This morning CalPERS presented a podcast attended by more than 2,000 people. The slides and audio will be made available to attendees at a later date. Here are some highlights of the presentation.

If you would like a copy of the entire presentation, please send a message to:

bdemsey@DFA-actuaries.com

CalPERS **CalPERS Update for Employers: How COVID-19 is Impacting the CalPERS Fund**

Highlights of the presentation

- The presentation was primarily about pension plans. Many concepts also apply to postemployment medical benefits plans.
- Investment gains/losses are amotized over a 20 year period.
- Given several scenarios, the funded status of most pension plans will be greater than 60%.
- If our goal is to maintain a funded status of greater than 60%, many will fall short with 0% or negative investment returns.
- Fallout is inevitable.

DFA is available to meet with you in person or virtually at any time. There is no cost. Please phone 949-291-1422 or send a request to bdemsey@dfa-actuaries.com to arrange for a meeting

CalPERS Update for Employers

VIDEO

Sample Employer Impacts with 2% Return

Simplified Example — Investment (Gain)/Loss Amortization

Market Value of Assets at 6/30/2019	$ 10,000,000
Investment Earnings	**2.00%**
Discount Rate	7.00%
Investment (Gain)/Loss %	**5.00%**
Investment (Gain)/Loss $	$ 500,000

Amortization Payments for Investment (Gain)/Loss

FY 2022-23	$ 12,516
FY 2023-24	$ 25,032
FY 2024-25	$ 37,548
FY 2025-26	$ 50,064
FY 2026-27 to FY 2041-42	$ 62,580

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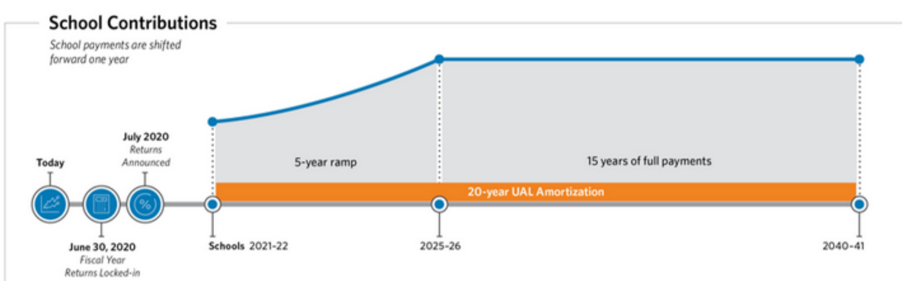
VIDEO

How Investment Losses are Amortized – Schools



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From the graphs above, you'll see there is a one-year delay between the valuation date and when it is assumed a payment will be required. In the instance of schools, a change in payments will take into account the investment returns of fiscal 2021-2022, as well.

Volatility of Returns with Potential Funded Status of Plans

Plan	Potential Funded Status with Various Investment Returns			
	7%	0%	-5%	-10%
Miscellaneous	**73.7%**	68.9%	65.6%	62.0%
Safety	**70.2%**	65.6%	62.0%	59.0%
Schools	**70.1%**	65.6%	62.3%	59.0%
PERF	**72.1%**	67.3%	64.0%	60.6%

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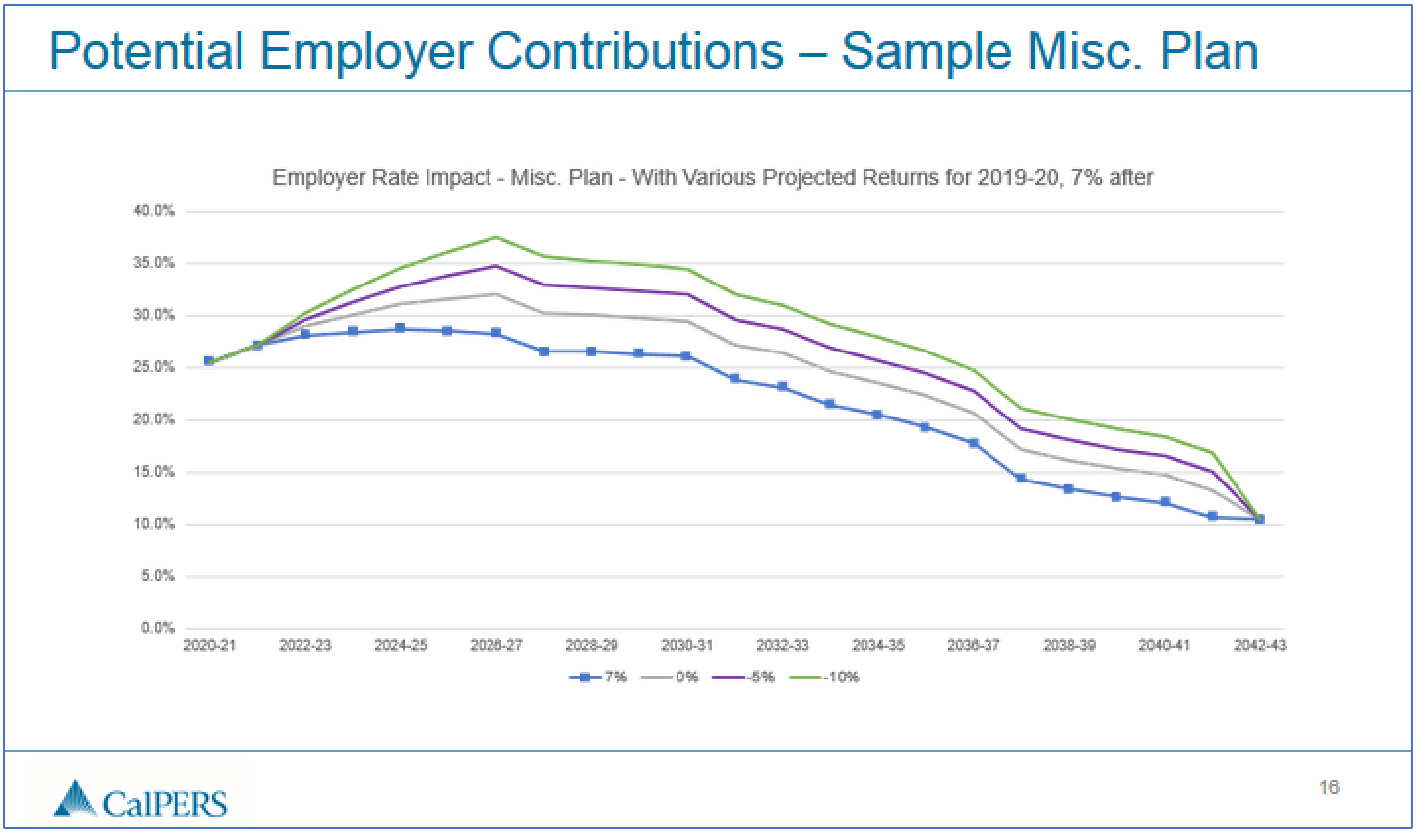
For pension plans, the present discount rate of 7% shows each group of plans to be more than 70% funded. As the discount rates decline the funded status declines as well.



For various interest return assumptions the contribution pattern is illustrated above.

VIDEO

Funded Status of Individual Plans

Estimated Number of Plans with Funded Ratio <60%

Investment Returns	Number of plans
7%	16
0%	68
-5%	171
-10%	381

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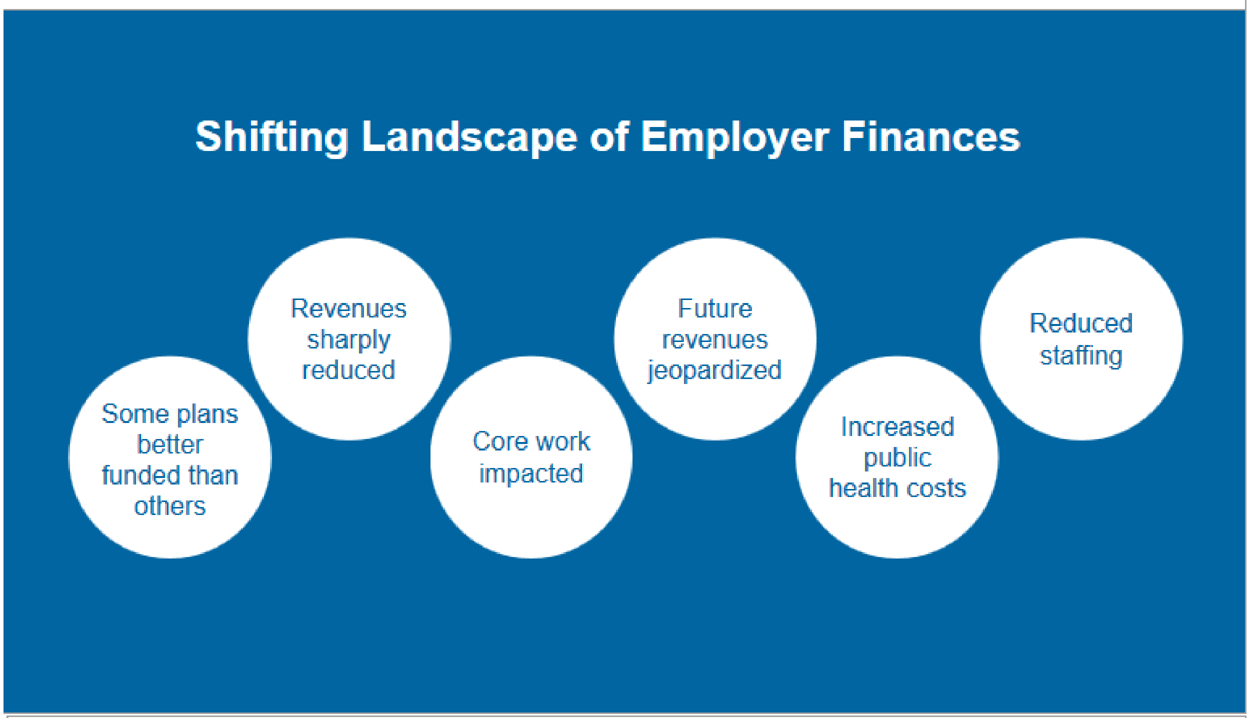
Assuming that our goal is to maintain a funded status greater than 60%, the investment returns illustrated above show how many plans fall short of meeting the goal.


Shifting Landscape of Employer Finances
Revenues sharply reduced
Future revenues jeopardized
Reduced staffing
Some plans better funded than others
Core work impacted
Increased public health costs