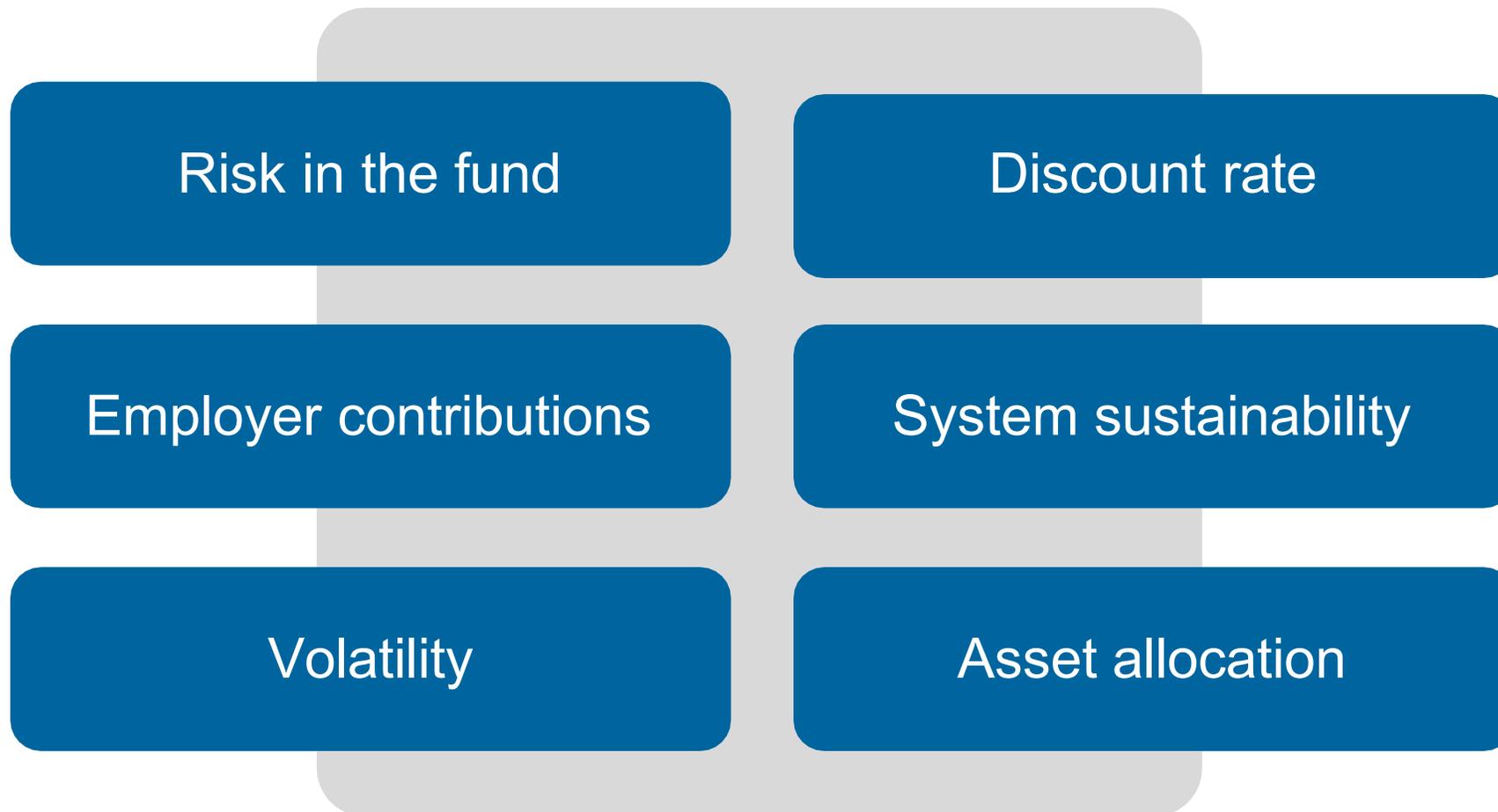


CalPERS Funding Risk Mitigation Policy

Finance & Administration Committee
April 15, 2024

Purpose



History

- Adopted in 2015
 - Revised in 2017, lowered expected investment return threshold from 4%-2%
- Temporarily suspended while discount rate phased to 7% over three years (February 14, 2017 – June 30, 2020)
- First triggered by June 30, 2021 FY investment returns bringing discount rate to 6.8%
- February 2024 - Board provided direction to bring back revised policy removing automatic trigger

Current Mechanisms to Lower Discount Rate

- Board Decision to change at anytime
- Asset Liability Management Process – mid-cycle and ALM year
- Funding Risk Mitigation Policy – auto triggered in excess return years

Proposed Policy Changes

- Removed automatic mechanism during funding risk mitigation event.
- Added provision to bring an agenda item to the board for discussion if a funding risk mitigation event occurs.
- Updated procedural steps in policy to align with removal of automatic mechanism.
- Updated to the new template and minor grammatical edits were made.

Next Steps

- If the policy is approved:
 - Update impacted policies such as the Asset Liability Management and the Total Fund Policies
- Communicate board decision with stakeholders

Questions?