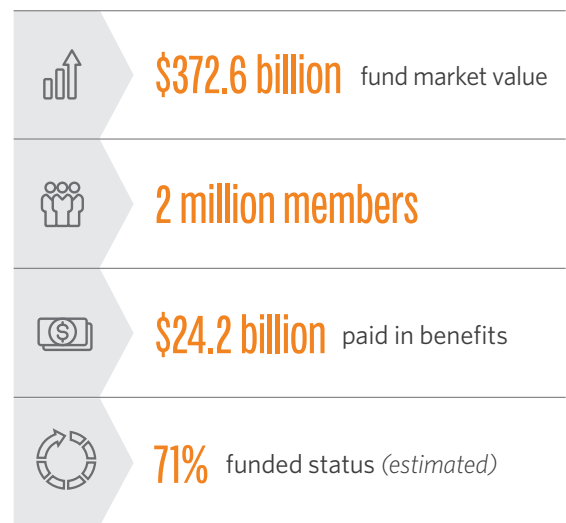


## Priorities for the Future

### Where We Stand

CalPERS was established in 1932. From the day we first opened our doors, **our mission has been to deliver the benefits our members have earned.** Over the decades, we've faced many economic cycles, including times of significant growth, and punishing recessions. Both our fund and our liabilities have grown through the years.

On behalf of all our members, **we're committed to strengthening and sustaining our fund** for the next generation of public employees — and for all the generations to come.



FY 2018-19

### Our Priorities

We're focused on three key priorities: **investment risk and liquidity; employer affordability; and climate risk.**

Each one presents unique challenges. We're laser focused on generating strong risk-adjusted returns, mindful that the companies we invest in must address how a changing climate threatens their financial bottom line. We know that successful investing is critical because our ability to pay pensions is only as secure as our employers' ability to fund them.



**investment risk & liquidity**



**employer affordability**



**climate risk**



## Investment Risk and Liquidity

CalPERS takes a total fund approach, ensuring the individual asset classes are working as one to generate strong risk-adjusted returns to achieve our 7% return target.

Our Investment Office is **leveraging our comparative advantages** — our fund's size, our diversification across asset classes, and our talented team — to improve our total fund return over the long term.

The team is also focused on identifying the right opportunities for CalPERS in the private markets of real assets and private equity. Over the years, our private market investments have been among the highest-returning asset classes.

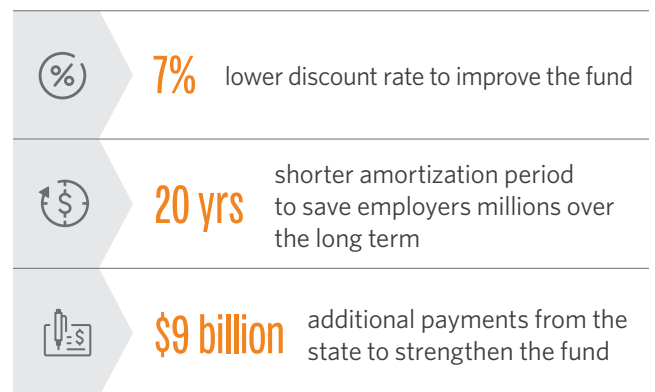
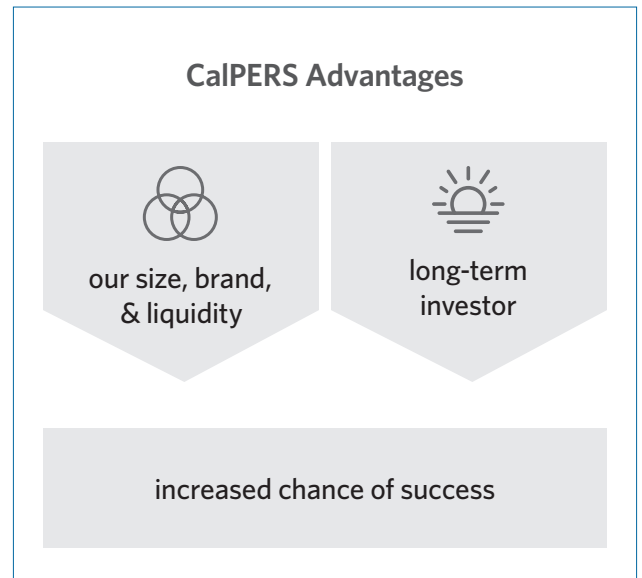
## Improved Liquidity

CalPERS has improved our liquidity, or cash flow.

We **lowered the discount rate** which led to increased employer contributions. While we know this has an impact on employers, it was also an important decision to improve the fund and allow us to pay the benefits employers promised their employees.

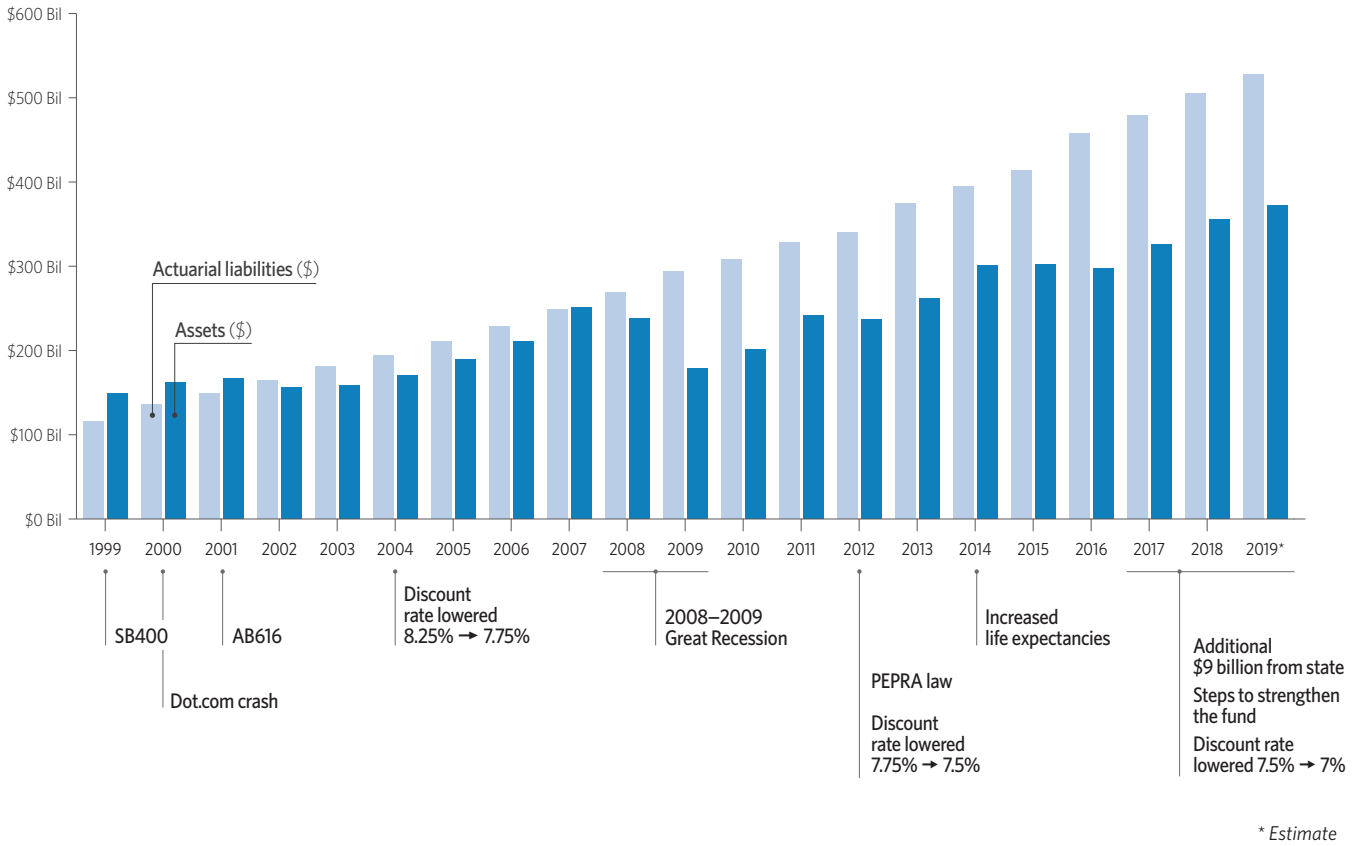
We shortened the time period for employers to pay off their **unfunded liabilities**, saving them millions over the long term.

The state of California, the largest CalPERS employer, made **additional payments totaling about \$9 billion**. This show of support by former Governor Brown and Governor Newsom significantly strengthens the fund.

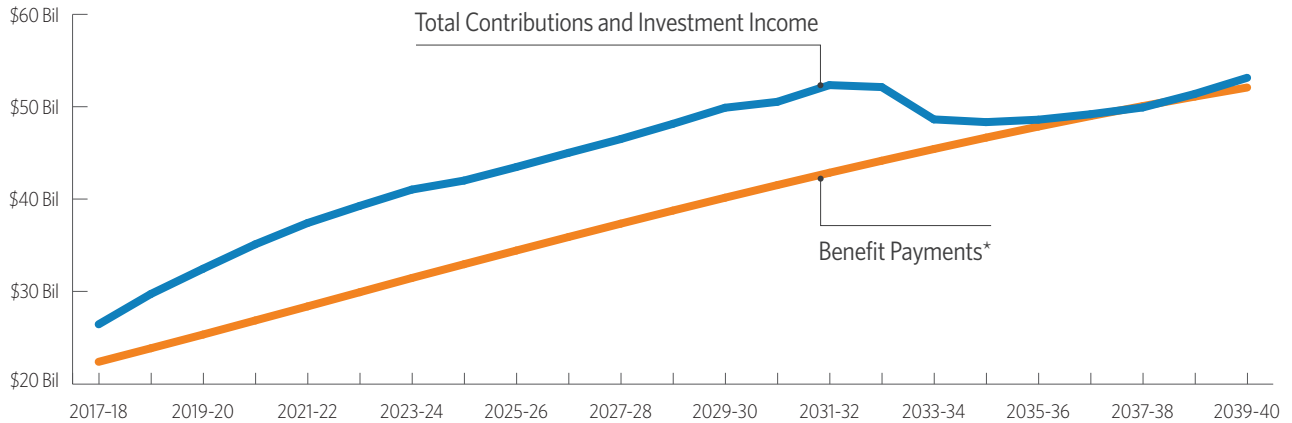


## CalPERS Assets and Liabilities 1999-2019

Our assets have grown over the years, especially since the financial crisis. But liabilities have grown at a faster pace.



## Total Fund Cash Flows Are Improving



\* Does not include other costs such as refunds and administrative costs of retirement and investment-based costs



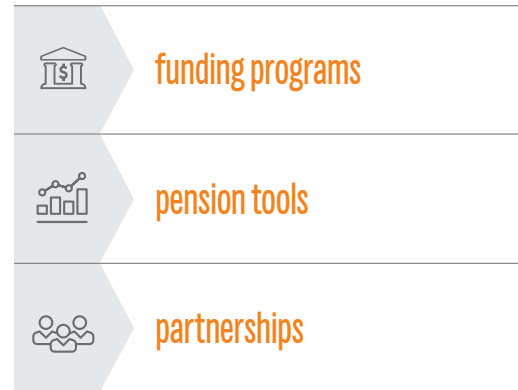
## Employer Affordability

We understand increased contributions impact employers. Our mission is to administer the pensions they have promised their employees and help them meet their obligations.

Our new program, the **California Employers' Pension Prefunding Trust** and ongoing programs including the California Employers' Retiree Benefit Trust, Fresh Start, and Additional Discretionary Payments, help employers prepare for the future and cut their cost over the long term.

Our actuarial team also has developed **new pension tools** to make it easier for employers to view pay-down scenarios and understand their options.

**Our employers are our partners.** Open and consistent communication is key to success.



## Climate Risk

Climate change is a threat to business and economic growth and a systemic risk to our pension fund. As stewards of the CalPERS system, we have been actively engaged for years to confront it. We have **a three-channel strategic approach supported by partnerships: advocacy, engagement, and integration.**

We advocate for changes that minimize the financial risk to our investments while quickening the pace to a low-carbon economy. We have a fiduciary duty to responsibly safeguard our fund and have joined with some of the world's leading investors to create sustainable economies across the globe.

