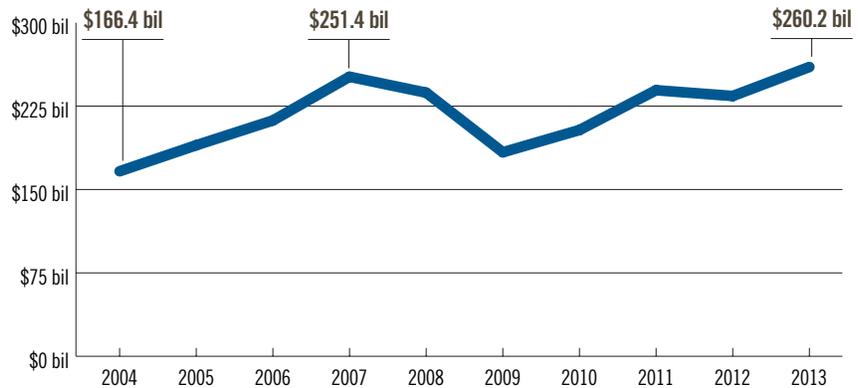
**PRIVATE EQUITY: 15.7% » \$3.6 billion**

**FIXED INCOME: 13.5% » \$3.1 billion**

**ABSOLUTE RETURN STRATEGIES: 4.8% » \$1.1 billion**

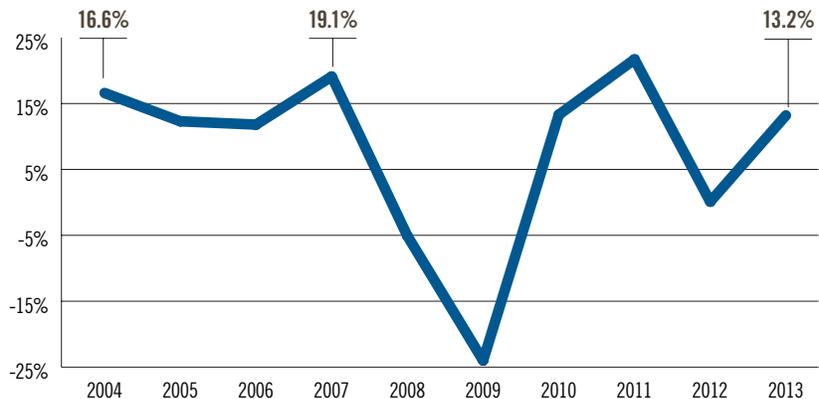
CalPERS investments rebounded in the 2012-13 fiscal year with a solid 13.2 percent return, raising total pension fund investment assets to \$260.2 billion.

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



**+18.7%**  
equity portfolio return

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



**+11.8%**  
real assets portfolio return

**-1.2%**  
domestic debt securities return

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

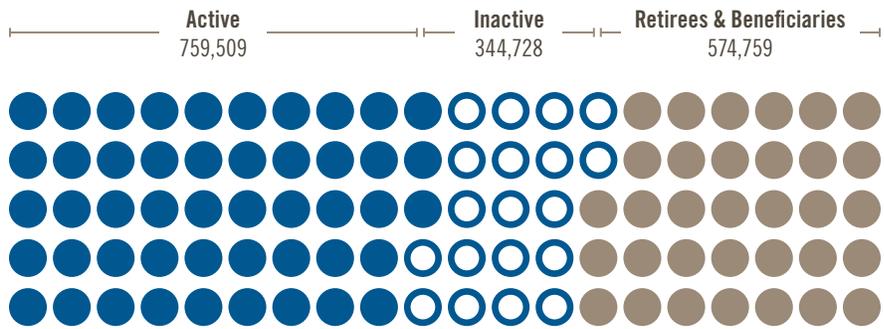
Stock	No. of Shares	Market Value
Exxon Mobil Corporation	13,903,868	\$1,256,214
Apple, Inc.	2,782,279	1,102,005
Microsoft Corporation	24,708,696	853,191
Johnson & Johnson	8,918,114	765,709
Chevron Corporation	6,361,241	752,789
General Electric Company	32,010,341	742,320
Google Incorporated CL A	825,679	726,903
Wells Fargo & Company	17,456,809	720,443
Nestle SA Reg	11,000,788	720,286
JP Morgan Chase & Company	12,719,282	671,451

# Retirement

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

## Retirement Plan Membership

**1.68 million**  
retirement plan membership



**\$16.6 billion**  
paid in retirement, death,  
& survivor benefits

## Average Benefit Payments (as of most recent actuarial valuation, June 30, 2012)

Years of Credited Service	0-5	5-10	10-15	15-20	20-25	25-30	30+
Average monthly allowance*	\$541	\$747	\$1,267	\$1,860	\$2,733	\$4,228	\$5,026
Average final compensation	\$6,104	\$4,442	\$4,679	\$5,037	\$5,722	\$6,587	\$6,700

**\$2,945**  
average monthly  
retirement benefit

## Service Retirement (2-year review)

Fiscal Year	2012-13	2011-12
Number of new service retirees	28,588	29,999
Average years of service	20.5	20.8
Average monthly allowance	\$2,945	\$3,025
Average age at retirement	60	60

## Type of Participating Employers

State of California	1
County Offices of Education	57
School districts & charter schools	1,508
School district offices	4
Cities and towns	450
Counties	37
Districts & other public agencies	1,033

**Total number of employers  
contracting with CalPERS** **3,090**

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

State of California	321,924
Los Angeles County Office of Education	104,393
Los Angeles Unified School District	41,684
San Diego County Office of Education	36,843
Orange County Office of Education	32,599

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

# Health Program

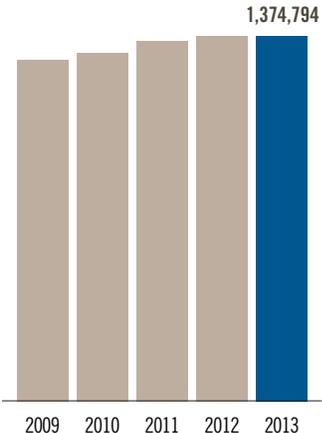
Making high-quality, accessible and affordable health care available to our more than 1.3 million enrolled health plan members is a top priority for our Health Benefits Program. We are the largest purchaser of public employee health benefits in California and second largest in the U.S. after the federal 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.

**\$7.3 billion**  
paid in health premiums

**1.37+ million**  
health program membership

## Health Program Membership

(5-year review)



## 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 post-employment benefits such as employer-paid retiree medical, dental and vision insurance. 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.

**\$2.7 billion**  
total CERBT assets

### CERBT Highlights (FY 2012-13, dollars in thousands)

CONTRIBUTIONS . . . . .	<b>\$441,708</b>
DISBURSEMENTS . . . . .	<b>(\$44,706)</b>
<b>TOTAL TRUST ASSETS . . . . .</b>	<b>\$2,710,427</b>

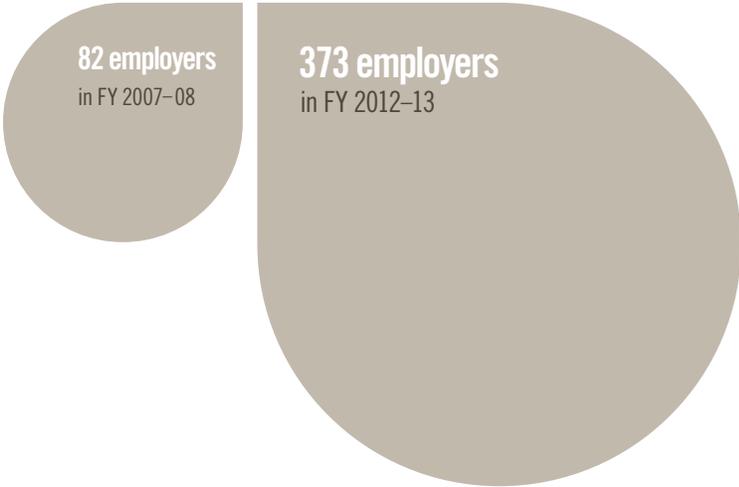
**\$2.1 billion**  
increase in fund assets  
since inception

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

FY	Total Trust Assets
2008-09	\$848,881
2009-10	\$1,287,201
2010-11	\$1,866,688
2011-12	\$2,078,234
2012-13	\$2,710,427

**355%**  
growth in employer  
participation since  
inception

### CERBT Participation Growth



# CalPERS Staff Accomplishments

Behind the scenes, CalPERS staff worked hard during Fiscal Year 2012–13 to improve operations, reduce costs, and enhance service and efficiency for our members and employers.



**800,000+** phone calls

answered by Customer Service Agents



**34,500**

service & disability retirement applications processed



**110,000+** members

visited regional offices for help on retirement planning



**5-year strategic plan**

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



**earned 13.2% on investments**

exceeding 7.5% assumption



**greater transparency**

provided by posting 2,475 actuarial valuation reports online



**4 new HMO providers**

added to health benefits program effective 2014



**50,000+**

members educated through online classes, workshops, and webinars



**Long-Term Care Program restructured**

to ensure sustainability

# 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*

**Priya Sara Mathur,  
Vice President**  
*Public Agency 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*

**George Diehr**  
*State Member Representative*

**JJ Jelincic**  
*All Member Representative*

**Henry Jones**  
*Retired Member Representative*

**Ron Lind**  
*Appointed Jointly by the Senate  
Rules Committee and the  
Speaker of the Assembly:  
Public Representative*

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

**Bill Slaton**  
*Appointed by Governor: Local  
Government Elected Official*

**Vacant**  
*Appointed by Governor:  
Insurance Industry  
Representative*

CalPERS

**California Public Employees'  
Retirement System**

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