

Ensuring a Sound and Sustainable Pension Fund

Asset Liability Management (ALM)

Ongoing CalPERS Board Review and Decisions

Bolded items are actionable by Board Committees and/or Board of Administration

2017

January

Educational Workshop:

- CalPERS adopts an asset allocation mix that lowers investment risk but largely keeps investment strategy unchanged

February

Board Adopts:

- **Modifications to Funding Risk Mitigation Policy and temporarily suspends**

April

Educational Workshop:

- Private asset roles and benchmarks

FAC Review:

- Affiliate Funds Valuations

June

IC Approves:

- **Capital Market & Economic Assumptions for 2018-2028 July**

July

Release FY 2016-17 Investment Returns

Educational Workshop:

- Use of leverage in strategic asset allocation decisions

August

IC Review:

- Long-term capital market assumptions

September

FAC Review:

- Notification of Risk Mitigation Policy Thresholds (Policy temporarily suspended)
- Amortization Policy
- Funding risks

October

CalPERS Educational Forum:

- Education and engagement opportunity with employers and other stakeholders

November

Educational Workshop:

- Candidate portfolios for strategic ALM

FAC Review:

- Negative cash flow analysis and strategic approach
- Experience Study that looks at lifespan, workforce changes, and payroll trends

December

Experience study results

First Opportunity for Board to adopt:

- **Strategic asset allocation mix**
- **Actuarial assumptions**

2018

February

Second Opportunity for Board to Adopt:

- **Strategic asset allocation mix**
- **Actuarial assumptions** (tentative pending Board decision in December)

April

FAC Review:

- Affiliate Funds Valuations which may include asset allocation mix

July

CalPERS Implements:

- Board adopted strategic asset allocation for PERF

September

FAC Reviews:

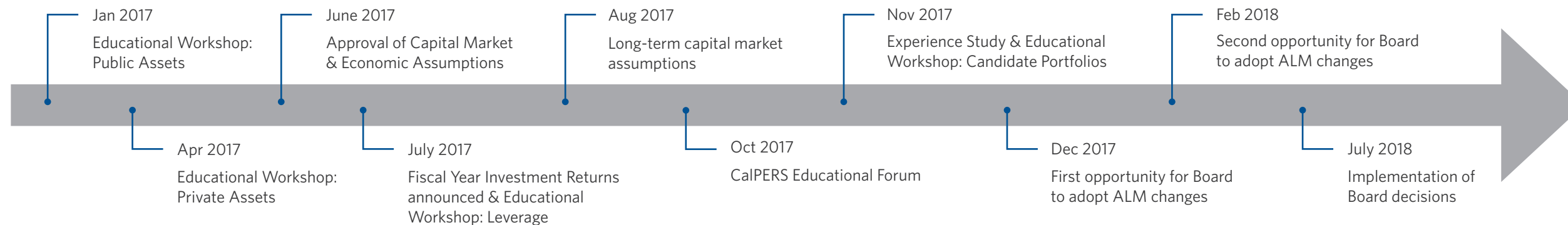
- Notification of Risk Mitigation Policy Thresholds (Policy temporarily suspended)

November

FAC Review:

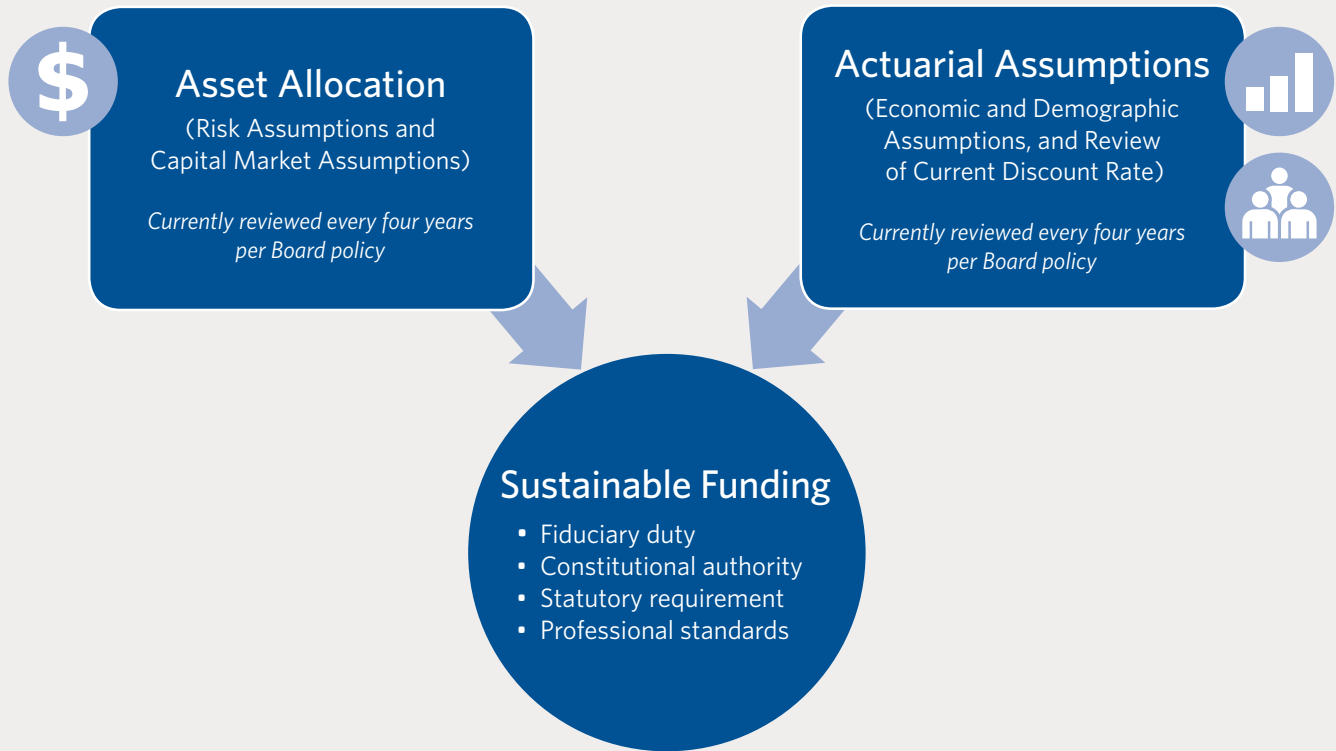
- Use of leverage in strategic asset allocation decisions

2017-18 Key Asset Liability Management Milestones



Asset Liability Management (ALM)

The ALM is an integrated review of our assets and liabilities to inform decisions designed to achieve a sound and sustainable fund. It is an innovative and transparent approach to guide the Board in sound decision making.



ALM Review Cycle Components & History

Asset Allocation (including expected investment return)

This process includes a review of the current Asset Allocation and the role each asset class plays within the portfolio. It looks at risk tolerances for each asset class and most importantly, provides Capital Market Assumptions that reflect the expectations of what the financial markets will deliver.

Asset Allocations were reviewed in 2014, 2010, 2007 and 2004

Actuarial Assumptions (including Discount Rate)

Economic Assumptions include the Discount Rate, and wage and price inflation projections; Demographic Assumptions include retirement, employment and mortality rate projections. The Discount Rate is the long term interest rate used to fund future pension benefits.

Economic Assumptions were reviewed in 2014, 2012 and 2004

Demographic Assumptions were reviewed in 2014, 2010 and 2004

Discount Rate was reviewed in 2016 (reduced to 7.0% over 3 years, 2012 (changed from 7.75 to 7.5%), 2011 (no change) and 2004 (changed from 8.25 to 7.75%)

Funding Levels & Risk Report

An annual assessment of the funded status and overall soundness and sustainability of the plan, beginning in 2012.

Funding Risk Mitigation Policy

CalPERS Board of Administration approved November 2015, suspended until 2020.