

CalPERS and City of Pinole Update

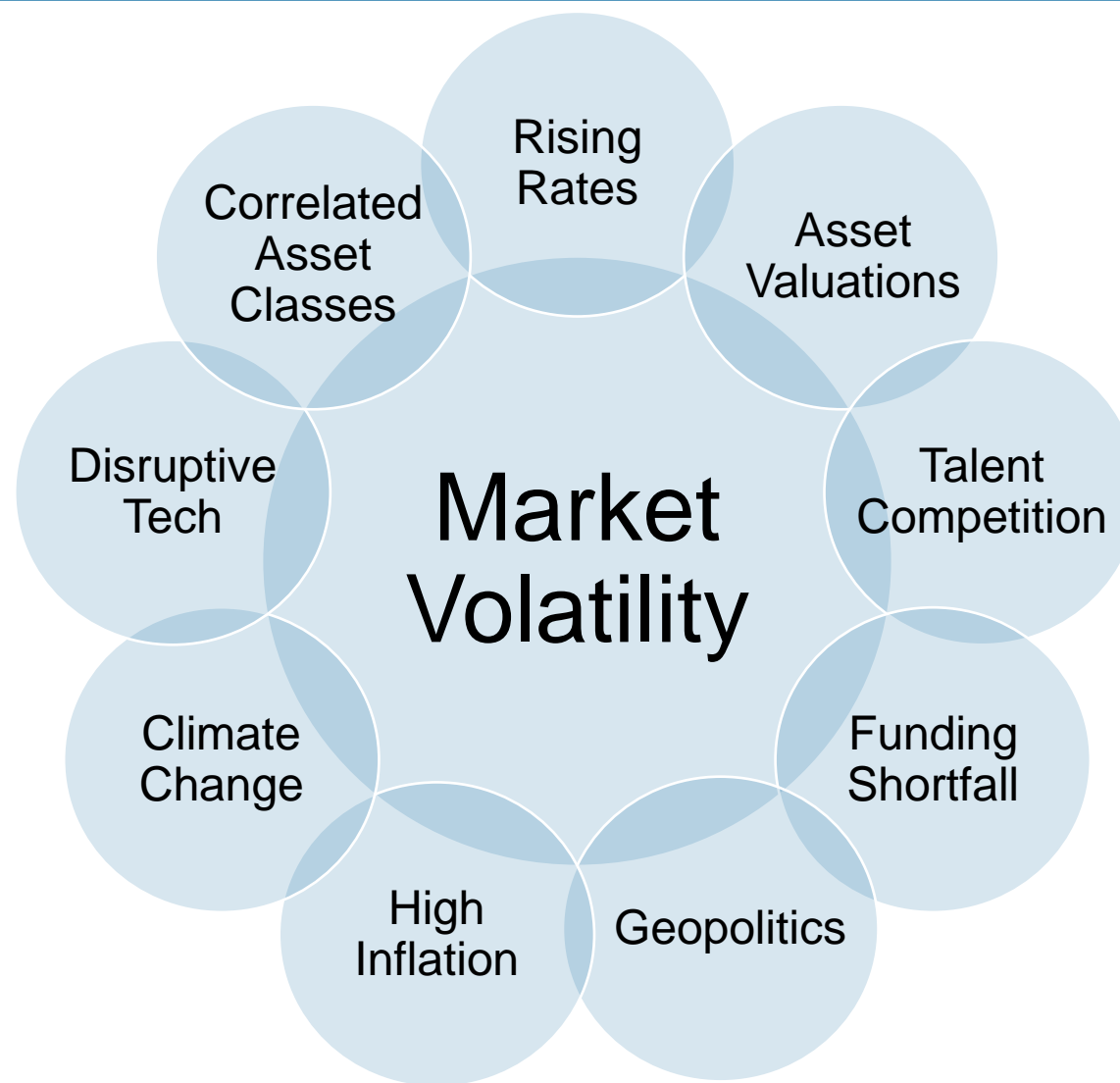
March 7, 2023

David Teykaerts, CalPERS

Agenda

1. Global Markets, Performance, Strategy, Challenges
2. Challenges and Investment Strategy
3. City's pension plans
4. Q&A

Unprecedented Market Dynamics



Strategy: Have a Plan & Stick to the Plan

DO

- **Meet all of our required cash flow obligations**
- **Assess and understand impacts of drawdown across the portfolio**
- **Recognize that a drawdown will happen at some point**
- **Opportunistically seek to deploy capital / dry powder**

DON'T

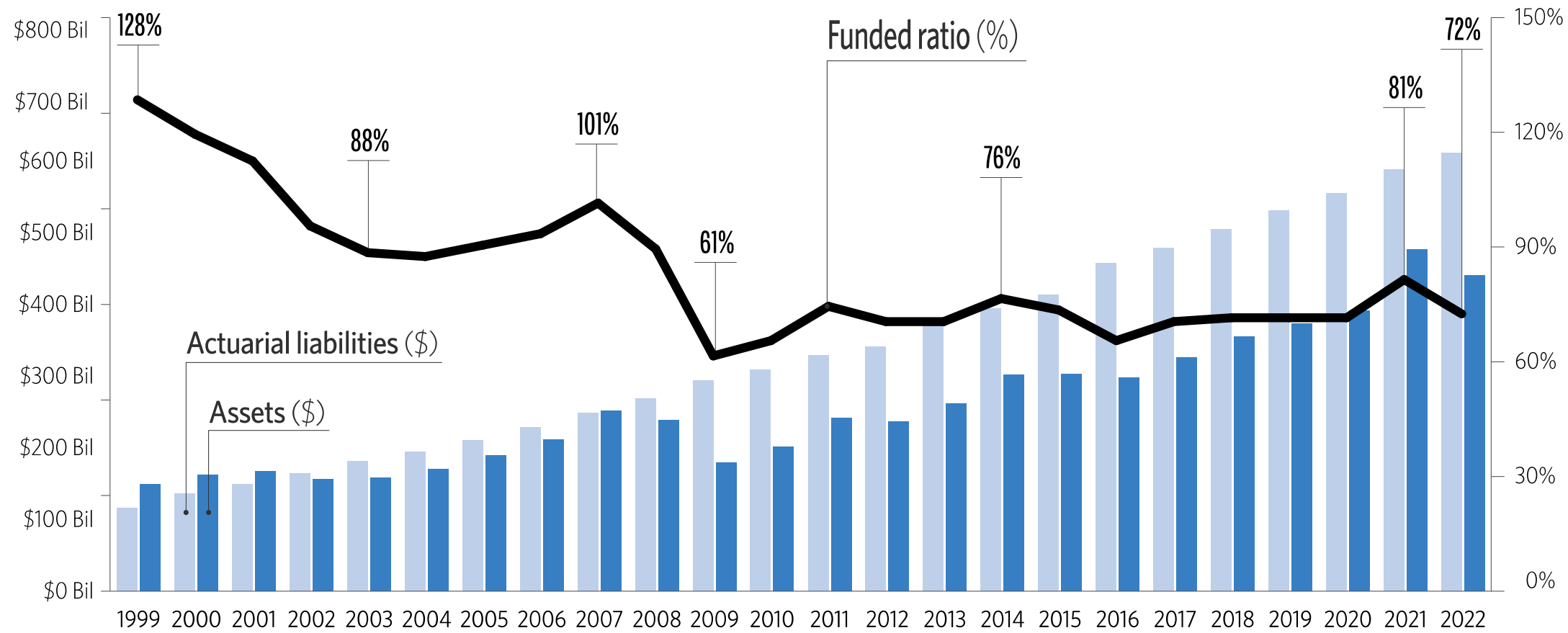
- **Succumb to common investment behavioral biases**
- **Allow deviation from pre-determined plan without a strong justification**

Total Net Investment Returns Over Time

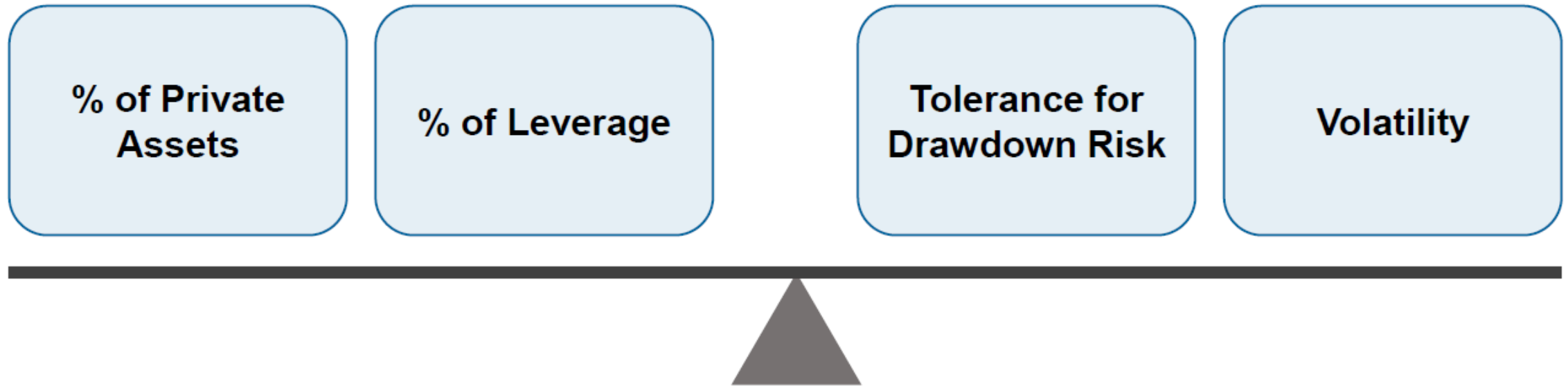
30 year	7.7%
20 year	6.9%
10 year	7.7%
5 year	6.7%
1 year	-7.5%

CalPERS Assets and Liabilities 2021-22

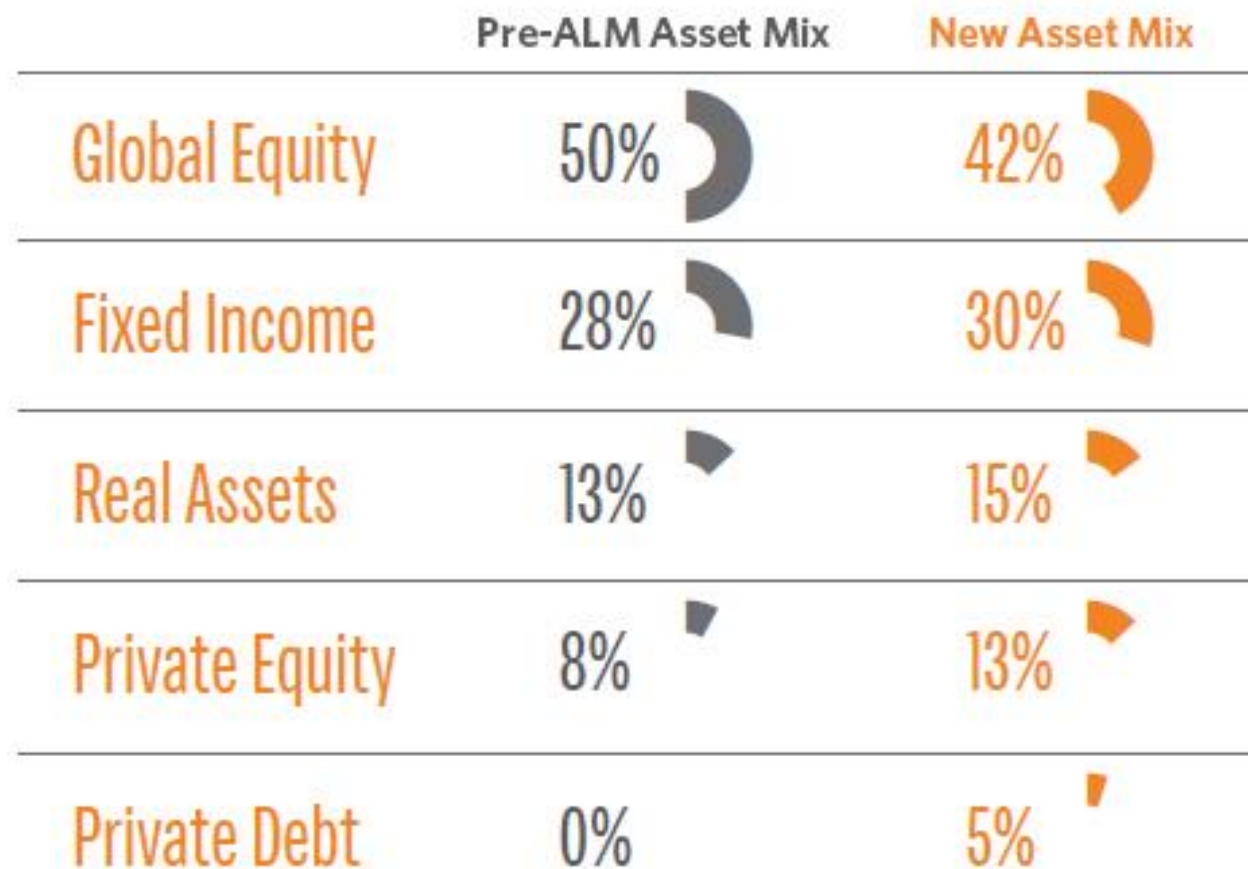
Our assets have grown over the years, especially since the financial crisis.
But liabilities have grown at a faster pace.



Balancing Risk & Reward



Public Employees' Retirement Fund (PERF) Asset Allocation



Why Are Private Assets Critical to the Asset Allocation?



Highest returning
asset class,
past and projected



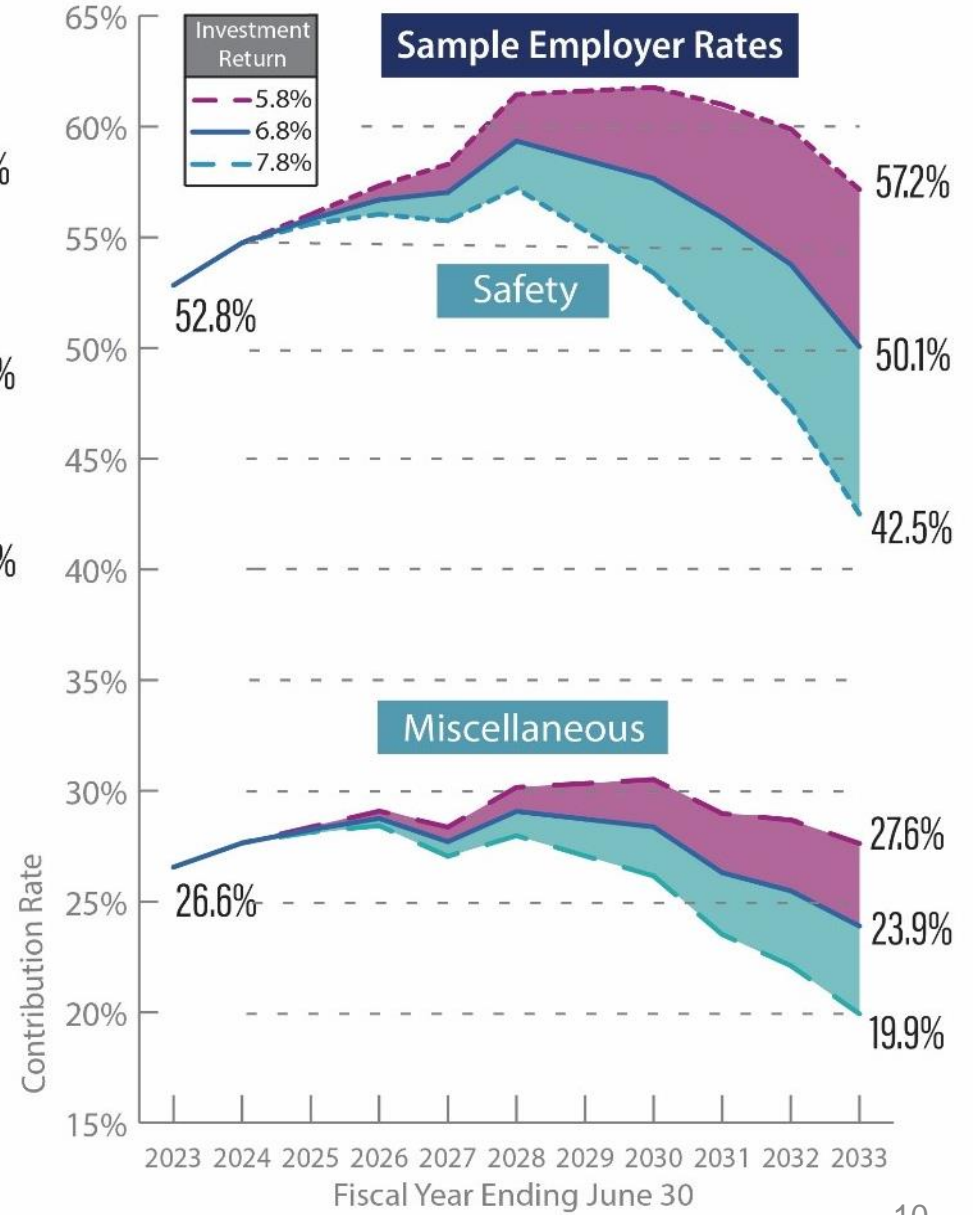
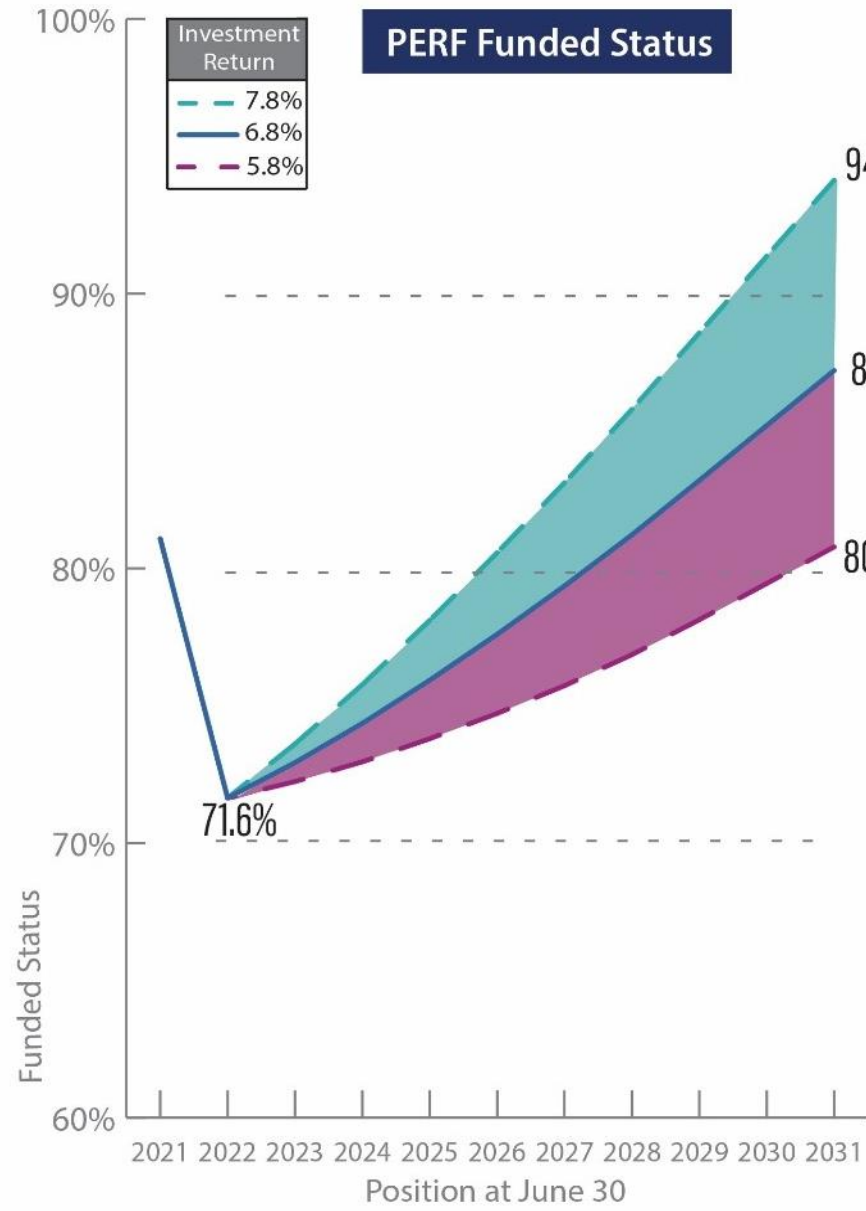
Portfolio
diversifier



Access to different
parts of the economy
not readily available
in public markets

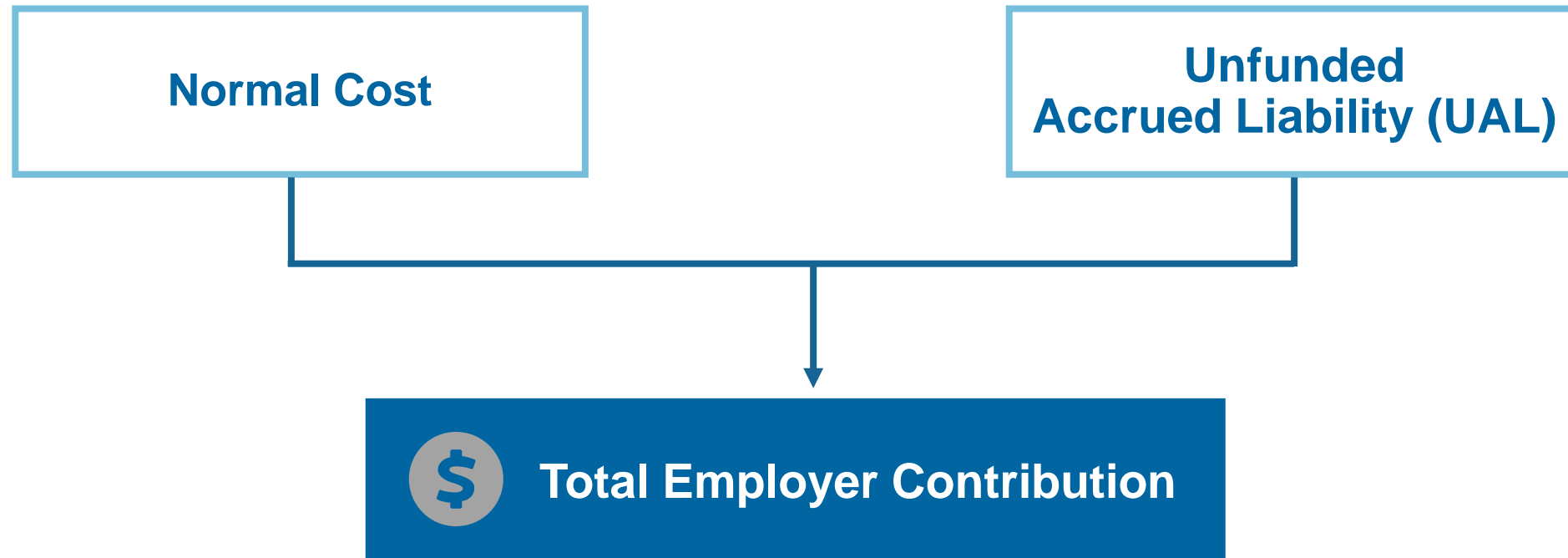
Our Board
Monitors the
Fund and
Employer
Contribution
Rate Impacts

10 Year Projections - Funded Status and Public Agency Employer Rates



City of Pinole Pension Plans

The two components of employer contributions



Actuarial Valuation Overview

- Most recent valuation (as of June 30, 2021) reflects the following:
 - 6.8% discount rate, 2.3% inflation assumption
 - Approximate 23.3% asset return net of investment expenses in FY 2020-21
 - Revised demographic assumptions from 2021 CalPERS Experience Study
- Approximate -7.5% asset return net of investment expenses in FY 2021-22 will be reflected in the June 30, 2022 valuation
 - Estimated impact on contributions shown on following slides

Projected UAL Payments (rounded to the nearest \$10,000)

Miscellaneous Plans

	Required	Projected				
Fiscal Year	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
From 6/30/2021 Report ¹	\$1,370,000	\$1,370,000	\$1,340,000	\$1,300,000	\$1,250,000	\$1,290,000
Updated for FYE22 asset return ²	\$1,370,000	\$1,520,000	\$1,640,000	\$1,750,000	\$1,840,000	\$2,030,000

Safety Plans

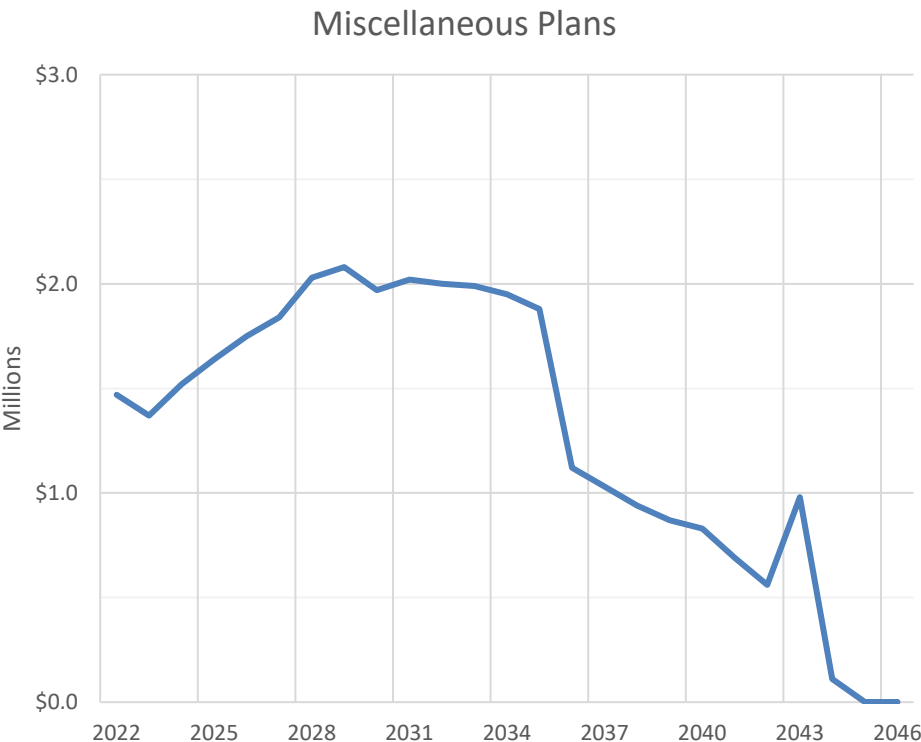
	Required	Projected				
Fiscal Year	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
From 6/30/2021 Report ¹	\$1,730,000	\$1,710,000	\$1,650,000	\$1,580,000	\$1,480,000	\$1,540,000
Updated for FYE22 asset return ²	\$1,730,000	\$1,940,000	\$2,110,000	\$2,270,000	\$2,400,000	\$2,690,000

¹ Assumes 6.8% return for FY 2021-22

² Reflects -7.5% return (net of investment expenses) for FY 2021-22

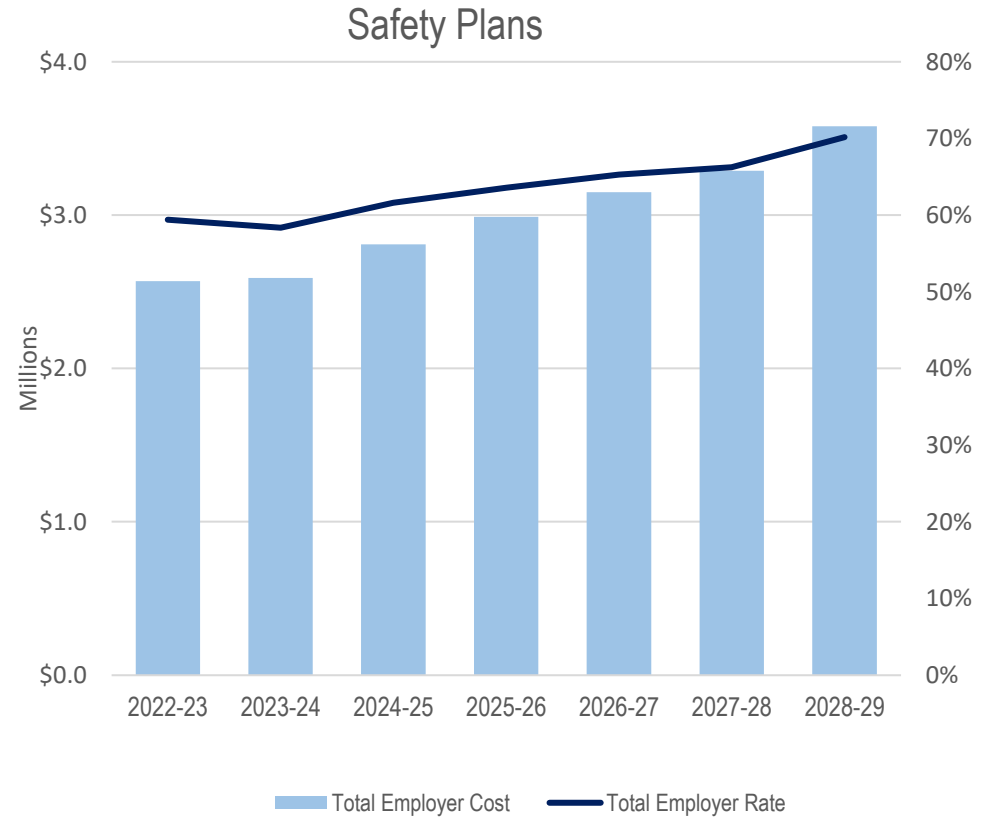
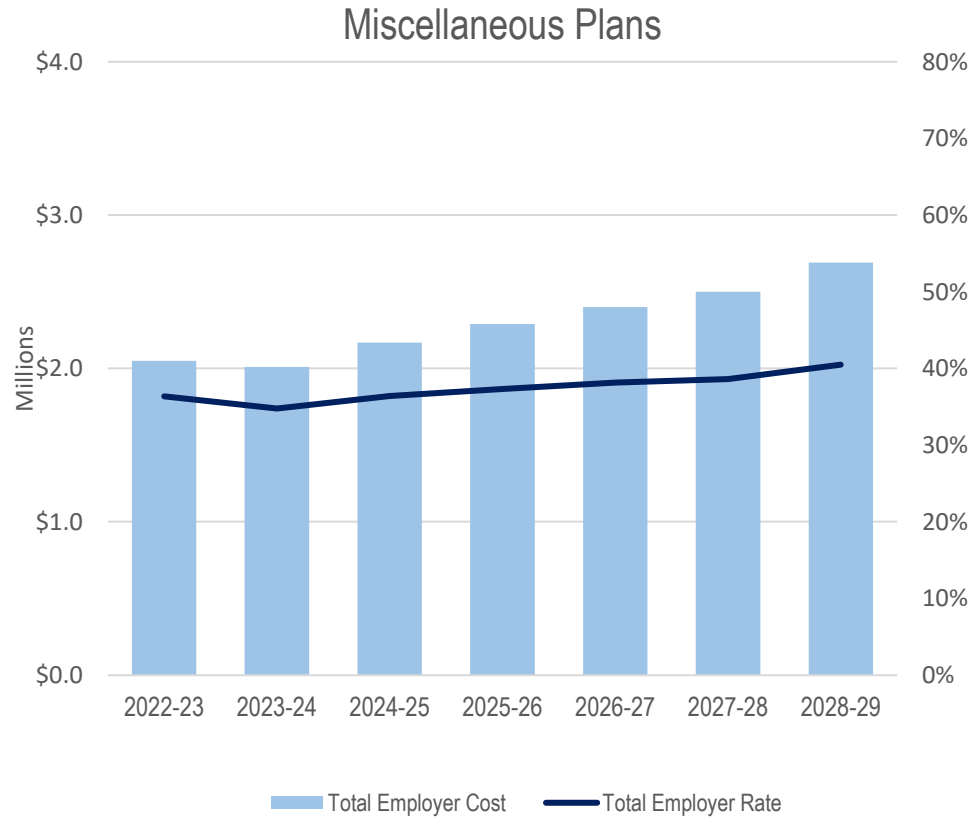
Note: the amortization method for plans coming out of surplus in the next valuation has not yet been finalized, which may result in differences from these projected contributions.

Projected UAL Payments (continued)



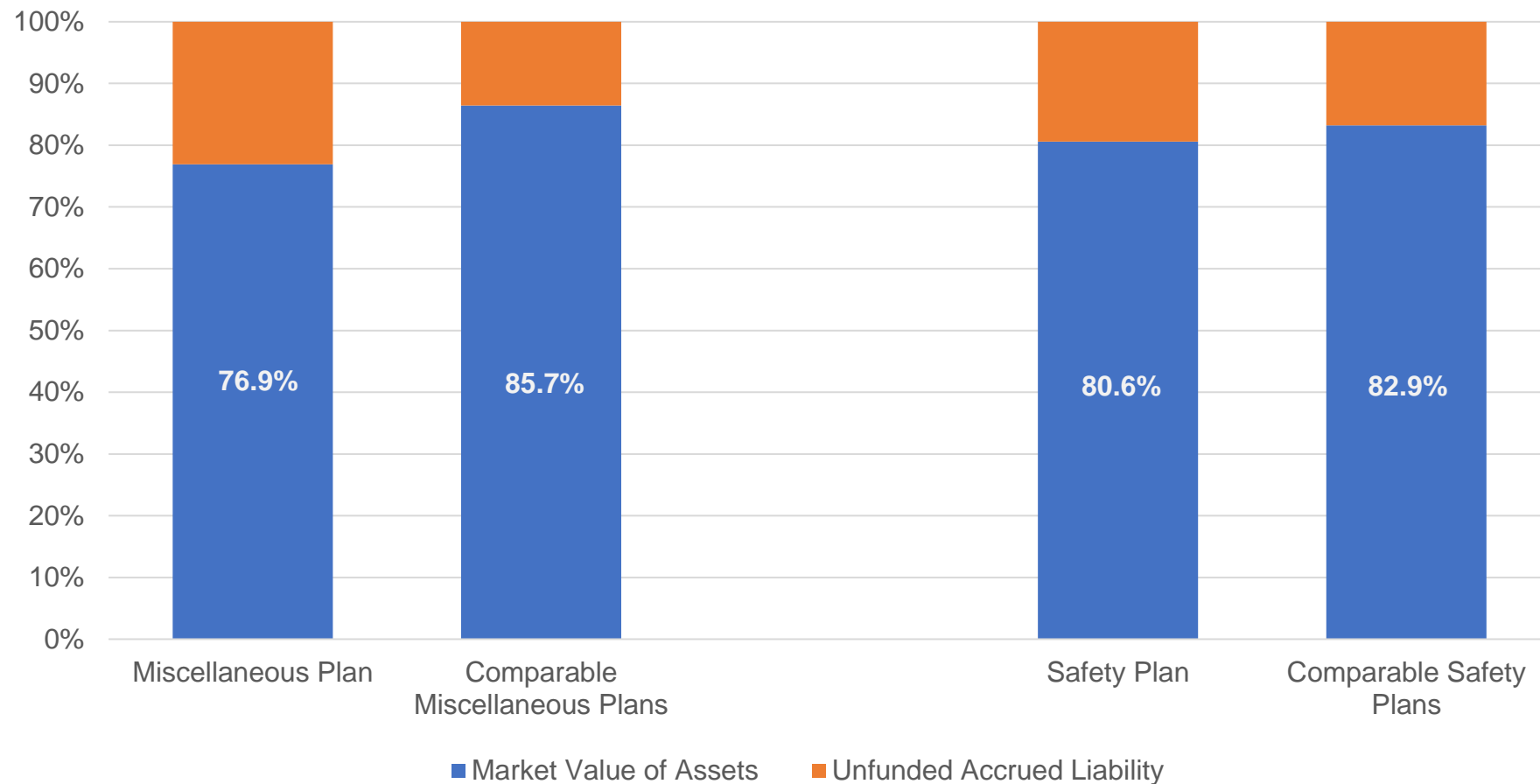
Projections shown here are based on results of June 30, 2021 actuarial valuation with adjustment for estimated effect of -7.5% investment return (net of investment expenses) in FY 2021-22. The amortization method for plans coming out of surplus in the next valuation has not yet been finalized, which may result in differences from these projected contributions. Deviations of future experience from actuarial assumptions are expected but cannot be predicted. Such deviations will result in differences between actual future results and the projected results shown here that, depending on actual future experience, could be significant.

Total Employer Contributions (Normal Cost + UAL Payment)



Based on June 30, 2021 actuarial valuation with adjustment for estimated effect of -7.5% investment return (net of investment expenses) in FY 2021-22. The amortization method for plans coming out of surplus in the next valuation has not yet been finalized, which may result in differences from these projected contributions.

Funded Status for City and Comparable Plans¹ at June 30, 2021



¹ Based on aggregate Accrued Liability funded status as of June 30, 2021 of CalPERS public agency Miscellaneous and Safety plans sponsored by cities/towns of similar size to City Pinole (specifically, less than 100 active members).

Pension Outlook Tool

Available on myCalPERS and CalPERS Website



Educational



Informational



Analytical
Tool



Budgeting
Tool

Q & A



Our Commitment to You



Ongoing
communication



Listening to
employers



Partnerships



Here for you