

Prefunding Programs Annual Status Report

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California Employers' Retiree Benefit Trust (CERBT)
California Employers' Pension Prefunding Trust (CEPPT)
Supplemental Income Plan (SIP)

Prepared for: Finance and Administration Committee Report Period Ending June 30, 2021

Executive Summary

This review provides the fiscal year (FY) 2020-21 annual status program reports for the California Employers' Retiree Benefit Trust (CERBT), California Employers' Pension Prefunding Trust (CEPPT) and Supplemental Income Plan (SIP) prefunding programs. The report provides information updates by program on the strategies, improvements, population, and investments.

California Employers' Retiree Benefit Trust (CERBT)

Program Overview

The CERBT Fund is a Section 115 trust fund dedicated to prefunding Other Post-Employment Benefits (OPEB) for all eligible California public agencies. This program is available to public agencies to prefund future retiree benefits such as health, vision, dental, and life insurance. CERBT is the largest public employer OPEB trust fund in the state of California. Attributes of the CERBT program's success are excellent investment management, low total participation cost, personal direct service support, financial reporting compliance with governmental accounting standards, and uncomplicated administrative processes.

Program Update

Program Improvements

Program improvements made in 2020-21 to promote more efficient and effective operation performance and increase service delivery to employers were:

- Added CERBT Program to myCalPERS to provide automated self-service account capabilities and improve program transparency with employers and CalPERS team.
- Increased customer outreach by providing quarterly account updates to all contracted employers.
- Automated the contribution payment process to improve consistency, internal controls, and streamlined operations.
- Utilized virtual technology to move workshops online leading to increased participation and more frequent offerings throughout the year.
- Distributed "end-of-year" summary reports via email to all agency contacts with personalized demographic statistics.

Employer Retention

Participating employers receive year-round communication, education outreach services, and quarterly account update reports to support retention. CalPERS team members conducted semi-annual workshops virtually and annual administration webinars.

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Participating employers also receive tailored reports that provide information on program developments, improvements, performance results, and account information for stakeholder communication and reporting requirements. The 99% retention is attributed to the program advantages and service delivery. In this fiscal year, one employer contract terminated, and four existing employer contracts merged into two.

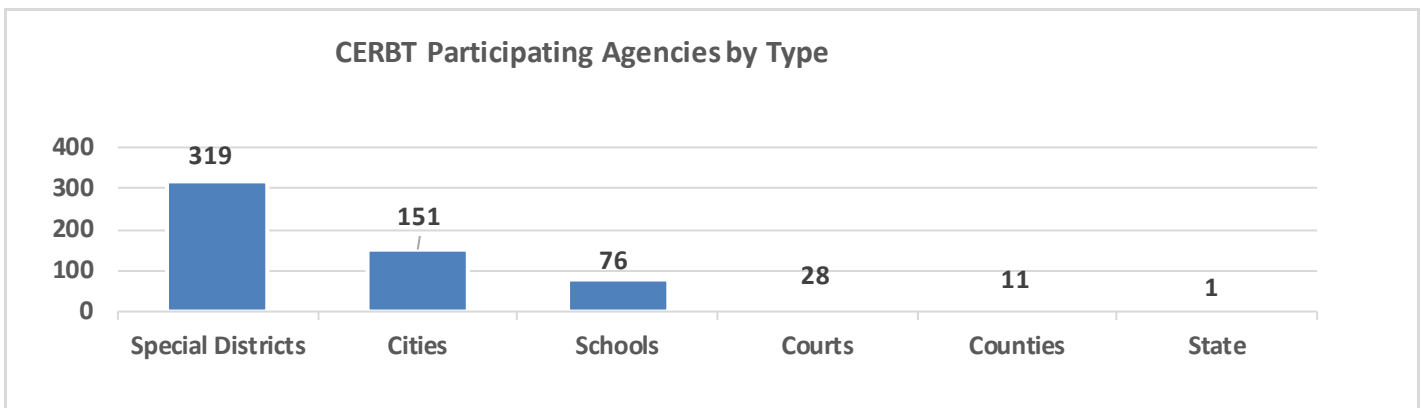
Participating Employer Enrollments and Contributions

During FY 2020-21, CERBT contracted employers increased to 586 employers. Since 2007, the program continues to grow while retaining 99% of the employer participants. When comparing the latest two fiscal years shown in the table below, the percentage of assets under management (AUM) increased by 34% and the number of participating employers increased by 2%.

FY	Participating Employers	Employer Net Contributions	Plan members	AUM
FY 2020-21	586	\$9.4 billion	1,160,317	\$15.7 billion
FY 2019-20	572	\$8.5 billion	1,149,497	\$11.7 billion

CERBT Participating Employers by Agency Type and New Agencies

Special districts represent the highest proportion of participating employers in CERBT followed by cities. The table below provides the names of the 16 new contracting employers added to the program for FY 2020-21. The new agencies contributed \$8.4 million in contributions to the program.



New Agencies: City of Maywood, City of San Marino, Dehesa School District, Fallbrook Union High School District, Fremont Union High School District, Liberty Union High School District, Morongo Bason Transit Authority, Pleasanton Unified School District, Quartz Hill Water District, Regional Housing Authority, Robla Elementary School District, San Diego County Law Library, San Gabriel Valley Municipal Water District, Scotts Valley Fire Protection District, South Bay Regional Public Communications Authority, Town of Portola Valley.

Fund Assets and Cumulative Net Contributions

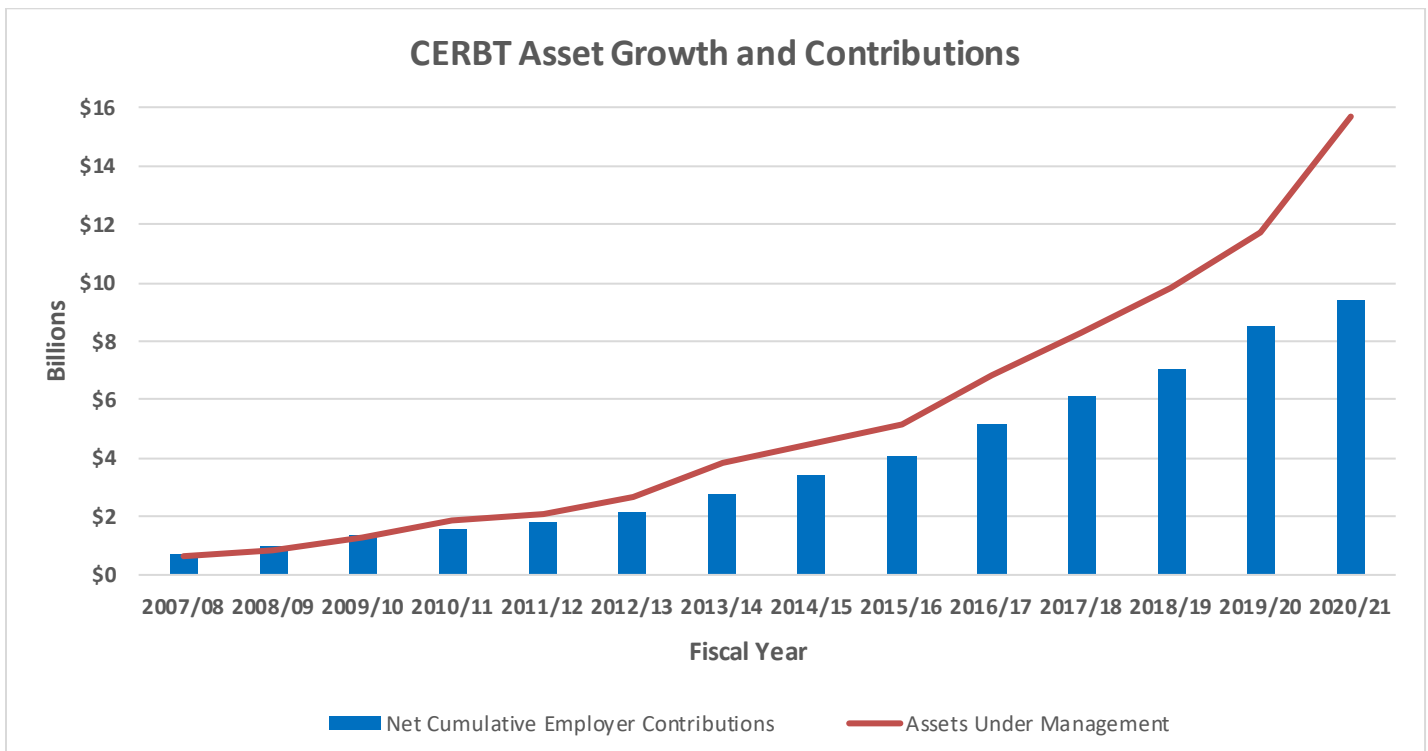
During FY 2020-21, CERBT assets increased to \$15.7 billion in assets under management, an increase of \$4 billion. During the same period, employer cumulative net contributions were \$9.4 billion, an increase of \$900 million. The table below shows the CERBT asset growth in billions and contributions since 2007.

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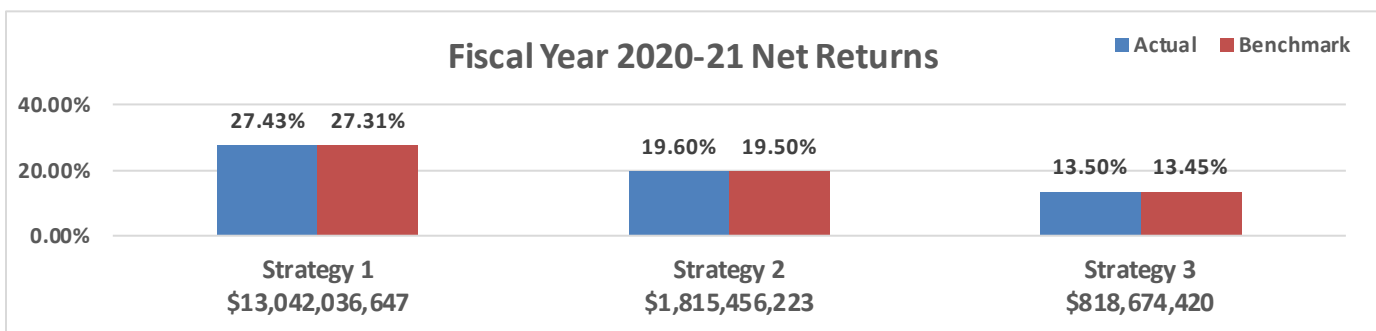
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Investment Performance

The CERBT Fund returns net of fees for the 12 months ending June 30, 2021, as compared to their respective benchmarks is shown in the chart below. CERBT Strategy 1 posted the highest returns, which are primarily attributable to a higher allocation to global equities. Global equities was the strongest performing asset class during the previous fiscal year.



Asset Allocation Strategies

Each strategy offers a distinctly different long-term expected return and return volatility. Strategy 1 has the highest long-term expected rate of return and return volatility while Strategy 3 has the lowest long-term expected rate of return and return volatility.

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Strategy Options	Expected Rate of Return	Standard Deviation
Strategy 1	7.59%	11.83%
Strategy 2	7.01%	9.24%
Strategy 3	6.22%	7.28%

California Employers' Pension Prefunding Trust (CEPPT)

Program Overview

California Employers' Pension Prefunding Trust Fund (CEPPT) is CalPERS's newest program that became operational in July 2019. CEPPT is a Section 115 trust fund dedicated to prefunding employer contributions to defined benefit pension systems for eligible California public agencies. Even those not contracted with CalPERS are potentially eligible to participate. CEPPT also offers excellent investment management, low total participation cost, personal direct service support, and financial reporting compliance with governmental accounting standards.

Program Update

Program Improvements

Program developments made to promote more efficient and effective operation performance and increase service delivery to employers were:

- Added CEPPT Program to myCalPERS to provide automated self-service account capabilities and improve program transparency with employers and CalPERS team.
- Increased customer outreach by providing quarterly account updates to all contracted employers.
- Automated the contribution payment process to improve consistency, internal controls and streamlined operations.
- Utilized virtual technology to move workshops online leading to increased participation and more frequent offerings throughout the year.
- Added 28 new employers to the CEPPT, increasing participation by 187%.

Participating Employer Enrollments and Contributions

The CEPPT program provides employers an opportunity to save money by investing now for their future pension contributions, by using investment earnings to offset future pension expenses.

As of June 30, 2021, CEPPT contracted employers increased to 43 employers. Since 2019, the program continues to grow while retaining 100% of the employer participants. When comparing the last two fiscal years, shown in the table below, the percentage of assets under management (AUM) increased by 427% and the number of participating employers increased by 187%. Since inception, program team members have

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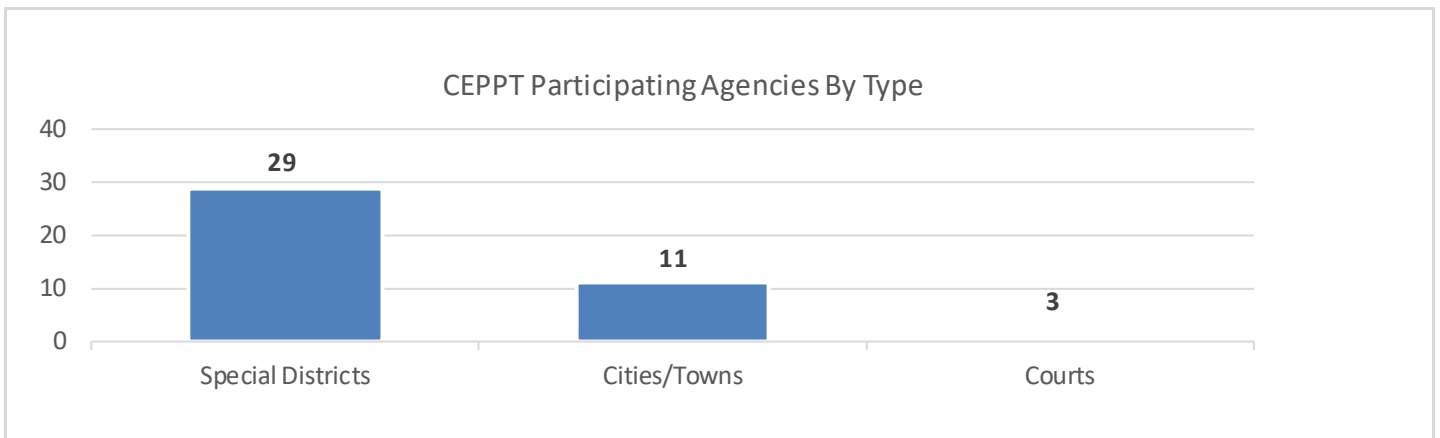
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hosted in person and virtual workshops to communicate the advantages of the CEPPT program and increased customer outreach by phone calls and emails.

	Total Participating Employers	Net Contributions	AUM
FY 2020-21	43	\$54.6 million	\$58 million
FY 2019-20	15	\$10.5 million	\$11 million

CEPPT Participants by Agency Type and New Agencies

Special districts represent the highest proportion of participating agencies in CEPPT. The table below provides the names of the 28 new contracting employers added to the CEPPT in FY 2020-21. The new employers contributed \$36 million in contributions to the program.



New Employers: Auburn Area Recreation and Park District, Beaumont-Cherry Valley Recreation and Park District, Butte County Mosquito and Vector Control District, Chino Basin Water Conservation District, City of Belvedere, City of Burbank, City of Hayward, City of Laguna Woods, City of Maywood, City of Santa Fe Springs, City of Shasta Lake, City of Sierra Madre, El Dorado County Transit Authority, Golden Sierra Job Training Agency, Los Angeles County Development Authority, Morongo Basin Transit Authority, Sacramento Area Council of Governments, Salinas Valley Solid Waste Authority, San Diego County Law Library, San Gabriel Valley Council of Governments, San Mateo County Law Library, Santa Clara County Housing Authority, Scotts Valley Fire Protection District, Shasta Regional Transportation Agency, Sierra-Sacramento Valley Emergency Medical Services Agency, South Placer Municipal Utility District, Trabuco Canyon Water District, Truckee Fire Protection District

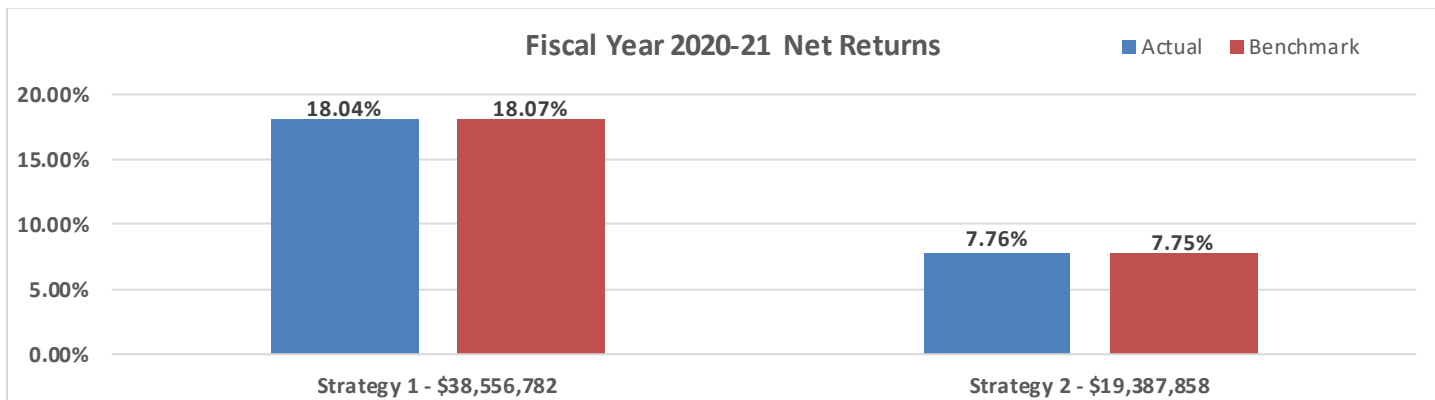
Investment Performance

The CEPPT Fund returns net of fees since their funding dates, as compared to their respective benchmarks is shown in the chart below. The performance inception date for Strategy 1 is October 1, 2019; the performance inception date for Strategy 2 is January 1, 2020.

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Asset Allocations Strategies

Each strategy offers a distinctly different long-term expected return and return volatility. Strategy 1 has the highest long-term expected rate of return and return volatility while Strategy 2 has the lowest long-term expected rate of return and return volatility.

Strategy Options	Expected Rate of Return	Standard Deviation
Strategy 1	5.00%	8.2%
Strategy 2	4.00%	5.2%

Supplemental Income Plan (SIP)

Program Overview

The Supplemental Income Plan (SIP) program offers two deferred compensation plans—the CalPERS 457 and the Supplemental Contributions Plan (SCP). The CalPERS 457 Plan was established in 1995 and is referenced in section 21670 of the California Public Employees’ Retirement Law (PERL). The CalPERS 457 Plan is a deferred compensation supplemental retirement income plan that is available to employees of local public agencies and schools that contract with CalPERS for this plan. The CalPERS Supplemental Contributions Program (SCP) was established in 1999 and is referenced in section 22970 of the PERL. The SCP is an after-tax supplemental contributions program available to state employees, as well as active judges who are members of the Judge’s Retirement System I and II.

Program Update

Program Improvements

Below are program improvements made in 2020-21 to promote more efficient and effective operation performance and increase service delivery to employers:

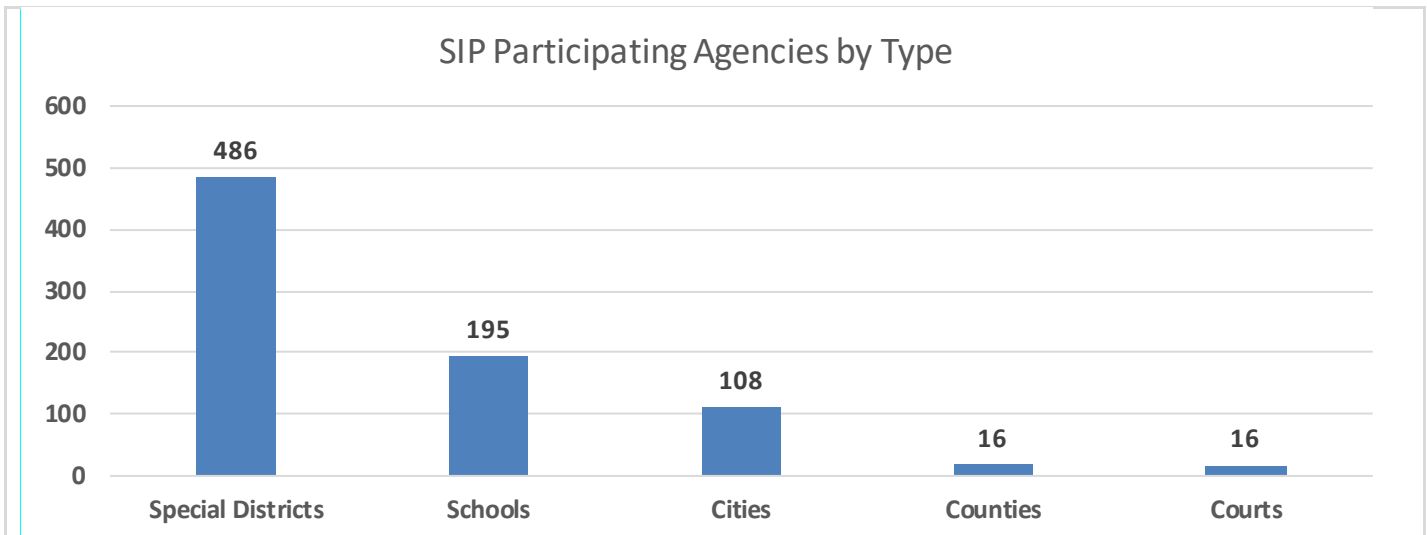
- Created and distributed an “end-of-year” annual summary email to all contracting agencies with personalized agency participant demographic statistics.
- Conducted ongoing Roth awareness campaign resulting in 229 agency Roth provisions adopted since implementation, 875 participant accounts created, and \$5.89 million in assets under management since inception in 2019.
- Created and distributed “ready-to-use” digital material to contracting agencies that enables agencies greater ease in promoting the CalPERS plan to their employees.
- Expanded social media outreach on Facebook, Twitter and LinkedIn featuring CalPERS 457 Plan offerings and participant services.
- Implemented “Go Green” campaign to sign up participants for future electronic campaign efforts to increase engagement and enrollments in the CalPERS 457 Plan.
- Distributed education materials to assist participants who took coronavirus-related distributions (CRDs).

Employer Retention

SIP team members have a proactive agency retention program that utilizes both internal communication methods and in-person or teleconference outreach meetings to ensure quality customer service at the agency level. For FY 2020-21, SIP team members conducted teleconference plan reviews with 30 of the contracting employers. Also, the SIP team created and distributed a “end-of-year” annual summary email to all contracting agencies with personalized agency participant demographic statistics.

In addition, SIP’s third-party administrator, Voya Financial, provides participant education and field services to all SIP contracting employers. This ensures that at the participant level all active and prospective participants have a venue to learn about SIP and have their questions answered. For FY 2020-21, Voya team members conducted limited in-person plan reviews due to the travel restrictions associated with the pandemic. However, a strategic telephone, conference call and webinar campaign yielded substantial support to 457 Plan participants. Voya team members conducted 592 in-person account reviews, 5,483 telephone account reviews, 425 group presentations, and 42 webinars.

There is a total of 821 employers participating in the SIP program. Special districts represent the highest proportion of participating agencies in SIP followed by schools and school employers. The table below provides a breakout of participating agency types along with a list of new agencies (7) for FY 2020-21.



New Employers: California Interscholastic Federation-Central Section, Hilton Creek Community Services District, Housing Authority of the County of Butte, Lancaster School District, Kern High School District, Fresno County Fire Protection District, Graton Fire Protection District

Participant Enrollments and Contributions

During FY 2020-21 SIP employer participants remained consistent with the previous fiscal year at 821. Assets under management increased to \$2.30 billion, an increase of \$420 million. During the same period, the table below shows participant cumulative net contributions were \$117.1 million, an increase of \$3.2 million. When comparing the latest two fiscal years shown in the table below, the percentage of AUM increased by 22%.

FY	Participating Employers	Participant Contributions	Plan members	AUM
FY 2020-21	*821	\$117.1 million	38,236	\$2.30 billion
FY 2019-20	*821	\$113.9 million	38,482	\$1.88 billion

*During FY 2020-21 there were seven new agency adoptions. However, there were also seven agency terminations. The net result is a zero gain/loss compared to previous year.

Investment Update

Fund Assets and Cumulative Net Contributions

During FY 2020-21, SIP assets increased to \$2.30 billion in AUM, an increase of \$420 million. During the same period, participant cumulative net contributions were \$117.1 million an increase of \$3.2 million.

CalPERS Target Retirement Date Fund Highlights

Returns were between 12.56% and 38.40% before fees for the 12 months ending June 30, 2021, and all underperformed their respective benchmarks by between -0.02 and -0.08 basis points on a gross basis.

The CalPERS Target Retirement Date Funds and Core Fund returns before fees for the 12 months ending June 30, 2021, as compared to their respective benchmarks is shown in the table below.

Fund	Assets	Gross Return	Benchmark	Excess
TARGET RETIREMENT DATE FUNDS				
Income	\$120,043,194	12.56%	12.59%	-0.02%
2015	\$98,915,984	13.54%	13.57%	-0.03%
2020	\$186,901,904	18.45%	18.48%	-0.03%
2025	\$226,851,996	23.47%	23.51%	-0.03%
2030	\$212,922,742	28.65%	28.69%	-0.04%
2035	\$131,504,118	34.08%	34.12%	-0.04%
2040	\$124,293,439	38.40%	38.44%	-0.04%
2045	\$69,373,303	38.40%	38.44%	-0.04%
2050	\$38,840,389	38.40%	38.44%	-0.04%
2055	\$13,828,356	38.40%	38.44%	-0.04%
2060	\$7,125,569	38.36%	38.44%	-0.08%

Fund	Assets	Gross Return	Benchmark	Excess
CORE FUNDS				
US Equity Index Fund	\$708,652,119	44.27%	44.16%	0.10%
International Equity Index Fund	\$78,613,247	36.98%	37.18%	-0.20%
Real Assets Fund	\$11,985,631	31.07%	31.16%	-0.09%
Intermediate-Term Bond Index Fund	\$64,304,296	-0.36%	-0.33%	-0.03%
Short-Term Bond Index Fund	\$40,088,573	0.39%	0.44%	-0.05%
Short-Term Investment Fund	\$109,453,489	0.15%	0.09%	0.05%

On October 1, 2020 the annual glide path rebalance was applied to the Target Retirement Date Funds , which moves certain funds to a slightly more conservative allocation.