

Impact of Investment Losses on Future CalPERS Contributions

Many California public agencies are wondering what impact recent stock market losses will have on future CalPERS contributions. This table illustrates:

- Timing and magnitude of required contribution increases due to an investment loss
- Impact on plans at 3 asset levels for 3 average 2019/20 fiscal year CalPERS return scenarios.

Please contact your Bartel Associates actuary or info@bartel-associates.com for a modeling tool you can use to estimate the cost impact for your agency.

Estimated Impact of FY 2019/20 Asset Returns on Future Required CalPERS Public Agency Contributions									
Estimated Contribution Impact for Each Fiscal Year Due to 2019/20 Investment Return									
FY 2019/20 CalPERS Investment Return	0.00%			-10%			-20%		
6/30/2018 CalPERS Assets:	\$ 5,000,000	\$ 50,000,000	\$ 500,000,000	\$ 5,000,000	\$ 50,000,000	\$ 500,000,000	\$ 5,000,000	\$ 50,000,000	\$ 500,000,000
Projected Asset Loss	\$ 373,000	\$ 3,729,000	\$ 37,293,000	\$ 906,000	\$ 9,057,000	\$ 90,568,000	\$ 1,438,000	\$ 14,384,000	\$ 143,843,000
Fiscal Year	Contribution Increase Due to FY 2019/2020 Asset Loss								
2022/23	\$ 9,000	\$ 93,000	\$ 934,000	\$ 23,000	\$ 227,000	\$ 2,267,000	\$ 36,000	\$ 360,000	\$ 3,601,000
2023/24	19,000	187,000	1,868,000	45,000	453,000	4,534,000	72,000	720,000	7,202,000
2024/25	28,000	280,000	2,802,000	68,000	680,000	6,801,000	108,000	1,080,000	10,803,000
2025/26	37,000	374,000	3,736,000	91,000	907,000	9,068,000	144,000	1,440,000	14,404,000
2026/27	47,000	467,000	4,670,000	113,000	1,134,000	11,335,000	180,000	1,801,000	18,005,000
2027/28	47,000	467,000	4,670,000	113,000	1,134,000	11,335,000	180,000	1,801,000	18,005,000
2028/29 through 2041/42	47,000	467,000	4,670,000	113,000	1,134,000	11,335,000	180,000	1,801,000	18,005,000
2042/43 and later	0	0	0	0	0	0	0	0	0
Total Impact: First 5 Years	\$ 140,000	\$ 1,401,000	\$ 14,010,000	\$ 340,000	\$ 3,401,000	\$ 34,005,000	\$ 540,000	\$ 5,401,000	\$ 54,015,000

Important notes:

- Asset losses depend on total value of assets for your CalPERS plans, not unfunded actuarial accrued liability. Asset values at June 30, 2018 are on page 5 of each CalPERS actuarial valuation report.
- Asset loss is the difference between CalPERS 7% assumed rate of return and estimated FY 2019/20 return. For example, -10% asset returns mean a 17% (7% + 10%) loss of the projected 6/30/19 asset value.
- FY 2019/20 asset loss is increased with 2 years' interest to FY 2022/23 and amortized over 20 years as a level dollar payment with a ramp-up in the first 5 years.
- CalPERS maintains a diversified investment portfolio. The target asset allocation as of 6/30/2019, as reported in the CAFR, was:

Asset Class	Target Allocation
Public Equity	50.0%
Private Equity	8.0%
Income	28.0%
Real Assets	13.0%
Liquidity	1.0%
Total	100.0%

Disclaimer: Bartel Associates provides this information solely for California public agencies to approximate the future contribution impact of CalPERS returns. Projections assume no changes to CalPERS future actuarial assumptions or methods. These results are estimates and any use should be carefully considered.

