



California Public Employees' Retirement System
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FACT SHEET

Responding to the Challenges

Renewed Leadership and Performance

OVERVIEW

CalPERS has responded to many challenges in the last two years and we have taken significant steps to rebuild and strengthen the organization. We have taken actions to increase accountability and transparency, strengthen ethics, manage risk in our investment portfolio and operations, and advance national financial and health care reform. We have also turned our focus inward and have taken important steps to enhance our internal strength, leadership team, culture and organizational structure.

WHAT WE HAVE ACCOMPLISHED

INVESTMENTS – A \$228 BILLION PORTFOLIO (as of 2/11/11)

- Ended June 30, 2010 Fiscal Year with a 13.3 percent investment return, bringing our 20-year return to 7.9 percent, and earned a 12.5 percent one-year calendar return through December 31, 2010
- Gained back more than \$65 billion in our investment portfolio since our market low in March 2009
- Adopted a new risk-focused investment strategy, a landmark investment plan that places our investments into one of five major groups, or buckets, according to how they function in high- or low-growth markets and how they respond to the prevailing inflation environment
- Successfully advocated for financial market reforms that give a greater voice to investors, bring accountability to corporate board rooms and give investors access to the proxy
- Advanced strong new laws around placement agents that requires them to register as lobbyists and bans fees contingent on whether CalPERS invests with the external money managers who hire the placement agents
- Implemented an ongoing program to reduce money manager fees. Achieved a reduction of \$300 million over the next five years to date

- Launched a Web-based system that lets money managers submit proposals directly to CalPERS without the need of placement agents, and levels the playing field

SUSTAINABLE PENSIONS

- Providing new sensitivity analysis of employers rates in all employer valuations to provide greater transparency and additional information
- Developed a pension tool kit for local elected officials to promote greater education of pensions and assist in policy and decision making
- Launched the Public Employee Compensation and Benefits Task Force to enhance disclosure and identify and mitigate any potential loopholes that allow abuse of the system such as those demonstrated in the City of Bell
- Conducted a review of pensions greater than \$245,000 annually, with report to be issued in March
- Completed an audit of the City of Bell that dramatically reduces pensions of city officials

AFFORDABLE HEALTH CARE

- Implemented benefit design changes to implement national health care reforms eliminating lifetime and annual dollar limits, extended dependent coverage to more than 27,000 dependents up to age 26 and eliminated co-payments for certain commercial and Medicare health plan preventive services
- Negotiated an average 9.1 percent health care rate increase for 2011 in a tough economic environment
- Provided a PPO premium holiday using excess reserves from CalPERS PPO plans, an average savings of \$134 per month for active and retired members
- Applied for and received \$57 million in funding from the Early Retiree Reinsurance Program

STRONG ENTERPRISE OPERATIONS

- Established an Enterprise Risk Management Office and Enterprise Chief Risk Officer position
- Launched a new 24-7 Ethics Helpline to identify fraud and waste

- Initiated an independent review on the use of placement agents by outside firms managing investments and completed preliminary governance and operational change recommendations
- Increased transparency through new policies to post travel costs and financial disclosure statements on our website, prohibit staff from accepting gifts, and requiring contractors to disclose business connections and gifts
- Filled key executive vacancies, and rebuilt a strong Senior Management Team
- Realigned our business plan, performance objectives, and budgeting process
- Revisited our core values to ensure we are living them in our daily work and that they help us fulfill our mission
- Strengthened our organizational structure by deciding to add a new Chief Financial Officer position to improve our financial management, and two new functional groups to enhance customer service, thought leadership, and innovation

DESPITE THE FURLOUGHS, WE ALSO...

- Maintained high levels of customer satisfaction in our call center
- Completed more than 60,000 retirement estimates and prepared 11,300 service credit cost estimates
- Produced two CalPERS Retirement Dialogue conferences and webinars to promote greater understanding of public pension issues and analyze emerging issues
- Launched the CalPERS Responds website to educate – and separate fact from fiction – about issues and our responses related to pensions, investments and health care reform
- Held five Retirement Planning Fairs throughout the State
- Launched an organization-wide Green Initiative
- Conducted a successful Employer Educational Forum that drew more than 500 representatives from our local contracting employers with a goal of providing greater education to employers on key retirement, health and investment program initiatives and on how they can do business with CalPERS
- Maintained a zero-growth budget for last two years

BUILDING FOR THE FUTURE

In the coming year we remain focused on strengthening our ethics, transparency and accountability, and fulfilling our core mission as the trustee of health and retirement security promises made to our members. We will be realistic and pragmatic in our approach, while collaborating with our stakeholders to address the changing pension and health care environments.

- Implement employee benefit changes that were bargained at the State level
- Educate local, State and national policy-makers on issues of retirement security so that they are equipped to make responsible and sustainable decisions
- Introduce/support legislative proposals to prevent fraud and abuse of the system
- Implement our enterprise risk management strategy to ensure risk intelligence in our operations and develop a Chief Financial Officer function
- Launch my|CalPERS – a personalized, centralized, and secure website for CalPERS members and employers to access retirement, health care, and financial information anytime, online
- Implement additional governance and operational changes to strengthen ethics, accountability and risk
- Continue to implement health care reform, negotiate health care rates for 2012, and begin to enhance our health rate negotiation strategy
- Continue to reposition CalPERS investment portfolio to take full advantage of market opportunities while strengthen our focus on risk management.