



CalPERS Reports Preliminary 21.3% Investment Returns for Fiscal Year 2020-21; Strong Returns Trigger Reduction in Discount Rate to 6.8%

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Communications & Stakeholder Relations

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Sacramento, Calif. – CalPERS today reported a preliminary 21.3% net return on investments for the 12-month period that ended June 30, 2021. CalPERS assets at the end of the fiscal year stood at more than \$469 billion. The preliminary 21.3% return lagged behind the fiscal year total fund benchmark of 21.7%.

Under the Funding Risk Mitigation Policy (PDF), approved by the CalPERS Board of Administration in 2015, the double-digit return will trigger a reduction in the discount rate used to calculate employer and Public Employees' Pension Reform Act (PEPRA) member contributions. The discount rate, or assumed rate of return, will drop to 6.8%, from its current level of 7%.

The Funding Risk Mitigation Policy lowers the discount rate in years of good investment returns. This is the first time it has been triggered.

The 21.3% 2020-21 fiscal year return for the Public Employees' Retirement Fund (PERF) were driven by Private Equity and Public Equity, with net returns of 43.8% and 36.3%, respectively.

Based on these preliminary fiscal year returns, the funded status of the overall PERF is an estimated 82%. This estimate is based on a 7% discount rate. Under the new 6.8% discount rate, however, the funded status of the overall PERF drops to 80%. This is because existing assets are assumed to grow at a slightly slower rate annually into the future. As intended under the Funding Risk Mitigation Policy, the lower discount rate increases the likelihood that CalPERS can reach its target over the longer term.

ATTACHMENT 1

The CalPERS Board of Administration will continue to review the discount rate through its Asset Liability Management process during the rest of the calendar year.

"Our investment team has done an outstanding job of capturing strong returns in this very dynamic investment environment," said Theresa Taylor, chair of the CalPERS Investment Committee. "These results prove that we have the right investment strategy in place to take full advantage of what the markets have to offer."

"But as pleased as we are with these great returns, let me emphasize that we don't count on this kind of investing environment every year. We know markets go up and down. As a long-term investor, our job is to make sure we have a carefully considered plan to strengthen our fund no matter the economic climate so that we can pay the benefits our members have earned."

The 2020-21 fiscal year returns brings total fund performance to 10.3% for the five-year period, 8.5% for the 10-year period, and 6.9% for the 20-year period. Over the past 30 years, the PERF returned an annualized return of 8.4%.

Today's announcement includes 12-month asset class performance as follows:

Asset Class	Net Rate of Return
Total Fund	21.3%
Public Equity	36.3%
Private Equity	43.8%
Fixed Income	-0.1%
Real Assets	2.6%
Liquidity	0.1%

The official total fund performance numbers go through multiple layers of review and oversight. View the Total Fund and Benchmark Performance Calculation – Wilshire Associates (PDF) for more information.

Returns for real assets and private equity reflect market values through March 31, 2021. Private Equity has been CalPERS' highest returning asset class over longer periods, with 10-year annualized return of 12.0% and 20-year annualized return of 10.1%.

"I'm proud of our investment office and of our ability to execute on our strategy to achieve strong returns in these unprecedented times," said Dan Bienvenue, CalPERS interim chief investment officer. "But I'm also mindful that we're in the middle of determining our asset mix and discount rate for the future. As a long-term investor we're focused on ensuring that our analysis captures realistic projections about the investment outlook over many years and even decades."

CalPERS' 2020-21 final fiscal year investment performance will be calculated based on audited figures and will be reflected in contribution levels for the State of California and school districts in fiscal year 2022-23, and for contracting cities, counties, and special districts in fiscal year 2023-24.

The ending value of the PERF is based on several factors and not investment performance alone. Contributions made to CalPERS from employers and employees, monthly payments made to retirees, investment fees and the performance of its investments, among other factors, all influence the ending total value of the PERF.

About CalPERS

For more than eight decades, CalPERS has built retirement and health security for state, school, and public agency members who invest their lifework in public service. Our pension fund serves more than 2 million members in the CalPERS retirement system and administers benefits for more than 1.5 million members and their families in our health program, making us the largest defined-benefit public pension in the U.S. CalPERS' total fund market value currently stands at approximately \$472 billion. For more information, visit www.calpers.ca.gov.

