Funding Risk Mitigation Event

Finance & Administration Committee

September 15, 2026

CalPERS

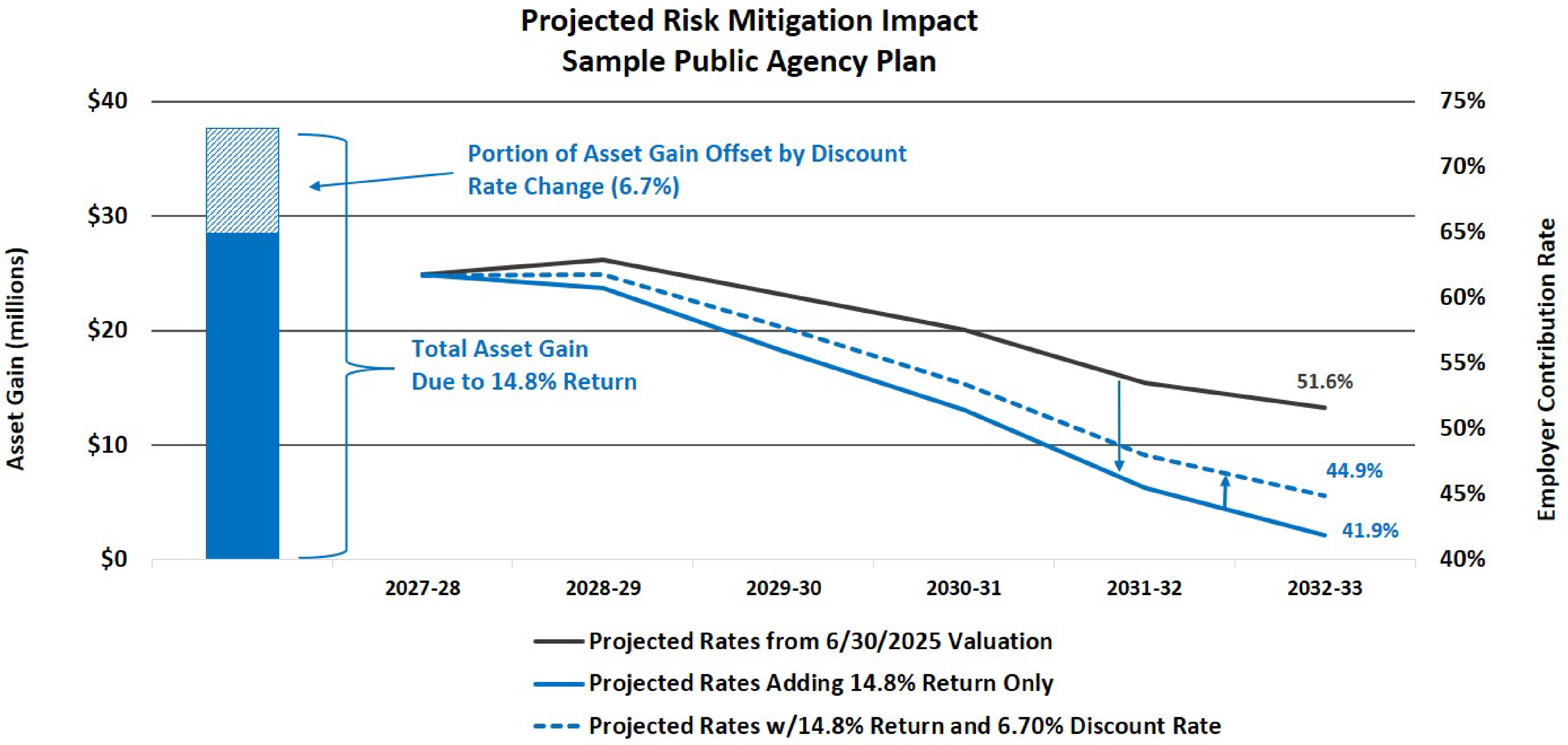
Funding Risk Mitigation Policy: Purpose

- Risk in the fund
- Discount rate
- Employer contributions
- System sustainability
- Volatility
- Asset allocation

Thresholds and Impacts

Excess Investment Return *If the actual investment returns exceed the discount rate by:*	**Reduction in Discount Rate** *Then the discount rate will be reduced by:*	**Reduction in Expected Investment Return** *And the expected investment return will be reduced by:*
2.00%	0.05%	0.05%
7.00%	0.10%	0.10%
10.00%	0.15%	0.15%
13.00%	0.20%	0.20%
17.00%	0.25%	0.25%

Illustration of Projected Employer Contributions



Possible PEPRA Member Rate Increases Public Agencies

Projected Increases to PEPRA Member Contributions Due to Possible 6.7% Discount Rate				
Projected Increase (% payroll)	Miscellaneous Plans		Safety Plans	
	Plans	Members	Plans	Members
0.50%	51	11,159	21	1,627
0.75%	41	7,959	506	12,574
1.00%	0	0	18	965
Total	92	19,118	545	15,166

Possible PEPRA Member Rate Increases State and Schools Groups

State Groups

- Possibly the California Highway Patrol group due to normal cost increases
- Possibly other groups due to normal cost increases and modified bargaining agreements

Schools Pool

- Likely increase from 8% to 8.5% due to normal cost increases

Recommendation:

Staff recommends making no changes to the discount rate and expected investment rate of return.

Questions?