



PERSPECTIVE

Winter 2017

Learn Why We
Invest for the Long Term

PERSPECTIVE

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We take your feedback seriously. If you would like to suggest topics for a future issue, send an email to editor@calpers.ca.gov.

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Go Green

We encourage you to “go green” by accessing PERSpective online. Current and past issues are always available at www.calpers.ca.gov/perspective. You can also log in to my.calpers.ca.gov to update your mailing preferences and email address.

PERSpective is printed on environmentally responsible paper that is Forest Stewardship Council certified and made of post-consumer recovered fiber manufactured using 100% Green-e® certified energy sources.

The PERSpective newsletter provides information for members of the retirement and health programs of the California Public Employees' Retirement System. You are receiving this newsletter because you are either presently working for a CalPERS-covered employer, retired from a CalPERS-covered employer, or you are the beneficiary of a CalPERS member.

PERSpective is intended to provide general information about pension, health, and other retirement benefits. Nothing herein should be construed to establish, amend, enlarge, reduce, or otherwise affect any retirement rights, benefits, or privileges. If there is a conflict between applicable law or regulation and the contents of this newsletter, the law or regulation shall prevail.

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CEO Message from Marcie Frost

My Top Priorities as CEO

Since coming to CalPERS as the new chief executive officer in October, I've had the privilege of spending time with many groups that are critical to helping us deliver the retirement and health benefits that have been promised to you and your family.

Over the last few months I've met with many of our employer partners, employee and retiree associations, government stakeholders, and members to discuss their challenges and how we can fully collaborate toward reaching common goals. From these discussions, I've developed a few top priorities to focus on in the coming months, and I'd like to share them with you now.

As you can expect, one of my immediate priorities will be ensuring the long-term sustainability of the Fund. CalPERS is maturing as a system, a very common situation for many of the pension funds across our nation. We pay out more in retirement benefits each month than we take in contributions. This makes it critical that we pay close attention to the investment markets and what we can expect to earn over the next 10, 20, and 30 years. Our team is sharply focused on these issues and is taking steps to address them.

The cost of health care is a universal dilemma that all of us face. That is why it's also at the top of my list. CalPERS has been a leader in developing innovative programs to reduce the costs of our health benefits program. We've already mapped out a number of new initiatives in our next five-year strategic plan to expand on this work.

And finally, I'm a strong believer in efficiency and running our organization as cost-effectively as we can without sacrificing customer service. As stewards of the system, we must do our part to reduce taxpayer dollars where we can. Our executive team continues to look at ways to reduce costs and complexity.

These are just a few of the priorities that have been identified in my first few months here as CEO. I'm dedicated to listening and learning, and to finding common goals and discussing shared solutions. That is my top priority.

I welcome any feedback you have about pension and health care systems and supporting our operations. Please feel free to send your comments to editor@calpers.ca.gov.

“...one of my
immediate priorities
will be ensuring the
long-term sustainability
of the Fund.”



Successful Investing for the Long Term

When the topic of investing comes up, most people think of the latest initial public offering making headlines or the number announced when the stock market closes for the day. The investment team at CalPERS is mindful of these things, but their focus is further in the future—as in decades further.

Our commitment is to pay pensions for generations. For this reason, CalPERS has a strategic investment plan in place that seeks to maximize returns during good times, and also reduce risk to the portfolio during weak economic cycles.

Our talented investment team works with experts in the fields of finance and economics to develop projections of expected returns for years ahead. When signals indicate slower economic growth, CalPERS proactively makes adjustments in the portfolio to lower the impact to the Fund and reduce our investment risk.



Diversifying Investments to Lower Risk

Creating long-term sustainability and reducing risk are also why we diversify our investments. The portfolio has investments in various assets including stocks, bonds, real estate, and private equity. While the majority of the portfolio is made up of stocks, keeping the entire portfolio in publicly traded stocks could have devastating long-term effects should we encounter another severe economic downturn.

As we have seen during challenging economic times, lower-risk investments provide the stability that cannot be

guaranteed in the stock market. So while investments like bonds generally do not provide the level of long-term returns that have been provided by stocks, they are a safe and smart investment that balances the overall risk of our Fund.



Opportunity for Long-Term Investors

Economists and financial experts believe we are heading into a lower return economic cycle perhaps for the next five to 10 years. If this occurs as predicted, CalPERS' returns will continue to remain lower than the high levels we experienced just a few years ago.

However, challenging market environments can actually be a good opportunity for long-term investors like CalPERS. They give us the ability to take advantage of investment opportunities that would have been considered too expensive during a high-return environment.



Impact on Employer Contributions

In addition to investment returns and employee contributions, CalPERS is also funded by employer contributions. This is the amount

agencies pay CalPERS so they can provide pension benefits to their employees.

Our commitment is to pay pensions for generations.

To date, employer contributions have not kept pace with benefit costs. Therefore, agencies may be asked to increase their contributions in the future. To prepare employers, CalPERS has been proactively working with them as part of the Asset Liability Management process, which takes a 360-degree look at our investments and contributions to best match the level of benefits that have been promised to employees. While employers may be asked to contribute more, we are seeking to implement this in small increments to soften the impact.

Through strategic investing and our strong partnerships with employer agencies, CalPERS is consistently working to stay steps ahead of economic cycles. Reducing risk and preparing for lower returns are part of the important work we do to increase the overall health of the Fund.



Public Agency and School Employees

Take Steps Now to Save for Your Retirement

It's important to get as early a start on saving for retirement as you can. The sooner you begin, the more you potentially have to gain. Here are four reasons not to wait.

You want to give your savings as much time as possible to grow. Time is your ally, especially when you are in your 20s and 30s. Building up retirement savings over 30 or 40 years can help you end up with substantially more for your future.

You have an option that makes saving simple. The CalPERS Supplemental Income 457 Plan is available to public agency and school employees. It's a voluntary deferred compensation plan that supplements your pension and Social Security benefits. With this plan, your

current taxable income is reduced by the amount you save on a before-tax basis, lowering your tax bill. Your earnings are automatically reinvested, giving you the advantage of tax-deferred compounding.

You gain the power of tax deferral. What you save and any investment gains are not taxed until you withdraw the money, usually at retirement. Over a long period of time, more value may accumulate because any gains are reinvested with no current taxes due. Tax-deferred investments offer the potential to grow to much larger amounts than taxable investments because of tax-deferred compounding.

Compounding helps your savings grow. Here's how it works: you earn money on

your investment, and your investment earnings earn money. Each year's gains build on those of the past. The longer you save and invest, the greater your savings' growth potential. In fact, if you start early, you may not need to save as much to eventually reach your retirement income goal.

If your employer has adopted this 457 plan, call (800) 260-0659 or visit calpers.voya.com to learn more or enroll. To check whether your employer offers the 457 plan, visit www.calpers.ca.gov and search for CalPERS 457 Plan. If your employer does not currently offer the 457 plan, contact your human resources department to express your interest and request that your employer join.

Looking for Information on Purchasing Service Credit?

We've recently made some important changes to the service credit purchase publication, *A Guide to Your CalPERS Service Credit Purchase Options* (Publication 12).

The publication is now arranged by the cost method we use to calculate the various types of service credit purchases. We hope this will help you better understand how each type of service credit purchase is calculated.

Publication 12 no longer contains any request forms to purchase service credit. The request forms are now located solely

on the CalPERS website under **Forms & Publications**. Directions to obtain the request forms are provided in the publication.

We also removed all information pertaining to military service credit from Publication 12. *Why, you may ask?* We're pleased to announce a new service credit purchase publication that is dedicated to your military service credit options.

The new Publication 15, *A Guide to Your CalPERS Military Service Credit Options*, provides detailed information on service

credit options relating to time served in the military. This publication also includes information on how the military cost is calculated (if applicable), how the service credit amount is determined, and how to request military service credit information from CalPERS.

If you're looking for information on purchasing service credit with CalPERS, visit us at www.calpers.ca.gov to view the improved Publication 12, *A Guide to Your CalPERS Service Credit Purchase Options*, and the new Publication 15, *A Guide to Your CalPERS Military Service Credit Options*.

What Is Your CalPERS ID?

Each CalPERS member is assigned a unique 10-digit identifier, which we refer to as the CalPERS Identification Number, or CalPERS ID.

You can use your CalPERS ID as an alternative to your Social Security number when conducting any CalPERS business.

Your CalPERS ID will always remain the same, even if you retire or go to work for another employer.

Ways to find your CalPERS ID:

- Log in to my|CalPERS, select the **Profile** tab and then select **Personal Information**.
- Refer to any correspondence from CalPERS, such as your Annual Member Statement.
- Speak with a customer service representative by calling **888 CalPERS** (or **888-225-7377**).

If you haven't registered for my|CalPERS, go to my.calpers.ca.gov, select the **Participant** option and **Continue**, followed by **Register Now**. You'll need to create a username and password to obtain secure online access to your CalPERS account information.





6 Facts About Your Health Plan Premium

As the New Year begins, you may notice an adjustment to your health plan premium amount. Likewise, you may be thinking about what you're getting for your health plan premium dollars. Here are some facts to help you understand the value of your CalPERS health plan:

1. First, you have a team of dedicated, knowledgeable staff who annually negotiate with our health plan providers to get the best possible coverage for members at the lowest possible premium.
2. Then there's the value of each plan. Health insurance plans in the general marketplace are categorized in tiers to show the average amount of out-of-pocket costs they cover—Bronze (60 percent), Silver (70 percent), Gold (80 percent), and Platinum (90 percent). CalPERS' plans are consistently ranked at Silver or higher. The most recent data (2013) shows the average CalPERS Basic health plan covered 92 percent of out-of-pocket costs.
3. For the average CalPERS plan, the office visit co-payment for an HMO health plan is only \$15, or \$20 for a PPO plan. And most CalPERS plans have no co-payments for preventive services, surgeries, or anesthesia, and no deductible for hospital admissions.
4. A majority of CalPERS members also have low co-payments for most of their prescription drugs—\$5 for a 30-day supply. That's an important benefit when you consider rapidly rising prescription drug prices are a major factor in the increased cost of health care.
5. Durable medical equipment—for example, CPAP machines for sleep apnea, walkers, hospital beds, home dialysis machines, or oxygen equipment—can be very expensive. Costs range from \$20 to more than \$10,000. CalPERS HMO plans offer durable medical equipment with no charge, and PPO plans offer the equipment with a 10–20 percent co-insurance for the member.
6. Our plans also focus on preventive medicine and ways to keep members healthy, including offering health and wellness promotion programs that encourage members to stop smoking, lose weight, and adopt healthier lifestyles to prevent diabetes.

All in all, CalPERS members get a lot for their health care dollars compared to the U.S. average cost. For a detailed look at the services available, go to www.calpers.ca.gov to view the 2017 CalPERS Health Benefit Summary or your health plan's Evidence of Coverage.

(Sources: Kaiser Family Foundation and Debt.org)

Typical Health Care Costs and CalPERS Co-payments

Service	Average U.S. Cost	CalPERS Member Co-payment
Office visit	\$160	\$15
Urgent care visit	\$155	\$15
Emergency room visit	\$1,233	\$50
Baby delivery (no complications)	\$3,500	No charge
Typical lab tests (e.g., cholesterol, glucose)	\$46	No charge
Typical preventive services (e.g., flu shot)	\$72	No charge



Diabetes Prevention Programs Now Open to Eligible Members

Diabetes is a major underlying cause of death in the United States, claiming almost 80,000 lives a year, according to the Centers for Disease Control and Prevention (CDC). In California, diabetes is the seventh leading cause of death. The condition results in high blood sugar levels leading to serious health complications including heart disease, blindness, kidney failure, and amputations of toes, feet, or legs.

One in three people have prediabetes.

The CDC estimates that more than 86 million American adults—one in three people—have prediabetes, a condition in which a person's blood sugar level is higher than normal, but not yet high enough to be considered diabetic. About 88 percent of people with prediabetes aren't aware that they are prediabetic. That lack of awareness can result in prediabetes developing into Type 2 diabetes.

To ensure that fewer of our members with prediabetes develop Type 2

diabetes, CalPERS has joined the CDC's and the California Department of Public Health's efforts to promote and implement Diabetes Prevention Programs (DPPs). Starting January 1, all CalPERS health plans are required to offer DPPs that meet the CDC's standards at no cost to eligible members.

A DPP is a yearlong program led by trained lifestyle coaches who empower participants to take charge of their health and focus on lasting results. To be eligible for the program, participants must:

- Be at least 18 years old; **and**
- Have a body mass index (BMI) of at least 24 (22 if Asian); **and**
- Have a blood test result in the prediabetes range in the past year, or have been previously diagnosed with gestational diabetes; **and**
- Have no previous diagnosis of diabetes.

For more information you can contact your health plan, or visit www.calpers.ca.gov and search for Diabetes Prevention Programs.

Are You Mindful of Your Prescription?

We make every effort to keep member health care costs as low as possible. But it's important to note that drug prices are a significant factor in rising health care costs and, therefore, CalPERS premium increases. In 2015, we spent about 17 percent of our total costs—more than \$2 billion—on prescription drugs, but members paid only about one percent of that amount. Take the effective hepatitis C drug Harvoni. Most CalPERS members will pay \$60 for a 12-week treatment. The treatment actually cost CalPERS about \$95,000, even with a pharmacy benefit manager negotiating the lowest possible price.

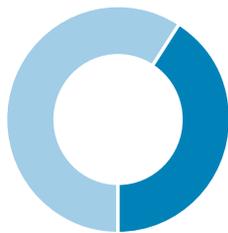
Affordable Care Act: Tax Forms 1095-B and 1095-C

Forms 1095-B and 1095-C are coming your way by March 2. The Affordable Care Act requires health plans and employers to report on the Basic health plan you and your dependents were enrolled in during 2016. Be sure to keep these forms with your tax records. (Retirees, see page 11 for more information.)



Because they might not be able to care for you someday...

You may think your family will be able to care for you when you need it. However, rarely can families provide care that is required 24 hours a day, 7 days a week. CalPERS Long-Term Care can give you peace of mind in knowing you will have care when you need it.



Did you know?
41% of long-term care is provided to people under 65 to help cover the cost associated with injury, disease, or disability.

Find out more about Long-Term Care and see if you qualify at WhyLongTermCare.org or by calling (800) 205-2020

WhyLongTermCare.org
(800) 205-2020



Reminder: OptumRx is CalPERS' New Pharmacy Benefits Manager

OptumRx now manages CalPERS' prescription drug benefits for members with health plans administered by Anthem Blue Cross, Health Net, Sharp, and UnitedHealthcare. OptumRx replaced CVS Caremark as the CalPERS pharmacy benefits manager as of January 1.

Information about OptumRx and the transition—including a set of frequently asked questions and lists of available prescription drugs—is available at www.optumrx.com/calpers. Members affected by the transition should have received OptumRx welcome packets in mid-November, and their prescription ID cards in mid-December.

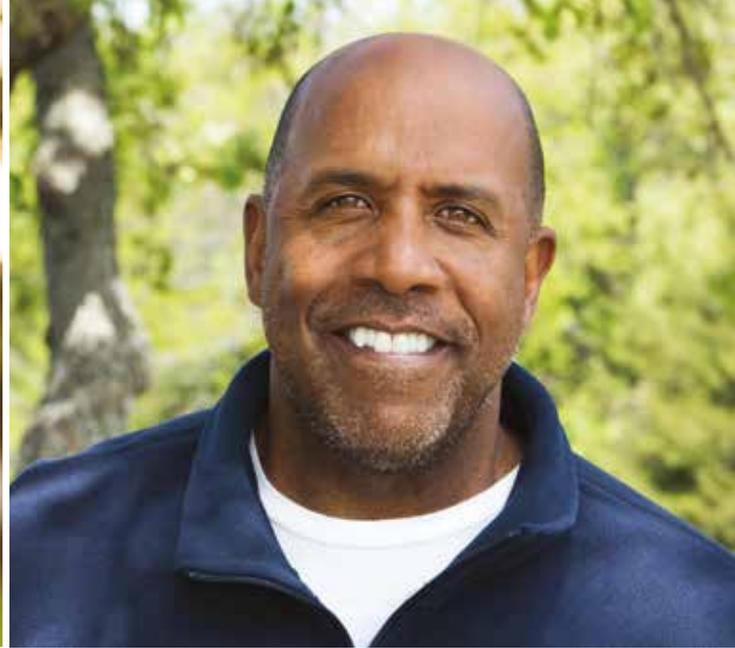
If you have any questions about your non-Medicare prescription service with OptumRx, please call (855) 505-8110. For questions about Medicare prescription service, please call (855) 505-8106.

2017 CalPERS Retirement Check Pay Days

Benefits are paid at the beginning of the month for the previous month's benefits. For tax reasons, your December retirement check is always dated the first day of the new year.

The State Controller's Office issues checks and determines mailing dates. If you have direct deposit, contact your financial institution to see when funds are placed in your account.

Benefit Month	Mailing Date	Direct Deposit Date
January	January 30	February 1
February	February 27	March 1
March	March 30	March 30
April	April 28	May 1
May	May 30	June 1
June	June 29	June 30
July	July 28	August 1
August	August 30	September 1
September	September 28	September 29
October	October 30	November 1
November	November 29	December 1
December	December 28	January 2, 2018



What Retirees Need to Know for 2017

A new year means possible tax and health plan changes to your retirement benefits. Changes and selections can be made through your my|CalPERS member account. Here are a few reminders:

Affordable Care Act and 1095-B Tax Form: Health plan providers must provide an annual statement to their non-Medicare subscribers and their dependents by March 2. CalPERS does not provide this form. You may contact the health plan directly for questions or a duplicate copy of the 1095-B form.

Health Premium: The 2017 health plan premium rates went into effect on January 1. You can log in to your my|CalPERS member account to view your specific health plan details.

Medicare Reimbursement: You may receive a Medicare Part B reimbursement if you are a state and/or California State University retiree and if the premium cost is less than the state's contribution. The reimbursement may increase or decrease due to changes in the 2017 health plan premiums and the state's contribution.

Tax Withholding: Tax tables are revised annually by the Internal Revenue Service and the Franchise Tax Board. A tax advisor can help you decide if you should make any changes to your tax withholding elections for your 2017 benefits.

1099-R Tax Form: Use this form for reporting your retirement income from the previous year. This form is mailed annually by January 31 and is also available in your my|CalPERS member account by February 1.

Did You Just Retire?

Transitioning from employment to retirement is a major life event. We have many resources available online and in your my|CalPERS member account to support your retirement journey. Here are some important items you should review if you've recently retired:

- Direct deposit and banking information
- Power of attorney designation
- Tax withholding election
- Beneficiary changes
- Medical dependent updates
- Address and mailing preference
- Rules and requirements of working after retirement



Log in to your my|CalPERS member account at my.calpers.ca.gov to view forms, check your health coverage, make tax changes, and order member publications. You can also find information and resources on our website at www.calpers.ca.gov.



New Legislation May Affect CalPERS Members

California legislation that impacts many of our members will become law in 2017.

Health Benefits: Balance Billing

AB 72 (Bonta) prohibits health plan contracts and insurance policies from charging enrollees more than the in-network cost-sharing amount when they receive covered services from a non-contracting health professional at an in-network health facility for non-emergency services and care, beginning July 1, 2017.

Health Benefits: Direct Access to Reproductive Health Care Act

AB 1954 (Burke) prohibits health

plans and insurers from requiring an enrollee to obtain a referral before receiving reproductive and sexual health care services.

Health Benefits: Annual Supply of Contraceptives

SB 999 (Pavley) requires health plans and insurers to cover, and allows pharmacists to dispense, a 12-month supply of U.S. Food and Drug Administration-approved, self-administered hormonal contraceptives.

Restoration of Retirement Service Credit Following Reinstatement

AB 2028 (Cooper) requires that CalPERS members who are involuntarily terminated and subsequently reinstated through specified proceedings receive

all retirement benefits they otherwise would have accrued had they not been terminated, with service credit to be awarded for any period for which salary is awarded and contributions are received.

Retirement Options Simplification

AB 2404 (Cooley) eliminates and combines several of the existing optional retirement benefit settlements available to CalPERS members who retire on and after January 1, 2018. It provides members the option to receive either: 1) a lifetime benefit paid to the member alone; 2) a return of remaining contributions to a designated beneficiary upon the member's death; 3) an ongoing allowance to a beneficiary of 100 percent or 50 percent of the member's

modified retirement allowance, with the additional option to increase the member's allowance if their beneficiary predeceases them; or 4) a flexible option that provides a specified dollar amount or percentage of the member's unmodified allowance to one or more beneficiaries.

Retirement Service Credit for Active Duty Military Service

SB 294 (Pan) requires CalPERS to create and use a separate form for members requesting retirement service credit for active duty military service while on leave from CalPERS-covered

employment. It also requires CalPERS employers to notify their employees, within 30 days of an employee's return to employment, of their right to receive CalPERS retirement service credit for active duty military service.

Retirement Benefits for New Joint Powers Authorities (JPAs)

SB 1203 (Hertzberg) allows any JPA formed on or after January 1, 2013, to provide individuals who were employed by a member agency before the effective date of the Public Employees' Pension Reform Act of 2013 (PEPRA) and become employed by the JPA within

a specified period, the same defined benefit retirement plan or formula they received while employed by the member agency, provided the individual is not otherwise considered a "new member" under PEPRA.



CalPERS monitors legislation at the state and federal levels to protect the best interests of our members and employers. To view summaries and reports about legislation that may affect you, visit the [Legislation](#) section of our website at www.calpers.ca.gov.



Vote Online, by Phone, or by Mail

New Voting Options for the 2017 Member-At-Large CalPERS Board of Administration Election

Now it will be easier than ever to have your voice heard in the next CalPERS Board election. Eligible members will be able to cast their vote in the fall of 2017 in one of three ways:

-  **Online** from your personal computer with an authentic personal identification number.
-  **Call** toll free to a secure, automated telephone system.
-  **Mail** your paper ballot.

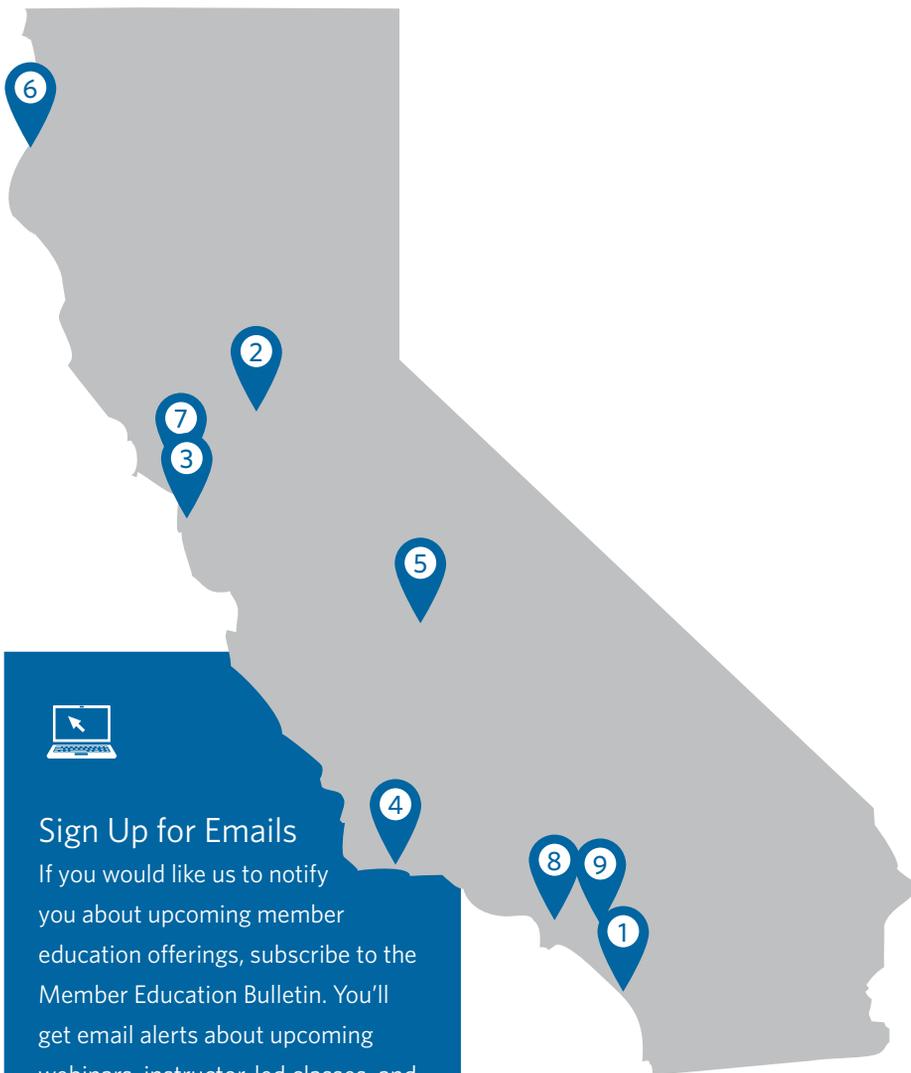
All three voting options are convenient, secure, and easy to use. Look for more information coming in the months ahead.

CalPERS Benefits Education Events Coming to a City Near You

Last year more than 12,000 members attended the CalPERS Benefits Education Events, known as CBEEs, to learn more about their benefits and plan for their future.

Open to all CalPERS members, the events are designed so you can ask questions about your benefits and learn what steps to take for the next phase of your career.

Visit www.calpers.ca.gov/benefitseducationevents to register for a CBEE near you. We encourage you to pre-register to expedite check-in, but walk-ins are welcome.



Sign Up for Emails

If you would like us to notify you about upcoming member education offerings, subscribe to the Member Education Bulletin. You'll get email alerts about upcoming webinars, instructor-led classes, and other member education events.

Visit www.calpers.ca.gov and scroll down to **Subscribe**.

- 1 Carlsbad | January 27 & 28**
Sheraton Carlsbad
5480 Grand Pacific Drive
Carlsbad, CA 92008
- 2 Sacramento | February 3 & 4**
Sacramento Convention Center
1400 J Street
Sacramento, CA 95814
- 3 Millbrae | March 3 & 4**
Westin San Francisco Airport Hotel
1 Old Bayshore Highway
Millbrae, CA 94030
- 4 Santa Barbara | March 17 & 18**
Fess Parker DoubleTree
633 East Cabrillo Boulevard
Santa Barbara, CA 93103
- 5 Fresno | April 28 & 29**
Radisson Hotel Fresno Conf. Center
1055 Van Ness Avenue
Fresno, CA 93721
- 6 Eureka | May 19 & 20**
Red Lion Hotel Eureka
1929 4th Street
Eureka, CA 95501
- 7 Santa Clara | July 21 & 22**
Santa Clara Marriott
2700 Mission College Boulevard
Santa Clara, CA 95054
- 8 Pasadena | August 18 & 19**
Hilton Pasadena
168 South Los Robles Avenue
Pasadena, CA 91101
- 9 Garden Grove | September 15 & 16**
Hyatt Regency Orange County
11999 Harbor Boulevard
Garden Grove, CA 92840



Holiday Schedule

January 2 New Year's Day (observed)
 January 16 Martin Luther King Jr. Day
 February 20 Presidents Day
 March 31 Cesar Chavez Day

Our offices will be closed on these holidays, but we're still available on the internet when you need information on our programs and services. Visit my.calpers.ca.gov to view your account information and conduct your CalPERS business online at any time.



CalPERS Board Meeting Schedule

January 17-19 (offsite)
 February 13-15
 March 13-15
 April 10-12

Live coverage of all open sessions of the Board and its committees is streamed online from the CalPERS auditorium.

Visit www.calpers.ca.gov on Board meeting days to watch and listen. You can also access videos of past meetings at www.youtube.com/calpersnetwork.



Upcoming Webinars

Sign up for our free educational webinars. Visit www.calpers.ca.gov to view webinar details and to register.

Member Self Service - my|CalPERS

January 25, 11:00 - 11:30 a.m.

Planning Your Retirement

February 22, 11:00 a.m. - 1:00 p.m.

Your Retirement Options and Online Application

March 29, 10:30 - 11:30 a.m.

Power of Attorney

April 26, 11:00 - 11:30 a.m.

Who Pays for CalPERS Pensions?

Some people believe that taxpayers fund the total cost of public pensions. This is untrue—CalPERS' investment earnings pay the majority of our public pension costs. Data from 1997-2016 shows that for every dollar CalPERS pays in pensions, 62 cents comes from CalPERS investments.

Public employees who are CalPERS members pay a part of their pensions as well. Each month they contribute a percentage of their paychecks toward their pensions. Through collective bargaining agreements negotiated in recent years, state employees pay more toward their pensions—some up to 15.25 percent of each monthly paycheck.

Every dollar paid to CalPERS retirees comes from three sources:

62¢

Investment Earnings

25¢

CalPERS Employers

13¢

CalPERS Members



Source: CalPERS Income over the last 20 years as of June 2016



California Public Employees' Retirement System
Office of Public Affairs
P.O. Box 1802
Sacramento, CA 95812-1802

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as you start the
new year?

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