

Our Progress Toward a Sustainable Pension Fund

By Rob Feckner, President of the CalPERS Board of Administration



Rob Feckner

The year 2015 was marked with significant progress toward ensuring the long-term soundness and sustainability of CalPERS. We saw improved cost-effectiveness, combined with innovation and risk mitigation measures, which bolstered the security of the Public Employees' Retirement Fund for generations to come.

The fact that our members are living longer is a sobering reminder that we have a growing obligation to provide for their pensions. Just a decade ago the ratio of active workers to retirees was over 2 to 1. That ratio is now 1.3 workers to every retiree, and we pay out more in benefits than we receive in contributions.

In response, our Board approved a policy designed to reduce the discount rate, our 7.5 percent assumed rate of return on investments, over time. The result will help pay down the pension fund's unfunded liability and reduce risk and volatility in the fund.

Consistent with our long-term investment strategy, we maintain a vigorous and proactive approach toward improvements in corporate governance. During the past year, we continued to voice strong support for more shareowner input in the election of corporate board members and called for more efforts to reduce the threat of climate change.

We implemented a Treasury Management Program to ensure we can pay member benefits and organizational expenses without interruption regardless of financial markets and environmental conditions.

Last year, we also saw lower health care premiums for 570,000 of our members. Removing ineligible persons from our health plans and introducing a new alternative Medicare plan resulted in a savings of \$124 million.

And in June, we launched a new website to deliver enhanced service to both members and employers through upgraded search capability and greater mobile device compatibility.

Now in 2016, the headwinds of volatility in the financial markets may raise uncertainties in the global economy; however, the New Year also brings a fresh opportunity for accomplishment as we continue our innovative, cost-conscious pursuit of even better ways to serve the people who serve California.

"...the New Year also brings a fresh opportunity for accomplishment as we continue our innovative, cost-conscious pursuit of even better ways to serve the people who serve California."
