



Finance and Administration Committee

Agenda Item 6a

February 20, 2024

Item Name: Funding Risk Mitigation Policy

Program: Financial Office

Item Type: Information

Executive Summary

This item will provide the Finance and Administration Committee an overview of the Funding Risk Mitigation Policy. This February item will serve as a first read, upon committee direction, the team will return in April for a second reading for the board to take action and approve proposed revisions.

Strategic Plan

The policy supports the pension sustainability goal to strengthen the long-term sustainability of the pension fund.

Background

In 2015, CalPERS adopted the policy to help balance pension plan risks, funding, and costs. The policy embraces pension fund prudence by lowering the expected investment return and the discount rate in years of unanticipated market strength, reduces investment volatility and provides additional certainty when it comes to employer contribution rates.

Analysis

This agenda item provides an educational overview of the policy, providing the following:

- History and purpose
- Conditions for triggering
- Timing and sequence for implementing
- Impact of the policy on the asset liability management process
- Seeks feedback from the board and stakeholders for proposed revisions

Budget and Fiscal Impacts

Not Applicable.

Benefits and Risks

The benefit of periodic review helps to ensure the policy remains accurate and to confirm that everyone has the same understanding of what the policy requires.

Attachments

Attachment 1 – Funding Risk Mitigation Policy

Attachment 2 – Funding Risk Mitigation PowerPoint Presentation

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