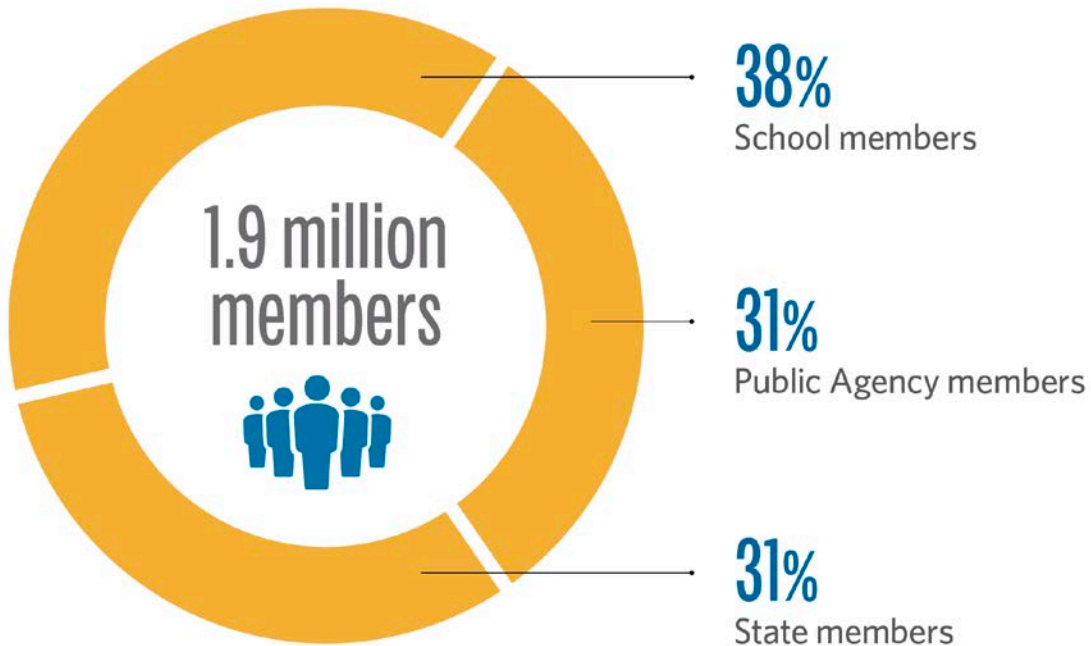


CalPERS Update and Path Forward

David Teykaerts | Stakeholder Relations

May 30 | 2018

City of Palos Verdes Estates



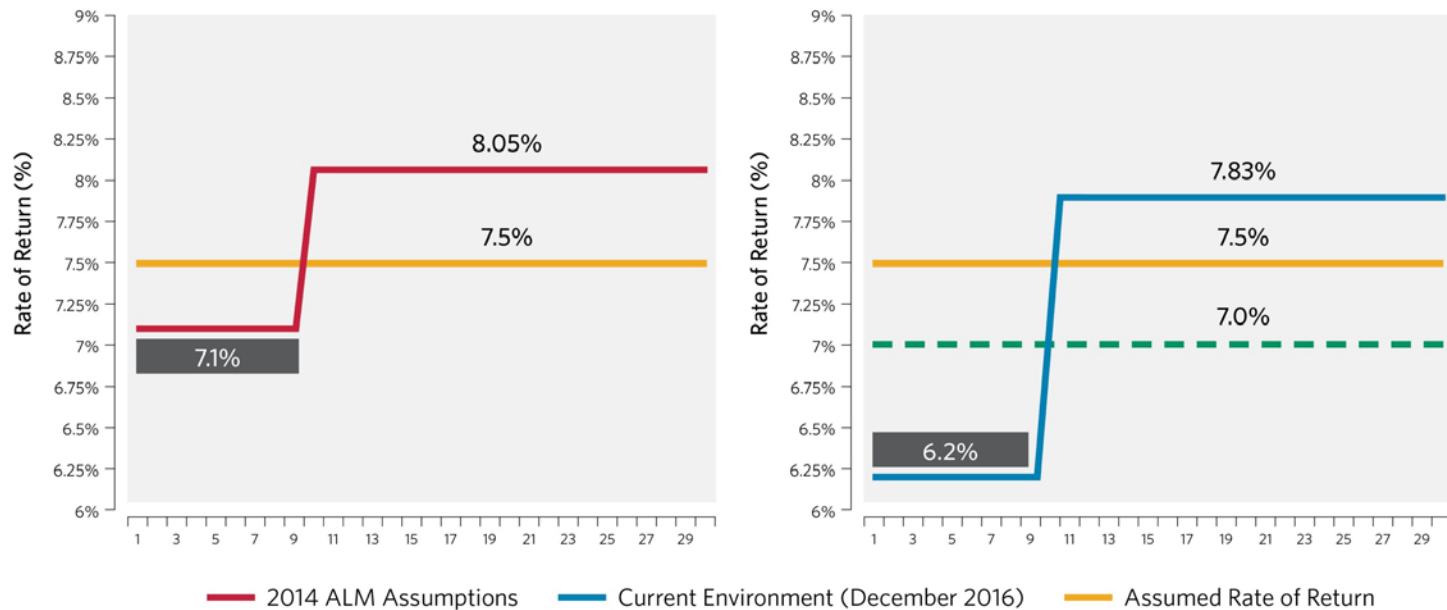
Current Value \$353 billion

11.20% 2016/17 Portfolio Return	8.83% 5-yr Annualized Return	4.39% 10-yr Annualized Return	6.60% 20-yr Annualized Return	8.40% Annualized Return Since 1988
----------------------------------------------	-------------------------------------------	--------------------------------------------	--------------------------------------------	-------------------------------------------------

How are CalPERS Retirement Benefits Funded?



2014 vs Current Capital Market Assumptions



Lower Discount Rate

Lowered the discount rate from 7.5% to 7% over three years
(assumed rate of return)

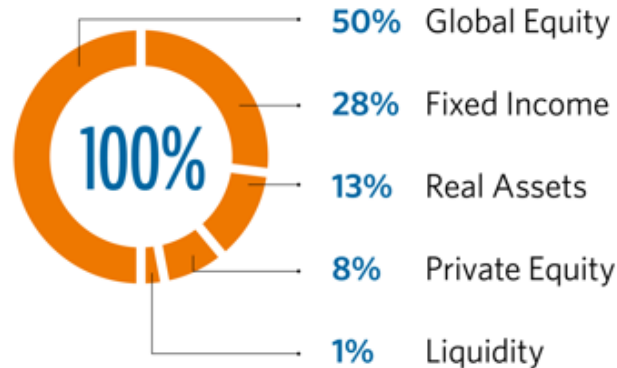
7.5%



7%

New Asset Allocation

Adopted new strategic asset allocation effective July 1, 2018



Shorter Amortization

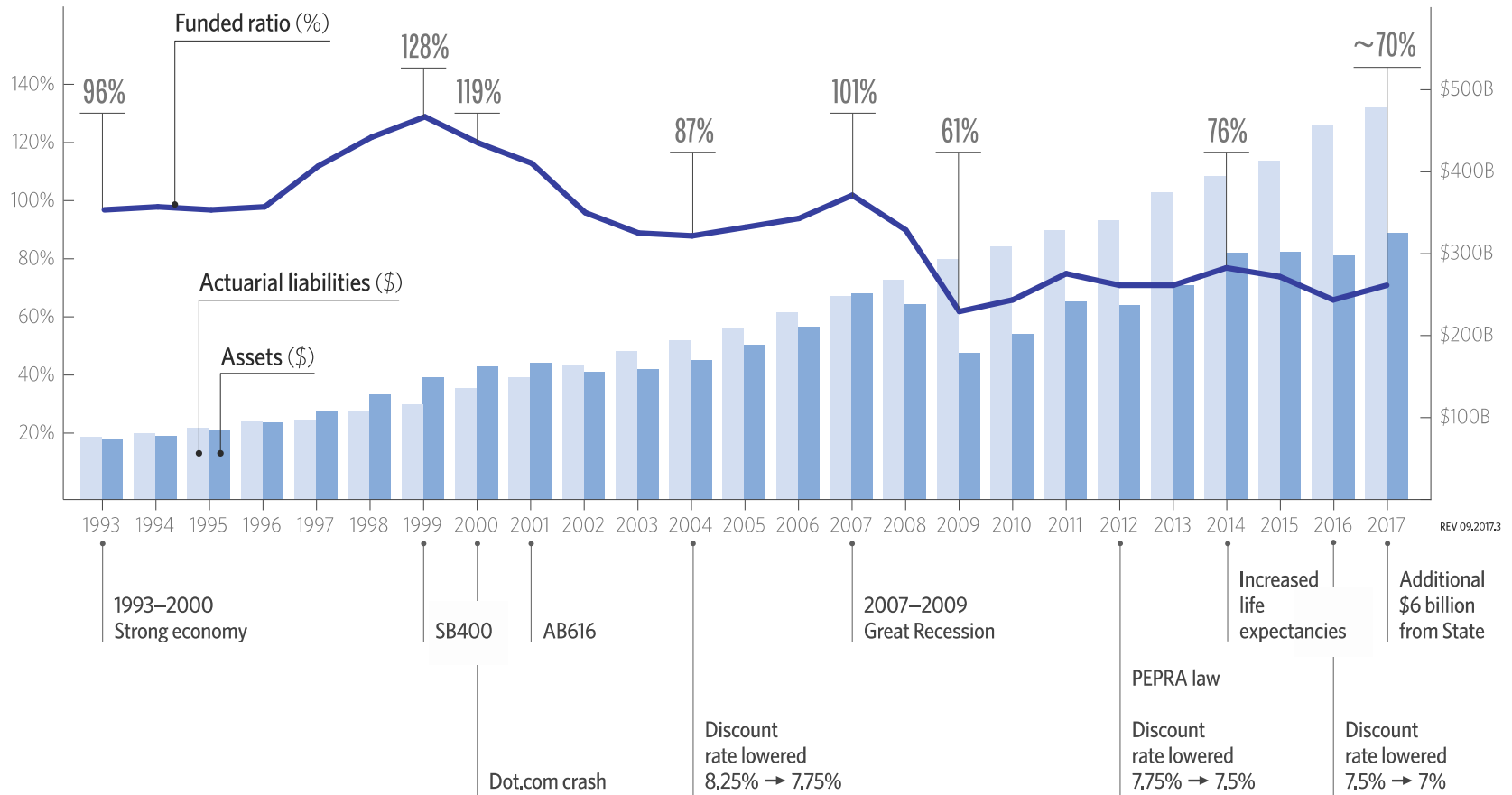
Shortened the amortization period for employers to pay their unfunded liability

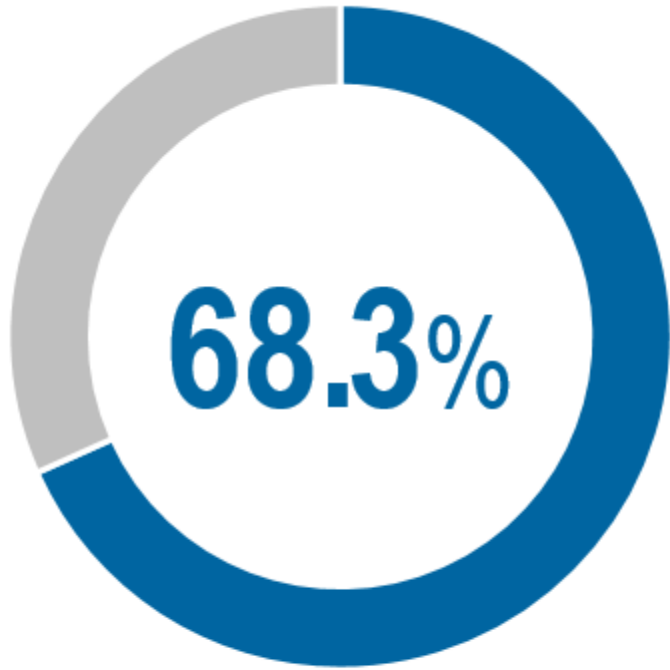
30 yrs. → 20 yrs.

=

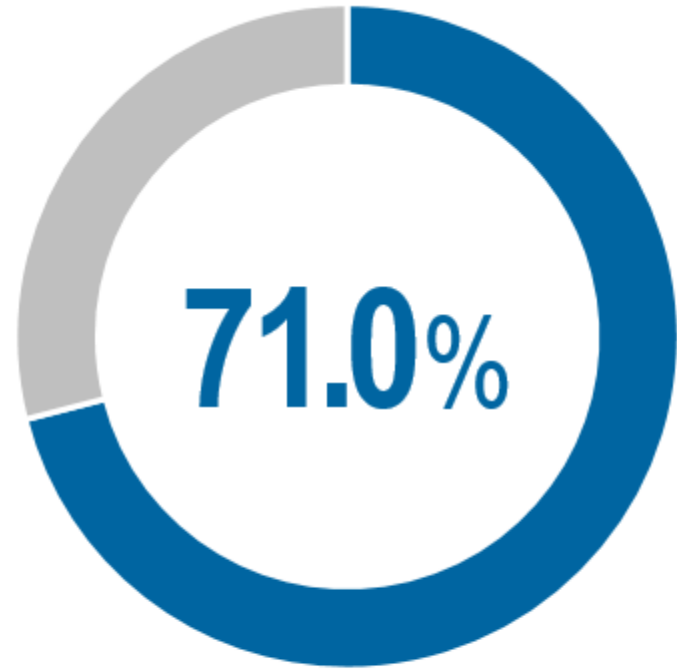
significant long-term savings

Historical Factors Impact Funded Status (1993-2017)





Funded Status
2015-16



Funded Status
December 31, 2017

Main Causes of Projected Contribution Increases

- Lower expectations of future investment return
 - Discount rate lowering to 7% as of 6/30/2018
 - Full contribution impact phased in over 7 years (phase-in + smoothed increases)
- Phase-in of losses due to investment return in fiscal years ending 6/30/2015 and 6/30/2016 (+2.4% and +0.6% returns respectively)
- Not reflected in your current projections:
 - Gain due to investment return of +11.2% for year ending 6/30/2017
 - Updated demographic assumptions from recent experience study
 - Both will be reflected in 6/30/2017 valuation (completed summer 2018)

City of Palos Verdes Estates

Projected UAL Payments Updated for 11.2% Return

Miscellaneous Plan

Fiscal Year	Required UAL Payment	Projected UAL Payment <i>(Reflects discount rate phase-in)</i>					
		2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
From 6/30/2016 Report ¹	\$119,373	\$176,000	\$217,000	\$270,000	\$315,000	\$344,000	\$367,000
Updated for FYE17 asset return ²	\$119,373	\$168,000	\$210,000	\$257,000	\$295,000	\$316,000	\$339,000

Safety Plan

Fiscal Year	Required UAL Payment	Projected UAL Payment <i>(Reflects discount rate phase-in)</i>					
		2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
From 6/30/2016 Report ¹	\$599,344	\$744,000	\$852,000	\$988,000	\$1,104,000	\$1,183,000	\$1,250,000
Updated for FYE17 asset return ²	\$599,344	\$727,000	\$840,000	\$961,000	\$1,061,000	\$1,123,000	\$1,189,000

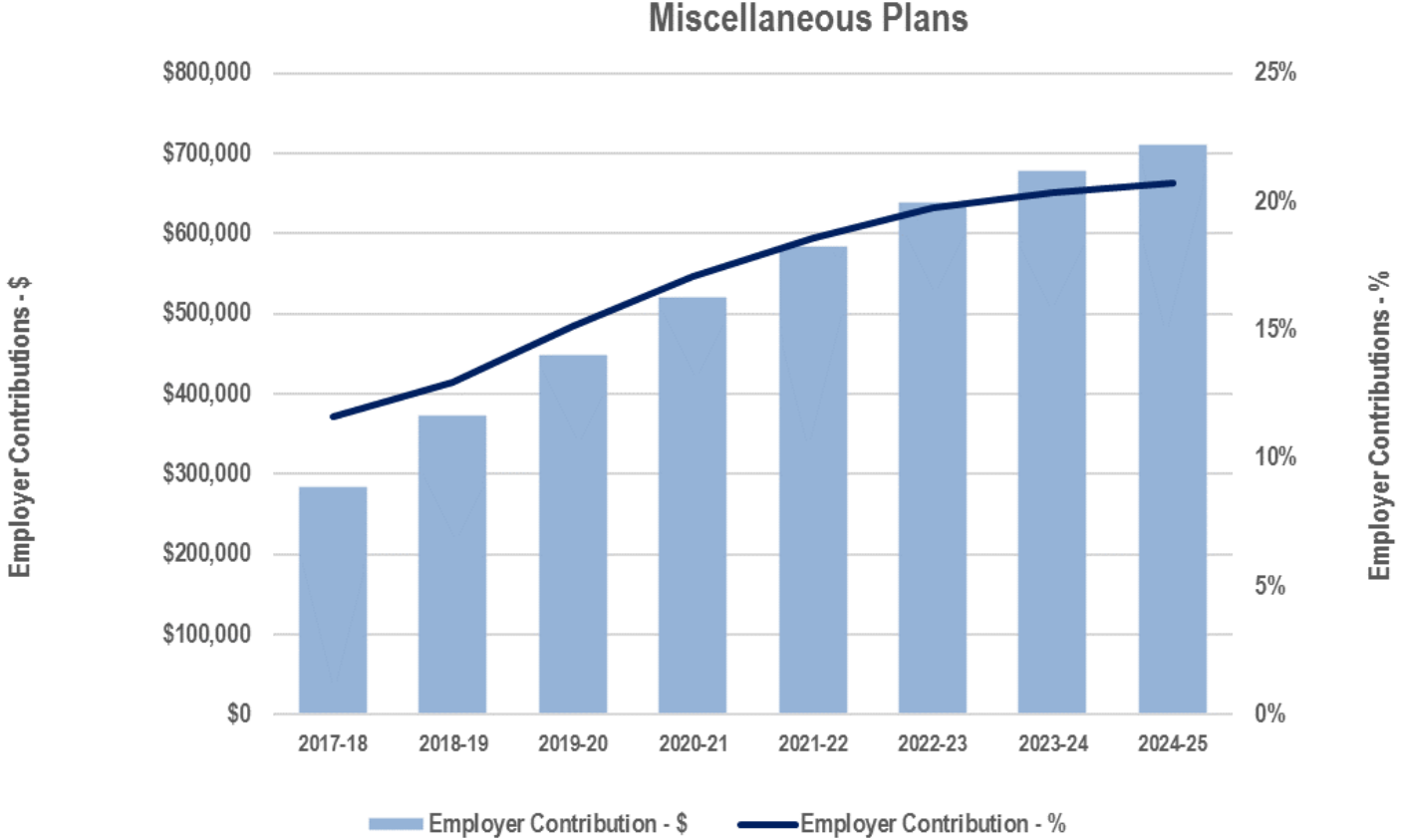
¹ Assumes 7.375% return for FY 2016-17

² Reflects 11.2% return for FY 2016-17

PEPRA plans not included

City of Palos Verdes Estates

Projected Employer Contributions (Normal Cost + UAL Payment)



City of Palos Verdes Estates

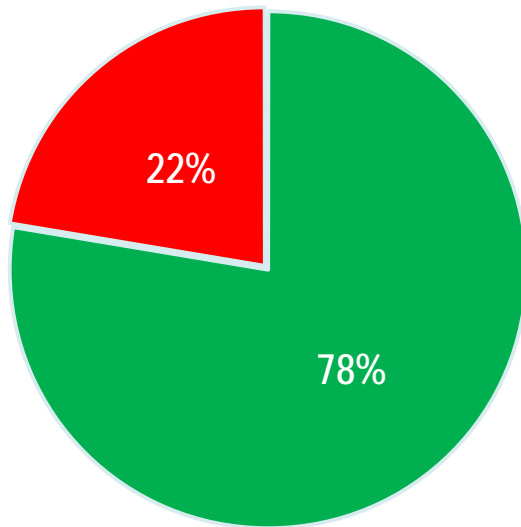
Projected Employer Contributions (Normal Cost + UAL Payment)



Miscellaneous Plans

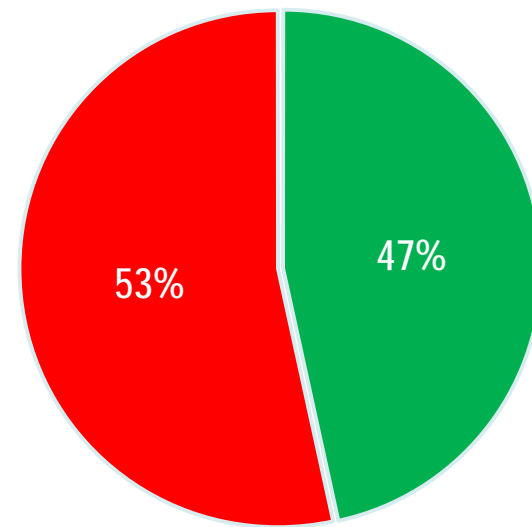
4% Better Funded Than Comparable Employers

Accrued Liability - 7.375%



■ Market Value of Assets ■ Unfunded Accrued Liability

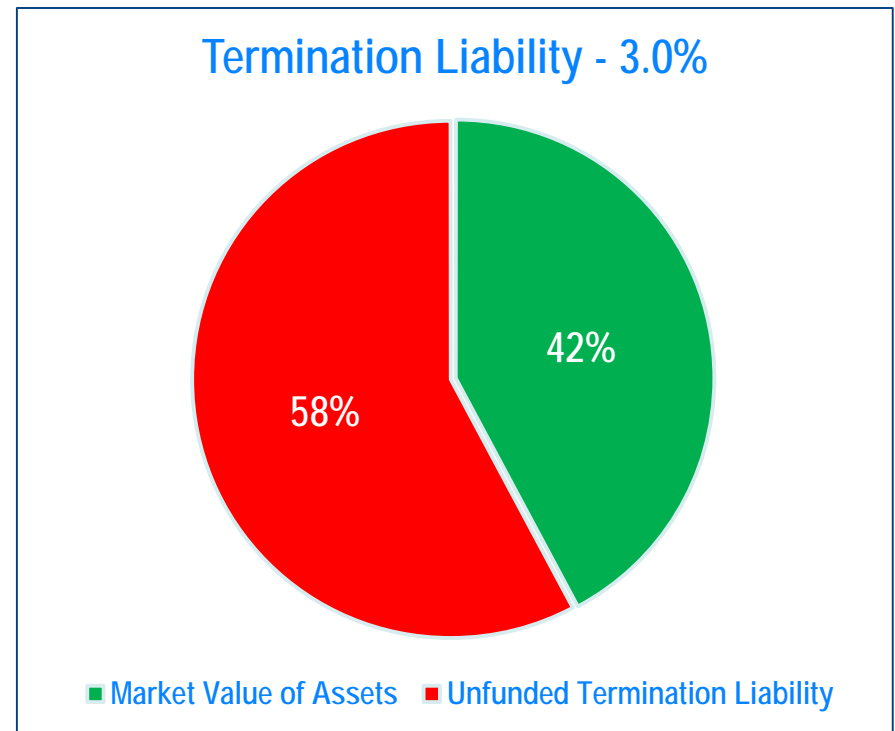
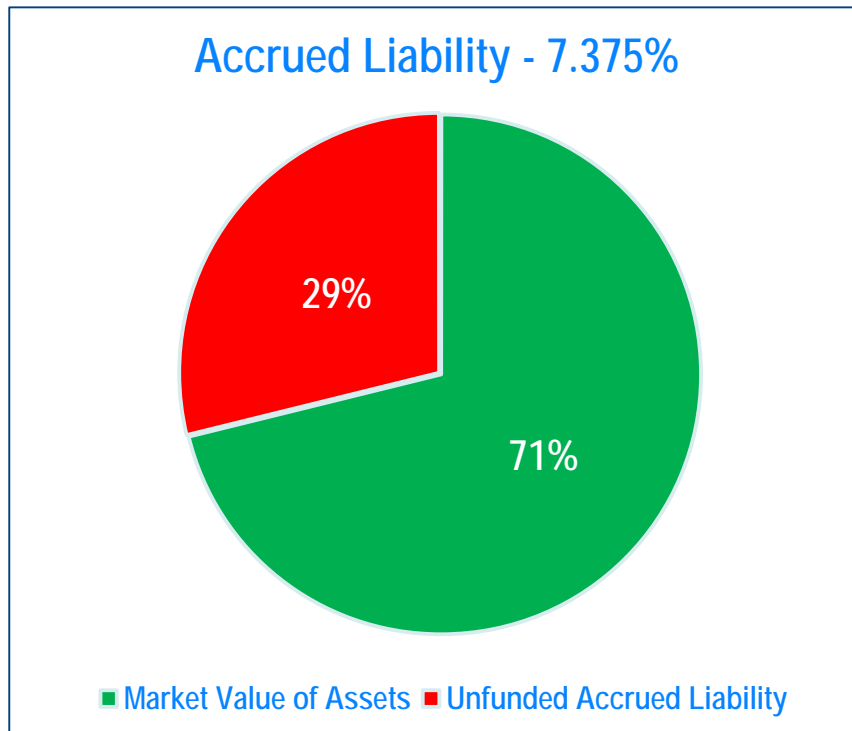
Termination Liability - 3.0%



■ Market Value of Assets ■ Unfunded Termination Liability

Safety Plans

½ - 1% Better Funded Than Comparable Employers



Termination Costs (hypothetical)

- Miscellaneous - \$13,374,599
- PEPRA Miscellaneous - \$136,015
- Safety - \$36,096,890
- PEPRA Safety - \$12,192

TOTAL \$49,616,696

Strategies to Pay Down UAL

Ad Hoc Additional Discretionary Payments

- Single/multiple additional payments
- Short/long-term strategies
- Significant savings possible
- Annual payment stabilization with multiple ADPs
- Flexibility

Fresh Start

- Election to consolidate UAL bases into one base
- Amortization period reduced
- Annual payment stabilization and potential savings
- Commits employer to set strategy

IRS Section 115 Trusts

- Trust assets independent of plan's assets
- Accumulate additional funds to manage contribution volatility
- Alternative investment strategies available

Total Market
Returns

Sound
Investing

Reducing
Complexity &
Costs

Stakeholder
Engagement

Managing
Risks

Best Practice
Leader

Pension
Prefunding
Options

Safeguarding
Defined Benefit
Plan Structure

Technical
Expert and
Partner

Considerations

- No further major policy/contribution changes anticipated in near future
- Pension prefunding options for employers proposed (SB1413)
- Vested Rights issue in County and Firefighter cases with State supreme courts
- Exploring hardship options for Employers
- Stakeholder engagement with Board and executive team
- Recognition that we may not always agree
- CalPERS exploring opportunistic investment strategies