

EMPLOYER NEWS

November 2021



ALM Decision: Board Holds Discount Rate and Selects New Investment Allocation

Changes to member retirements and some service credit purchases

At the November 15-17, 2021, CalPERS Board meetings, the board voted to keep the discount rate at the current level of 6.8% and select a new asset allocation of the fund's investment portfolio for the next four years. Additionally, new actuarial assumptions were adopted that impact retirement benefit amounts for some members and the cost of present value service credit purchases.

As part of the Asset Liability Management (ALM) process, the board examined different potential portfolios and their impact on the CalPERS fund. Ultimately, the board selected the portfolio with expected volatility of 12.1% and an assumed investment return of 6.8%. This decision means the discount rate will not be changed a second time this year. It was lowered from 7% to 6.8% automatically due to the [Funding Risk Mitigation Policy \(PDF\)](#).

When the expected impact of the investment gain for fiscal year 2020-21 is factored in, many plans will see required employer contributions that are comparable to or slightly lower than previously determined contribution requirements. Overall we estimate employers will see a decrease in median [total employer contribution rates](#), which includes both normal and unfunded actuarial liability costs, from less than 1% in miscellaneous plans to a decrease of more than 2% in some safety plans.

This also impacts your PEPPRA employees' member contribution rate. Contribution rates for PEPPRA members are based upon the total normal cost for the plan. The discount rate and actuarial assumption changes will increase the total normal cost for most plans, which will lead to contribution increase for most PEPPRA members. We expect 80-90% of PEPPRA members will see an increase to the member rate and the average increase will be roughly 0.8% of pay. Members should check with their bargaining units for updates, but changes would align with the same timeline as employer rates.

Additionally, the board adopted new economic and demographic actuarial assumptions. While most demographic assumptions changed, the primary change involved the slightly longer life expectancies for retirees and beneficiaries, earlier than expected retirement ages for some safety groups, and higher than expected future pay increase for some groups. These actuarial changes impact two key areas for members:

1. Typically, an increased retirement benefit amounts by a few dollars if they chose a payment option at retirement that provides a benefit for a spouse or beneficiary.
2. Increased cost of service credit purchases for some types of service credit. This applies to members if they retire or their request to purchase service credit is received on or after November 18, 2021.

These changes will impact your employer pension costs in Fiscal Year (FY) 2022-23 for state and schools plans, and FY 2023-24 for public agencies. For more specifics about the changes visit our [2021 ALM Decision FAQs](#).

[Learn more](#)

David Miller and New Member Jose Luis Pacheco Win Board Seats

Member at Large seats represent active members and retirees

David Miller was reelected and Jose Luis Pacheco was elected as a new member to the CalPERS Board for the two Member at Large seats.

Miller has been a Member at Large representative on the board since 2018 and is an environmental scientist at the California Department of Toxic Substances Control, with 31 years of CalPERS-covered service. Pacheco is a SharePoint developer and administrator with the San Jose-Evergreen Community College District, with nearly six years of CalPERS-covered service. He is vice chair of the board of directors for the Santa Clara County Federal Credit Union and president of California School Employees Association Chapter 363.

The four-year term of office begins January 16, 2022 and concludes on January 15, 2026. The election results were certified by the California Secretary of State on October 25, 2021.

[See the Results](#)

COMING UP

December 1 • [Prefunding Programs Workshop](#)

December 1, 2, 7, 8, 9 • [myCalPERS Trainings \(PDF\)](#)

December 7, 8, 9, 14, 15, 16 • [Business Rules Employer Trainings \(PDF\)](#)

December 15 • [Social Security Benefits \(WEP and GPO\) Webinar](#)

December 16 • [Employer Leadership Dialogues – Fresno Region Webinar](#)

January 18, 19 • [CalPERS Board Educational Day and Stakeholder Forum](#)

[2021 Online Classes for Employers PDF](#)

RESOURCES



Training & Events



Board Meetings



Legislation



Circular Letters

If you have questions or comments, please [email](#) us.