BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2021

Prepared through the joint efforts of CalPERS team members.

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CalPERS

California Public Employees' Retirement System
A Component Unit of the State of California

Management's Discussion & Analysis (Unaudited)

INTRODUCTION

This section presents Management's Discussion & Analysis of the California Public Employees' Retirement System's (CalPERS or the System) financial performance during the fiscal year ended June 30, 2021. It is a narrative overview and analysis that is presented in conjunction with the Chief Executive Officer's Letter of Transmittal included in the Introductory Section of this Annual Comprehensive Financial Report. It should also be read in conjunction with the Basic Financial Statements as presented in this report.

In addition to historical information, the Management's Discussion & Analysis includes certain forward-looking statements, which involve currently known facts and certain risks and uncertainties. CalPERS' actual results, performance, and achievements may differ from the results, performance, and achievements expressed or implied in such forward-looking statements due to a wide range of factors, including changes in interest rates, changes in the securities markets, general economic conditions, legislative changes, and other factors.

CalPERS is primarily responsible for administering retirement and health benefits. CalPERS also administers long-term care benefits, a post-employment benefit fund for retiree health, and supplemental retirement savings plans.

MANAGEMENT DISCUSSION

Strategic Planning

CalPERS finished the fourth year of its *2017-22 Strategic Plan*. This plan is a blueprint that guides the enterprise to meet the investment, retirement, and health benefit needs of our members and their families.

The *2017-22 Strategic Plan* was developed over the course of a year-long effort by CalPERS Board of Administration (the Board) members, senior leaders, and team members, with contributions from multiple stakeholders including employer associations, labor groups, retiree associations, federal representatives, health and investment business partners, and state government officials.

The current strategic plan took effect on July 1, 2017, and has five overarching goals:

- Strengthen long-term sustainability of the pension fund
- Transform health care purchasing and delivery to achieve affordability
- Reduce complexity across the enterprise
- Cultivate a risk-intelligent organization
- Promote a high-performing and diverse workforce

The *2017-22 Strategic Plan* includes the annual Business Plan Initiatives. The 2020-21 Business Plan Initiatives allowed the organization to set priorities and assisted in the allocation of resources. It aligns to the 2020-21 budget cycle to accomplish the goals and objectives of the strategic plan. CalPERS identified 33 initiatives to continue the work needed to support the overall strategic direction of the organization.

Key Initiatives

CalPERS continued to enhance its operations as follows:

- CalPERS continues the Asset Liability Management (ALM) process to expand its review of assets and liabilities to ensure financial risks to the System are better understood, communicated, and mitigated. To establish appropriate levels of risk, ALM is focused on investment and actuarial policies. These policies include key decision factors and are intended to result in optimum asset allocations to assure the competency of the assets, while stabilizing employer contribution rates and the volatility of those rates from year to year. Additionally, to better manage risks arising from terminating agencies, CalPERS has enhanced its oversight of contracting public agencies' financial health through its development of a standardized review criteria. These improvements include streamlining the collection and termination process to reduce the time frame, accelerating notifications to the Board and members, and adopting a risk oversight process to improve early detection of financial hardship issues. CalPERS is conducting an ALM process during calendar year 2021 for the next four-year cycle. During the first half of the year team members provided a series of webinars to stakeholders, as well as educational agenda items to the CalPERS Board. During the second half of the year staff will present results of the ALM analysis to the CalPERS Board for adoption of changes to asset allocations or actuarial assumptions. The effective date for the selected strategic asset allocation implementation is July 1, 2022.

- CalPERS' five-year sustainable investment strategy (2017-22) takes an enterprise-wide view on improving the sustainability of long-term pension benefits and actively managing business risks. CalPERS has associated key performance indicators (KPIs) with this strategy, and includes a strategic focus on:
    - Data and Corporate Reporting Standards
    - Climate Action 100+ Engagement
    - Diversity and Inclusion
    - Manager Expectations
    - Research
    - Private Equity Fee and Profit Sharing Transparency

Core work areas include integration of environmental, social, and governance (ESG) factors into the investment process, Financial Markets Advocacy, Shareowner Campaigns, Corporate & Manager Engagement, Proxy Voting, Responsible Contractor Program, Carbon Footprinting, and Ad Hoc Media & Stakeholder Requests. The pandemic negatively impacted CalPERS' corporate governance activities. While staff was still able to vote proxies, file shareholder proposals, and run proxy solicitations, some Annual General Meetings (AGMs) and some engagement meetings were canceled or postponed. During the proxy season, team members engaged with numerous companies concerning how COVID-19 was/is impacting their business operations, financial condition, human capital, customers, and communities at large.

- In November 2020, the Board approved a portfolio rating strategy for Basic HMO and PPO plans that will commence in the 2022 plan year with a two-year phase-in period. Portfolio Rating will enable CalPERS to manage population health risk within the portfolio of Basic health plans, improve quality and affordability of health care, promote efficient care management, and mitigate year-over-year premium volatility and large premium increases. Additionally, the Board approved to replace the current three PPO Basic and Medicare Supplemental plans (PERSCare, PERS Choice, and PERS Select) with two plans, PERS Platinum and PERS Gold effective January 1, 2022. This change will benefit members by eliminating adverse selection and stabilizing the health plan portfolio.

OVERVIEW OF THE FINANCIAL STATEMENTS AND ACCOMPANYING INFORMATION

Management's Discussion & Analysis provides an overview of the financial position, which is comprised of the following components: Basic Financial Statements, Notes to the Basic Financial Statements, Required Supplementary Information, and Other Supplementary Information. Collectively, this information presents the combined net position restricted for pension benefits, other post-employment benefits (OPEB), deferred compensation, replacement benefits, and the unrestricted net position of the proprietary funds administered by CalPERS as of June 30, 2021. It also summarizes the combined changes in fiduciary net position restricted for pension, other post-employment, and replacement benefits; the changes in unrestricted net position; and the cash flows of the proprietary funds for the year then-ended, along with disclosures about the net pension liabilities of the single-employer and cost-sharing multiple-employer defined benefit pension plans.

FINANCIAL HIGHLIGHTS

Major events and initiatives impacting the current fiscal year's financial statements include:

- The Public Employees' Retirement Fund (PERF) realized a money-weighted rate of return (MWRR) of 22.4 percent and realized a time-weighted rate of return of 21.3 percent in Fiscal Year 2020-21. The investment results reflect a globally diversified portfolio with primary drivers including strong performance from public and private equity.

- In July 2020, the Board approved health plan premiums for calendar year 2021, at an overall average premium increase of 4.32 percent.

- CalPERS has agreed to a proposed settlement in the Long-Term Care Program class action lawsuit upon acceptance by the affected parties and the courts. CalPERS could pay an estimated $2.9 billion, which includes contingency costs, settlement administration expenses, attorneys' fees and expenses, and service awards for the plaintiffs.

- CalPERS as the State Social Security Administrator (SSSA) began collecting an Annual Maintenance Fee on July 1, 2019. The fee is charged to fund the State Social Security Administration (SSA) and its services. The fees collected during Fiscal Year 2020-21 exceeded the targeted amount needed to fund next fiscal year's anticipated expenditures; therefore, for fiscal year 2021-22, SSSA will not issue Annual Maintenance Fee invoices.

- During the calendar year 2020, the World Health Organization announced a global health emergency from a new strain of coronavirus (COVID-19) that has resulted in a global pandemic outbreak. This pandemic has adversely affected global economic activity and greatly contributed to uncertainty and instability in the global financial markets. CalPERS investment portfolio was exposed to the volatility of the financial markets during the last half of Fiscal Year 2019-20 but was also well positioned to take advantage of new investment opportunities that were present during this time. While negative market conditions could have an impact on CalPERS' ability to earn the actuarial assumed rate of return and negatively impact the receipt of contributions and premiums due from public agencies and participants, CalPERS cannot predict the long-term impact of the COVID-19 pandemic. Although CalPERS cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, management continues to closely monitor the situation, to assess further possible adverse implications that may occur to operations, investments, public agencies and participants, and to take actions to mitigate resulting consequences.

On March 27, 2020, President Trump signed into law the "Coronavirus Aid, Relief, and Economic Security (CARES) Act." The CARES Act, among other things, includes several relief provisions available to tax-qualified retirement plans and their participants. CalPERS has assessed the applicability of such funds and has not acted to take part in applying for and receiving any such relief funds.

The U.S. House of Representatives on March 10, 2021, passed the Senate-amended H.R. 1319, the American Rescue Plan (ARP). The ARP provides $1.9 trillion in additional relief to respond to the novel coronavirus (COVID-19). This follows the enactment of nearly $4 trillion in COVID relief in 2020. President Joe Biden called for Congress to enact the ARP to provide relief for individuals and businesses struggling due to COVID-19, as well as to achieve other priorities of the Biden Administration and Congress. ARP includes provisions on aid to state and local governments, hard-hit industries and communities, tax changes affecting individuals and businesses, and other provisions. CalPERS has assessed the applicability of such funds and has not acted to take part in applying for and receiving any such relief funds. Management is continuing to monitor applicability of any new funding or programs that may become available.

- The total pension administration cost in Fiscal Year 2019-20 (most recent available) was $217 per active member and annuitant.

BASIC FINANCIAL STATEMENTS

The June 30, 2021, financial statements separate the funds administered by CalPERS into two categories: fiduciary funds and proprietary funds. With the exception of Old Age and Survivors' Insurance Revolving Fund (OASI), CalPERS' role as a trustee and monitoring of financial position occur in both categories, and a primary focus of fiduciary funds is CalPERS' duty with respect to the payment of benefits, whereas a core function for proprietary funds is the payment of services.

Fiduciary Funds – include the PERF (split into PERF A, PERF B, and PERF C), Legislators' Retirement Fund (LRF), Judges' Retirement Fund (JRF), Judges' Retirement Fund II (JRF II), Public Employees' Deferred Compensation Fund (DCF), Supplemental Contributions Program Fund (SCPF), California Employers' Pension Prefunding Trust Fund (CEPPTF), Annuitants' Health Care Coverage Fund, also known as California Employers' Retiree Benefit Trust Fund (CERBTF), OASI, and Replacement Benefit Fund (RBF). Generally, fiduciary funds are used to account for resources held for the benefit of CalPERS participants.

A Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position are presented for the fiduciary funds as of, and for, the fiscal year ended June 30, 2021, along with comparative total information as of, and for, fiscal year ended June 30, 2020. These financial statements reflect the resources available to pay benefits to retirees and other beneficiaries as of year-end, and the changes in those resources during the year.

Proprietary Funds – include Public Employees' Health Care Fund (HCF), Public Employees' Contingency Reserve Fund (CRF), and the Public Employees' Long-Term Care Fund (LTCF). A Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows are presented for the proprietary funds as of, and for, fiscal year ended June 30, 2021, along with comparative total information as of, and for, fiscal year ended June 30, 2020. These financial statements reflect the net position, changes in net position, and cash flows resulting from CalPERS business-type activities.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the information provided in the fund financial statements. The following is a description of information available in the Notes to the Basic Financial Statements:

Note 1 – provides general information on CalPERS, each of the funds administered, employer and member participation in the pension plans, and other post-employment benefit plans administered by CalPERS.

Note 2 – provides a summary of significant accounting policies, including the basis of accounting for each of the fund types, target asset allocation, management's use of estimates, and other significant accounting policies.

Note 3 – provides information on cash and cash equivalents.

Note 4 – provides detail on the fair value of investments, and information on MWRR.

Note 5 – provides information about investment risk categorizations.

Note 6 – provides information about securities lending.

Note 7 – provides information about derivatives.

Note 8 – provides information about the net pension liabilities/(asset) and actuarial assumptions for cost-sharing and single-employer plans.

Note 9 – provides information about the CEPPTF, including plan members, participating employers, and contributions.

Note 10 – provides information about the CERBTF, including plan members, participating employers, and contributions.

Note 11 – provides information about the RBF, as well as applicable internal revenue and government codes.

Note 12 – provides detailed information about the OASI.

Note 13 – provides detailed information about the HCF and the estimated claims liability of the HCF.

Note 14 – provides additional information about participating agencies and insurance premiums paid by the CRF.

Note 15 – provides information about the LTCF actuarial valuation and the estimated liability for future policy benefits.

Note 16 – provides information on potential contingencies of CalPERS.

Note 17 – provides information about future accounting pronouncements.

REQUIRED SUPPLEMENTARY INFORMATION

The Required Supplementary Information schedules include information about the changes in the net pension liability, employer contributions, actuarial assumptions used to calculate the actuarially determined contributions, historical trends, and other required supplementary information related to the System's cost-sharing multiple-employer and single-employer defined benefit pension plans as required by Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25* (GASB 67).

The MWRR expresses investment performance, net of investment expense, and is disclosed per the requirements of GASB 67 and GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB 74).

The Schedule of Claims Development Information for the HCF provides earned revenues and expenses over the past 10 years.

OTHER SUPPLEMENTARY INFORMATION

Other supplementary schedules include detailed information on administrative expenses incurred by CalPERS-administered funds, investment expenses, and other professional services expenses incurred.

FINANCIAL ANALYSIS

PUBLIC EMPLOYEES' RETIREMENT FUND (PERF)

The PERF is a trust fund established under section 20170 of the Public Employees' Retirement Law (PERL). The PERF provides retirement benefits to State of California, school, and other California public agency employees. The PERF benefits are funded by member and employer contributions and by earnings on investments.

For financial reporting purposes only, the PERF is comprised of, and reported as, three separate entities. PERF A is comprised of agent multiple-employer plans, which includes the State of California and most public agency rate plans with more than 100 active members. PERF B is a cost-sharing multiple-employer plan of school employers consisting of non-teaching and non-certified employees. PERF C is a cost-sharing multiple-employer plan of public agencies with generally fewer than 100 active members. Under applicable law, the Board may terminate or a public agency may terminate that agency's plan under either PERF A or PERF C. The terminated agency is liable to the System for all costs to fund all benefits under the agency's contract. An unpaid deficit in funding will result in a commensurate reduction in benefits provided under that agency's contract.

Movements of member account asset balances occur between PERF A, PERF B, and PERF C when employer rate plans have fewer than 100 members, or when there are other member accounting adjustments. These plan-to-plan resource movements are reported as a separate line item within the additions and deductions sections, respectively, of each plan's Statement of Changes in Fiduciary Net Position.

The PERF net position increased by $84.9 billion or 21.6 percent from $392.5 billion as of June 30, 2020, to $477.3 billion as of June 30, 2021, primarily due to significant market growth this year. Receivables increased $0.7 billion or 16.9 percent due to higher outstanding investment trades. Investment balances increased by $89.4 billion from $395.8 billion as of June 30, 2020, to $485.2 billion as of June 30, 2021, due to significant market growth. Securities lending collateral increased $2.1 billion or 173.5 percent, and securities lending obligations increased $2.1 billion or 173.4 percent as a result of an overall increase in demand to borrow securities at year-end. Capital Assets, Net and Other Assets decreased $83.4 million or 24.3 percent primarily due to increased cumulative amortization of capitalized intangible assets related to myCalPERS software development.

Retirement benefits, investment settlement and other liabilities increased $5.7 billion or 80.2 percent primarily due to higher outstanding investment trades. Total net pension and OPEB liabilities decreased by $8.4 million or 0.8 percent. While the overall net OPEB obligation for the state increased, the PERF share decreased due to a decrease in the allocated share of the liability, partially offset by an increase in interest on total pension liability.

Additions to the PERF net position include member contributions, employer contributions, nonemployer contributions, and investment income. Member contributions decreased $0.1 billion or 2.9 percent. Employer and nonemployer contributions decreased $2.9 billion or 12.7 percent, due in part to state furloughs resulting in salary reductions this year. Additionally, the prior year included a one-time supplemental employer contribution. Employer contribution rates increased between 0.1 percent and 1.3 percent for state, 1.0 percent for schools, and between 2.8 percent and 4.0 percent on average for public agency miscellaneous and safety plans.

Net investment income is comprised of interest income, dividend income, and net appreciation or depreciation in fair value of investments and is net of investment expenses.

Net investment income was $88.1 billion in Fiscal Year 2020-21, compared to $18.5 billion in Fiscal Year 2019-20, an increase of $69.5 billion or 375.6 percent, due to significantly higher investment returns in Fiscal Year 2020-21. The current year returns were driven by Private Equity and Public Equity. The PERF recognized a MWRR of 22.4 percent for Fiscal Year 2020-21 compared with 5.0 percent for Fiscal Year 2019-20.

Deductions from the PERF are comprised of benefit payments, refunds of contributions to members and beneficiaries, and costs of administering the PERF. Benefit payments are the primary expense of a retirement system. For Fiscal Year 2020-21, retirement, death, and survivor benefits payments increased $1.6 billion or 6.3 percent, primarily due to cost-of-living increases in benefit payments, and an increase in the number of retirees and beneficiaries from 732,529 as of June 30, 2020, to 750,618 as of June 30, 2021. Administrative expenses for CalPERS personnel decreased $132.3 million or 25.2 percent primarily due to a decrease in the OPEB expense as a result of lower net OPEB liability.

Management's Discussion & Analysis (Unaudited) (continued)

Fiduciary Net Position – PERF (Dollars in Thousands)

	PERF A Agent	PERF B Cost-Sharing Schools	PERF C Cost-Sharing Public Agencies	2021 PERF Total	2020 PERF Total	Increase/ (Decrease)
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
Cash & Cash Equivalents	$785,899	$194,460	$92,398	$1,072,757	$496,722	$576,035
Receivables	3,225,634	999,712	339,191	4,564,537	3,903,430	661,107
Investments	355,963,472	87,769,397	41,485,187	485,218,056	395,818,963	89,399,093
Securities Lending Collateral	2,454,847	607,417	288,617	3,350,881	1,225,270	2,125,611
Capital Assets, Net & Other Assets	190,264	47,078	22,369	259,711	343,158	(83,447)
Total Assets	**$362,620,116**	**$89,618,064**	**$42,227,762**	**$494,465,942**	**$401,787,543**	**$92,678,399**
Deferred Outflows of Resources	$80,525	$19,925	$9,467	$109,917	$128,697	($18,780)
Total Assets and Deferred Outflows of Resources	**$362,700,641**	**$89,637,989**	**$42,237,229**	**$494,575,859**	**$401,916,240**	**$92,659,619**
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES						
Retirement Benefits, Investment Settlement & Other	$9,404,253	$2,307,464	$1,086,902	$12,798,619	$7,104,364	$5,694,255
Net Pension & OPEB Liabilities	750,748	185,762	88,266	1,024,776	1,033,127	(8,351)
Securities Lending Obligations	2,454,978	607,449	288,632	3,351,059	1,225,672	2,125,387
Total Liabilities	**$12,609,979**	**$3,100,675**	**$1,463,800**	**$17,174,454**	**$9,363,163**	**$7,811,291**
Deferred Inflows of Resources	$57,623	$14,258	$6,775	$78,656	$100,536	($21,880)
Total Liabilities and Deferred Inflows of Resources	**$12,667,602**	**$3,114,933**	**$1,470,575**	**$17,253,110**	**$9,463,699**	**$7,789,411**
TOTAL NET POSITION RESTRICTED FOR PENSION BENEFITS	**$350,033,039**	**$86,523,056**	**$40,766,654**	**$477,322,749**	**$392,452,541**	**$84,870,208**

Changes in Fiduciary Net Position – PERF (Dollars in Thousands)

	PERF A Agent	PERF B Cost-Sharing Schools	PERF C Cost-Sharing Public Agencies	2021 PERF Total	2020 PERF Total	Increase/ (Decrease)
ADDITIONS						
Member Contributions	$3,342,716	$1,019,154	$395,130	$4,757,000	$4,901,000	($144,000)
Employer Contributions	15,141,505	2,972,220	1,921,032	20,034,757	22,039,561	(2,004,804)
Nonemployer Contributions	—	—	—	—	904,000	(904,000)
Net Investment Income	64,637,985	15,907,972	7,513,952	88,059,909	18,516,994	69,542,915
Securities Lending & Other Income	83,158	20,527	9,726	113,411	109,104	4,307
Plan-to-Plan Resource Movement	—	—	348,384	348,384	185,907	162,477
Total Additions	**$83,205,364**	**$19,919,873**	**$10,188,224**	**$113,313,461**	**$46,656,566**	**$66,656,895**
DEDUCTIONS						
Retirement, Death & Survivor Benefits	$20,396,477	$4,833,052	$2,185,665	$27,415,194	$25,781,920	$1,633,274
Refund of Contributions	163,551	99,343	24,662	287,556	323,180	(35,624)
Administrative Expenses	287,357	71,018	33,744	392,119	524,451	(132,332)
Plan-to-Plan Resource Movement	348,384	—	—	348,384	185,907	162,477
Total Deductions	**$21,195,769**	**$5,003,413**	**$2,244,071**	**$28,443,253**	**$26,815,458**	**$1,627,795**
INCREASE IN NET POSITION	**$62,009,595**	**$14,916,460**	**$7,944,153**	**$84,870,208**	**$19,841,108**	**$65,029,100**
NET POSITION						
Beginning of Year	**$288,023,444**	**$71,606,596**	**$32,822,501**	**$392,452,541**	**$372,611,433**	**$19,841,108**
End of Year	**$350,033,039**	**$86,523,056**	**$40,766,654**	**$477,322,749**	**$392,452,541**	**$84,870,208**

OTHER DEFINED BENEFIT PLANS

LEGISLATORS' RETIREMENT FUND (LRF)

The LRF provides retirement benefits to California legislators elected to office before November 7, 1990, and to constitutional, legislative, and statutory officers elected or appointed prior to January 1, 2013. The number of LRF members has been declining as eligible incumbent legislators leave office and are replaced by others who are ineligible to participate in the LRF. Actuarially determined contributions will continue to be made by the State of California to supplement the existing assets until all benefit obligations have been fulfilled.

Because the LRF is closed to new members and income is primarily limited to investment returns and contributions based on a declining number of active members, CalPERS expects the net position of the fund to decrease over time.

The LRF's net position in Fiscal Year 2020-21 increased by $8.0 million or 7.0 percent from the beginning balance of $114.0 million to $122.0 million mainly due to higher return on investments. Investments at fair value increased $7.9 million or 6.9 percent, due to the high performance of equity securities. The total liabilities decreased slightly, mainly due to the lower outstanding benefit payables in Fiscal Year 2020-21.

Additions to the LRF's net position primarily were the result of net investment income of $15.1 million in Fiscal Year 2020-21, which is 115.3 percent higher than in the prior year. This was an $8.1 million increase due to favorable investment market conditions. The LRF recognized a MWRR of 13.4 percent for Fiscal Year 2020-21 compared with 6.2 percent for Fiscal Year 2019-20. A slight decrease in employer contributions offset the investment income for the year, due to a 16.7 percent reduction in the required contribution rate.

Deductions from the LRF are primarily comprised of benefit payments and administrative expenses. Total deductions decreased by $0.3 million or 3.7 percent due to a slight decrease in benefit payments and lower administrative expenses, which decreased by $0.1 million or 18.2 percent due to lower OPEB expenses as a result of decreased OPEB liability.

JUDGES' RETIREMENT FUND (JRF)

The JRF provides retirement benefits to California Supreme and Appellate Court justices and Superior Court judges appointed or elected before November 9, 1994. The State of California does not pre-fund the benefits for this fund, and the benefits are funded on a pay-as-you-go basis.

The net position of the JRF increased $17.9 million or 41.0 percent primarily due to the excess of the State General Fund contribution over the benefits paid. Total liabilities increased $3.1 million or 53.1 percent primarily due to outstanding federal and state income tax withholdings due to the Internal Revenue Service and Employment Development Department.

Additions to the JRF come from employer, member, and state balancing contributions from the General Fund. Despite contributions exceeding benefits paid, the total additions decreased $18.5 million or 7.4 percent primarily due to a decrease in the State General Fund contributions compared to the prior year.

Deductions from JRF are primarily comprised of benefit payments, refunds, and administrative expenses. Retirement, death, and survivor benefits decreased by $1.8 million, or 0.9 percent, and administrative expenses for CalPERS personnel decreased $0.5 million or 23.7 percent, primarily due to a decrease in OPEB expense as a result of a decrease in the net OPEB liability.

JUDGES' RETIREMENT FUND II (JRF II)

The JRF II provides retirement benefits to California Supreme and Appellate Court justices and Superior Court judges first appointed or elected on or after November 9, 1994.

The net position of JRF II in Fiscal Year 2020-21 increased by $518.0 million or 27.6 percent from the beginning net position of $1.9 billion to $2.4 billion. Receivables decreased by $2.1 million or 22.5 percent primarily due to decreased outstanding employers' contributions owed to the fund as of fiscal year ended June 30, 2021. JRF II investments increased by $519.8 million or 27.7 percent primarily due to positive net cash inflows from contributions less benefit payments, combined with a positive market return in Fiscal Year 2020-21. Total liabilities increased by $0.4 million or 6.2 percent primarily due to an increase in other liabilities.

Additions to the JRF II net position include member contributions, employer contributions, and investment income. Despite there being no change in the number of active members (1,625 as of June 30, 2020, and June 30, 2021), member and employer contributions decreased due to a pay reduction for state employees as a result of furlough. Member contributions decreased by $1.7 million or 4.8 percent, while employer contributions decreased by $7.0 million or 7.7 percent. Net investment income increased by $383.4 million or 478.8 percent from $80.1 million in Fiscal Year 2019-20 to $463.5 million in Fiscal Year 2020-21. This increase resulted from a higher investment return in Fiscal Year 2020-21. The JRF II recognized a MWRR of 24.3 percent for Fiscal Year 2020-21 compared with 4.1 percent for Fiscal Year 2019-20.

Deductions from the JRF II are comprised of benefit payments, refunds, and administrative expenses. There was an increase in benefit payments of $27.1 million or 78.3 percent due to an increase in benefit recipients from 390 in Fiscal Year 2019-20 to 406 in Fiscal Year 2020-21 and an increase in monetary credit payments. Administrative expenses decreased by $0.8 million or 33.3 percent primarily due to a decrease in the OPEB expenses as a result of decreased OPEB liabilities.

Management's Discussion & Analysis (Unaudited) (continued)

Fiduciary Net Position – Other Defined Benefit Plan Funds (Dollars in Thousands)

	LRF			JRF			JRF II		
	2021	2020	Increase/ (Decrease)	2021	2020	Increase/ (Decrease)	2021	2020	Increase/ (Decrease)
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES									
Cash & Cash Equivalents	$1,201	$1,200	$1	$3,361	$0	$3,361	$724	$2	$722
Receivables	56	54	2	1,893	1,613	280	7,279	9,392	(2,113)
Investments	122,900	114,960	7,940	65,189	47,843	17,346	2,396,459	1,876,676	519,783
Total Assets	**$124,157**	**$116,214**	**$7,943**	**$70,443**	**$49,456**	**$20,987**	**$2,404,462**	**$1,886,070**	**$518,392**
Deferred Outflows of Resources	$166	$187	($21)	$457	$540	($83)	$580	$677	($97)
Total Assets and Deferred Outflows of Resources	**$124,323**	**$116,401**	**$7,922**	**$70,900**	**$49,996**	**$20,904**	**$2,405,042**	**$1,886,747**	**$518,295**
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES									
Retirement Benefits, Investment Settlement & Other	$632	$676	($44)	$4,560	$1,436	$3,124	$1,095	$666	$429
Net Pension & OPEB Liabilities	1,551	1,560	(9)	4,339	4,375	(36)	5,514	5,557	(43)
Total Liabilities	**$2,183**	**$2,236**	**($53)**	**$8,899**	**$5,811**	**$3,088**	**$6,609**	**$6,223**	**$386**
Deferred Inflows of Resources	$92	$117	($25)	$361	$458	($97)	$404	$517	($113)
Total Liabilities and Deferred Inflows of Resources	**$2,275**	**$2,353**	**($78)**	**$9,260**	**$6,269**	**$2,991**	**$7,013**	**$6,740**	**$273**
TOTAL NET POSITION RESTRICTED FOR PENSION BENEFITS	**$122,048**	**$114,048**	**$8,000**	**$61,640**	**$43,727**	**$17,913**	**$2,398,029**	**$1,880,007**	**$518,022**

Changes in Fiduciary Net Position – Other Defined Benefit Plan Funds (Dollars in Thousands)

	LRF			JRF			JRF II		
	2021	2020	Increase/ (Decrease)	2021	2020	Increase/ (Decrease)	2021	2020	Increase/ (Decrease)
ADDITIONS									
Member Contributions	$21	$22	($1)	$2,146	$2,843	($697)	$34,094	$35,796	($1,702)
Employer Contributions	92	98	(6)	225,824	243,131	(17,307)	84,147	91,147	(7,000)
Net Investment Income	15,098	7,011	8,087	163	885	(722)	463,478	80,074	383,404
Securities Lending & Other Income	—	2	(2)	2,462	2,202	260	—	—	—
Total Additions	**$15,211**	**$7,133**	**$8,078**	**$230,595**	**$249,061**	**($18,466)**	**$581,719**	**$207,017**	**$374,702**
DEDUCTIONS									
Retirement, Death & Survivor Benefits	$6,761	$6,939	($178)	$210,951	$212,775	($1,824)	$61,613	$34,547	$27,066
Refund of Contributions	—	—	—	—	458	(458)	381	—	381
Administrative Expenses	450	550	(100)	1,731	2,270	(539)	1,703	2,552	(849)
Total Deductions	**$7,211**	**$7,489**	**($278)**	**$212,682**	**$215,503**	**($2,821)**	**$63,697**	**$37,099**	**$26,598**
INCREASE (DECREASE) IN NET POSITION	**$8,000**	**($356)**	**$8,356**	**$17,913**	**$33,558**	**($15,645)**	**$518,022**	**$169,918**	**$348,104**
NET POSITION									
Beginning of Year	**$114,048**	**$114,404**	**($356)**	**$43,727**	**$10,169**	**$33,558**	**$1,880,007**	**$1,710,089**	**$169,918**
End of Year	**$122,048**	**$114,048**	**$8,000**	**$61,640**	**$43,727**	**$17,913**	**$2,398,029**	**$1,880,007**	**$518,022**

ASSET LIABILITY MANAGEMENT – DEFINED BENEFIT PLANS

The Asset Liability Management (ALM) process is an integrated review of pension assets and liabilities to inform decisions designed to achieve a sound and sustainable fund. CalPERS continues to expand its review of assets and liabilities so that financial risks to the System can be better understood, communicated, and managed.

To establish appropriate levels of risk, ALM is focused on investment and actuarial policies and key decision factors that are intended to drive an optimum asset allocation while stabilizing employer rates and the volatility of those rates from year to year. ALM is designed to improve the sustainability and soundness of the PERF, and the goal is to achieve 100 percent funding at an acceptable level of risk. Reducing the risk in the funding of the System will involve tradeoffs between short-term and long-term priorities.

In December 2017, the Board voted on the asset allocation of the PERF's investment portfolio for the next four years. The Board examined four potential portfolios and their impact on the PERF. Each portfolio represented different distributions of assets based on varying rates of expected return and risk of volatility. The Board selected the portfolio with expected volatility of 11.4 percent and an expected return of 7.0 percent, which aligns with the December 2016 decision to lower the discount rate to 7.0 percent over three years.

In February 2018, the Board approved modifications to the amortization policy that shorten the period over which actuarial gains and losses are amortized from 30 to 20 years and amortize unfunded liability with level dollar payments rather than increasing payments. The effective date of the policy changes was June 30, 2019, and the changes apply only to unfunded accrued liability bases created on and after this date.

In June 2020, CalPERS' investment staff presented updates on capital market assumptions and economic assumptions to the Board. The capital market assumptions update compared the 10-year 2020 expected returns to 2017 for the PERF and 2018 for the affiliates. The economic assumptions presented an economic overview based on the unprecedented impact caused by COVID-19. Topics addressed were U.S. unemployment, U.S. GDP, U.S. & global responses, and the economic uncertainty forecasted.

In March 2021, CalPERS investment staff updated the Board on current ALM risk concepts and provided examples of choices that balance the risks arising from the variability of three components: liabilities, contributions, and returns. The Board and staff will be selecting a final asset allocation for the next four years in late 2021, based on the research and analysis conducted by staff for the ALM process.

In order to better manage risks arising from terminating agencies, CalPERS has enhanced its oversight of contracting public agencies' financial health through its development of a standardized review criteria. These improvements include streamlining the collection and termination process to reduce the time frame, accelerating notifications to the Board and members, and adopting a risk oversight process to improve early detection of financial hardship issues. These processes and monitoring improvements support Fund Sustainability and Risk Management Goals of the CalPERS *2017-22 Strategic Plan*, which aims to strengthen the long-term sustainability of the pension funds.

FUNDING ANALYSIS – DEFINED BENEFIT PLANS

The Board has made several important decisions in the recent past that impact the current funding of pension benefits at CalPERS. In February 2018, the Board voted to shorten the period over which actuarial gains and losses are amortized from 30 to 20 years. Over time, these policies are designed to improve funding levels and help reduce overall funding level risk.

The JRF is funded on a pay-as-you-go basis, where short-term investments, contributions received during the year, and a State General Fund augmentation are used to provide funding for benefit payments. This funding method is generally more expensive in the long term, as the plan does not have investment returns generated by a funded plan. Without the State General Fund augmentation, the JRF will not be able to pay the accumulated benefit payments due in Fiscal Year 2021-22.

As of June 30, 2020, the funded status of the PERF was 70.6 percent. This percentage was determined by dividing the total assets in the PERF by the sum of liabilities for all plans reported under the PERF. CalPERS calculated the PERF funded status value using a 7.0 percent discount rate. As of June 30, 2020, the funded status of the JRF II was 98.6 percent. CalPERS calculated JRF II funded status value using a 6.5 percent discount rate. As of June 30, 2020, the funded status of the LRF was 119.9 percent. CalPERS calculated LRF funded status value using a 5.0 percent discount rate. All these funded statuses were calculated based on the market value of assets used in actuarial valuations that set funding requirements for employers.

Under GASB 67, there is a difference between the assumptions and components used to determine the net pension liabilities that must be reported in financial statements and the actuarial accrued liabilities and actuarial value of assets used to determine pension contributions established as part of funding valuations. The Actuarial Section included in this report provides actuarial information that was derived for purposes of establishing the funding requirements of employers for which CalPERS administers retirement benefits.

The GASB 67 financial reporting discount rate for the PERF remained at 7.15 percent. Assets used for GASB 67 financial reporting purposes are slightly greater than assets used for funding requirements, as the former include amounts for deficiency reserves and fiduciary self-insurance, which creates differences in plan assets reported in the funding actuarial valuation report. CalPERS is required to report Plan Fiduciary Net Position as a percentage of Total Pension Liability for the cost-sharing multiple employer plans (PERF B and PERF C) and for the single-employer pension plans (LRF, JRF, and JRF II). The discount rates used for financial reporting for the PERF B, PERF C, LRF, and JRF II are set equal to the unadjusted long-term expected return assumption for each plan. The discount rates used for funding are net of administrative expenses. The funding discount rate used in the JRF valuation differs from the financial reporting discount rate which is based on 20-year tax-exempt General Obligation Municipal Bonds.

The LRF funding discount rate is 5.00 percent, JRF is 3.00 percent, and JRF II is 6.50 percent. The financial reporting discount rate used in the JRF was not impacted as its benefit obligations are funded by the state using the pay-as-you-go method.

The following table displays the discount rates for the LRF, JRF, and JRF II for funding and financial reporting purposes as of June 30, 2021:

Fund	Funding Discount Rate	Financial Reporting Discount Rate
LRF	5.00%	5.25%
JRF	3.00%	1.92%
JRF II	6.50%	6.65%

DEFINED CONTRIBUTION PLANS

PUBLIC EMPLOYEES' DEFERRED COMPENSATION FUND (DCF)

The DCF is a fund into which CalPERS deposits contributions by employees of public agencies and school districts within the State of California that have elected to contract for a deferred compensation plan. To help administer the program, CalPERS contracts with a third-party adminstrator (TPA). In January 2020, the Board approved the renewal of a five-year contract through December 2025 with Voya Financial, LLC (Voya). As the TPA, Voya provides full recordkeeping, plan administration services, and new business development in support of the DCF.

The net position of the DCF increased by $402.7 million or 22.6 percent from the beginning balance of $1.8 billion to $2.2 billion. Investment balances increased by $404.1 million or 22.9 percent from Fiscal Year 2019-20 to Fiscal Year 2020-21, due to the investment of net inflows from contributions and return on investment exceeding participant withdrawal outflows. There was a slight decrease of $0.8 million or 4.3 percent in receivables due to less outstanding contributions at year-end. Total liabilities increased by $0.7 million or 11.1 percent, mainly due to higher amounts of outstanding distributions.

Member contributions to the fund decreased $23.0 million or 15.3 percent compared with the prior year primarily due to a large one-time transfer into the plan in the prior year. Additionally, there was a slight decrease in members from 31,821 in Fiscal Year 2019-20 to 31,733 in Fiscal Year 2020-21.

However, the total additions increased $384.1 million primarily due to more favorable investment returns in Fiscal Year 2020-21 compared with Fiscal Year 2019-20, resulting in a 572.6 percent increase in investment income.

Total deductions in the DCF increased by $76.6 million or 57.5 percent. This was primarily due to an increase of $77.4 million in participant withdrawals from the plan from $128.2 million in Fiscal Year 2019-20 to $205.5 million in Fiscal Year 2020-21. Administrative expenses for CalPERS personnel decreased $0.8 million or 14.4 percent primarily due to a decrease in the OPEB expenses resulting from decreased OPEB liabilities.

SUPPLEMENTAL CONTRIBUTIONS PROGRAM FUND (SCPF)

Established on January 1, 2000, the SCPF is a member-funded program that provides supplemental retirement benefits to State of California employees who are CalPERS members. To help administer the program, CalPERS contracts with a TPA. In January 2020, the Board approved the renewal of a five-year contract through December 2025 with Voya. As the TPA, Voya provides full recordkeeping, plan administration services, and new business development in support of the SCPF.

The net position of the SCPF increased $17.4 million or 15.3 percent from the beginning balance of $113.4 million to $130.8 million primarily due to more favorable investment performance. Total assets increased by $17.3 million or 15.1 percent mainly due to an increase in investments, and total liabilities decreased by $0.1 million or 9.0 percent due to lower amounts of outstanding distributions payables.

Total additions increased $17.3 million primarily due to more favorable investment returns in Fiscal Year 2020-21. Net investment income increased by $17.2 million, from $5.5 million in Fiscal Year 2019-20 to $22.7 million in Fiscal Year 2020-21 due to improved investment performance.

The primary deductions in the SCPF reflect withdrawals made by participants. Participant withdrawals decreased $0.7 million, from $6.1 million as of Fiscal Year 2019-20 to $5.5 million as of Fiscal Year 2020-21. Administrative expenses for CalPERS personnel decreased $0.1 million or 19.3 percent primarily due to a decrease in the OPEB expenses.

Management's Discussion & Analysis (Unaudited) (continued)

Fiduciary Net Position – Defined Contribution Plan Funds (Dollars in Thousands)

	DCF			SCPF		
	2021	2020	Increase/ (Decrease)	2021	2020	Increase/ (Decrease)
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
Cash & Cash Equivalents	$1	$1	$0	$1	$1	$0
Receivables	17,395	18,177	(782)	712	703	9
Investments	2,172,365	1,768,226	404,139	131,205	113,929	17,276
Total Assets	**$2,189,761**	**$1,786,404**	**$403,357**	**$131,918**	**$114,633**	**$17,285**
Deferred Outflows of Resources	$462	$551	($89)	$41	$47	($6)
Total Assets and Deferred Outflows of Resources	**$2,190,223**	**$1,786,955**	**$403,268**	**$131,959**	**$114,680**	**$17,279**
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES						
Retirement Benefits, Investment Settlement & Other	$2,654	$1,909	$745	$727	$834	($107)
Net Pension & OPEB Liabilities	4,392	4,431	(39)	383	386	(3)
Total Liabilities	**$7,046**	**$6,340**	**$706**	**$1,110**	**$1,220**	**($110)**
Deferred Inflows of Resources	$336	$439	($103)	$25	$31	($6)
Total Liabilities and Deferred Inflows of Resources	**$7,382**	**$6,779**	**$603**	**$1,135**	**$1,251**	**($116)**
TOTAL NET POSITION RESTRICTED FOR PENSION BENEFITS	**$2,182,841**	**$1,780,176**	**$402,665**	**$130,824**	**$113,429**	**$17,395**

Changes in Fiduciary Net Position – Defined Contribution Plan Funds (Dollars in Thousands)

	DCF			SCPF		
	2021	2020	Increase/ (Decrease)	2021	2020	Increase/ (Decrease)
ADDITIONS						
Member Contributions	$127,135	$150,108	($22,973)	$343	$254	$89
Net Investment Income	479,324	71,266	408,058	22,713	5,495	17,218
Other Income	6,212	7,192	(980)	87	93	(6)
Total Additions	**$612,671**	**$228,566**	**$384,105**	**$23,143**	**$5,842**	**$17,301**
DEDUCTIONS						
Administrative Expenses	$4,466	$5,217	($751)	$264	$327	($63)
Participant Withdrawals	205,540	128,159	77,381	5,484	6,137	(653)
Total Deductions	**$210,006**	**$133,376**	**$76,630**	**$5,748**	**$6,464**	**($716)**
INCREASE (DECREASE) IN NET POSITION	**$402,665**	**$95,190**	**$307,475**	**$17,395**	**($622)**	**$18,017**
NET POSITION						
Beginning of Year	**$1,780,176**	**$1,684,986**	**$95,190**	**$113,429**	**$114,051**	**($622)**
End of Year	**$2,182,841**	**$1,780,176**	**$402,665**	**$130,824**	**$113,429**	**$17,395**

PENSION PREFUNDING TRUST FUND

CALIFORNIA EMPLOYERS' PENSION PREFUNDING TRUST FUND (CEPPTF)

The California Employers' Pension Prefunding Trust Fund (CEPPTF) was created on September 21, 2018, pursuant to Senate Bill (SB) 1413, Chapter 665, Statutes of 2018. Funding on a reimbursement basis from the State of California's General Fund is effective for Fiscal Year 2019-20. The CEPPTF is a trust dedicated to prefunding employer contributions to defined benefit pension systems for eligible California public agencies.

The net position of the CEPPTF was $58.0 million at June 30, 2021, an increase of $47.1 million or 430.5 percent from the net position of $10.9 million at June 30, 2020.

Additions to the CEPPTF net position are primarily employer contributions and net investment income. Employers contributions increased $35.2 million or 334.9 percent due to increased employer participation. The net investment income increased $2.5 million or 496.6 percent primarily due to favorable investment returns combined with an increase in assets available for investment. Deductions from the CEPPTF are primarily employer withdrawals. Employers withdrew $1.7 million in Fiscal Year 2020-21.

Fiduciary Net Position – Pension Prefunding Trust Fund (Dollars in Thousands)

	CEPPTF		
	2021	2020	Increase/ (Decrease)
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Cash & Cash Equivalents	$1	$0	$1
Receivables	138	—	138
Investments	$57,977	$11,036	$46,941
Total Assets	**$58,116**	**$11,036**	**$47,080**
Deferred Outflows of Resources	$19	$19	$—
Total Assets and Deferred Outflows of Resources	**$58,135**	**$11,055**	**$47,080**
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Investment Settlement & Other	$7	$16	($9)
Net Pension & OPEB Obligation	26	26	—
Total Liabilities	**$33**	**$42**	**($9)**
Deferred Inflows of Resources	$74	$74	$0
Total Liabilities and Deferred Inflows of Resources	**$107**	**$116**	**($9)**
TOTAL NET POSITION RESTRICTED FOR PENSION	**$58,028**	**$10,939**	**$47,089**

Changes in Fiduciary Net Position – Pension Prefunding Trust Fund (Dollars in Thousands)

	CEPPTF		
	2021	2020	Increase/ (Decrease)
ADDITIONS			
Employer Contributions	$45,764	$10,523	$35,241
Net Investment Income	2,995	502	2,493
Other Income	53	10	43
Total Additions	**$48,812**	**$11,035**	**$37,777**
DEDUCTIONS			
Administrative Expenses	$16	$96	($80)
Employer Withdrawals	1,707	—	1,707
Total Deductions	**$1,723**	**$96**	**$1,627**
INCREASE IN NET POSITION	**$47,089**	**$10,939**	**$36,150**
NET POSITION			
Beginning of Year	**$10,939**	**$0**	**$10,939**
End of Year	**$58,028**	**$10,939**	**$47,089**

OTHER POST-EMPLOYMENT BENEFIT TRUST FUND

CALIFORNIA EMPLOYERS' RETIREE BENEFIT TRUST FUND (CERBTF)

The CERBTF is a trust for employers to pre-fund health, dental, and other non-pension post-employment benefits. CalPERS contracts with a TPA, Northeast Retirement Services (NRS), to perform recordkeeping for individual CERBTF employer accounts.

Net position restricted for OPEB benefits on June 30, 2021, increased $3.9 billion or 33.6 percent from the prior year, primarily due to strong positive investment returns and to continued employer contributions. Receivables decreased $33.3 million or 38.4 percent, primarily due to lower outstanding employer contributions pending at year-end. Investments at fair value increased $4.0 billion or 34.1 percent due to strong positive return on investments and the growth of assets under management from employer contributions.

Total liabilities increased $16.5 million or 19.7 percent, primarily due to increased member distributions payable. Slightly offsetting this, total net pension and OPEB liabilities decreased by $0.1 million or 1.4 percent. While the overall net OPEB obligation for the state increased, CERBTF share decreased due to a decrease in the allocated share of the liability.

Additions to the CERBTF net position restricted for OPEB benefits are primarily made up of employer contributions (directly to the trust and outside the trust) and net investment income. Employer contributions decreased $554.5 million or 12.0 percent, primarily due to higher contributions from existing participating employers. During Fiscal Year 2020-21, the fund experienced net investment income of $3.1 billion, an increase of $2.7 billion from a net investment return of $0.4 billion in Fiscal Year 2019-20. Additionally, the CERBTF recognized a MWRR of 25.6 percent in Fiscal Year 2020-21, compared with 4.0 percent in Fiscal Year 2019-20.

Deductions from the CERBTF net position restricted for OPEB benefits were primarily made up of OPEB reimbursements to employers (directly from the trust and outside the trust), which increased $103.3 million or 3.3 percent, due to increased volume of reimbursement requests among existing participating employers. Employer withdrawals decreased by $11.4 million or 89.6 percent, due to a lower amount of balance transfers out of the plan. The amounts reported for contributions and reimbursements made directly by employers to health care providers outside the trust amounted to $3.1 billion for Fiscal Year 2020-21 compared with $3.0 billion in Fiscal Year 2019-20. Administrative expenses for CalPERS personnel decreased $0.6 million primarily due to a decrease in OPEB expense as a result of a decrease in the net OPEB liability.

Management's Discussion & Analysis (Unaudited) (continued)

Fiduciary Net Position – Other Post-Employment Benefit Trust Fund (Dollars in Thousands)

	CERBTF		
	2021	2020	Increase/(Decrease)
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Cash & Cash Equivalents	$25	$1	$24
Receivables	53,468	86,749	(33,281)
Investments	15,685,090	11,700,758	3,984,332
Total Assets	**$15,738,583**	**$11,787,508**	**$3,951,075**
Deferred Outflows of Resources	$913	$1,198	($285)
Total Assets and Deferred Outflows of Resources	**$15,739,496**	**$11,788,706**	**$3,950,790**
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Other Post-Employment Benefits, Investment Settlement & Other	$90,942	$74,310	$16,632
Net Pension & OPEB Liabilities	9,158	9,285	(127)
Total Liabilities	**$100,100**	**$83,595**	**$16,505**
Deferred Inflows of Resources	$839	$1,172	($333)
Total Liabilities and Deferred Inflows of Resources	**$100,939**	**$84,767**	**$16,172**
TOTAL NET POSITION RESTRICTED FOR OPEB	**$15,638,557**	**$11,703,939**	**$3,934,618**

Changes in Fiduciary Net Position – Other Post-Employment Benefit Trust Fund (Dollars in Thousands)

	CERBTF		
	2021	2020	Increase/(Decrease)
ADDITIONS			
Employer Contributions	$4,079,904	$4,634,449	($554,545)
Net Investment Income	3,091,811	402,609	2,689,202
Other Income	11,704	9,094	2,610
Total Additions	**$7,183,419**	**$5,046,152**	**$2,137,267**
DEDUCTIONS			
Administrative Expenses	$4,544	$5,161	($617)
Employer Withdrawals	1,318	12,711	(11,393)
OPEB Reimbursements	3,242,939	3,139,646	103,293
Total Deductions	**$3,248,801**	**$3,157,518**	**$91,283**
INCREASE IN NET POSITION	**$3,934,618**	**$1,888,634**	**$2,045,984**
NET POSITION			
Beginning of Year	**$11,703,939**	**$9,815,305**	**$1,888,634**
End of Year	**$15,638,557**	**$11,703,939**	**$3,934,618**

CUSTODIAL FUNDS

REPLACEMENT BENEFIT FUND (RBF)

The RBF is a qualified excess benefit arrangement pursuant to Internal Revenue Code (IRC) section 415(m) and provides for the replacement of the portion of retirement allowance that exceeds IRC section 415(b) dollar limits. Employers are invoiced by CalPERS for amounts payable to their former employees, and CalPERS subsequently pays the replacement benefit to retirees. Participants of the RBF cover the administrative costs to maintain the fund.

The net position of the RBF decreased by $0.5 million or 55.1 percent primarily because no administrative fees were collected from members and there were higher administrative costs in Fiscal Year 2020-21.

Additions to the fund include replacement benefits, investment income, and other income. Employer contributions increased $6.5 million or 22.2 percent primarily due to more retirees participating in the plan. Other income decreased $0.3 million or 100.0 percent primarily due to a temporary cancellation of the administrative fees beginning January 1, 2020.

Deductions from the RBF include benefit payments and administrative expenses. Benefit payments increased $6.5 million or 22.2 percent primarily due to an increase in the number of participants receiving benefits from 1,496 as of June 30, 2020, to 1,878 as of June 30, 2021. Total administrative expenses increased $0.4 million primarily due to changes in spending and allocation patterns for CalPERS personnel.

OLD AGE AND SURVIVORS' INSURANCE REVOLVING FUND (OASI)

The OASI was established to consolidate the collection and payment of employee and employer contributions for California public agencies under the provisions of the federal Social Security regulations.

The Board serves as the State Social Security Administrator (SSSA). Between 1955 and 1986, the SSSA was responsible for collecting Social Security and Medicare taxes from public employers. Effective January 1, 1987, with the enactment of the Omnibus Budget Reconciliation Act of 1986, the responsibility of collecting taxes moved from CalPERS to the Internal Revenue Service and the SSSA has been operating since 1987 using the interest that was earned on the OASI. The OASI funds have diminished, requiring additional funding to pay for the costs of administering the SSSA program. CalPERS started charging participating agencies a specified fee to pay for these costs in the prior Fiscal Year 2019-20.

The net position of the OASI increased by $1.8 million or 97.6 percent primarily due to the collection of higher fees from the participating agencies. Total assets increased $1.8 million or 84.8 percent in Fiscal Year 2020-21 due to increased investments. Total liabilities decreased slightly in Fiscal Year 2020-21 by 17.2 percent primarily due to a decrease in OPEB liability.

Additions to the fund include investment income and fees and increased by $0.3 million or 15.8 percent in the Fiscal Year 2020-21. Deductions from the OASI are primarily costs incurred to administer the fund. Administrative expenses for CalPERS personnel decreased $0.7 million or 56.9 percent in Fiscal Year 2020-21 primarily due to a reversal of a duplicate charge to the fund in the prior fiscal year and a decrease in OPEB expense due to a decrease in OPEB liability.

Management's Discussion & Analysis (Unaudited) (continued)

Fiduciary Net Position – Custodial Funds (Dollars in Thousands)

	RBF			OASI		
	2021	2020	Increase/ (Decrease)	2021	2020	Increase/ (Decrease)
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
Cash & Cash Equivalents	$1	$1	$0	$0	$1	($1)
Receivables	433	204	229	502	1,057	(555)
Investments	22,427	18,138	4,289	3,460	1,086	2,374
Total Assets	**$22,861**	**$18,343**	**$4,518**	**$3,962**	**$2,144**	**$1,818**
Deferred Outflows of Resources	$0	$0	$0	$1	$41	($40)
Total Assets and Deferred Outflows of Resources	**$22,861**	**$18,343**	**$4,518**	**$3,963**	**$2,185**	**$1,778**
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES						
Due to Members & Employers	$0	$0	$0	$0	$0	$0
Due to Other Funds	57	44	13	67	71	(4)
Net Pension & OPEB Liabilities	—	—	—	39	57	(18)
Unearned Replacement Benefits	22,380	17,355	5,025	—	—	—
Total Liabilities	**$22,437**	**$17,399**	**$5,038**	**$106**	**$128**	**($22)**
Deferred Inflows of Resources	$0	$0	$0	$118	$165	($47)
Total Liabilities and Deferred Inflows of Resources	**$22,437**	**$17,399**	**$5,038**	**$224**	**$293**	**($69)**
TOTAL NET POSITION RESTRICTED FOR REPLACEMENT BENEFITS/PROGRAM ADMINISTRATION	**$424**	**$944**	**($520)**	**$3,739**	**$1,892**	**$1,847**

Changes in Fiduciary Net Position – Custodial Funds (Dollars in Thousands)

	RBF			OASI		
	2021	2020	Increase/ (Decrease)	2021	2020	Increase/ (Decrease)
ADDITIONS						
Replacement Benefits	$35,594	$29,125	$6,469	$0	$0	$0
Investment Income	85	276	(191)	11	21	(10)
Other Income	—	256	(256)	2,344	2,012	332
Total Additions	**$35,679**	**$29,657**	**$6,022**	**$2,355**	**$2,033**	**$322**
DEDUCTIONS						
Replacement Benefit Payments	$35,594	$29,125	$6,469	$0	$0	$0
Administrative Expenses	605	246	359	508	1,178	(670)
Total Deductions	**$36,199**	**$29,371**	**$6,828**	**$508**	**$1,178**	**($670)**
INCREASE (DECREASE) IN NET POSITION	**($520)**	**$286**	**($806)**	**$1,847**	**$855**	**$992**
NET POSITION						
Beginning of Year	**$944**	**$658**	**$286**	**$1,892**	**$1,037**	**$855**
End of Year	**$424**	**$944**	**($520)**	**$3,739**	**$1,892**	**$1,847**

ENTERPRISE FUNDS

PUBLIC EMPLOYEES' HEALTH CARE FUND (HCF)

The HCF accounts for the activities of the CalPERS self-funded health plans (PERS Choice, PERSCare, and PERS Select), and flex-funded health plans (Anthem Blue Cross, Blue Shield of California, Health Net, Sharp, UnitedHealthcare, and Western Health Advantage).

The net position of the HCF was $319.6 million at June 30, 2021, a decrease of $5.9 million or 1.8 percent from the net position of $325.5 million at June 30, 2020.

Total assets increased by $20.8 million or 1.6 percent primarily due to an increase of $148.6 million or 28.8 percent in receivables; however, that caused a decrease in cash available to be invested in Surplus Money Investment Fund (SMIF). Cash and cash equivalents decreased by $125.9 million or 45.4 percent primarily due to timing. Total liabilities increased by $27.1 million or 2.7 percent primarily due to an increase in estimated insurance claims due in Fiscal Year 2020-21.

Revenues include premiums collected from members and employers, federal subsidies, and investment income (non-operating revenue). Premiums collected increased by $233.4 million or 6.3 percent primarily due to an increase in premium rates. Investment income decreased by $52.5 million or 98.2 percent due to less favorable market conditions in the fixed income market.

Expenses are comprised of claims, investment fees, and costs incurred to oversee the plans. Claim expenses increased by $134.4 million, or 3.9 percent due to an increase in medical claims. Administrative expenses decreased by $26.2 million or 7.9 percent primarily due to a decrease in third party administrator fees combined with a decrease in OPEB expenses due to a decrease in OPEB liability.

PUBLIC EMPLOYEES' CONTINGENCY RESERVE FUND (CRF)

The CRF was established to fund administrative costs related to the CalPERS health care programs and to provide a contingency reserve for potential increases in future health care premium rates and health care benefit costs.

The net position of the CRF was negative $56.9 million at June 30, 2021, a decrease of $2.6 million or 4.8 percent from the net position of negative $54.2 million at June 30, 2020, primarily due to a decrease in SMIF interest income combined with a decrease in administrative fees earned.

Cash and cash equivalents decreased slightly by $0.4 million. Total receivables increased by $7.2 million or 33.2 percent primarily due to an increase in premiums due from the General Fund. Total liabilities increased by $9.6 million or 1.2 percent primarily due to the annual increase of health premiums. The annual increase of health premiums caused an increase in monthly premium transfers due from CRF to HCF.

Revenues include administrative fees collected and investment income. Administrative fees are determined as a percentage of total active and retired health premiums. These fees decreased by $1.8 million or 7.1 percent primarily due to a decrease in the administrative fee rate from 0.27 percent in Fiscal Year 2019-20 to 0.24 percent in Fiscal Year 2020-21. Investment income decreased by $4.3 million or 70.1 percent due to a decrease in interest rates.

Expenses are comprised of costs incurred to administer the CRF. Administrative expenses decreased by $9.4 million or 25.0 percent primarily due to a decrease in OPEB expenses due to a decrease in OPEB liability.

PUBLIC EMPLOYEES' LONG-TERM CARE FUND (LTCF)

The LTCF provides financial protection to participants from the high cost of eligible covered services caused by chronic illness, injury, or old age. Long-term care products reimburse the cost for covered personal care services (activities of daily living) such as bathing, dressing, toileting, transferring, continence, and eating, which are not typically covered by traditional health insurance or Medicare.

Long-term care participation is voluntary, and benefits are funded by participant-paid premiums and the LTCF investment income. The LTCF is continuously appropriated under the exclusive control of the Board for the exclusive benefit of participants in the program. Long-Term Care Group (LTCG) is the third-party administrator (TPA) for the CalPERS Long-Term Care Program. CalPERS has suspended open enrollment in the CalPERS Long-Term Care Program due to current uncertainty in the long-term care market. Therefore, effective June 17, 2020, and until further notice, the CalPERS Long-Term Care Program will not be accepting new applications for coverage.

Unrestricted net position of the LTCF increased by $2.7 billion from beginning net position of negative $2.2 billion to positive $0.5 billion primarily due to an increase in both operating income and investment income in Fiscal Year 2020-21. Total assets increased by $554.5 million or 11.3 percent primarily due to improved investment returns in Fiscal Year 2020-21. Investments increased by $566.1 million or 11.5 percent. Total liabilities decreased by $2.1 billion or 29.7 percent primarily due to a decrease in estimated liability for future policy benefits.

The LTCF revenues include premiums collected from participants and investment income. Participation in the plan decreased by 4.5 percent mainly due to participant deaths, coverage cancellations, nonpayment of premiums, and exhaustion of benefits. This resulted in the decrease of premium revenue of $6.8 million or 2.4 percent. Non-operating revenues are comprised of net appreciation or depreciation in fair value of investments and interest, dividend, and other investment income. The investment income for Fiscal Year 2020-21 increased by $411.1 million or 183.4 percent from the prior year due to an increase in the annual investment return from 4.7 percent in Fiscal Year 2019-20 to 13.0 percent in Fiscal Year 2020-21.

Total expenses are comprised of claims, changes in estimated liabilities for future policy benefits, settlement expenses, administrative costs to the program, and investment expenses. In Fiscal Year 2020-21, total expenses decreased by $4.6 billion. Administrative expenses decreased by $1.7 million or 6.2 percent primarily due to a decrease in OPEB expenses. The increase/(decrease) in estimated future policy liabilities line item decreased by $5.0 billion, which was partially offset by settlement expenses recognized in Fiscal Year 2020-21 of an estimated $2.9 billion due to a proposed legal settlement. Refer to Note 15 for additional information regarding the calculation of the estimated liabilities for future policy benefits.

Management's Discussion & Analysis (Unaudited) (continued)

Net Position – Enterprise Funds (Dollars in Thousands)

	HCF			CRF			LTCF		
	2021	2020	Increase/ (Decrease)	2021	2020	Increase/ (Decrease)	2021	2020	Increase/ (Decrease)
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES									
Cash & Cash Equivalents	$151,180	$277,089	($125,909)	$728,470	$728,826	($356)	$5,591	$17,060	($11,469)
Receivables	664,543	515,913	148,630	28,690	21,535	7,155	417	610	(193)
Investments	518,418	520,342	(1,924)	—	—	—	5,476,314	4,910,167	566,147
Total Assets	**$1,334,141**	**$1,313,344**	**$20,797**	**$757,160**	**$750,361**	**$6,799**	**$5,482,322**	**$4,927,837**	**$554,485**
Deferred Outflows of Resources	$11,477	$13,458	($1,981)	$7,793	$9,197	($1,404)	$1,006	$1,372	($366)
Total Assets and Deferred Outflows of Resources	**$1,345,618**	**$1,326,802**	**$18,816**	**$764,953**	**$759,558**	**$5,395**	**$5,483,328**	**$4,929,209**	**$554,119**
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES									
Claims Payable, Unearned Premiums, Estimated Insurance Claims Due & Due to Carriers	$878,906	$853,565	$25,341	$374,997	$398,597	($23,600)	$34,542	$48,864	($14,322)
Due to Employers	—	—	—	241	192	49	—	—	—
Other Liabilities	31,393	28,798	2,595	367,980	334,171	33,809	6,596	8,461	(1,865)
Settlement Liability	—	—	—	—	—	—	2,900,000	—	2,900,000
Estimated Liability for Future Policy Benefits	—	—	—	—	—	—	2,051,292	7,053,071	(5,001,779)
Net Pension & OPEB Liabilities	107,619	108,500	(881)	72,631	73,255	(624)	10,086	10,249	(163)
Total Liabilities	**$1,017,918**	**$990,863**	**$27,055**	**$815,849**	**$806,215**	**$9,634**	**$5,002,516**	**$7,120,645**	**($2,118,129)**
Deferred Inflows of Resources	$8,138	$10,446	($2,308)	$5,957	$7,592	($1,635)	$1,102	$1,528	($426)
Inflows of Resources	**$1,026,056**	**$1,001,309**	**$24,747**	**$821,806**	**$813,807**	**$7,999**	**$5,003,618**	**$7,122,173**	**($2,118,555)**
TOTAL UNRESTRICTED NET POSITION (DEFICIT)	**$319,562**	**$325,493**	**($5,931)**	**($56,853)**	**($54,249)**	**($2,604)**	**$479,710**	**($2,192,964)**	**$2,672,674**

Changes in Net Position – Enterprise Funds (Dollars in Thousands)

	HCF			CRF			LTCF		
	2021	2020	Increase/ (Decrease)	2021	2020	Increase/ (Decrease)	2021	2020	Increase/ (Decrease)
REVENUES									
Premiums	$3,939,906	$3,706,490	$233,416	$0	$0	$0	$271,766	$278,535	($6,769)
Federal Government Subsidies	8,263	12,489	(4,226)	—	—	—	—	—	—
Non-Operating Revenues	986	53,522	(52,536)	1,829	6,111	(4,282)	635,250	224,152	411,098
Administrative Fees & Other	—	—	—	23,981	25,817	(1,836)	890	—	890
Total Revenues	**$3,949,155**	**$3,772,501**	**$176,654**	**$25,810**	**$31,928**	**($6,118)**	**$907,906**	**$502,687**	**$405,219**
EXPENSES									
Claims Expense	$3,614,513	$3,480,089	$134,424	$0	$0	$0	$308,976	$337,298	($28,322)
Increase (Decrease) in Estimated Liabilities	35,438	10,885	24,553	—	—	—	(5,001,779)	2,424,078	(7,425,857)
Settlement Expenses	—	—	—	—	—	—	2,900,000	—	2,900,000
Non-Operating Expenses	145	160	(15)	—	—	—	2,231	2,547	(316)
Administrative Expenses	304,990	331,236	(26,246)	28,414	37,862	(9,448)	25,804	27,500	(1,696)
Total Expenses	**$3,955,086**	**$3,822,370**	**$132,716**	**$28,414**	**$37,862**	**($9,448)**	**($1,764,768)**	**$2,791,423**	**($4,556,191)**
INCREASE (DECREASE) IN UNRESTRICTED NET POSITION	**($5,931)**	**($49,869)**	**$43,938**	**($2,604)**	**($5,934)**	**$3,330**	**$2,672,674**	**($2,288,736)**	**$4,961,410**
UNRESTRICTED NET POSITION (DEFICIT)									
Beginning of Year	**$325,493**	**$375,362**	**($49,869)**	**($54,249)**	**($48,315)**	**($5,934)**	**($2,192,964)**	**$95,772**	**($2,288,736)**
End of Year	**$319,562**	**$325,493**	**($5,931)**	**($56,853)**	**($54,249)**	**($2,604)**	**$479,710**	**($2,192,964)**	**$2,672,674**

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of CalPERS finances. Address questions concerning any of the information provided in this report or requests for additional financial information to the CalPERS Financial Office, P.O. Box 942703, Sacramento, CA, 94229-2703, or call 888 CalPERS (or 888-225-7377).

Basic Financial Statements

STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS

As of June 30, 2021, with Comparative Totals as of June 30, 2020 (Dollars in Thousands)

	Pension Trust Funds					
	PERF A	PERF B	PERF C			
	Agent	Schools Cost-Sharing	Public Agency Cost-Sharing	LRF	JRF	JRF II
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
Cash & Cash Equivalents	**$785,899**	**$194,460**	**$92,398**	**$1,201**	**$3,361**	**$724**
Receivables						
Members	$413,322	$110,246	$37,502	$46	$1,085	$1,367
Employers	675,262	360,684	50,436	8	788	5,901
Investment Sales & Other	1,318,682	326,289	155,037	—	—	4
Interest & Dividends	746,996	184,833	87,825	—	18	5
Due from Other Funds	7,849	1,942	923	—	—	—
Other Program	63,523	15,718	7,468	2	2	2
Total Receivables	**$3,225,634**	**$999,712**	**$339,191**	**$56**	**$1,893**	**$7,279**
Investments, at Fair Value						
Short-Term Investments	$17,835,288	$4,397,621	$2,078,585	$697	$65,189	$1,863
Public Equity	175,289,605	43,220,904	20,428,843	44,149	—	1,530,490
Fixed Income	95,318,204	23,502,471	11,108,706	78,054	—	864,106
Real Assets	34,631,860	8,539,127	4,036,114	—	—	—
Private Equity/Debt	32,888,515	8,109,274	3,832,939	—	—	—
Total Investments	**$355,963,472**	**$87,769,397**	**$41,485,187**	**$122,900**	**$65,189**	**$2,396,459**
Securities Lending Collateral	$2,454,847	$607,417	$288,617	$0	$0	$0
Capital Assets, Net & Other Assets	190,264	47,078	22,369	—	—	—
TOTAL ASSETS	**$362,620,116**	**$89,618,064**	**$42,227,762**	**$124,157**	**$70,443**	**$2,404,462**
Deferred Outflows of Resources	$80,525	$19,925	$9,467	$166	$457	$580
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$362,700,641**	**$89,637,989**	**$42,237,229**	**$124,323**	**$70,900**	**$2,405,042**
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES						
Retirement & Other Benefits	$1,721,073	$408,642	$184,801	$567	$0	$0
Investment Purchases & Other	7,593,435	1,878,887	892,763	—	—	—
Due to Members & Employers	8,174	—	—	13	40	5
Net Pension & OPEB Liabilities	750,748	185,762	88,266	1,551	4,339	5,514
Securities Lending Obligations	2,454,978	607,449	288,632	—	—	—
Due to Other Funds	—	—	—	41	147	214
Management & Third-Party Administrator Fees	3,082	763	362	8	—	145
Unearned Replacement Benefits	—	—	—	—	—	—
Other Program	78,489	19,172	8,976	3	4,373	731
TOTAL LIABILITIES	**$12,609,979**	**$3,100,675**	**$1,463,800**	**$2,183**	**$8,899**	**$6,609**
Deferred Inflows of Resources	$57,623	$14,258	$6,775	$92	$361	$404
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**$12,667,602**	**$3,114,933**	**$1,470,575**	**$2,275**	**$9,260**	**$7,013**
NET POSITION – RESTRICTED FOR PENSION, OTHER POST-EMPLOYMENT, REPLACEMENT BENEFITS, AND PROGRAM ADMINISTRATION	**$350,033,039**	**$86,523,056**	**$40,766,654**	**$122,048**	**$61,640**	**$2,398,029**

The accompanying notes are an integral part of these financial statements.

Basic Financial Statements (continued)

Pension Trust Funds		Investment Trust Fund	Other Post-Employment Benefit Trust Fund	Custodial Funds		Totals	
DCF	SCPF	CEPPTF	CERBTF	RBF	OASI	2021	2020
$1	**$1**	$1	**$25**	**$1**	$0	**$1,078,072**	**$497,929**
$3,981	$711	$0	$0	$35	$0	$568,295	$642,430
—	—	138	53,457	377	—	1,147,051	1,474,525
—	—	—	—	—	—	1,800,012	922,840
1	1	—	11	21	2	1,019,713	866,940
—	—	—	—	—	—	10,714	10,203
13,413	—	—	—	—	500	100,628	104,441
$17,395	**$712**	**$138**	**$53,468**	**$433**	**$502**	**$4,646,413**	**$4,021,379**
$142,484	$11,582	$12,618	$71,702	$22,427	$3,460	$24,643,516	$28,512,499
1,598,429	73,462	18,017	10,450,927	—	—	252,654,826	206,604,026
431,452	46,161	27,342	5,162,461	—	—	136,538,957	106,850,488
—	—	—	—	—	—	47,207,101	43,008,182
—	—	—	—	—	—	44,830,728	26,496,420
$2,172,365	**$131,205**	**$57,977**	**$15,685,090**	**$22,427**	**$3,460**	**$505,875,128**	**$411,471,615**
$0	$0	$0	$0	$0	$0	$3,350,881	$1,225,270
—	—	—	—	—	—	259,711	343,158
$2,189,761	**$131,918**	**$58,116**	**$15,738,583**	**$22,861**	**$3,962**	**$515,210,205**	**$417,559,351**
$462	$41	$19	$913	$0	$1	$112,556	$131,957
$2,190,223	**$131,959**	**$58,135**	**$15,739,496**	**$22,861**	**$3,963**	**$515,322,761**	**$417,691,308**
$0	$0	$0	$89,276	$0	$0	$2,404,359	$2,252,640
—	—	—	—	—	—	10,365,085	4,814,706
1,314	647	—	—	—	—	10,193	9,585
4,392	383	26	9,158	—	39	1,050,178	1,058,804
—	—	—	—	—	—	3,351,059	1,225,672
459	29	1	726	57	67	1,741	1,973
881	51	6	940	—	—	6,238	7,277
—	—	—	—	22,380	—	22,380	17,355
—	—	—	—	—	—	111,744	98,145
$7,046	**$1,110**	**$33**	**$100,100**	**$22,437**	**$106**	**$17,322,977**	**$9,486,157**
$336	$25	$74	$839	$0	$118	$80,905	$103,509
$7,382	**$1,135**	**$107**	**$100,939**	**$22,437**	**$224**	**$17,403,882**	**$9,589,666**
$2,182,841	**$130,824**	**$58,028**	**$15,638,557**	**$424**	**$3,739**	**$497,918,879**	**$408,101,642**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS

For the Fiscal Year Ended June 30, 2021, with Comparative Totals for the Fiscal Year Ended June 30, 2020 (Dollars in Thousands)

	Pension Trust Funds					
	PERF A	PERF B	PERF C			
	Agent	Schools Cost-Sharing	Public Agency Cost-Sharing	LRF	JRF	JRF II
ADDITIONS						
Retirement and OPEB Contributions						
Members	$3,342,716	$1,019,154	$395,130	$21	$2,146	$34,094
Employers	15,141,505	2,972,220	1,921,032	92	2,874	84,147
Nonemployer Contribution	—	—	—	—	—	—
Replacement Benefits	—	—	—	—	—	—
State of California General Fund	—	—	—	—	222,950	—
Employer Contributions Direct – OPEB	—	—	—	—	—	—
Employer Contributions Outside of Trust – OPEB	—	—	—	—	—	—
Total Retirement and OPEB Contribution	**$18,484,221**	**$3,991,374**	**$2,316,162**	**$113**	**$227,970**	**$118,241**
Investment Income						
Net Appreciation in Fair Value of Investments	$59,788,812	$14,708,114	$6,943,833	$15,133	$0	$464,056
Interest & Amortization	2,028,556	501,938	238,498	1	170	43
Dividends	3,422,958	846,962	402,438	—	—	—
Other Investment Income	137,188	33,945	16,129	12	—	204
Less Investment Costs:						
Management & Performance Fees	(524,170)	(129,699)	(61,627)	(31)	—	(531)
Other	(215,359)	(53,288)	(25,319)	(17)	(7)	(294)
Net Investment Income	**$64,637,985**	**$15,907,972**	**$7,513,952**	**$15,098**	**$163**	**$463,478**
Securities Lending Income	$89,837	$22,229	$10,562	$0	$0	$0
Securities Lending Expense	(12,361)	(3,058)	(1,453)	—	—	—
Net Securities Lending	**$77,476**	**$19,171**	**$9,109**	**$0**	**$0**	**$0**
Other Income	$5,682	$1,356	$617	$0	$2,462	$0
Plan-to-Plan Resource Movement	—	—	348,384	—	—	—
TOTAL ADDITIONS	**$83,205,364**	**$19,919,873**	**$10,188,224**	**$15,211**	**$230,595**	**$581,719**
DEDUCTIONS						
Retirement, Death & Survivor Benefits	$20,396,477	$4,833,052	$2,185,665	$6,761	$210,951	$61,613
Replacement Benefit Payments	—	—	—	—	—	—
Refund of Contributions	163,551	99,343	24,662	—	—	381
Administrative Expenses	287,357	71,018	33,744	450	1,731	1,703
Plan-to-Plan Resource Movement	348,384	—	—	—	—	—
Participant & Employer Withdrawals	—	—	—	—	—	—
OPEB Reimbursements Direct	—	—	—	—	—	—
OPEB Reimbursements – Outside Trust	—	—	—	—	—	—
TOTAL DEDUCTIONS	**$21,195,769**	**$5,003,413**	**$2,244,071**	**$7,211**	**$212,682**	**$63,697**
INCREASE (DECREASE) IN NET POSITION	**$62,009,595**	**$14,916,460**	**$7,944,153**	**$8,000**	**$17,913**	**$518,022**
NET POSITION						
Beginning of Year	**$288,023,444**	**$71,606,596**	**$32,822,501**	**$114,048**	**$43,727**	**$1,880,007**
End of year	**$350,033,039**	**$86,523,056**	**$40,766,654**	**$122,048**	**$61,640**	**$2,398,029**

The accompanying notes are an integral part of these financial statements.

Basic Financial Statements (continued)

Pension Trust Funds		Investment Trust Fund	Other Post-Employment Benefit Trust Fund	Custodial Funds		Totals	
DCF	**SCPF**	**CEPPTF**	**CERBTF**	**RBF**	**OASI**	**2021**	**2020**
$127,135	$343	$0	$0	$0	$0	$4,920,739	$5,090,023
—	—	45,764	—	—	—	20,167,634	22,145,128
—	—	—	—	—	—	—	904,000
—	—	—	—	35,594	—	35,594	29,125
—	—	—	—	—	—	222,950	239,332
—	—	—	1,009,680	—	—	1,009,680	1,655,173
—	—	—	3,070,224	—	—	3,070,224	2,979,276
$127,135	**$343**	**$45,764**	**$4,079,904**	**$35,594**	**$0**	**$29,426,821**	**$33,042,057**
$479,116	$22,744	$2,998	$3,097,145	$0	$0	$85,521,951	$12,611,135
890	12	1	96	85	11	2,770,301	2,779,685
—	—	—	—	—	—	4,672,358	4,648,036
1	1	2	—	—	—	187,482	25,689
(408)	(27)	(4)	(3,601)	—	—	(720,098)	(700,010)
(275)	(17)	(2)	(1,829)	—	—	(296,407)	(279,402)
$479,324	**$22,713**	**$2,995**	**$3,091,811**	**$85**	**$11**	**$92,135,587**	**$19,085,133**
$0	$0	$0	$0	$0	$0	$122,628	$156,962
—	—	—	—	—	—	(16,872)	(61,703)
$0	**$0**	**$0**	**$0**	**$0**	**$0**	**$105,756**	**$95,259**
$6,212	$87	$53	$11,704	$0	$2,344	$30,517	$34,706
—	—	—	—	—	—	348,384	185,907
$612,671	**$23,143**	**$48,812**	**$7,183,419**	**$35,679**	**$2,355**	**$122,047,065**	**$52,443,062**
$0	$0	$0	$0	$0	$0	$27,694,519	$26,036,181
—	—	—	—	35,594	—	35,594	29,125
—	—	—	—	—	—	287,937	323,638
4,466	264	16	4,544	605	508	406,406	542,048
—	—	—	—	—	—	348,384	185,907
205,540	5,484	1,707	1,318	—	—	214,049	147,007
—	—	—	172,715	—	—	172,715	160,370
—	—	—	3,070,224	—	—	3,070,224	2,979,276
$210,006	**$5,748**	**$1,723**	**$3,248,801**	**$36,199**	**$508**	**$32,229,828**	**$30,403,552**
$402,665	**$17,395**	**$47,089**	**$3,934,618**	**($520)**	**$1,847**	**$89,817,237**	**$22,039,510**
$1,780,176	**$113,429**	**$10,939**	**$11,703,939**	**$944**	**$1,892**	**$408,101,642**	**$386,062,132**
$2,182,841	**$130,824**	**$58,028**	**$15,638,557**	**$424**	**$3,739**	**$497,918,879**	**$408,101,642**

STATEMENT OF NET POSITION – PROPRIETARY FUNDS

As of June 30, 2021, with Comparative Totals as of June 30, 2020 (Dollars in Thousands)

	Proprietary Funds			Totals	
	HCF	CRF	LTCF	2021	2020
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Current Assets					
Cash & Cash Equivalents	$1	$1	$5,440	$5,442	$16,828
Short-Term Investments	151,179	728,469	151	879,799	1,006,147
Receivables					
Members & Employers	$0	$25,190	$417	$25,607	$17,940
Health Carriers & Pharmacy Benefit Managers	302,742	2,255	—	304,997	189,832
Interest & Dividends	260	466	—	726	3,237
Due from Other Funds	361,530	779	—	362,309	327,038
Other Receivables	11	—	—	11	11
Total Receivables	**$664,543**	**$28,690**	**$417**	**$693,650**	**$538,058**
Subtotal Current Assets	**$815,723**	**$757,160**	**$6,008**	**$1,578,891**	**$1,561,033**
Noncurrent Assets					
Investments, at Fair Value					
Public Equity	$0	$0	$2,028,606	$2,028,606	$1,671,180
Fixed Income	518,418	—	3,447,708	3,966,126	3,759,329
Total Investments	**$518,418**	**$0**	**$5,476,314**	**$5,994,732**	**$5,430,509**
Subtotal Noncurrent Assets	**$518,418**	**$0**	**$5,476,314**	**$5,994,732**	**$5,430,509**
TOTAL ASSETS	**$1,334,141**	**$757,160**	**$5,482,322**	**$7,573,623**	**$6,991,542**
Deferred Outflows of Resources	$11,477	$7,793	$1,006	$20,276	$24,027
Total Assets and Deferred Outflows of Resources	**$1,345,618**	**$764,953**	**$5,483,328**	**$7,593,899**	**$7,015,569**
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES					
Current Liabilities					
Claims Payable	$243,972	$0	$23,088	$267,060	$296,524
Unearned Premiums	128,950	—	11,454	140,404	135,359
Due to Employers	—	241	—	241	192
Estimated Insurance Claims Due	505,984	—	—	505,984	470,546
Estimated Liability for Future Policy Benefits Short-Term	—	—	54,879	54,879	109,991
Due to Carriers	—	374,997	—	374,997	398,597
Due to Other Funds	4,888	364,236	2,159	371,283	335,268
Settlement Liability	—	—	2,900,000	2,900,000	—
Management & Third-Party Administrator Fees	26,505	—	1,960	28,465	27,137
Other	—	3,744	2,477	6,221	9,025
Total Current Liabilities	**$910,299**	**$743,218**	**$2,996,017**	**$4,649,534**	**$1,782,639**
Long-Term Liabilities					
Estimated Liability for Future Policy Benefits	$0	$0	$1,996,413	$1,996,413	$6,943,080
Net Pension & OPEB Liabilities	107,619	72,631	10,086	190,336	192,004
Total Long-Term Liabilities	**$107,619**	**$72,631**	**$2,006,499**	**$2,186,749**	**$7,135,084**
TOTAL LIABILITIES	**$1,017,918**	**$815,849**	**$5,002,516**	**$6,836,283**	**$8,917,723**
Deferred Inflows of Resources	$8,138	$5,957	$1,102	$15,197	$19,566
Total Liabilities and Deferred Inflows of Resources	**$1,026,056**	**$821,806**	**$5,003,618**	**$6,851,480**	**$8,937,289**
TOTAL UNRESTRICTED NET POSITION (DEFICIT)	**$319,562**	**($56,853)**	**$479,710**	**$742,419**	**($1,921,720)**

The accompanying notes are an integral part of these financial statements.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2021, with Comparative Totals for the Fiscal Year Ended June 30, 2020 (Dollars in Thousands)

	Proprietary Funds			Totals	
	HCF	**CRF**	**LTCF**	**2021**	**2020**
Operating Revenues					
Premiums	$3,939,906	$0	$271,766	$4,211,672	$3,985,025
Federal Government Subsidies	8,263	—	—	8,263	12,489
Administrative Fees Earned	—	23,921	—	23,921	25,758
Other	—	60	890	950	59
Total Operating Revenues	**$3,948,169**	**$23,981**	**$272,656**	**$4,244,806**	**$4,023,331**
Operating Expenses					
Claims Expense	$3,614,513	$0	$308,976	$3,923,489	$3,817,387
Increase (Decrease) in Estimated Liabilities	35,438	—	(5,001,779)	(4,966,341)	2,434,963
Settlement Expenses	—	—	2,900,000	2,900,000	—
Administrative Expenses	304,990	28,414	25,804	359,208	396,598
Total Operating Expenses	**$3,954,941**	**$28,414**	**($1,766,999)**	**$2,216,356**	**$6,648,948**
OPERATING INCOME (LOSS)	**($6,772)**	**($4,433)**	**$2,039,655**	**$2,028,450**	**($2,625,617)**
Non-Operating Revenues					
Net Appreciation/(Depreciation) in Fair Value of Investments	($1,854)	$0	$634,658	$632,804	$265,559
Interest, Dividends & Other Investment Income	2,840	1,829	592	5,261	18,226
Total Non-Operating Revenues	**$986**	**$1,829**	**$635,250**	**$638,065**	**$283,785**
Non-Operating Expenses					
Management Fees	$70	$0	$1,479	$1,549	$1,727
Other Investment Expenses	75	—	752	827	980
Total Non-Operating Expenses	**$145**	**$0**	**$2,231**	**$2,376**	**$2,707**
NON-OPERATING INCOME	**$841**	**$1,829**	**$633,019**	**$635,689**	**$281,078**
CHANGE IN UNRESTRICTED NET POSITION	**($5,931)**	**($2,604)**	**$2,672,674**	**$2,664,139**	**($2,344,539)**
TOTAL UNRESTRICTED NET POSITION (DEFICIT)					
Beginning of Year	**$325,493**	**($54,249)**	**($2,192,964)**	**($1,921,720)**	**$422,819**
End of Year	**$319,562**	**($56,853)**	**$479,710**	**$742,419**	**($1,921,720)**

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2021, with Comparative Totals for the Fiscal Year Ended June 30, 2020 (Dollars in Thousands)

	Proprietary Funds			Totals	
	HCF	CRF	LTCF	2021	2020
Cash Flows From Operating Activities					
Premiums Collected	$3,805,091	$0	$264,351	$4,069,442	$3,987,191
Federal Government Subsidies	8,263	—	—	8,263	12,489
Administrative Fees Collected	—	23,981	—	23,981	25,817
Claims Paid	(3,638,153)	—	(314,800)	(3,952,953)	(3,828,645)
Administrative Expenses Paid	(304,288)	(29,810)	(24,873)	(358,971)	(380,744)
Other (Payments) Receipts, Net	—	1,563	(2,585)	(1,022)	78,756
Net Cash Used for Operating Activities	**($129,087)**	**($4,266)**	**($77,907)**	**($211,260)**	**($105,136)**
Cash Flows From Investing Activities					
Net Sales of Investments	$70	$0	$68,511	$68,581	$82,950
Net Change in Short-Term Investments	125,910	356	82	126,348	9,448
Interest & Dividends Received	3,265	3,910	252	7,427	20,570
Other Investment (Payments) Receipts, Net	(157)	—	(2,325)	(2,482)	(2,237)
Net Cash Provided by Investing Activities	**$129,088**	**$4,266**	**$66,520**	**$199,874**	**$110,731**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**$1**	**$0**	**($11,387)**	**($11,386)**	**$5,595**
Cash & Cash Equivalents, Beginning of Year	**$0**	**$1**	**$16,827**	**$16,828**	**$11,233**
Cash & Cash Equivalents, End of Year	**$1**	**$1**	**$5,440**	**$5,442**	**$16,828**
Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities					
Operating Income (Loss)	($6,772)	($4,433)	$2,039,655	$2,028,450	($2,625,617)
Changes in Assets and Liabilities:					
Receivables:					
Members & Employers	—	(7,860)	193	(7,667)	(386)
Health Carriers & Pharmacy Benefit Managers	(114,491)	(674)	—	(115,165)	2,363
Due from Other Funds	(34,569)	(702)	—	(35,271)	(18,272)
Claims Payable	(23,640)	—	(5,824)	(29,464)	(11,635)
Unearned Premiums	13,543	—	(8,498)	5,045	25,092
Due to Employers	—	49	—	49	(450)
Estimated Insurance Claims Due	35,438	—	—	35,438	10,885
Net Pension & OPEB Liabilities	(1,208)	(855)	—	(2,063)	17,497
Estimated Liability for Future Policy Benefits Short-Term	—	—	(55,112)	(55,112)	36,494
Estimated Liability for Future Policy Benefits Long-Term	—	—	(4,946,667)	(4,946,667)	2,387,584
Settlement Liability	—	—	2,900,000	2,900,000	—
Due to Carriers	—	(23,600)	1,226	(22,374)	53,534
Due to Other Funds	761	34,028	(223)	34,566	26,936
Management & Third-Party Administrator Fees	1,851	—	(72)	1,779	(10,307)
Other	—	(219)	(2,585)	(2,804)	1,146
Net Cash Used for Operating Activities	**($129,087)**	**($4,266)**	**($77,907)**	**($211,260)**	**($105,136)**
Noncash Investing Activities					
Noncash Increase/(Decrease) in Fair Value of Investments	**($1,871)**	**$0**	**$602,100**	**$600,229**	**($156,522)**

The accompanying notes are an integral part of these financial statements.

Notes to the Basic Financial Statements

1. DESCRIPTION OF CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

ORGANIZATION

The California Public Employees' Retirement System (CalPERS or the System) was established by legislation in 1931 for the purpose of providing a secure retirement to employees of the State of California (State). In 1939, new legislation allowed public agency and classified school employees to join CalPERS for retirement benefits. CalPERS began administering health benefits for state employees in 1962, and five years later, offered health benefits to public agencies on a contract basis.

CalPERS is governed by the Board of Administration (the Board), which consists of 13 members: two elected by all active and retired members, one elected by active state members, one elected by active CalPERS school members, one elected by active CalPERS public agency members, one elected by retired members of CalPERS, two appointed by the Governor, one public representative appointed jointly by the Senate Rules Committee and the Speaker of the Assembly, and four ex officio members: State Treasurer, State Controller, Director of California Department of Human Resources, and Designee of the State Personnel Board. The Board is responsible for the management and control of CalPERS, including the exclusive control of the administration and investment of the System.

CalPERS acts as the common investment and administrative agency for the following plans:

CalPERS Plans

Plan Name	Type of Plan
Defined Benefit Pension Plans:	
Public Employees' Retirement Fund A	Agent multiple-employer
Public Employees' Retirement Fund B	Cost-sharing multiple-employer
Public Employees' Retirement Fund C	Cost-sharing multiple-employer
Legislators' Retirement Fund	Single-employer
Judges' Retirement Fund	Single-employer
Judges' Retirement Fund II	Single-employer
Defined Contribution Plans:	
Public Employees' Deferred Compensation Fund	Multiple-employer (457 & 401K plans)
Supplemental Contributions Program Fund	Single-employer
Pension Prefunding Plan:	
California Employers' Pension Prefunding Trust Fund	Multiple-employer (Investment Trust Fund)
Defined Benefit Other Post-Employment Benefit Plan:	
California Employers' Retiree Benefit Trust Fund	Agent multiple-employer

DEFINED BENEFIT PENSION PLANS

The following is a summary description of each defined benefit pension plan administered by CalPERS:

Public Employees' Retirement Fund (PERF) – The PERF was established by Chapter 700 of the 1931 Statutes and provides retirement, death, and disability benefits to members of participating employers, which include the State of California, non-teaching, non-certified employees in schools, and various other public agencies. The benefit provisions for the state and school employees are established by statute. The benefit options for the public agencies are established by statute and voluntarily selected by contract with the System in accordance with the provisions of the Public Employees' Retirement Law.

For financial reporting purposes only, the PERF is comprised of and reported as three separate entities. PERF A is an agent multiple-employer plan, which includes the State of California and most public agencies' rate plans with more than 100 active members. PERF B is a cost-sharing multiple-employer plan of school employers consisting of non-teaching and non-certified employees. PERF C is a cost-sharing multiple-employer plan of public agencies with generally fewer than 100 active members. Under applicable law, the Board may terminate or a public agency may terminate that agency's plan under either PERF A or PERF C. The terminated agency is liable to the System for all costs to fund all benefits under the agency's contract. An unpaid deficit in funding will result in a commensurate reduction in benefits provided under that agency's contract.

As of June 30, 2021, the PERF had the following participating employers:

Employers for PERF

PERF Employers	2021
PERF A	
State	1
Public Agencies[1]	307
Total	**308**
PERF B	
School Districts and Charter Schools	1,329
PERF C	
Public Agencies[1]	1,301
Total Employers	**2,938**

(1) Each public agency employer may be counted in both PERF A and PERF C due to active contracts under both plans.

Legislators' Retirement Fund (LRF) – The LRF was established by Chapter 879 of the 1947 Statutes and provides retirement, death, and disability benefits to state legislators, constitutional officers, and legislative statutory officers. The benefits for the LRF are established in accordance with the provisions of the Legislators' Retirement Law. In November 1990, Article IV, Section 4.5 was added to the State Constitution, pursuant to the adoption of Proposition 140. This section effectively prohibited future legislators from earning state retirement benefits for service in the Legislature on or after November 7, 1990, though it recognized vested pension benefits that had accrued before that date. The only active members in the fund are constitutional officers and legislative statutory officers. The Public Employees' Pension Reform Act of 2013 (PEPRA) closed the Legislators' Retirement System to new participants effective January 1, 2013.

Judges' Retirement Fund (JRF) – The JRF was established by Chapter 206 of the 1953 Statutes and provides retirement, death, and disability benefits to judges working in the California Supreme Court, the Courts of Appeal, and the Superior Courts, who were appointed or elected before November 9, 1994. Benefits for the JRF are established in accordance with the provisions of the Judges' Retirement Law.

The JRF is funded on a pay-as-you-go basis, where short-term investments, contributions received during the year, and a State General Fund augmentation are used to provide funding for benefit payments. This funding method is generally more expensive in the long term, as the plan does not have investment returns generated by a funded plan. Without the State General Fund augmentation, the JRF will not be able to pay the accumulated benefit payments due in Fiscal Year 2021-22.

Judges' Retirement Fund II (JRF II) – The JRF II was established by Chapter 879 of the 1994 Statutes and provides retirement, death, and disability benefits to judges working in the California Supreme Court, the Courts of Appeal, and the Superior Courts, who were appointed or elected on or after November 9, 1994. Benefits for the JRF II are established in accordance with the provisions of the Judges' Retirement System II Law.

Plan Membership

All employees in a covered class of employment who work on a half-time basis or more are eligible to participate in the retirement plans. The underlying data included in the following table reflects current categorizations of members and beneficiaries in the defined benefit pension plans.

As of June 30, 2021, membership in the defined benefit pension plans consisted of the following:

Benefit Recipients and Members in the PERF A, PERF B, PERF C, LRF, JRF, and JRF II

Plan	Retirees[1]	Survivors & Beneficiaries[1]	Members: Active	Members: Inactive or Deferred not receiving benefits	Total
PERF A					
Agent	404,764	63,231	488,784	217,363	1,174,142
PERF B					
Schools Cost-Sharing	206,914	29,612	324,300	219,272	780,098
PERF C					
Public Agency Cost-Sharing	40,625	5,472	48,946	28,012	123,055
Total PERF	**652,303**	**98,315**	**862,030**	**464,647**	**2,077,295**
LRF	94	108	2	4	208
JRF	1,230	598	110	1	1,939
JRF II	357	49	1,625	—	2,031
Total	**653,984**	**99,070**	**863,767**	**464,652**	**2,081,473**

(1) Retirees and Survivors & Beneficiaries represent inactives receiving benefits.

Plan Benefits

The benefits for the defined benefit plans are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become vested in their retirement benefits earned to date, to the extent funded, after five years (10 years for state Second Tier members) of credited service. All non-state Second Tier members are eligible to receive cost-of-living adjustments (COLA) up to a maximum of 2 percent compounded annually (up to 5 percent maximum as a contract option for retired members of local agencies). State Second Tier members are eligible for a COLA of 3 percent fixed compounded annually.

Contributions

The benefits for the defined benefit pension plans are funded by contributions from members, employers, non-employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer's benefit formulas. In some circumstances, contributions are made by the employer to satisfy member contribution requirements. Member and employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Non-employer contributions are not expected each year, but when provided they are accrued for.

The required contribution rates of most active plan members are based on a percentage of salary in excess of a base compensation amount ranging from zero dollars to $863 monthly.

PEPRA, which took effect in January 2013, changed the way CalPERS retirement benefits are applied, and places compensation limits on members with the most impact felt by new CalPERS members. Under PEPRA, new members include:

(1) Members first joining on or after January 1, 2013, with no prior membership in another California public retirement system.

(2) Members first joining before January 1, 2013, who are hired by a different CalPERS employer after January 1, 2013, and have a break in service greater than six months.

(3) Members first joining on or after January 1, 2013, who are ineligible for reciprocity with another California public retirement system.

All members that do not fall into the definitions above will generally be considered classic members.

Required contribution rates for active plan members and employers as a percentage of payroll for the fiscal year ended June 30, 2021, were as follows:

Required Contribution Rates

	Employee Contribution Rates		Employer - Required Contribution Rates
	Classic	PEPRA	
PERF A – Agent			
State:			
Miscellaneous – First Tier	5% - 11%	6% - 11%	29.37%
Miscellaneous – Second Tier	3.75%	3.75%	29.37%
Industrial – First Tier	5% - 11%	6% - 11%	18.19%
Industrial – Second Tier	3.75%	3.75%	18.19%
Safety	11% - 11.50%	11% - 11.50%	19.95%
Peace Officers and Firefighters	8% - 13%	12% - 13%	36.10%
California Highway Patrol	11.50%	11.50%	61.08%
Public Agency:			
Miscellaneous	5% to 8%	5.75% - 8.25%	varies[1]
Safety	7% to 9%	10% - 15.50%	varies[1]
PERF B – Schools Cost-Sharing			
Classified School	7%	7%	20.70%
PERF C – Public Agency Cost-Sharing			
Public Agency:			
Miscellaneous	2% - 7.96%	4.50% - 8%	varies[1]
Safety	6.94% - 10.10%	10% - 16.50%	varies[1]
LRF	4% or 8%	N/A	29.38%
JRF	8%	N/A	8%[2]
JRF II	8%	16%	24.40%

(1) Required contributions for individual public agencies plans are the sum of the normal cost (expressed as a percentage of pay) and a payment toward any unfunded liability. Individual plan results vary.

(2) The employee and State contribution rates for the JRF are set by statute and are equal to 8% of payroll each. The JRF is currently funded using a pay-as-you-go approach, and statutory contributions made by the employees and the State are not adequate to meet current benefit payments. In Fiscal Year 2020-21, an additional State contribution of $209,344,866 was required to satisfy the pay-as-you-go cost.

DEFINED CONTRIBUTION PLANS

CalPERS currently administers a defined contribution plan and a deferred compensation plan for certain members. The following is a further description of each of these funds:

Public Employees' Deferred Compensation Fund (DCF) – The DCF was established by Chapter 1659 of the 1990 Statutes, granting the maximum tax-preferred retirement saving opportunities. The DCF is available to public agencies and school districts in the State of California on a voluntary basis. Participants may contribute up to the limit established under the Internal Revenue Code (IRC), and may access their funds upon retirement, separation from employment, or other distributable events as allowed under the IRC.

Supplemental Contributions Program Fund (SCPF) – The SCPF was established by Chapter 307 of the 1999 Statutes. The SCPF is qualified under section 401(a) of Title 26 of the United States Code. The SCPF is currently available to State of California employees who are members of CalPERS, and participation is voluntary. Participant contributions are made on an after-tax basis and are made voluntarily in addition to defined benefit contributions. Participants may contribute to a deferred compensation plan in conjunction with the SCPF, subject to IRC section 415(c) limits. Distributions are allowed only at retirement or permanent separation from employment.

As of June 30, 2021, membership in the defined contribution plans consisted of the following:

Members in DCF and SCPF

Plan	Employers	Members
DCF	821	31,772
SCPF	1	6,464

PENSION PREFUNDING PLAN

The California Employers' Pension Prefunding Trust Fund (CEPPTF) – The CEPPTF was established by Chapter 665 of the 2018 Statutes, and employers elect to participate in the CEPPTF to prefund pension contributions to their defined benefit pension plans. Currently, the CEPPTF has 43 participating employers. Of the 43 participating employers, 31 employers have contributed assets in the CEPPTF as of June 30, 2021. The CEPPTF is more fully described in Note 9 to the financial statements.

DEFINED BENEFIT OTHER POST-EMPLOYMENT BENEFIT PLAN

The California Employers' Retiree Benefit Trust Fund (CERBTF) – The Annuitants' Health Care Coverage Fund, also known as the CERBTF, was established by Chapter 331 of the 1988 Statutes, and employers elect to participate in the CERBTF to save funds to pay future retiree and survivor health care and other post-employment benefits (OPEB). Currently, the CERBTF has 586 participating employers. Of the 586 participating employers, 568 employers have contributed assets in the CERBTF as of June 30, 2021. The CERBTF is more fully described in Note 10 to the financial statements.

OTHER ADMINISTRATIVE ACTIVITIES

CalPERS administers other activities as follows:

Replacement Benefit Fund (RBF) – The RBF was established by Chapter 798 of the 1990 Statutes, providing replacement benefits to participants of the defined benefit pension plans. The RBF is more fully described in Note 11 to the financial statements.

Old Age and Survivors' Insurance Revolving Fund (OASI) – The OASI was established pursuant to Government Code section 22600 in order to carry out all of the provisions of the Old Age and Survivors' Insurance Program in accordance with Section 218 of Title II of the Social Security Act. The OASI Fund is more fully described in Note 12 to the financial statements.

Public Employees' Health Care Fund (HCF) – The HCF was created by Chapter 1129 of the 1987 Statutes under the Public Employees' Medical and Hospital Care Act (PEMHCA), providing health insurance coverage to CalPERS members through a pooled risk plan. The HCF is more fully described in Note 13 to the financial statements.

Public Employees' Contingency Reserve Fund (CRF) – The CRF was created by Chapter 1236 of the 1961 Statutes with the passage of PEMHCA, and provides a contingency reserve for items such as future premiums or future benefits. The CRF is more fully described in Note 14 to the financial statements.

Public Employees' Long-Term Care Fund (LTCF) – The LTCF was established by Chapter 1154 of the 1992 Statutes as part of the Public Employees Long-Term Care Act to administer the long-term care insurance plans available to eligible participants. The LTCF is described in more depth in Note 15 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The accompanying financial statements include all activities and funds administered by CalPERS. CalPERS is a component unit of the State of California for financial reporting purposes. CalPERS financial statements are included in fiduciary and proprietary funds in the State of California Annual Comprehensive Financial Report.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING & BASIS OF PRESENTATION

The accompanying financial statements were prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, CalPERS adheres to the reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accounts of CalPERS are organized and operated on the basis of funds. The Board has a fiduciary responsibility for the investments within both the fiduciary and proprietary funds. CalPERS has the following fund types as of June 30, 2021:

Fiduciary Funds – include pension trusts (PERF A, PERF B, PERF C, LRF, JRF, JRF II, DCF, SCPF), an investment trust (CEPPTF), an other post-employment trust (CERBTF), and custodial funds RBF and OASI, which account for assets held by the government in a trustee capacity or as a custodian on behalf of others. The pension trust funds include defined benefit plans and defined contribution plans, which are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Contributions to the defined benefit pension plans are recognized in the period in which the contributions are due pursuant to legal requirements. Contributions to the defined contribution plans, the investment plan, and the other post-employment benefit plan are recognized when received. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. The RBF and OASI are custodial funds and are fiduciary in nature, accounted for on the flow of economic resources measurement focus and the accrual basis of accounting.

Proprietary Funds – include the HCF, CRF, and LTCF. These funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Operating revenues and expenses are distinguished from non-operating items and generally result from providing services in connection with ongoing operations. The principal operating revenues of the HCF and CRF are derived from premiums, Federal Employer Group Waiver Plan (EGWP) subsidies, and administrative service fees. The principal operating revenue for the LTCF is premiums. Operating expenses include the cost of claims and related administrative expenses. All revenues and expenses not meeting these definitions are reported as non-operating.

TARGET ASSET ALLOCATION

State statutes and Board policies allow investments in government, domestic and international debt, domestic and international equities, mutual funds, private equity, real assets, and other investments.

The following table shows the Board-adopted target asset allocation policy for the defined benefit pension plans, which was in effect as of June 30, 2021:

Target Asset Allocation

Asset Class	PERF A	PERF B	PERF C	LRF	JRF	JRF II
Public Equity	50%	50%	50%	22%	—	52%
Private Equity	8%	8%	8%	—	—	—
Fixed Income	28%	28%	28%	49%	—	32%
Real Assets	13%	13%	13%	—	—	—
Liquidity	1%	1%	1%	—	100%	—
Inflation	—	—	—	16%	—	5%
REITs	—	—	—	8%	—	8%
Commodities	—	—	—	5%	—	3%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

The California Employers' Retiree Benefit Trust Fund (CERBTF) enables employers to pre-fund liabilities for other post-employment benefits (OPEB). Three diversified policy portfolios (Strategy 1, 2, and 3) are available for employers to select depending on employer preferences for return and risk (volatility) expectations. By comparison, Strategy 1 has the higher long-term expected rate of return and return volatility, Strategy 2 has a moderate long-term expected rate of return and return volatility, and Strategy 3 has the lower long-term expected rate of return and return volatility. The following table shows the Board-adopted target asset allocation policy for the three CERBTF strategies:

CERBTF Target Asset Allocation

Asset Class	CERBTF Strategy 1	CERBTF Strategy 2	CERBTF Strategy 3
Public Equity	59%	40%	22%
Fixed Income	25%	43%	49%
Inflation Assets	5%	5%	16%
REITs	8%	8%	8%
Commodities	3%	4%	5%
Total	**100%**	**100%**	**100%**

The California Employers' Pension Prefunding Trust Fund (CEPPTF) enables employers to prefund employer contributions to defined benefit pension plans. Two diversified policy portfolios (Strategy 1 and 2) are available for employers to select depending on employer preferences for return and risk (volatility) expectations. By comparison, Strategy 1 has the higher long-term expected rate of return and return volatility. Strategy 2 has the lower long-term expected rate of return and return volatility.

The following table shows the Board-adopted target asset allocation policy for the two CEPPTF strategies:

CEPPTF Target Asset Allocation

Asset Class	CEPPTF Strategy 1	CEPPTF Strategy 2
Public Equity	40%	14%
Fixed Income	47%	73%
Inflation Assets	5%	5%
REITs	8%	8%
Total	**100%**	**100%**

CAPITAL ASSETS

Capital assets are defined as assets with an initial individual cost of $5,000 or more, or $1 million or more for intangible assets, and an estimated useful life in excess of one year. Capital assets consist of buildings, furniture, equipment, and intangible assets recorded at cost or, if donated, at their acquisition value. Capital assets are depreciated over their estimated useful lives, ranging from three to five years for furniture and equipment, and 40 years for buildings, and determined on an asset-by-asset basis for intangible assets, using the straight-line method of depreciation.

INVESTMENT COSTS

Investment costs presented within the accompanying financial statements consist of management and performance fees and other investment-related fees. Management and performance fees include all fees paid to external managers for public and private markets. Other investment-related fees include costs for fund administration, internal investment staff salaries, dividend tax withholding, certain trading fees, consultants, data, analytics, certain other taxes, custody, appraisals, legal services, technology, trading and portfolio management systems, audits, and tax advisory services. These other investment-related fees are reported in the Other Investment Expenses within the Statement of Changes in Fiduciary Net Position and detailed in the Investment Expenses Schedule in the Other Supplementary Information section.

The investment costs do not include the commissions and fees paid to transact public securities and private equity profit sharing realized by the PERF. These are reported in the Net Appreciation in Fair Value of Investments line in the Statement of Changes in Fiduciary Net Position. For additional detail, refer to the Schedule of Commissions & Fees table and the Private Equity Management Fees & Profit Sharing table within the Investment Section.

USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make significant estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue/additions and expenses/deductions during the reporting period. Actual results could differ from those estimates.

RISKS AND UNCERTAINTIES

CalPERS invests in securities that are exposed to a variety of risks, including interest rate, market, credit, and foreign currency risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term and such changes could materially affect the amounts reported in the accompanying financial statements.

The total pension liabilities and net pension liabilities disclosed in Note 8 to the Basic Financial Statements for the cost-sharing multiple-employer and single-employer defined benefit pension plans are measured based on certain assumptions, including the long-term rate of return on pension investments, inflation rates, and employee demographics, all of which are subject to change.

The estimated liability for future policy benefits in the Long-Term Care Fund is based on the present value of future benefits and expenses less the present value of future premiums. This liability is reported in the Statement of Net Position and is measured based on certain assumptions including a discount rate of 4.75 percent, morbidity rates, lapse rates, mortality, and plan expenses.

Due to uncertainties inherent in the estimations and assumptions described in this section, it is reasonably possible that changes in these estimates and assumptions in the near term may be material to the financial statements.

CalPERS participates in commercial insurance programs and is self-insured for fiduciary liability. During the fiscal year, insurance settlements did not exceed insurance coverage.

RECLASSIFICATIONS

Certain reclassifications have been made to the comparative totals as of and for the fiscal year ended June 30, 2020, to conform to the presentation as of and for the fiscal year ended June 30, 2021.

COMPARATIVE TOTALS

The Basic Financial Statements include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with CalPERS financial statements for the fiscal year ended June 30, 2020, from which the summarized information was derived.

TERMINATION OF PENSION PLANS

Public agency participation in the System may be terminated either due to a transfer of a public agency's plan to another qualified system as permitted by law, a public agency terminating its plan, or an involuntary termination by the Board. In the event that a public agency elects to transfer its plan, the assets of the plan and the related liability for benefits accrued are transferred to the other system. In the event that a public agency elects to terminate its plan or there is an involuntary termination of a plan by the Board, sufficient assets to cover the related liability for benefits accrued are retained by the PERF. Excess assets above those required, if any, are returned to the employer, while the employer is billed for any deficiency in required assets.

EMPLOYER SHARE OF POST-EMPLOYMENT BENEFITS

As of June 30, 2021, CalPERS has adjusted its proportionate share of the state's net pension and OPEB liabilities totaling approximately $606 million and $634 million, respectively. CalPERS recorded these post-employment liabilities along with the corresponding amount of deferred inflows and outflows of resources and related post-employment benefit expense for all affected funds. CalPERS is not providing additional disclosures as it has concluded that presenting such employer related pension and post-employment obligations disclosures would be misleading to the users of CalPERS financial statements where the focus is on plans, not individual employer pension and post-employment obligations. Refer to the State of California Annual Comprehensive Financial Report for additional information on CalPERS pension and OPEB liabilities.

INTERFUND BALANCES

The Basic Financial Statements include amounts Due from Other Funds and Due to Other Funds. The principal purposes for these interfund balances include administration expense reimbursements due from other CalPERS funds to the PERF; incoming health premiums in transit and due from the CRF and due to the HCF; and member transfers in transit and due to and due from one pension plan to another. The balance of Health premiums due from CRF to HCF was $362 million at June 30, 2021. All interfund balances are expected to be repaid within one year from the date of these financial statements. This interfund activity occurs on a routine basis and is consistent with the activities of the fund making the transfer.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents of approximately $1.1 billion at June 30, 2021, represent amounts held in the CalPERS general operating accounts with the State Treasury and the master custodian, State Street Bank and Trust Company. The underlying investments at the State Treasurer's Office are not individually identifiable by fund, as CalPERS monies are pooled with the monies of other state agencies and invested. The cash balances reported in the Statement of Cash Flows for proprietary fund types include cash in general operating accounts with the State Treasury and cash and money market funds (short-term investments) held at the Bank of New York Mellon in checking and demand deposit accounts, respectively.

4. INVESTMENTS

SHORT-TERM INVESTMENTS

Short-term investments consist of U.S. Treasury and government-sponsored securities, money market funds, commercial paper, certificates of deposit, repurchase agreements, asset-backed securities, notes, bonds issued by U.S. corporations, and other allowable instruments that meet short-term maturity or average life, diversification, and credit quality restrictions.

INVESTMENTS AT FAIR VALUE

GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72) requires investments measured at fair value to be categorized under a fair value hierarchy. CalPERS determines fair value of its investments based upon both observable and unobservable inputs. The System categorizes its fair value measurements within the fair value hierarchy as follows:

- Level 1 – quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 – inputs (other than quoted prices included within Level 1) that are observable for an asset or liability, either directly or indirectly. These inputs can include quoted prices for similar assets or liabilities in active or inactive markets, or market-corroborated inputs.
- Level 3 – unobservable inputs for an asset or liability, which generally results in a government using the best information available and may include the government's own data.

The remaining investments not categorized under the fair value hierarchy are shown at net asset value (NAV). NAV is used as a practical expedient to estimate the fair value of CalPERS interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2021, CalPERS had no specific plans or intentions to sell investments at amounts different from NAV.

Notes to the Basic Financial Statements (continued)

The following table presents a summary of CalPERS investments by type as of June 30, 2021, at fair value:

CalPERS – Investments at Fair Value[1] (Dollars in Thousands)

	Fair Value June 30, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Public Equity				
Domestic Equity	$138,092,390	$138,092,390	$0	$0
International Equity	99,157,313	99,157,313	—	—
Total Public Equity	**$237,249,703**	**$237,249,703**	**$0**	**$0**
Global Debt				
Asset-Backed	$31,964,830	$0	$30,634,188	$1,330,642
Bank Loans	334,504	—	334,504	—
International Debt	2,793,091	—	2,793,091	—
Municipal/Public Bonds	23,474	—	23,474	—
Sovereign Debt	3,351,801	—	3,351,801	—
U.S. Corporate	26,769,484	—	26,769,484	—
U.S. Treasuries, STRIPS and TIPS	40,303,776	—	40,303,776	—
Total Global Debt	**$105,540,960**	**$0**	**$104,210,318**	**$1,330,642**
Derivatives				
Futures	$34,611	$34,611	$0	$0
Rights & Warrants	1,787	—	1,787	—
Forward Contract Assets	328,238	—	328,238	—
Forward Contract (Liabilities)	(242,511)	—	(242,511)	—
Swap Assets	26,951	—	26,951	—
Swap (Liabilities)	(2,092)	—	(2,092)	—
Total Derivatives	**$146,984**	**$34,611**	**$112,373**	**$0**
Other				
Rule 144(a) Securities	$24,806,385	$0	$24,806,385	$0
Securitized Assets	446,922	—	—	446,922
Private Equity²	55,989	—	—	55,989
Total Other	**$25,309,296**	**$0**	**$24,806,385**	**$502,911**
Total Investments by Fair Value Level	**$368,246,943**	**$237,284,314**	**$129,129,076**	**$1,833,553**
Investments Measured at NAV				
Commingled/Pooled Funds	$26,313,150			
Real Assets	47,207,101			
Private Equity²	42,727,186			
Private Debt/Other Investments	2,989,572			
Total Investments Measured at NAV	**$119,237,009**			
Total Investments Measured at Fair Value	**$487,483,952**			

(1) Certain securities and derivatives disclosed in this table may be classified as short-term investments, global equity or debt securities, investment sales and other receivables, and investment purchases and other payables on the combined Statement of Fiduciary Net Position – Fiduciary Funds and the Statement of Net Position – Proprietary Funds. Accordingly, the totals presented in this table will not agree to the combined totals of investments presented in those statements.

(2) Private Equity is shown at NAV on the Statement of Fiduciary Net Position – Fiduciary Funds, while the direct holdings categorized in Level 3 represent the fair value of the assets for each private equity investment for GASB 72 purposes. Real assets are valued at NAV.

Notes to the Basic Financial Statements (continued)

Public equity includes both domestic and international securities, and are classified in Level 1. Fair value is obtained using a quoted price from active markets. The security price is generated by market transactions involving identical or similar assets, which is the market approach to measuring fair value. Inputs are observable in exchange markets, dealer markets, brokered markets, and principal-to-principal markets, for which prices are based on trades of identical securities.

Fixed Income consists primarily of asset-backed securities (securitized offerings backed by residential and commercial mortgages, credit cards, auto and student loans), bank loans, international debt securities, municipal/public bonds, sovereign debt, U.S. treasuries, and U.S. corporate securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using matrix pricing. This method uses quoted prices for securities with the same maturities and ratings rather than a fixed price for a designated security. Many debt securities are traded on a dealer market and much less frequently, which is consistent with a Level 2 classification that values these investments using observable inputs. Asset-backed securities not classified as Level 2 include collateralized mortgage obligations (CMO), which are mortgage-backed securities that contain a pool of mortgages bundled together and sold as an investment. These are classified in Level 3 of the fair value hierarchy, as assumptions are made by CalPERS to determine prepayment rates, probability of defaults, and loss severity, all of which are unobservable inputs.

Futures are actively traded on major exchanges with quoted prices, and are classified in Level 1 of the fair value hierarchy. Index, commodity, and fixed income futures are publicly traded on active markets, which is the market approach to valuing securities. All other derivatives are classified in Level 2 of the fair value hierarchy. For swaps, observable inputs may include yield curves or interest rates. Options, rights, warrants, and forward contracts are priced using the cost approach and/or are on a dealer market traded on lower frequencies. When these derivative securities are valued, they may not have similar or observable pricing inputs compared to securities that are valued using the market approach. Refer to Note 7 in the Notes to the Basic Financial Statements for further detail regarding other derivatives.

Other investments at fair value include securities subject to Rule 144(a) of the Securities Act of 1933, which modifies a two-year holding period requirement on privately placed securities to permit qualified institutional buyers to trade these positions among themselves. These securities are typically acquired through unregistered, private sales, or constitute a control stake in an issuing company. Due to pricing inputs that are observable either directly or indirectly, which include quoted prices for similar securities in active or inactive markets, or market-corroborated inputs, these securities are classified as Level 2. Additionally, other investments include securitized investments, which contain pooled debt instruments, limited partnership investments, and various other investment structures. Many securitized assets are created by combining similar financial assets into a security, and are marketed to investors as a single investment. Typically, these assumptions are internally generated and cannot be observed in an active market. Due to the fact that these assumptions are unobservable for holdings categorized as other investments, these are also classified as Level 3. Private equity holdings, in which CalPERS invests directly, are valued at Level 3 of the fair market value hierarchy. Private equity holdings are valued at the income, cost, or market approach depending on the type of holdings. All direct holdings are valued using unobservable inputs and are classified in Level 3 of the fair value hierarchy.

Investments Measured at NAV (Dollars in Thousands)

Asset class	Fair Value	Unfunded Commitments
Commingled/Pooled Funds	$26,313,150	$0
Real Assets	47,207,101	3,161,707
Private Equity	42,727,186	30,389,565
Private Debt/Other Investments	2,989,572	9,662,338
Total	**$119,237,009**	**$43,213,610**

A commingled fund/pooled investment vehicle is a fund with capital pooled from multiple investors that is deployed to a mutually agreed upon strategy. The fair value of commingled funds/pooled investment vehicles is measured at NAV, where fair value is measured by multiplying the pool's share price by the number of shares held. Typically, there are no redemption constraints for the commingled funds.

Real asset investments (real estate, infrastructure, and forestland) are held either in separate accounts, as a limited partner, or in a joint venture or commingled fund. These investments are illiquid and resold at varying rates, with distributions received over the life of the investments. They are typically not redeemed, nor do they have set redemption schedules.

Private equity holdings include fund and co-investments with existing CalPERS general partners, direct secondary investments, and fund of funds. By their very nature, these investments are illiquid and typically not resold or redeemed. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over an average of 10 years.

Other investments include funds that hold securities for varying investment strategies, which include:

- Emerging Managers Program – objectives include:
    - Generating appropriate risk-adjusted returns by identifying early stage funds and managers with strong potential for success.
    - Accessing unique investment opportunities that may be otherwise overlooked.
    - Cultivating the next generation of external investment manager talent.
- Absolute Return Strategies – investments that focus on management of total risk, and on generation of returns independent of broad market movements. This strategy is no longer actively managed but some residual balances exist at fiscal year end.
- Multi-Asset Class Program – management of portfolios that attempt to outperform the CalPERS assumed rate of return with less risk than the PERF.
- Venture Capital Funds – investments made to finance small, early-stage, emerging firms that are believed to have long-term growth potential.
- Opportunistic Strategies – objectives include:
    - Invests outside the mandate of traditional asset classes. Strategies may include middle market direct lending, specialty lending, public market dislocation, liquidity financing, structured products and whole loans, real estate financing, bank loans and CLO.

The other investment strategies are reported at NAV as they are externally managed fund-structure investments in nongovernmental entities that do not have readily determinable fair values. The redemption terms for these investments typically range from at-will up to 90 days, with the exception of the Opportunistic Strategies and Venture Capital Funds.

CalPERS invests in privately held real assets with vehicles such as separate accounts, direct investments, and commingled funds. Separate accounts, with co-invested external managers, are the predominant vehicle and operate through an annual investment process where commitments are generally revocable and excluded from the unfunded commitment disclosure. Direct vehicles generally entail a contractual commitment to an operating company, not controlled by a general partner. With commingled funds, CalPERS commits a stated amount of capital and funds such capital at the partners' request; undrawn balances are included in the unfunded commitment disclosure.

Certain real asset investments are leveraged in that partnerships have been established to purchase properties through a combination of contributions from CalPERS and other investors and through the acquisition of debt. Real asset investments of approximately $47.2 billion are reported at NAV.

RATE OF RETURN

The money-weighted rate of return (MWRR) expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. Following is the annual MWRR, net of investment expense, for the fiscal year ended June 30, 2021:

Money-Weighted Rate of Return

Plan	Rate of Return
PERF A	
Agent	22.4%
PERF B	
Schools Cost-Sharing	22.4%
PERF C	
Public Agency Cost-Sharing	22.4%
LRF	13.4%
JRF	0.3%
JRF II	24.3%
CERBTF	25.6%
CEPPTF	14.4%

5. INVESTMENT RISK DISCLOSURES

INVESTMENT LEGAL DISCLOSURES

The Board of Administration's investment authority as well as other administrative duties and responsibilities are outlined in the California Constitution, Article 16, Section 17, the Public Employees' Retirement Law, Article 6, Section 20190, and the California Public Employees' Pension Reform Act of 2013, Article 4 of Chapter 21 of Division 7 of Title 1, which, among other things, require diversification of investments so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly not prudent to do so. As such, policies voted on by the Board allow for investments in government, domestic and international debt, domestic and international equities, mutual funds, private equity, real assets, and other investments, except for certain investments specifically prohibited by other statutes.

DEPOSIT AND INVESTMENT RISK DISCLOSURES

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures—an amendment of GASB Statement No. 3* (GASB 40), CalPERS discloses investments of all CalPERS-managed funds that are subject to certain risks: custodial credit risk, concentration of credit risk, interest rate risk, credit risk, and foreign currency risk.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event a depository institution or counterparty fails, the System would not be able to recover the value of its deposits, investments, or collateral securities. As of June 30, 2021, a portion of the System's investments, other than posted collateral for futures and over-the-counter instruments, is held in the System's name and is not exposed to custodial credit risk. Where CalPERS trusts invest in commingled funds, the assets within the fund are held in the name of the trustee of the fund and not in CalPERS' name. There are no general policies relating to custodial credit risk.

Concentration of Credit Risk

Other than U.S. Government Securities, which are not subject to the GASB 40 disclosure requirements, CalPERS utilizes its control framework that includes policies and policy-related procedures that are inclusive of issuer concentration and credit quality limits. CalPERS does not have investments in any single issuer that represent 5 percent or more of fiduciary net position or total investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. This risk is managed within the portfolios using the effective duration or option-adjusted methodology. Generally, CalPERS investment policies require the option-adjusted duration of the total fixed income portfolio to stay within negative 10 percent to positive 10 percent of the relevant benchmark. All individual portfolios are required to maintain a specified level of risk relative to their benchmark.

CalPERS invests in securities with contractual cash flows, such as asset-backed securities, collateralized mortgage obligations, and commercial mortgage-backed securities, including securities backed by residential and commercial mortgage loans. The value, liquidity, and related income of these securities are sensitive to changes in economic conditions, including real estate value, delinquencies or defaults, or both, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates.

The following table presents the weighted average effective duration for CalPERS investments subject to interest rate risk as of June 30, 2021:

CalPERS – Debt Securities Subject to Interest Rate Risk

(Dollars in Thousands)

Debt Security Type	Portfolio Weighted Average Effective Duration	Fair Value June 30, 2021	Percent of Debt Securities
Corporate	9.11	$45,057,840	34.68%
U.S. Treasuries and Agencies:			
U.S. Treasury Bonds	18.22	31,108,111	23.94%
U.S. Treasury Notes	8.29	9,141,237	7.04%
U.S. Treasury Strips	11.77	54,428	0.04%
Mortgages	4.51	31,633,910	24.35%
Asset-Backed	0.42	9,697,339	7.46%
Foreign Government	12.86	3,397,827	2.62%
Municipals	12.35	23,474	0.02%
No Effective Duration:			
Commingled Fund	N/A	$356,787	0.27%
Asset-Backed	N/A	258,920	0.20%
Mortgages	N/A	49,561	0.04%
Corporate	N/A	9,864	—%
Swaps	N/A	(859,917)	(0.66%)
Total		**$129,929,381**	**100.00%**

CalPERS invests in the State Treasury pool, State Street Bank Global Advisors' (SSGA) fund: Short-Term Investment Fund (STIF) and other short-term investment funds. These investments are included as part of the short-term investments in the financial statements. As of June 30, 2021, the pooled money investment account with the State Treasury totaled approximately $3.3 billion. The SSGA STIF totaled approximately $6.9 billion. The short-term securities reported in the Statement of Fiduciary Net Position and the Statement of Proprietary Net Position are reported at fair value. As of June 30, 2021, the weighted average maturity was 291 days for the State Treasury pool, 48 days for the SSGA STIF. The SSGA STIF is rated as P1. The State Treasury pool is not rated.

Notes to the Basic Financial Statements (continued)

The LRF, JRF II, CERBTF, SCPF, DCF, HCF, LTCF, and CEPPTF invest in various SSGA funds, with weighted average maturities and credit ratings as of June 30, 2021:

CalPERS – SSGA Fund Weighted Average Maturity and Credit Risk (Dollars in Thousands)

SSGA Fund	Fair Value June 30, 2021	Credit Rating[1]	Weighted Average Maturity[2]
Bloomberg Barclays Long Liability Index	$8,423,680	Aa3	14.40
1-10 Year U.S. TIPS Index	12,301	Aaa	4.94
U.S. Aggregate Bond Index	550,563	Aa2	8.30
U.S. Bond Index	447,237	Aa2	8.23
U.S. Short-Term Government/ Credit Bond Index	40,122	Aa2	1.99
U.S. TIPS Index Non Lending	1,179,078	Aaa	8.00
U.S. TIPS Index Security Lending	139,699	Aaa	7.99
Total	**$10,792,680**		

(1) Credit rating reflects fair value weight of all the rated securities held by the portfolio (excludes unrated securities) using the middle rating provided by either S&P, Moody's, and Fitch or lower if only two agency ratings are available.
(2) The weighted average maturity disclosed in this table is in years.

The following table presents the weighted average duration for securities lending collateral subject to interest rate risk as of June 30, 2021:

CalPERS – Securities Lending Collateral Subject to Interest Rate Risk (Dollars in Thousands)

Security Type	Fair Value June 30, 2021	Percent of Securities Lending Collateral
No Effective Duration:		
Money Market Fund[1]	$612,708	18.6%
Short-Term Investment Fund[2]	2,688,847	81.4%
Total[3]	**$3,301,555**	**100.0%**

(1) Money Market Fund is invested in U.S. Treasury securities with a weighted average maturity (to final maturity) of one day.
(2) Short-Term Investment Fund has a weighted average maturity (to final maturity) of one day.
(3) This figure does not include $49,325 in repurchase agreements since those investments are not subject to GASB 40 disclosure. The fair value of the investments in the securities lending collateral portfolio is $3,350,880 for fiduciary funds.

As of June 30, 2021, CalPERS investments included securities highly sensitive to interest rate fluctuations in that they are subject to early payment in a period of declining interest rates (i.e., collateralized and mortgage pass-through, etc.). The resulting reduction in expected total cash flows affects the fair value of these securities.

For the fiscal year ended June 30, 2021, the collateral invested in CalPERS Internal Securities Lending had an aggregate weighted average maturity (to final maturity) of one day. eSecLending (eSec) has a weighted average maturity (to final maturity) of one day.

Credit Risk

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The System's controls framework, which includes investment policies, establish both general and specific risk measures. We manage credit risk though our Total Fund Policy, and policy related procedures, which is inclusive, but not limited to sector, issuer concentration, and credit quality limits. Of the total fixed income portfolio of the rated securities, 80 percent are investment-grade securities.

Investment-grade securities have low default probabilities and are rated at a minimum of Baa3 by independent agencies (Moody's or Standard & Poor's). Each portfolio is required to maintain a specified risk level.

The following table is a summary of the ratings of CalPERS fixed income securities as of June 30, 2021:

CalPERS – Debt Security Investments Subject to Credit Risk (Dollars in Thousands)

Moody's Quality Rating	Fair Value June 30, 2021	Fair Value as a Percent of Debt Security Investments
Aaa	$46,061,131	35.45%
Aa1	459,294	0.35%
Aa2	1,713,823	1.32%
Aa3	785,137	0.60%
A1	2,217,580	1.71%
A2	2,113,708	1.63%
A3	2,329,600	1.79%
Baa1	6,082,577	4.68%
Baa2	8,298,291	6.39%
Baa3	5,519,756	4.25%
Ba1	2,863,925	2.20%
Ba2	2,749,509	2.12%
Ba3	3,772,088	2.90%
B1	3,244,878	2.50%
B2	2,640,214	2.03%
B3	1,984,545	1.53%
Caa1	756,335	0.58%
Caa2	373,400	0.29%
Caa3	50,935	0.04%
Ca	8,102	0.01%
C	1,512	—%
NA[1]	5,260,514	4.05%
NR[2]	30,642,527	23.58%
Total	**$129,929,381**	**100.00%**

(1) NA represents U.S. government securities that are not applicable to the GASB 40 disclosure requirements.
(2) NR represents those securities that are not rated by credit agencies.

Notes to the Basic Financial Statements (continued)

The following table is a summary of the ratings of the securities lending collateral subject to credit risk:

CalPERS – Securities Lending Collateral Subject to Credit Risk (Dollars in Thousands)

Moody's Quality Rating	Fair Value	Fair Value as a Percent of Securities Lending Collateral
NR[1, 2]	$3,301,555	100.0%
Total[3]	**$3,301,555**	**100.0%**

(1) NR represents those securities that are not rated.
(2) This figure includes $612,708 invested in a money market fund and $2,688,847 invested in short-term investments.
(3) This figure does not include $49,325 in repurchase agreements since they are not subject to GASB 40 disclosure. The fair value of the investments in the securities lending collateral portfolio is $3,350,880 for fiduciary funds.

Notes to the Basic Financial Statements (continued)

Foreign Currency Risk

Foreign currency risk is defined as any deposits or investments that are denominated in foreign currencies, which bear a potential risk of loss arising from changes in currency exchange rates. The System's asset allocation and investment policies allow for active and passive investments in international securities to reflect benchmarks that have both U.S. domestic and foreign currency. While there is not a formal policy related to foreign currency risk, the System manages and addresses the risk in asset class policies and policy related procedures through metrics such as tracking error, and is required to report total non-USD currency exposures to the Board as part of its Trust Level Review. The proportion of international stocks within the public equity portfolio is roughly equal to their market capitalization weight in the public equity benchmark. For fixed income, investing includes exposure to non-dollar denominated issues. Real assets and private equity do not have a target allocation for international investments. Foreign currency risk disclosures are shown in the CalPERS – International Investment Securities table.

CalPERS – International Investment Securities[1] – Fair Value at June 30, 2021 (U.S. Dollars in Thousands)

Currency	Cash	Equity	Debt Securities	Real Assets	Private Equity	Forward Contracts	Total
Australian Dollar	$1,095	$3,934,315	$0	$947,260	$0	($29,923)	$4,852,747
Brazilian Real	5,888	1,187,405	—	528,522	—	19,739	1,741,554
British Pound	32,745	7,064,900	—	1,084,214	184,468	(32,257)	8,334,070
Canadian Dollar	1,633,705	5,813,920	—	27,746	140,527	8,463	7,624,361
Chilean Peso	9,095	23,474	—	—	—	114	32,683
Chinese Yuan Renminbi	5,497	816,936	—	1,081,127	—	4,980	1,908,540
Colombian Peso	24	6,667	—	—	—	(301)	6,390
Czech Koruna	28	3,339	—	—	—	26	3,393
Danish Krone	146,935	2,045,451	—	27,854	—	7,259	2,227,499
Egyptian Pound	983	342	—	—	—	(132)	1,193
Euro Currency	970,478	16,875,913	—	1,807,969	5,232,080	80,714	24,967,154
Guatemala Quetzal	—	—	—	116,428	—	—	116,428
Hong Kong Dollar	5,436	10,520,712	—	—	—	82	10,526,230
Hungarian Forint	26	6,653	—	—	—	(881)	5,798
Indian Rupee	(1,414)	4,716,630	231	648	—	(6,323)	4,709,772
Indonesian Rupiah	(134)	381,108	—	—	—	77	381,051
Israeli Shekel	128	491,645	—	—	—	(20)	491,753
Japanese Yen	1,575,904	19,145,766	—	108,830	1,136	26,123	20,857,759
Kuwaiti Dinar	21	156,359	—	—	—	(2)	156,378
Malaysian Ringgit	214	627,855	—	—	—	—	628,069
Mexican Peso	223	327,963	—	8,114	—	(471)	335,829
New Taiwan Dollar	2,511	6,085,042	—	—	—	7,459	6,095,012
New Zealand Dollar	181	293,079	—	25,335	—	3,148	321,743
Norwegian Krone	195	469,801	—	4,695	—	130	474,821
Pakistani Rupee	337	2,217	—	—	—	—	2,554
Peruvian Nuevo Sol	33	—	36,681	—	—	(1,641)	35,073
Philippine Peso	136	197,263	—	—	—	(979)	196,420
Polish Zloty	41	31,694	—	—	—	(2,491)	29,244
Qatari Riyal	83	306,187	—	—	—	5	306,275
Russian Ruble	2,623	327,827	—	108,216	—	(1,035)	437,631
Saudi Riyal	164	1,398,460	—	—	—	(10)	1,398,614
Singapore Dollar	347	1,037,590	—	27,339	—	2,881	1,068,157
South African Rand	167	750,703	—	—	—	(5,202)	745,668
South Korean Won	2,016	3,244,718	—	10,079	—	4,819	3,261,632
Swedish Krona	349,660	2,020,325	—	64,159	—	147	2,434,291
Swiss Franc	443	7,970,613	—	—	—	(3,796)	7,967,260
Thailand Baht	120	700,209	—	—	—	1,615	701,944
Turkish Lira	5	1,750	—	—	—	(777)	978
UAE Dirham	69	176,557	—	—	—	8	176,634
Total	**$4,746,008**	**$99,161,388**	**$36,912**	**$5,978,535**	**$5,558,211**	**$81,548**	**$115,562,602**

(1) This table presents investment securities of all CalPERS managed funds, including derivative instruments that are subject to foreign currency risk; investment securities includes partnership level information for private assets. Applicable derivative instrument amounts are reflected under Equity and Forward Contracts columns.

6. SECURITIES LENDING

The State Constitution and Board policy permits CalPERS to enter into securities lending transactions, which are collateralized loans of securities to broker-dealers and other entities with a simultaneous agreement to return collateral for the same securities in the future.

CalPERS has contracted with eSecLending, LLC (eSec) and State Street Bank & Trust (SSB) as securities lending agents to loan domestic and international equity and debt securities. CalPERS receives both cash and noncash (i.e., securities) collateral. Domestic and international securities are collateralized at a minimum of 102 percent and 105 percent, respectively, of the loaned securities' fair value. CalPERS cannot seize the collateral without borrower default; the collateral is therefore not reported in CalPERS financial statements in accordance with GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions* (GASB 28). Management believes CalPERS has minimized credit risk exposure to borrowers by requiring the borrower to provide collateralization greater than 100 percent of the fair value of the securities loaned. The securities loaned are priced daily by third-party sources, and margins are delivered/received daily to maintain over-collateralized levels. Securities on loan can be recalled or returned by CalPERS or the borrower at any time. Since loans are terminable at will, loan durations do not generally match the duration of the investments made with the cash collateral. CalPERS may enter into term loan agreements, which are evaluated on an individual basis. On June 30, 2021, the fair value of the securities on loan was approximately $30.6 billion. The securities on loan remain on CalPERS' Statement of Fiduciary Net Position in their respective investment categories. At June 30, 2021, cash collateral received totaling $3.4 billion is reported as securities lending obligation, and the fair value of reinvested cash collateral totaling $3.4 billion is reported as securities lending collateral on the Statement of Fiduciary Net Position. The changes in fair value of the reinvested cash collateral are reported as net appreciation/depreciation in fair value of investments on the Statement of Changes in Fiduciary Net Position.

CalPERS securities lending reinvestment collateral guidelines prescribe that cash collateral received needs to be invested in short-term, high-credit-quality securities. Currently, eSecLending and CalPERS manage the collateral.

7. DERIVATIVES

CalPERS holds investments in swaps, options, futures, rights, and warrants and enters into forward foreign currency exchange contracts. The fair value of futures is determined using the market approach based upon quoted market prices. The fair value of options, rights, warrants, and swaps is determined using the cost approach, because these are traded with lower frequencies. The fair value of derivative investments that are exchange-traded, such as options, rights, and warrants, are priced using the exchange they are traded on. Non-exchange-traded investments, such as swaps, are determined by an external pricing service using various proprietary methods. The fair value of international currency forwards represents the unrealized gain or loss on the related contracts, which is calculated as the difference between the contract exchange rate and the exchange rate at the end of the reporting period.

Futures contracts are marked to market at the end of each trading day, and the settlement of gains or losses occurs on the following business day through the movement of variation margins. Over-the-counter derivatives, such as swaps, generally reset monthly and the settlement of gains or losses occurs the following business day. Currency forward contracts roll quarterly, updating the contract exchange rate.

With all over-the-counter derivatives, such as swaps and currency forwards, CalPERS is exposed to counterparty risk. CalPERS investment managers seek to control this risk through counterparty credit evaluations and approvals, counterparty credit limits, posting collateral exposure, and monitoring procedures, in addition to adherence to the standard International Swaps and Derivatives Association and Credit Support Annex agreements with all counterparties.

At June 30, 2021, the aggregate fair value of investment derivatives in an asset position subject to counterparty credit risk was approximately $355.2 million. The aggregate amount of cash collateral held by CalPERS on behalf of over-the-counter derivatives was approximately $74.4 million.

Notes to the Basic Financial Statements (continued)

CalPERS – Derivative Instruments Summary[1,2] (Dollars in Thousands)

Investment	Net Appreciation/ (Depreciation) in Fair Value for the Fiscal Year Ended June 30, 2021	Fair value at June 30, 2021		
Derivatives (by Type)	**Amount**	**Classification**	**Amount**	**Notional**
Fixed Income Futures Long	($1,034,374)	Investment Revenue	$45,733	$1,718,437,930
Fixed Income Futures Short	38,286	Investment Revenue	(5,476)	(306,773,909)
FX Forwards	(411,236)	Investment Revenue	85,727	24,475,263
Index Futures Long	1,620,158	Investment Revenue	(5,646)	2,978,055
Index Futures Short	(211,443)	Investment Revenue	—	—
Pay Fixed Interest Rate Swaps	5,790	Investment Revenue	—	—
Receive Fixed Interest Rate Swaps	(4,248)	Investment Revenue	—	—
Rights[3]	1,109	Investment Revenue	1,571	3,552
Total Return Swaps Bond	(556,233)	Investment Revenue	—	859,917
Total Return Swaps Equity	2,932,483	Investment Revenue	24,859	(859,917)
Warrants[3]	(7,790)	Investment Revenue	216	3,072
Total	**$2,372,502**		**$146,984**	

(1) The information presented in this table is derived from CalPERS' June 30, 2021, accounting records and in some instances may reflect trades on a one-day lag basis.
(2) Derivative instruments subject to foreign currency risk include FX Forwards, and a portion of the Rights and Index Futures amounts listed. These amounts are reflected in the International Investment Securities table under Forward Contracts and Equity columns.
(3) Rights and Warrants are Notional units.

CalPERS – Derivative Instruments Subject to Interest Rate Risk (Dollars in Thousands)

		Investment Maturities (in years)			
Investment Type	**Fair Value June 30, 2021**	**Under 1**	**1–5**	**6–10**	**10+**
Total Return Swaps Equity	$24,859	$24,859	$0	$0	$0
Total	**$24,859**	**$24,859**	**$0**	**$0**	**$0**

Notes to the Basic Financial Statements (continued)

CalPERS – Derivative Instruments Highly Sensitive to Interest Rate Changes (Dollars in Thousands)

Investment Type	Reference Rate	Fair Value at June 30, 2021	Notional
Total Return Bond Swaps	Receive Fixed 5.25%, Pay Fixed 0%	$0	$169,194
Total Return Bond Swaps	Receive Fixed 6.00%, Pay Fixed 0%	—	66,060
Total Return Bond Swaps	Receive Fixed 6.60%, Pay Fixed 0%	—	5,861
Total Return Bond Swaps	Receive Variable 1-month spread, Pay Fixed 0%	—	—
Total Return Bond Swaps	Receive Variable 1-month spread, Pay Variable 1-month spread	—	54,018
Total Return Bond Swaps	Receive Variable 3-month spread, Pay Variable 3-month spread	—	564,784
Subtotal – Total Return Bond Swaps		**$0**	**$859,917**
TOTAL		**$0**	**$859,917**

CalPERS – Derivative Instruments Subject to Counterparty Credit Risk

Counterparty	Percentage of Net Exposure	Moody's Ratings
Goldman Sachs International	21.75%	A1
UBS AG	19.50%	Aa3
Natwest Markets Plc	12.18%	A3
State Street Bank and Trust Company	7.85%	Aa3
Standard Chartered Bank	6.17%	A1
Societe Generale	5.68%	A1
Citibank N.A.	5.67%	Aa3
JP Morgan Chase Bank, N.A.	5.20%	Aa2
Credit Suisse International	3.16%	Aa3
Bank of New York	2.89%	A1
Deutsche Bank AG	2.67%	A3
Barclays Bank Plc Wholesale	2.51%	A1
Morgan Stanley Capital Services, Inc.	1.74%	A1
BNP Paribas, S.A.	1.17%	Aa3
HSBC Bank USA	1.02%	Aa3
JP Morgan Chase & Company	0.74%	A2
Bank of America, N.A.	0.10%	Aa2
TOTAL	**100.00%**	

8. EMPLOYERS' NET PENSION LIABILITY/(ASSET)

The components of the net pension liability of the PERF B, PERF C, LRF, JRF, and JRF II as of June 30, 2021, are reported in the Net Pension Liability/(Asset) table. PERF A is an agent multiple-employer plan and therefore not disclosed in the following tables, consistent with GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25* (GASB 67) reporting requirements.

Net Pension Liability/(Asset) (Dollars in Thousands)

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
PERF B				
Schools Cost-Sharing	$106,857,488	$86,523,056	$20,334,432	81.0%
PERF C				
Public Agencies Cost-Sharing	46,174,942	40,766,654	5,408,288	88.3%
LRF				
State of California	91,867	122,048	(30,181)	132.9%
JRF				
State of California	3,326,289	61,640	3,264,649	1.9%
JRF II				
State of California	2,063,342	2,398,029	(334,687)	116.2%

The total pension liability for each defined benefit plan was determined by actuarial valuations as of June 30, 2020, which were rolled forward to June 30, 2021, using the following actuarial assumptions:

Actuarial Assumptions Used to Measure the Total Pension Liability

	PERF B Schools Cost-Sharing	PERF C Public Agency Cost-Sharing	LRF	JRF	JRF II
Inflation Rate	2.50%	2.50%	2.50%	2.50%	2.50%
Salary Increases	Varies by Entry Age and Service	Varies by Entry Age and Service	2.75%	2.75%	2.75%
Mortality Rate Table[1]	Derived using CalPERS membership data for all funds				
The above actuarial assumptions were based upon the following experience study periods:	1997-2015	1997-2015	1997-2015	1997-2015	1997-2015
Post-Retirement Benefit Increase	2.00% until PPPA floor on purchasing power applies, 2.5% thereafter	Contract COLA up to 2.5% until PPPA floor on purchasing power applies, 2.5% thereafter	2.50%	2.50%	2.50%
Long-term rate of return assumption on plan investments used in discounting liabilities:	7.15%	7.15%	5.25%	1.92%	6.65%

(1) The mortality table was developed based on CalPERS specific data. The table includes 15 years of mortality improvement using the Society of Actuaries 90 percent of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Notes to the Basic Financial Statements (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical and forecasted information for all the funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long term (11+ years) using a building-block approach. Using the expected nominal returns for both short term and long term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The tables to the right reflect long-term expected real rates of return by asset class. The rates of return were calculated using the capital market assumptions applied to determine the discount rate.

PERF B & PERF C – Long-Term Expected Real Rates of Return by Asset Class

Asset Class[1]	Assumed Asset Allocation	Real Return Years 1 - 10[2,4]	Real Return Years 11+[3,4]
Public Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	(0.92%)

(1) In the Basic Financial Statements, Liquidity is included in Short-Term Investments; Inflation Assets are included in both Public Equity and Fixed Income.
(2) An expected inflation of 2.00% used for this period.
(3) An expected inflation of 2.92% used for this period.
(4) Figures are based on the previous ALM of 2017.

LRF – Long-Term Expected Real Rates of Return by Asset Class

Asset Class[1]	Assumed Asset Allocation	Real Return Years 1 - 10[2,4]	Real Return Years 11+[3,4]
Public Equity	22.00%	4.80%	5.98%
Fixed Income	49.00%	1.10%	2.62%
TIPS	16.00%	0.25%	1.46%
Commodities	5.00%	1.50%	2.87%
REITs	8.00%	3.50%	5.00%

(1) In the Basic Financial Statements, Commodities and REITs are included in Public Equity; TIPS are included in Fixed Income.
(2) An expected inflation of 2.00% used for this period.
(3) An expected inflation of 2.92% used for this period.
(4) Figures are based on the previous ALM of 2018.

JRF II – Long-Term Expected Real Rates of Return by Asset Class

Asset Class[1]	Assumed Asset Allocation	Real Return Years 1 - 10[2,4]	Real Return Years 11+[3,4]
Public Equity	52.00%	4.80%	5.98%
Fixed Income	32.00%	1.10%	2.62%
TIPS	5.00%	0.25%	1.46%
Commodities	3.00%	1.50%	2.87%
REITs	8.00%	3.50%	5.00%

(1) In the Basic Financial Statements, Commodities and REITS are included in Public Equity; TIPS are included in Fixed Income.
(2) An expected inflation of 2.00% used for this period.
(3) An expected inflation of 2.92% used for this period.
(4) Figures are based on the previous ALM of 2018.

DISCOUNT RATE

PERF B, PERF C, LRF, and JRF II

The discount rates used to measure the total pension liability as of June 30, 2021, for the PERF B, PERF C, LRF, and JRF II were 7.15 percent, 7.15 percent, 5.25 percent, and 6.65 percent, respectively. These discount rates are not adjusted for administrative expenses.

PERF B, PERF C, LRF, and JRF II fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return for those pension plans' investments were applied to all periods of projected benefit payments to determine the total pension liability.

JRF

The discount rate used to measure the total pension liability as of June 30, 2021, was 1.92 percent, which differs from the discount rate used as of June 30, 2020, of 2.45 percent. The state funds the JRF benefit obligations using the pay-as-you-go method. Under the pay-as-you-go method, the pension plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments of current active and inactive employees. The discount rate is based on a 20-year tax-exempt General Obligation Municipal Bond with an average rating of AA (as reported in Fidelity Index's "20-Year Municipal GO AA Index") and was applied to all periods of projected benefit payments to measure the total pension liability.

Notes to the Basic Financial Statements (continued)

SENSITIVITY OF THE NET PENSION LIABILITY/(ASSET) TO CHANGES IN THE DISCOUNT RATE

The following presents the net pension liability/(asset) of the PERF B, PERF C, LRF, JRF, and JRF II calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (-100 basis points) or one percentage point higher (+100 basis points) than the current rate:

Sensitivity Analysis (Dollars in Thousands)

Discount Rate (assumed)

Plan	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/ (Asset)	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
PERF B				
Schools Cost-Sharing	$106,857,488	$86,523,056	$20,334,432	81.0%
PERF C				
Public Agencies Cost-Sharing	46,174,942	40,766,654	5,408,288	88.3%
LRF				
State of California	91,867	122,048	(30,181)	132.9%
JRF				
State of California	3,326,289	61,640	3,264,649	1.9%
JRF II				
State of California	2,063,342	2,398,029	(334,687)	116.2%

Sensitivity Analysis (Dollars in Thousands)

Discount Rate -1%

Plan	Total Pension Liability (-1%)	Plan Fiduciary Net Position	Net Pension Liability/ (Asset) (-1%)	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
PERF B				
Schools Cost-Sharing	$120,809,763	$86,523,056	$34,286,707	71.6%
PERF C				
Public Agencies Cost-Sharing	52,339,025	40,766,654	11,572,371	77.9%
LRF				
State of California	102,806	122,048	(19,242)	118.7%
JRF				
State of California	3,012,399	61,640	2,950,759	2.0%
JRF II				
State of California	2,311,430	2,398,029	(86,599)	103.7%

Sensitivity Analysis (Dollars in Thousands)

Discount Rate +1%

Plan	Total Pension Liability (+1%)	Plan Fiduciary Net Position	Net Pension Liability/ (Asset) (+1%)	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
PERF B				
Schools Cost-Sharing	$95,274,105	$86,523,056	$8,751,049	90.8%
PERF C				
Public Agencies Cost-Sharing	41,097,915	40,766,654	331,261	99.2%
LRF				
State of California	82,980	122,048	(39,068)	147.1%
JRF				
State of California	3,697,689	61,640	3,636,049	1.7%
JRF II				
State of California	1,861,467	2,398,029	(536,562)	128.8%

9. CALIFORNIA EMPLOYERS' PENSION PREFUNDING TRUST FUND

The CEPPTF was established by Chapter 665 of the 2018 Statutes and initially funded in 2019. At June 30, 2021, 43 employers had elected to participate in the fund. Of the 43 participating employers, 31 employers have contributed assets in the CEPPTF as of June 30, 2021. The purpose of the fund is to receive contributions from participating employers and establish separate employer prefunding accounts to pay for future contributions to their defined benefit pension plans. Contributions are voluntarily determined by the employer's own funding schedule, and there are no long-term contracts for contributions to the trust. As such, contributions to the CEPPTF are elective and not required. The CEPPTF is an investment trust fund as defined in GASB Statement No. 84, *Fiduciary Activities*, with pooled administrative and investment functions.

Participating employers may receive disbursements from the fund not to exceed the actual contributions made to their pension plans during the fiscal year. If the employer's participation in the fund terminates, all assets in the employer's prefunding account shall remain in the fund except as otherwise provided. Allowable termination disbursements are to a trustee or as a trustee transfer of assets upon satisfactorily demonstrating to the Board one of the following: (1) the transfer will satisfy applicable requirements of the Internal Revenue Code (IRC), other law and accounting standards, and the Board's fiduciary duties, or (2) the employer substantiates to the Board that in conformance with applicable requirements of the IRC, other laws and accounting standards, and the Board's fiduciary duties that all of the employer's obligations for the payment of defined benefit pension plan benefits and reasonable administrative costs have been satisfied.

The CEPPTF costs include direct administrative and investment costs as well as indirect costs that are allocated through the Board-approved annual budget and cost-allocation process. CalPERS contracts with a third-party service provider, Northeast Retirement Services (NRS), to perform recordkeeping for individual CEPPTF employer accounts.

The total Fiscal Year 2020-21 employer contributions from participating employers were $45.8 million. There were two disbursements from the CEPPTF for two participating employers totaling $1.7 million.

The CEPPTF mirrors the investment policies of the System as a whole. These policies are adopted by the CalPERS Investment Committee, which sets forth the System's overarching investment beliefs, purposes, and objectives with respect to all investment programs. Additionally, the CEPPTF has separate, Board-approved asset allocation policies in place for the two investment options offered by the fund. Each strategy seeks to offer employers investment alternatives dependent upon expected levels of return and volatility.

10. OTHER POST-EMPLOYMENT BENEFIT TRUST FUND

The CERBTF (also known as Annuitants' Health Care Coverage Fund) was established by Chapter 331 of the 1988 Statutes and initially funded in 2007. At June 30, 2021, 586 employers had elected to participate in the fund. Of the 586 participating employers, 568 employers have contributed assets in the CERBTF as of June 30, 2021. The purpose of the fund is to receive contributions from participating employers and establish separate employer prefunding accounts to pay for health care or other post-employment benefits in accordance with the terms of the participating employers' plans. Contributions are voluntarily determined by the employer's own funding schedule, and there are no long-term contracts for contributions to the plan. As such, contributions to the CERBTF are elective and not required. The CERBTF is an agent multiple-employer plan as defined in GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB 74), with pooled administrative and investment functions.

Participating employers may receive disbursements from the fund not to exceed the annual premium and other costs of eligible post-employment benefits. If the employer's participation in the fund terminates, all assets in the employer's prefunding account shall remain in the fund except as otherwise provided. Allowable termination disbursements are to a trustee or as a trustee transfer of assets upon satisfactorily demonstrating to the Board one of the following: (1) the transfer will satisfy applicable requirements of the IRC, other law and accounting standards, and the Board's fiduciary duties, or (2) the employer substantiates to the Board that in conformance with applicable requirements of the IRC, other laws and accounting standards, and the Board's fiduciary duties that all of the employer's obligations for the payment of post-employment benefits have been satisfied.

As of June 30, 2021, there were 500,607 active plan members, 318,064 inactive plan members currently receiving benefit payments, and 13,125 inactive plan members entitled to but not yet receiving benefit payments.

The CERBTF costs include direct administrative and investment costs as well as indirect costs that are allocated through the Board-approved annual budget and cost-allocation process. CalPERS contracts with a third-party service provider, NRS, to perform recordkeeping for individual CERBTF employer accounts.

The total Fiscal Year 2020-21 actual OPEB employer contributions from participating employers representing 603 OPEB plans were $4.08 billion. In compliance with GASB 74, this amount includes the $1.01 billion in contributions made to the CERBTF, plus an additional $3.07 billion in retiree health care premiums paid by employers directly to health care providers.

The CERBTF mirrors the investment policies of the System as a whole. These policies are adopted by the CalPERS Investment Committee, which sets forth the System's overarching investment beliefs, purposes, and objectives with respect to all investment programs. Additionally, the CERBTF has separate, Board-approved asset allocation policies in place for the three investment options offered by the fund. Each strategy seeks to offer employers investment alternatives dependent upon expected levels of return and volatility. Overall, the CERBTF recognized an annual money-weighted rate of return of 25.6 percent for Fiscal Year 2020-21.

11. REPLACEMENT BENEFIT FUND (RBF)

The RBF was established as a custodial fund by Chapter 798 of the 1990 Statutes. Initially established in 1998, it provides benefits to participants of the PERF whose retirement allowance exceeds the IRC section 415(b) limits. IRC section 415(b) imposes a dollar limit on the annual retirement benefits an individual may receive from a qualified defined benefit pension plan.

The RBF is funded on a pay-as-you-go basis. That is, the employer is invoiced for amounts payable to its former employees on a calendar year basis and upon receipt of payment by the employers, CalPERS remits the replacement benefits to the participants on a monthly basis. Employer contributions must be in amounts equivalent to the benefits not paid from the PERF as a result of the limitations of IRC section 415(b) and if applicable, employer Federal Insurance Contributions Act taxes. CalPERS is responsible for calculating the applicable dollar limit under IRC section 415(b) and notifying the employer. At June 30, 2021, there were 1,878 participants receiving replacement benefits.

Government Code section 7522.43 provides that a public retirement system may only continue to administer a plan of replacement benefits for employees first hired prior to January 1, 2013. Section 7522.43 prohibits any employer from offering a plan of replacement benefits for employees hired on or after January 1, 2013.

12. OLD AGE AND SURVIVORS' INSURANCE REVOLVING FUND (OASI)

The Old Age and Survivors' Insurance Revolving Fund (OASI) was established to consolidate the collection and payment of employee and employer contributions for California public agencies under the provisions of the federal Social Security regulations.

The Board of Administration serves as the State Social Security Administrator (SSSA). Between 1955 and 1986 the SSSA was responsible for collecting Social Security and Medicare taxes from public employers. Effective January 1, 1987, with the enactment of the Omnibus Budget Reconciliation Act of 1986, the responsibility of collecting taxes moved from CalPERS to the Internal Revenue Service and the OASI has been operating since 1987 using the interest that was earned on the OASI over time. The OASI funds diminished requiring additional funding to pay for the costs of administering the SSSA program. On July 1, 2019, CalPERS began charging participating agencies a fee to pay for these costs. In Fiscal Year 2020-21 CalPERS continued assessing fees to cover costs, and continued administering the program.

13. PUBLIC EMPLOYEES' HEALTH CARE FUND (HCF)

The HCF was established under the PEMHCA as of July 1, 1988. Health plan offerings include self-funded plans, PERS Choice, PERSCare, and PERS Select. Effective January 1, 2014, flex-funded plans, Anthem Blue Cross, Blue Shield of California, Health Net, Sharp, UnitedHealthcare, and effective January 1, 2018, Western Health Advantage was added. Health plans are available to entities that contract for health insurance coverage under PEMHCA based on ZIP codes, as prescribed by state law. Having members in large risk pools spreads the catastrophic claims over a larger base and minimizes administrative expenses. The self-funded plans retain all risk of loss of allowable health claims while, effective January 1, 2019, the flex-funded plans retain no risk of loss when capitated and fee-for-service expenses come higher than agreed with the contractor. Members are not subject to a supplemental assessment in the event of deficiencies. Health insurance premiums are set by the Board based on a trend analysis of the historic cost, utilization, demographics, and administrative expenses of the HCF to provide for the claims incurred and the actuarially determined required level of reserves. The health plans rely on operating cash flows and investment income to fund health benefit payments. During Fiscal Year 2020-21 the Board approved aggregate increases in member premiums to continue to provide for benefits of the health plans.

Public agencies participating in the health plans are required to make monthly payments based on premiums established annually by CalPERS. Employers' share of premiums are determined by the public agency through benefit negotiations, subject to minimum share of premium levels established through PEMHCA. Public agency employee members pay the difference between the premium rate and the employers' share of premium.

At June 30, 2021, 100 percent of the HCF's investments in fixed income are in the SSGA U.S. Aggregate Bond Index Fund with further details in Note 4.

The HCF establishes claim liabilities based on estimates of the ultimate costs of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been "Incurred But Not Reported" (IBNR). The estimated claims liability was calculated by health plan partners as of June 30, 2021, using a variety of actuarial and statistical techniques, and adjusted for actual experience to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. The estimated claims liability of $506.0 million is carried at its face amount, and no interest discount is assumed. The IBNR portion of $431.7 million represents an estimate for claims that have been incurred prior to June 30, 2021, but have not been reported to the HCF. The total of the estimated claims liabilities at the end of the Fiscal Year 2020-21 is $750.0 million. The year-end amount also includes $244.0 million of known claims, which is reported as claims payable liability in the Statement of Net Position.

ANTICIPATED INVESTMENT INCOME AND REINSURANCE

Anticipated investment income is included in the annual premium requirement for HCF members. Also, the HCF has not entered into any reinsurance or excess insurance agreements. CalPERS has entered into agreements with flex-funded health plan partners that limit the HCF's risk to a maximum aggregate monthly cost per member.

The following schedule represents changes in the aggregate estimated claims liabilities for the fiscal years ended June 30, 2021, and June 30, 2020.

Changes in the Aggregate Estimated Claims Liabilities of the HCF (Dollars in Thousands)

Year Ended June 30	2021	2020
Total Estimated Claims at Beginning of Fiscal Year	**$738,158**	**$740,437**
Total Incurred Claims and Claim Adjustment Expenses	3,649,951	3,490,974
Total Payments	(3,638,153)	(3,493,253)
Total Estimated Claims at End of Fiscal Year	**$749,956**	**$738,158**

14. PUBLIC EMPLOYEES' CONTINGENCY RESERVE FUND (CRF)

The CRF was established in 1962, with the passage of PEMHCA, to fund administrative expenses related to the PEMHCA program, and as a contingency reserve for such items as increases in future premiums or in future benefits. PEMHCA was expanded to include local public agency employees on a contract basis in 1967. The CRF is reimbursed by the state and contracting public agencies for expenses incurred for administering the program.

PEMHCA establishes eligibility rules for the following:

- Retirees and beneficiaries receiving health care benefits,
- Terminated plan members entitled to but not yet receiving benefits
- Active plan members

Amounts charged to employers toward the CRF administrative expenses is determined as a percentage of gross health insurance premiums paid by the employer and employees. The percentage of the insurance premiums paid for the fiscal year ended June 30, 2021, was 0.24 percent. Administrative rates are reviewed annually and are adjusted, if needed, to cover budgeted administrative expenses.

Health insurance premiums are initially received in the CRF and then remitted to health insurance carriers, apart from premium dollars designated for self-funded and flex-funded health plans, which are transferred to the HCF. As of June 30, 2021, there were 1,154 public agencies and schools participating in health insurance coverage under PEMHCA.

15. PUBLIC EMPLOYEES' LONG-TERM CARE FUND (LTCF)

The LTCF began offering long-term care benefits in 1995 through the CalPERS Long-Term Care (LTC) Program. The LTC Program provides LTC coverage to enrolled participants under the Public Employees' Retirement Law (PERL), Chapter 15. Administered by a third-party administrator, Long Term Care Group, Inc. (LTCG), the self-insured LTC Program is a voluntary program, funded solely by participant-paid premiums and investment income.

There are four LTC policy series:

- LTC 1: policies purchased from the program inception in 1995 through 2002
- LTC 2: policies purchased from 2003 through 2004
- LTC 3: policies purchased from 2005 through 2008
- LTC 4: policies purchased effective December 2013 and through fiscal year 2020

As of June 30, 2021, there are 111,518 active participants in the LTC 1, LTC 2, LTC 3, and LTC 4 policy series, of which 6,470 are receiving benefits.

In June 2020, CalPERS suspended open enrollment on the CalPERS Long-Term Care Program due to current uncertainty in the long-term care market until further notice. The CalPERS Long-Term Care Program is not accepting new applications for coverage.

The LTCF estimate of the funding level, to provide for the payment of future claim benefits, is projected based on actual enrolled participant levels.

The LTCF establishes the liability for future policy benefits based on the present value of future benefits and expenses less the present value of future premiums. The actuarial valuations are very sensitive to the underlying actuarial assumptions, including a discount rate of 4.75 percent, morbidity, lapse rates, mortality, and plan expenses. In Fiscal Year 2020-21, the actual investment returns were approximately $406.2 million higher than expected investment income. Economic assumptions are evaluated periodically in accordance with Board policy. An evaluation of assumptions for the June 30, 2021, long-term care actuarial valuation is currently in progress. Any changes resulting from the experience study will be applied prospectively. The estimated liability for future policy benefits for the June 30, 2021, Annual Comprehensive Financial Report was rolled forward from the June 30, 2020, actuarial valuation using standard actuarial techniques. Due to updates in future cash flows and assumptions over the discount rate (from 4.0 percent to 4.75 percent), morbidity, and lapse rates implemented in the 2020 actuarial valuation and also as a result of the settlement liability accrued, the estimated liability for future policy benefits as of June 30, 2021, decreased significantly compared to the liability as of June 30, 2020.

The following schedule represents changes in the aggregate estimated claims liabilities and liabilities for future policy benefits for the fiscal years ended June 30, 2021, and June 30, 2020.

Changes in the Aggregate Estimated Claims Liabilities of the LTCF (Dollars in Thousands)

Year Ended June 30	2021	2020
Total Estimated Future Policy Liabilities at Beginning of Fiscal Year	**$7,053,071**	**$4,628,993**
Increase (Decrease) in Liability and Change in Estimate	(1,786,979)	2,759,847
Claim Payments	(314,800)	(335,769)
Change Due to Settlement Liability	(2,900,000)	—
Total Estimated Future Policy Liabilities at End of Fiscal Year	**$2,051,292**	**$7,053,071**

Total LTCF investments as of June 30, 2021, were approximately $5.5 billion. At June 30, 2021, the LTCF's investment portfolio consisted of approximately 60 percent, 15 percent, 11 percent, 8 percent, and 6 percent of the respective SSGA Funds: Bloomberg Barclays Long Liability Index, MSCI ACWI Investable Market Index, Global Real Estate, S&P GSCI Commodity Index, and U.S. TIPS Index, respectively with further details in Note 4.

For Fiscal Year 2020-21, the annual premium was $272.7 million and the total benefits paid out were $309.0 million. Since the program's inception in 1995 through June 30, 2021, the total benefits paid were approximately $3.5 billion. Based on updated actuarial assumptions, in November 2020 the Board approved a 52 percent rate increase for all four LTC policy series. In addition, the program is updating its asset allocation based on new policy weights approved by the Board of Administration in March 2021 in Fiscal Year 2021-22, offering new benefit designs including benefit reduction options, and offering premium increase mitigation options. Implementation of the new policy weights will occur in Fiscal Year 2021-22. The Investment Policy will be updated to reflect the newly approved weights in the month that the new strategic asset allocation is implemented.

CalPERS has agreed to a proposed settlement in the Long-Term Care Program class action lawsuit upon acceptance by the affected parties and the courts. CalPERS could pay an estimated $2.9 billion, which includes contingency costs, settlement administration expenses, attorneys' fees and expenses, and service awards for the plaintiffs. This estimate is reported as a Settlement Liability on the Statement of Net Position and Settlement Expenses on the Statement of Revenues, Expenses, and Changes in Net Position. Additional details on the proposed settlement is included in Note 16, as the *Wedding, et al. v. CalPERS* class action lawsuit.

16. CONTINGENCIES

CalPERS is a Defendant in litigation involving investments, individual pension, health benefit payments and participant eligibility issues arising from its normal activities. Generally, in the event of an adverse decision, any payments awarded by the courts would be recovered by CalPERS through prospective adjustments to the affected employer's contribution rate or rates and, where applicable, member premiums. During the fiscal year, specific pending cases were litigated that could potentially impact the future financial health of funds administered by CalPERS.

Wedding, et al. v. CalPERS (previously identified as *Sanchez, et al. v. CalPERS*) was filed in 2013. This class action challenges the propriety of CalPERS' decision to increase premiums by 85 percent on certain categories of its Long-Term Care (LTC) policyholders. Plaintiffs allege that the increase breached the relevant insurance contracts and seek to recover all allegedly excess premiums paid by effected policyholders since the increase was effectuated in 2014 and 2015, as well as interest and attorneys' fees. CalPERS denies that it breached the relevant insurance contracts and denies that plaintiffs are entitled to any relief on any cause of action.

In January 2016, the court granted plaintiffs' Motion for Class Certification over CalPERS' objection. The claims certified for class treatment were (1) the breach of contract claim; and (2) the breach of fiduciary duty claim, on the "duty of care" only. However, the court later granted CalPERS' motion for summary adjudication of the breach of fiduciary duty claim, leaving only the breach of contract claim certified for class treatment.

The only other defendants in the case—the actuarial firm that originally helped CalPERS establish the LTC program (Towers-Watson)—entered into a settlement agreement with plaintiffs that was approved by the court in January 2018.

In early June 2019, the first part of the case regarding the proper interpretation of the insurance contracts (the "Evidence of Coverage") at issue was tried to the court, sitting without a jury. The court held in favor of plaintiffs on the interpretation of the "Inflation-Protection" clauses in the Evidence of Coverage, and in favor of CalPERS on the premium adjustments permitted by the "Guaranteed Renewable" clauses. The court held in favor of CalPERS on its Cross-Claim that CalPERS can subject insureds with Inflation-Protection benefits to future rate increases, insofar as any such rate increases are driven by cost factors other than the inherent escalation of daily/ monthly limits on Inflation-Protection benefits over time, and as long as these increases are spread over the entire risk pool and not selectively imposed to a greater-than-average degree on the Inflation-Protection insureds. The second part of the case was set for trial by jury on the issue of whether the subject 85% premium increase had, in fact, breached the contracts given the court's interpretation of them in the first part of the trial.

After several continuances to the trial date, the parties settled the case in July 2021. If all class members accept the settlement and there are no opt-outs, the maximum potential cost to the CalPERS Long-Term Care Fund is estimated to be $2.9 billion. On July 12, 2021, the plaintiffs filed a Motion for Preliminary Approval of the Settlement Agreement, which the court granted on July 22, 2021. On August 13, 2021, a court-approved Notice of Proposed Settlement was sent to the class members. The Notice explains the settlement, the rights of class members, and provides answers to frequently asked questions. Class members have 120 days, to December 13, 2021, to decide whether to opt out of the agreement. At that point, CalPERS will assess the financial health of the LTC Fund based on the demographics of the class members who have not opted out and determine whether to proceed with the settlement. If CalPERS proceeds with the settlement, and barring any other impediments to completion of the settlement, the court will be asked to give its final approval to the settlement sometime in mid-2022.

Heinz, et al. v. CalPERS, Anthem et al. is a putative class action lawsuit filed against CalPERS and one of its insurance programs, Anthem, in June 2017. The Complaint alleges breach of contract, breach of fiduciary duties, misrepresentation, and a variety of other claims. The class is described as "people who were enrolled in Preferred Provider Organization health insurance offered and/or administered by CalPERS and Anthem Blue Cross." The primary allegation is that CalPERS and Anthem engaged in a common policy of improperly and artificially reducing the "allowable amount" for "out-of-network" non-emergency medical services.

On May 7, 2018, the court issued a ruling that Plaintiff must proceed first with his Petition for Writ of Administrative Mandamus, and that all other causes of action were stayed in their entirety pending the outcome of the writ. On January 25, 2019, the court denied Plaintiff's Petition for Writ of Administrative Mandamus finding that there was no evidence that CalPERS and Anthem improperly reduced the "allowable amount" for "out-of-network" non-emergency medical services. As a result of this ruling, CalPERS demurred to the remaining causes of action. The court sustained CalPERS' demurrer and entered judgment in favor of CalPERS, ending the lawsuit. Plaintiff subsequently appealed the Superior Court's decision.

On April 19, 2021, the Court of Appeal issued its decision. The Court affirmed the trial court's order denying the Petition for Writ of Administrative Mandamus, but reversed the judgment dismissing the remaining causes of action, finding that the non-contractual causes of action were outside the scope of the issues raised in the administrative proceedings, were thus not barred by claim preclusion, and required further analysis of the equitable estoppel issue relevant to the statute of limitations tolling and Government Code claims presentation timing requirements. The defendants continue to vigorously defend the action.

Huasha Liu, et al. v. Board of Administration, California Public Employees' Retirement System, Southern California Association of Governments, et al. is a writ of mandamus and putative class action lawsuit filed by Plaintiff Liu on February 8, 2020. Plaintiff Liu alleges that CalPERS failed to include her "special compensation" in computing her retirement benefits.

The matter was bifurcated for the writ to be heard first. On December 14, 2020, the court granted Plaintiff Liu's Writ of Mandate, setting aside CalPERS' decision to exclude lump sum payments from Plaintiff's final compensation. The matter is now proceeding as a putative class action. The Third Amended Petition (complaint) was filed and served on August 12, 2021. CalPERS filed a demurrer on September 3, 2021. On September 30, 2021, the court overruled the demurrer and authorized the parties to proceed with discovery to ascertain whether class certification is possible. That discovery is underway. No trial date has been set.

With the exception of the Wedding case, the amount of potential loss or range of loss on these cases is not estimable at this time due to the many unknowns and complexities of litigation.

Economic Conditions

During the calendar year 2020, World Health Organization announced a global health emergency from a new strain of coronavirus (COVID-19) that has resulted in a global pandemic outbreak. This pandemic has adversely affected global economic activity and greatly contributed to uncertainty and instability in the global financial markets. CalPERS investment portfolio was exposed to the volatility of the financial markets during the last half of Fiscal Year 2019-20 but was also well positioned to take advantage of new investment opportunities that were present during this time. While negative market conditions could have an impact on CalPERS' ability to earn the actuarial assumed rate of return and negatively impact the receipt of contributions and premiums due from public agencies and participants, CalPERS cannot predict the impact of the COVID-19 pandemic. Although CalPERS cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, management continues to closely monitor the situation, to assess further possible adverse implications that may occur to operations, investments, public agencies and participants, and to take actions to mitigate resulting consequences.

On March 27, 2020, President Trump signed into law the "Coronavirus Aid, Relief, and Economic Security (CARES) Act." The CARES Act, among other things, includes several relief provisions available to tax-qualified retirement plans and their participants. CalPERS has assessed the applicability of such funds and has not acted to take part in applying for and receiving any such relief funds.

The U.S. House of Representatives on March 10, 2021, passed the Senate-amended H.R. 1319, the American Rescue Plan (ARP). The ARP provides $1.9 trillion in additional relief to respond to the novel coronavirus (COVID-19). This follows the enactment of nearly $4 trillion in COVID relief in 2020. President Joe Biden called for Congress to enact the ARP to provide relief for individuals and businesses struggling due to COVID-19, as well as to achieve other priorities of the Biden Administration and Congress. ARP includes provisions on aid to state and local governments, hard-hit industries and communities, tax changes affecting individuals and businesses, and other provisions. CalPERS has assessed the applicability of such funds and has not acted to take part in applying for and receiving any such relief funds. Management is continuing to monitor applicability of any new funding or programs that may become available.

17. FUTURE ACCOUNTING PRONOUNCEMENT

The objective of GASB Statement No. 87, *Leases* (GASB 87), is to improve accounting and financial reporting for leases by governments. GASB 87 requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The effective date for GASB 87 was delayed to reporting periods beginning after June 15, 2021 due to the COVID-19 virus. CalPERS will implement GASB 87 for fiscal year 2021-22. However, CalPERS has determined GASB 87 will not have a material impact on the future financial statements.

Required Supplementary Information

SCHEDULES OF CHANGES IN NET PENSION LIABILITY/(ASSET) AND RELATED RATIOS

PERF B – Eight-Year Review[1] (Dollars in Thousands)

	2021	2020	2019	2018	2017
Discount Rate Assumption	**7.15%**	**7.15%**	**7.15%**	**7.15%**	**7.15%**
Total Pension Liability:					
Service Cost	$2,347,398	$2,302,877	$2,226,797	$2,172,696	$2,031,914
Interest	7,216,728	6,904,699	6,563,541	6,165,715	5,719,835
Changes of Assumptions	—	—	—	450,064	4,649,299
Differences Between Expected and Actual Experience	(63,915)	452,461	1,398,796	1,852,902	531,862
Benefit Payments, Including Refunds of Member Contributions	(4,932,395)	(4,671,357)	(4,347,426)	(4,053,119)	(3,724,910)
Net Change in Total Pension Liability	**$4,567,816**	**$4,988,680**	**$5,841,708**	**$6,588,258**	**$9,208,000**
Total Pension Liability – Beginning	$102,289,672	$97,300,992	$91,459,284	$84,871,026	$75,663,026
Total Pension Liability – Ending (a)	**$106,857,488**	**$102,289,672**	**$97,300,992**	**$91,459,284**	**$84,871,026**
Plan Fiduciary Net Position:					
Contributions – Employer	$2,972,220	$2,866,144	$2,527,726	$2,070,832	$1,783,736
Contributions – Member	1,019,154	1,047,983	1,014,070	952,979	897,438
Contributions – Nonemployer	—	904,000	—	—	—
Total Net Investment Income	15,928,499	3,398,535	4,212,090	5,095,064	6,211,781
Benefit Payments, Including Refunds of Member Contributions	(4,932,395)	(4,671,357)	(4,347,426)	(4,053,119)	(3,724,910)
Net Plan-to-Plan Resource Movement	—	164	304	2	(134)
Administrative Expenses	(71,018)	(95,614)	(46,159)	(92,448)	(82,489)
Net Change in Plan Fiduciary Net Position	**$14,916,460**	**$3,449,855**	**$3,360,605**	**$3,973,310**	**$5,085,422**
Plan Fiduciary Net Position – Beginning	$71,606,596	$68,156,741	$64,796,136	$60,998,387	$55,912,965
Adjustments[2]	—	—	—	(175,561)	—
Total Adjusted Plan Fiduciary Net Position – Beginning	71,606,596	68,156,741	64,796,136	60,822,826	55,912,965
Plan Fiduciary Net Position – Ending (b)	86,523,056	71,606,596	68,156,741	64,796,136	60,998,387
Net Pension Liability (a) - (b)	**$20,334,432**	**$30,683,076**	**$29,144,251**	**$26,663,148**	**$23,872,639**
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	**81.0%**	**70.0%**	**70.0%**	**70.8%**	**71.9%**
Covered Payroll	$14,885,212	$14,447,159	$13,819,881	$13,252,995	$12,643,354
Net Pension Liability as a Percentage of Covered Payroll	**136.6%**	**212.4%**	**210.9%**	**201.2%**	**188.8%**

(1) Information in this schedule is not available prior to 2014. Additional years will be added to this schedule in future fiscal years until 10 years of data is presented.
(2) Cumulative effect of CalPERS employer proportionate share of post-employment benefit obligations.

NOTES TO SCHEDULE

Change of Assumptions and Methods

In Fiscal Year 2020-21 there were no changes to actuarial assumptions or methods.

The CalPERS Board of Administration adopted a new amortization policy effective with the June 30, 2019, actuarial valuation. The policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a five-year ramp-up and ramp-down on Unfunded Accrued Liability (UAL) bases attributable to assumption changes, investment gains/losses, and non-investment gains/losses. These changes will apply only to new UAL bases established on or after June 30, 2019. In Fiscal Year 2019-20, no changes have occurred to the actuarial assumptions in relation to financial reporting.

In Fiscal Year 2018-19, CalPERS implemented a new actuarial valuation software system for the June 30, 2018, valuation. This new system has refined and improved calculation methodology.

In December 2017, the CalPERS Board of Administration adopted a new inflation assumption. The assumption was reduced from 2.75 percent to 2.50 percent. The assumptions for individual salary increases and overall payroll growth were reduced from 3.00 percent to 2.75 percent. These changes were implemented in two steps commencing in the June 30, 2018, funding valuation. For financial reporting purposes, these assumption changes were fully reflected in the results for Fiscal Year 2017-18.

Required Supplementary Information (continued)

2016	2015	2014
7.65%	**7.65%**	**7.50%**
$1,716,677	$1,624,993	$1,576,667
5,441,918	5,152,519	4,820,116
—	(1,217,974)	—
400,103	1,119,011	—
(3,546,836)	(3,334,081)	(3,139,923)
$4,011,862	**$3,344,468**	**$3,256,860**
$71,651,164	$68,306,696	$65,049,836
$75,663,026	**$71,651,164**	**$68,306,696**
$1,434,632	$1,323,090	$1,203,071
851,133	773,580	744,437
—	—	—
297,514	1,272,365	8,625,601
(3,546,836)	(3,334,081)	(3,139,923)
10	(71,460)	—
(34,554)	(64,124)	(72,167)
($998,101)	**($100,630)**	**$7,361,019**
$56,911,066	$57,011,696	$49,650,677
—	—	—
56,911,066	57,011,696	49,650,677
55,912,965	56,911,066	57,011,696
$19,750,061	**$14,740,098**	**$11,295,000**
73.9%	**79.4%**	**83.5%**
$11,747,602	$10,964,872	$10,120,248
168.1%	**134.4%**	**111.6%**

In Fiscal Year 2016-17, the financial reporting discount rate for the PERF B was lowered from 7.65 percent to 7.15 percent.

In December 2016, the Board approved lowering the funding discount rate used in the PERF B from 7.50 percent to 7.00 percent, which is to be phased in over a three-year period (7.50 percent to 7.375 percent, 7.375 percent to 7.25 percent, and 7.25 percent to 7.00 percent) beginning with the June 30, 2017, valuation reports. The funding discount rate includes a 15 basis-point reduction for administrative expenses, and the remaining decrease is consistent with the change in the financial reporting discount rate.

In Fiscal Year 2014-15, the financial reporting discount rate was increased from 7.50 percent to 7.65 percent resulting from eliminating the 15 basis-point reduction for administrative expenses. The funding discount rate remained at 7.50 percent during this period, and remained adjusted for administrative expenses.

Required Supplementary Information (continued)

SCHEDULES OF CHANGES IN NET PENSION LIABILITY/(ASSET) AND RELATED RATIOS (CONTINUED)

PERF C – Eight-Year Review[1] (Dollars in Thousands)

	2021	2020	2019	2018	2017
Discount Rate Assumption	**7.15%**	**7.15%**	**7.15%**	**7.15%**	**7.15%**
Total Pension Liability:					
Service Cost	$947,349	$912,529	$878,707	$844,273	$820,583
Interest	3,123,532	2,954,008	2,798,484	2,629,157	2,506,761
Changes of Benefit Terms	1,390	900	1,283	668	2,119
Changes of Assumptions	—	—	—	(248,318)	2,122,413
Differences Between Expected and Actual Experience	615,793	453,273	705,149	313,467	(18,554)
Benefit Payments, Including Refunds of Member Contributions[2]	(2,216,053)	(2,044,232)	(1,902,025)	(1,755,740)	(1,630,602)
Net Change in Total Pension Liability	**$2,472,011**	**$2,276,478**	**$2,481,598**	**$1,783,507**	**$3,802,720**
Total Pension Liability – Beginning	$43,702,931	$41,426,453	$38,944,855	$37,161,348	$33,358,628
Adjustment to Beginning Amount	—	—	—	—	—
Total Adjusted Pension Liability – Beginning	**$43,702,931**	**$41,426,453**	**$38,944,855**	**$37,161,348**	**$33,358,628**
Total Pension Liability – Ending (a)	**$46,174,942**	**$43,702,931**	**$41,426,453**	**$38,944,855**	**$37,161,348**
Plan Fiduciary Net Position:					
Contributions – Employer[2]	$1,921,032	$1,594,811	$1,333,559	$1,182,686	$980,359
Contributions – Member[2]	395,130	381,786	357,159	334,140	317,024
Total Net Investment Income[2]	7,523,678	1,565,953	1,935,939	2,308,558	2,774,321
Benefit Payments, Including Refunds of Member Contributions[2]	(2,210,327)	(2,044,232)	(1,902,025)	(1,755,740)	(1,630,602)
Net Plan-to-Plan Resource Movement[2]	348,384	188,629	167,308	116,550	134,513
Administrative Expenses	(33,744)	(43,860)	(21,115)	(41,980)	(37,052)
Net Change in Plan Fiduciary Net Position	**$7,944,153**	**$1,643,087**	**$1,870,825**	**$2,144,214**	**$2,538,563**
Plan Fiduciary Net Position – Beginning	$32,822,501	$31,179,414	$29,308,589	$27,244,095	$24,705,532
Adjustments[3]	—	—	—	(79,720)	—
Total Adjusted Plan Fiduciary Net Position – Beginning	32,822,501	31,179,414	29,308,589	27,164,375	24,705,532
Plan Fiduciary Net Position – Ending (b)	40,766,654	32,822,501	31,179,414	29,308,589	27,244,095
Net Pension Liability (a) - (b)	**$5,408,288**	**$10,880,430**	**$10,247,039**	**$9,636,266**	**$9,917,253**
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	**88.3%**	**75.1%**	**75.3%**	**75.3%**	**73.3%**
Covered Payroll	$4,371,563	$4,155,772	$3,949,226	$3,793,609	$3,631,919
Net Pension Liability as a Percentage of Covered Payroll	**123.7%**	**261.8%**	**259.5%**	**254.0%**	**273.1%**

(1) Information in this schedule is not available prior to 2014. Additional years will be added to this schedule in future fiscal years until 10 years of data is presented.
(2) May not agree to the Basic Financial Statements in 2021 and 2020 as a result of adjustments made in both years.
(3) Cumulative effect of CalPERS employer proportionate share of postemployment benefit obligations.

NOTES TO SCHEDULE

Changes in Benefit Terms

Public agencies can make changes to their plan provisions, and such changes occur on an ongoing basis. A summary of the plan provisions that were used for a specific plan can be found in the plan's annual valuation report.

Change of Assumptions and Methods

In Fiscal Year 2020-21, no changes have occurred to the actuarial assumptions in relation to financing reporting.

The CalPERS Board of Administration adopted a new amortization policy effective with the June 30, 2019, actuarial valuation. The policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes, investment gains/losses, and non-investment gains/losses. These changes will apply only to new UAL bases established on or after June 30, 2019. In Fiscal Year 2019-20, no changes have occurred to the actuarial assumptions in relation to financial reporting.

In Fiscal Year 2018-19, CalPERS implemented a new actuarial valuation software system for the June 30, 2018, valuation. This new system has refined and improved calculation methodology. In December 2017, the Board adopted new mortality assumptions for plans participating in the PERF. The new mortality table was developed from the December 2017 experience study and includes 15 years of projected ongoing mortality improvement using 90 percent of

2016	2015	2014
7.65%	**7.65%**	**7.50%**
$712,307	$698,416	$713,731
2,399,259	2,285,565	2,169,786
1,478	—	—
—	(543,686)	—
(6,333)	(5,678)	—
(1,519,301)	(1,423,756)	(1,335,871)
$1,587,410	**$1,010,861**	**$1,547,646**
$31,800,055	$30,789,194	$29,241,548
(28,837)	—	—
$31,771,218	**$30,789,194**	**$29,241,548**
$33,358,628	**$31,800,055**	**$30,789,194**
$882,991	$859,456	$747,694
300,135	278,529	291,772
127,043	548,097	3,770,935
(1,519,301)	(1,423,756)	(1,335,871)
22,621	(267,581)	—
(15,263)	(27,967)	(31,550)
($201,774)	**($33,222)**	**$3,442,980**
$24,907,306	$24,940,528	$21,497,548
—	—	—
24,907,306	24,940,528	21,497,548
24,705,532	24,907,306	24,940,528
$8,653,096	**$6,892,749**	**$5,848,666**
74.1%	**78.3%**	**81.0%**
$3,472,950	$3,356,312	$3,248,018
249.2%	**205.4%**	**180.1%**

scale MP 2016 published by the Society of Actuaries. The inflation assumption was reduced from 2.75 percent to 2.50 percent. The assumptions for individual salary increases and overall payroll growth were reduced from 3.00 percent to 2.75 percent. These changes will be implemented in two steps commencing in the June 30, 2017 funding valuation. For financial reporting purposes, these assumption changes are fully reflected in the results for Fiscal Year 2017-18.

In Fiscal Year 2016-17, the financial reporting discount rate for the PERF C was lowered from 7.65 percent to 7.15 percent. In December 2016, the Board approved lowering the funding discount rate used in the PERF C from 7.50 percent to 7.00 percent, which is to be phased in over a three-year period (7.50 percent to 7.375 percent, 7.375 percent to 7.25 percent, and 7.25 percent to 7.00 percent) beginning with the June 30, 2016, valuation reports. The funding discount rate includes a 15 basis-point reduction for administrative expenses, and the remaining decrease is consistent with the change in the financial reporting discount rate.

In Fiscal Year 2014-15, the financial reporting discount rate was increased from 7.50 percent to 7.65 percent resulting from eliminating the 15 basis-point reduction for administrative expenses. The funding discount rate remained at 7.50 percent during this period, and remained adjusted for administrative expenses.

Required Supplementary Information (continued)

SCHEDULES OF CHANGES IN NET PENSION LIABILITY/(ASSET) AND RELATED RATIOS (CONTINUED)

LRF – Eight-Year Review[1] (Dollars in Thousands)

	2021	2020	2019	2018	2017
Discount Rate Assumption	**5.25%**	**5.25%**	**5.25%**	**5.25%**	**5.25%**
Total Pension Liability:					
Service Cost	$101	$100	$268	$542	$639
Interest	4,749	4,885	4,871	4,987	5,291
Changes of Assumptions	—	—	—	(2,529)	7,857
Differences Between Expected and Actual Experience	(732)	2,320	(427)	(2,061)	(5,998)
Benefit Payments, Including Refunds of Member Contributions	(6,761)	(6,939)	(7,349)	(6,918)	(7,249)
Net Change in Total Pension Liability	**($2,643)**	**$366**	**($2,637)**	**($5,979)**	**$540**
Total Pension Liability – Beginning	$94,510	$94,144	$96,781	$102,760	$102,220
Adjustment to Beginning Amount	—	—	—	—	—
Total Adjusted Pension Liability – Beginning	**$94,510**	**$94,144**	**$96,781**	**$102,760**	**$102,220**
Total Pension Liability – Ending (a)	**$91,867**	**$94,510**	**$94,144**	**$96,781**	**$102,760**
Plan Fiduciary Net Position:					
Contributions – Employer	$92	$98	$250	$467	$516
Contributions – Member	21	22	91	82	94
Total Net Investment Income	15,098	7,013	7,860	5,486	5,048
Benefit Payments, Including Refunds of Member Contributions	(6,761)	(6,939)	(7,349)	(6,918)	(7,249)
Administrative Expenses	(450)	(550)	(324)	(671)	(575)
Net Change in Plan Fiduciary Net Position	**$8,000**	**($356)**	**$528**	**($1,554)**	**($2,166)**
Plan Fiduciary Net Position – Beginning	$114,048	$114,404	$113,876	$116,884	$119,050
Adjustments[2]	—	—	—	(1,454)	—
Total Adjusted Plan Fiduciary Net Position – Beginning	114,048	114,404	113,876	115,430	119,050
Plan Fiduciary Net Position – Ending (b)	122,048	114,048	114,404	113,876	116,884
Net Pension Asset (a) - (b)	**($30,181)**	**($19,538)**	**($20,260)**	**($17,095)**	**($14,124)**
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	**132.9%**	**120.7%**	**121.5%**	**117.7%**	**113.7%**
Covered Payroll	$267	$278	$655	$1,242	$1,360
Net Pension Asset as a Percentage of Covered Payroll	**(11,303.7%)**	**(7,028.1%)**	**(3,093.1%)**	**(1,376.4%)**	**(1,038.5%)**

(1) Information in this schedule is not available prior to 2014. Additional years will be added to this schedule in future fiscal years until 10 years of data is presented.
(2) Cumulative effect of CalPERS employer proportionate share of postemployment benefit obligations.

NOTES TO SCHEDULE

Change of Assumptions and Methods

In Fiscal Year 2020-21, there were no changes to the actuarial assumptions in relation to financial reporting. The CalPERS Board of Administration adopted a new amortization policy effective with the June 30, 2019, actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes, investment gains/losses, and non-investment gains/losses. These changes will apply only to new UAL bases established on or after June 30, 2019.

In Fiscal Year 2018-19, CalPERS implemented a new actuarial valuation software system for the June 30, 2018, valuation. This system refined and improved calculation methodology.

In December 2017, the Board adopted new mortality assumptions. The new mortality table was developed from the December 2017 experience study and includes 15 years of projected ongoing mortality improvement using 90 percent of

Required Supplementary Information (continued)

2016	2015	2014
6.00%	**6.00%**	**5.75%**
$608	$769	$732
5,978	6,427	6,465
—	(2,655)	—
(3,530)	(4,246)	—
(7,407)	(9,086)	(7,482)
($4,351)	**($8,791)**	**($285)**
$106,730	$115,521	$115,806
(159)	—	—
$106,571	**$115,521**	**$115,806**
$102,220	**$106,730**	**$115,521**
$549	$590	$565
97	105	113
4,545	(94)	15,372
(7,407)	(9,086)	(7,482)
(203)	(400)	(362)
($2,419)	**($8,885)**	**$8,206**
$121,469	$130,354	$122,148
—	—	—
121,469	130,354	122,148
119,050	121,469	130,354
($16,830)	**($14,739)**	**($14,833)**
116.5%	**113.8%**	**112.8%**
$1,313	$1,545	$1,470
(1,281.8%)	**(954.0%)**	**(1,009.0%)**

scale MP 2016 published by the Society of Actuaries. The inflation assumption was reduced from 2.75 percent to 2.50 percent. The assumptions for individual salary increases and overall payroll growth were reduced from 3.00 percent to 2.75 percent.

In Fiscal Year 2016-17, the financial reporting discount rate for the Legislators' Retirement Fund (LRF) was lowered from 6.00 percent to 5.25 percent. In April 2017, the Board approved lowering the funding discount rate used in the LRF from 5.75 percent to 5.00 percent beginning with the June 30, 2016, valuation reports. The funding discount rate includes a 25 basis-point reduction for administrative expenses, and the remaining decrease is consistent with the change in the financial reporting discount rate.

In Fiscal Year 2014-15, the financial reporting discount rate was increased from 5.75 percent to 6.00 percent resulting from eliminating the 25 basis-point reduction for administrative expenses. The funding discount rate remained at 5.75 percent during this period, and remained adjusted for administrative expenses.

Required Supplementary Information (continued)

SCHEDULES OF CHANGES IN NET PENSION LIABILITY/(ASSET) AND RELATED RATIOS (CONTINUED)

JRF – Eight-Year Review[1] (Dollars in Thousands)

	2021	2020	2019	2018	2017
Discount Rate Assumption	**1.92%**	**2.45%**	**3.13%**	**3.62%**	**3.56%**
Total Pension Liability:					
Service Cost	$17,861	$17,026	$20,073	$19,131	$22,733
Interest	64,480	79,719	99,428	109,395	115,067
Changes of Assumptions	179,421	218,683	153,651	(20,879)	(107,670)
Differences Between Expected and Actual Experience	40,007	(41,794)	86,873	(121,259)	(366,200)
Benefit Payments, Including Refunds of Member Contributions	(210,951)	(213,233)	(221,954)	(207,823)	(200,440)
Net Change in Total Pension Liability	**$90,818**	**$60,401**	**$138,071**	**($221,435)**	**($536,510)**
Total Pension Liability – Beginning	$3,235,471	$3,175,070	$3,036,999	$3,258,434	$3,794,944
Adjustment to Beginning Amount	—	—	—	—	—
Total Adjusted Pension Liability – Beginning	**$3,235,471**	**$3,175,070**	**$3,036,999**	**$3,258,434**	**$3,794,944**
Total Pension Liability – Ending (a)	**$3,326,289**	**$3,235,471**	**$3,175,070**	**$3,036,999**	**$3,258,434**
Plan Fiduciary Net Position:					
Contributions – Employer and General Fund[2]	$225,824	$243,131	$195,903	$199,241	$204,475
Contributions – Member	2,146	2,843	2,679	3,062	3,398
Total Net Investment Income	2,625	3,087	3,942	3,378	2,819
Benefit Payments, Including Refunds of Member Contributions	(210,951)	(213,233)	(221,954)	(207,823)	(200,440)
Administrative Expenses	(1,731)	(2,270)	(10,032)	(2,106)	(1,771)
Net Change in Plan Fiduciary Net Position	**$17,913**	**$33,558**	**($29,462)**	**($4,248)**	**$8,481**
Plan Fiduciary Net Position – Beginning	$43,727	$10,169	$39,631	$48,275	$39,794
Adjustments[3]	—	—	—	(4,396)	—
Total Adjusted Plan Fiduciary Net Position – Beginning	43,727	10,169	39,631	43,879	39,794
Plan Fiduciary Net Position – Ending (b)	61,640	43,727	10,169	39,631	48,275
Net Pension Liability (a) - (b)	**$3,264,649**	**$3,191,744**	**$3,164,901**	**$2,997,368**	**$3,210,159**
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	**1.9%**	**1.4%**	**0.3%**	**1.3%**	**1.5%**
Covered Payroll	$20,808	$22,875	$31,945	$35,507	$39,413
Net Pension Liability as a Percentage of Covered Payroll	**15,689.4%**	**13,953.0%**	**9,907.3%**	**8,441.6%**	**8,144.9%**

(1) Information in this schedule is not available prior to 2014. Additional years will be added to this schedule in future fiscal years until 10 years of data is presented.
(2) Includes State of California General Fund.
(3) Cumulative effect of CalPERS employer proportionate share of postemployment benefit obligations.

NOTES TO SCHEDULE

Change of Assumptions and Methods

In Fiscal Year 2020-21, the discount rate used to measure the total pension liability was 1.92 percent. The state funds the Judges' Retirement Fund (JRF) benefit obligations using the pay-as-you-go method. Member contributions plus state contributions are designed to cover only benefit payments and expenses each year. Under the pay-as-you-go method, the pension plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments of current active and inactive employees. Therefore, a discount rate of 1.92 percent, which falls within a reasonable range of yields on 20-year tax-exempt General Obligation Municipal Bonds with an average rating of AA (as reported in Fidelity Index's "20-Year Municipal GO AA Index") as of June 30, 2021, was applied to all periods of projected benefit payments to measure the total pension liability. There were no other changes to assumptions or methods in relation to financial reporting.

In Fiscal Year 2019-20, the discount rate used to measure the total pension liability was 2.45 percent. There were no other changes to assumptions or methods in relation to financing reporting.

In Fiscal Year 2018-19, the discount rate used to measure the total pension liability was 3.13 percent. CalPERS implemented a new actuarial valuation software system for the June 30, 2018, valuation. This new system refined and improved calculation methodology.

In Fiscal Year 2017-18, the discount rate used to measure the total pension liability was 3.62 percent. In December 2017, the Board adopted new mortality assumptions. The new mortality table was developed from the December 2017 experience study and includes 15 years of projected ongoing mortality improvement using 90 percent of scale MP 2016

2016	2015	2014
2.85%	**3.82%**	**4.25%**
$29,314	$25,372	$27,581
107,515	127,074	140,256
384,306	167,036	—
(59,421)	57,568	—
(199,349)	(201,868)	(193,935)
$262,365	**$175,182**	**($26,098)**
$3,532,394	$3,357,212	$3,383,310
185	—	—
$3,532,579	**$3,357,212**	**$3,383,310**
$3,794,944	**$3,532,394**	**$3,357,212**
$192,287	$180,910	$191,148
3,559	3,877	4,724
2,762	2,286	2,583
(199,349)	(201,868)	(193,935)
(642)	(1,227)	(1,141)
($1,383)	**($16,022)**	**$3,379**
$41,177	$57,199	$53,820
—	—	—
41,177	57,199	53,820
39,794	41,177	57,199
$3,755,150	**$3,491,217**	**$3,300,013**
1.0%	**1.2%**	**1.7%**
$34,301	$41,378	$54,649
10,947.6%	**8,437.4%**	**6,038.6%**

published by the Society of Actuaries. The inflation assumption was reduced from 2.75 percent to 2.50 percent. The assumptions for individual salary increases and overall payroll growth were reduced from 3.00 percent to 2.75 percent.

In Fiscal Year 2016-17, the discount rate used to measure the total pension liability was 3.56 percent. Assumption changes were made in the JRF June 30, 2016, valuation including a lowering of the rates of retirement to reflect that fewer actual retirements over the past six years than were assumed. In addition, pre-retirement termination and disability rates were removed due to low expected future terminations and disability retirements for this group.

In Fiscal Year 2015-16, the discount rate used to measure the total pension liability was 2.85 percent.

In Fiscal Year 2014-15, the discount rate used to measure the total pension liability was 3.82 percent. Changes to actuarial methods were made in the June 30, 2014, valuation including an increase in maximum benefit allowable for active members to 75 percent of pay from 65 percent of pay; the benefit payable for a termination changed from being equal to a retirement benefit to one equal to a percent (generally 3.75 percent) times years of service; and the allocated service for the nonmember spouse for a Qualified Domestic Relations Order changed to full service for the member in order to determine both eligibility and the benefit multiplier.

In Fiscal Year 2013-14, the discount rate used to measure the total pension liability was 4.25 percent. Changes to actuarial assumptions were made in the June 30, 2013, valuation. In February 2014, the Board adopted new mortality assumptions. The new mortality table was developed from the February 2014 Experience Study and includes 20 years of projected ongoing mortality improvement using the Scale BB table published by the Society of Actuaries.

Required Supplementary Information (continued)

SCHEDULES OF CHANGES IN NET PENSION LIABILITY/(ASSET) AND RELATED RATIOS (CONTINUED)

JRF II – Eight-Year Review[1] (Dollars in Thousands)

	2021	2020	2019	2018	2017
Discount Rate Assumption	**6.65%**	**6.65%**	**6.65%**	**6.65%**	**6.65%**
Total Pension Liability:					
Service Cost	$116,782	$114,486	$103,791	$95,843	$97,678
Interest	126,948	115,517	103,889	91,419	85,654
Changes of Assumptions	—	—	—	(41,763)	69,233
Differences Between Expected and Actual Experience	(10,975)	(2,797)	30,291	(26,876)	(26,382)
Benefit Payments, Including Refunds of Member Contributions	(61,994)	(34,547)	(36,204)	(31,795)	(22,406)
Net Change in Total Pension Liability	**$170,761**	**$192,659**	**$201,767**	**$86,828**	**$203,777**
Total Pension Liability – Beginning	$1,892,581	$1,699,922	$1,498,155	$1,411,327	$1,207,550
Adjustment to Beginning Amount	—	—	—	—	—
Total Adjusted Pension Liability – Beginning	**$1,892,581**	**$1,699,922**	**$1,498,155**	**$1,411,327**	**$1,207,550**
Total Pension Liability – Ending (a)	**$2,063,342**	**$1,892,581**	**$1,699,922**	**$1,498,155**	**$1,411,327**
Plan Fiduciary Net Position:					
Contributions – Employer	$84,147	$91,147	$84,099	$79,699	$67,102
Contributions – Member	34,094	35,796	31,376	27,513	25,076
Total Net Investment Income	463,478	80,074	106,781	101,820	115,057
Benefit Payments, Including Refunds of Member Contributions	(61,994)	(34,547)	(36,204)	(31,795)	(22,406)
Administrative Expenses	(1,703)	(2,552)	(1,477)	(2,370)	(1,683)
Net Change in Plan Fiduciary Net Position	**$518,022**	**$169,918**	**$184,575**	**$174,867**	**$183,146**
Plan Fiduciary Net Position – Beginning	$1,880,007	$1,710,089	$1,525,514	$1,356,099	$1,172,953
Adjustments[2]	—	—	—	(5,452)	—
Total Adjusted Plan Fiduciary Net Position – Beginning	1,880,007	1,710,089	1,525,514	1,350,647	1,172,953
Plan Fiduciary Net Position – Ending (b)	2,398,029	1,880,007	1,710,089	1,525,514	1,356,099
Net Pension Liability/(Asset) (a) - (b)	**($334,687)**	**$12,574**	**($10,167)**	**($27,359)**	**$55,228**
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	**116.2%**	**99.3%**	**100.6%**	**101.8%**	**96.1%**
Covered Payroll	$361,108	$352,700	$318,827	$299,396	$291,097
Net Pension Liability/(Asset) as a Percentage of Covered Payroll	**(92.7%)**	**3.6%**	**(3.2%)**	**(9.1%)**	**19.0%**

(1) Information in this schedule is not available prior to 2014. Additional years will be added to this schedule in future fiscal years until 10 years of data is presented.
(2) Cumulative effect of CalPERS employer proportionate share of postemployment benefit obligations.

NOTES TO SCHEDULE

Change of Assumptions and Methods

In Fiscal Year 2020-21, no changes have occurred to the actuarial assumptions in relation to financing reporting.

The CalPERS Board of Administration adopted a new amortization policy effective with the June 30, 2019, actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes, investment gains/losses, and non-investment gains/losses. These changes will apply only to new UAL bases established on or after June 30, 2019. In Fiscal Year 2019-20, no changes have occurred to the actuarial assumptions in relation to financial reporting.

CalPERS implemented a new actuarial valuation software system for the June 30, 2018, valuation. This system has refined and improved calculation methodology.

In December 2017, the Board adopted new mortality assumptions. The new mortality table was developed from the December 2017 experience study and includes 15 years of projected ongoing mortality improvement using 90 percent of scale MP 2016 published by the Society of Actuaries. The inflation assumption was reduced from 2.75 percent to 2.50 percent. The assumptions for individual salary increases and overall payroll growth were reduced from 3.00 percent to 2.75 percent.

In Fiscal Year 2016-17, the financial reporting discount rate for the Judges' Retirement Fund II (JRF II) was lowered from

Required Supplementary Information (continued)

2016	2015	2014
7.15%	**7.15%**	**7.00%**
$86,635	$81,679	$78,670
78,412	70,389	61,044
—	(14,883)	—
(4,546)	(17,319)	—
(21,704)	(14,040)	(8,950)
$138,797	**$105,826**	**$130,764**
$1,073,788	$967,962	$837,198
(5,035)	—	—
$1,068,753	**$967,962**	**$837,198**
$1,207,550	**$1,073,788**	**$967,962**
$65,839	$65,629	$57,027
24,598	22,242	20,413
20,810	(2,401)	150,168
(21,704)	(14,040)	(8,950)
(732)	(1,127)	(785)
$88,811	**$70,303**	**$217,873**
$1,084,142	$1,013,839	$795,966
—	—	—
1,084,142	1,013,839	795,966
1,172,953	1,084,142	1,013,839
$34,597	**($10,354)**	**($45,877)**
97.1%	**101.0%**	**104.7%**
$280,879	$259,133	$249,248
12.3%	**(4.0%)**	**(18.4%)**

7.15 percent to 6.65 percent. In April 2017, the Board approved lowering the funding discount rate used in the JRF II from 7.00 percent to 6.50 percent beginning with the June 30, 2016, valuation reports. The funding discount rate includes a 15 basis-point reduction for administrative expenses, and the remaining decrease is consistent with the change in the financial reporting discount rate.

In Fiscal Year 2014-15, the financial reporting discount rate was increased from 7.00 percent to 7.15 percent resulting from eliminating the 15 basis-point reduction for administrative expenses. The funding discount rate remained at 7.00 percent during this period, and remained adjusted for administrative expenses.

SCHEDULES OF PLAN CONTRIBUTIONS

Eight-Year Review[1] (Dollars in Thousands)

	2021	2020	2019	2018	2017
PERF B:					
Actuarially Determined Contribution	$2,969,799	$2,759,835	$2,501,770	$2,048,531	$1,767,813
Contributions in Relation to the Actuarially Determined Contribution	2,969,799	3,663,835	2,501,770	2,048,531	1,767,813
Contribution Excess	**$0**	**$904,000**	**$0**	**$0**	**$0**
Covered Payroll	$14,885,212	$14,447,159	$13,819,881	$13,252,995	$12,643,354
Contributions as a Percentage of Covered Payroll	20.0%	25.4%	18.1%	15.5%	14.0%
PERF C:					
Actuarially Determined Contribution	$1,921,032	$1,597,137	$1,333,559	$1,182,686	$858,954
Contributions in Relation to the Actuarially Determined Contribution[2]	2,504,112	1,971,737	1,586,007	1,418,316	956,558
Contribution Excess	**$583,080**	**$374,600**	**$252,448**	**$235,630**	**$97,604**
Covered Payroll	$4,371,563	$4,155,772	$3,949,226	$3,793,609	$3,631,919
Contributions as a Percentage of Covered Payroll	57.3%	47.4%	40.2%	37.4%	26.3%
LRF:					
Actuarially Determined Contribution[3]	$78	$98	$250	$20	$0
Contributions in Relation to the Actuarially Determined Contribution[4]	78	98	250	467	516
Contribution Excess	**$0**	**$0**	**$0**	**$447**	**$516**
Covered Payroll	$267	$278	$655	$1,242	$1,360
Contributions as a Percentage of Covered Payroll	29.2%	35.3%	38.2%	37.6%	37.9%
JRF:					
Actuarially Determined Contribution[5]	$366,446	$414,849	$415,110	$438,156	$448,636
Contributions in Relation to the Actuarially Determined Contribution[6]	225,824	243,131	195,903	199,241	204,475
Contribution Deficiency	**$140,622**	**$171,718**	**$219,207**	**$238,915**	**$244,161**
Covered Payroll	$20,808	$22,875	$31,945	$35,507	$39,413
Contributions as a Percentage of Covered Payroll	1,085.3%	1,062.9%	613.3%	561.1%	518.8%
JRF II:					
Actuarially Determined Contribution	$84,147	$91,147	$84,099	$79,699	$67,102
Contributions in Relation to the Actuarially Determined Contribution	84,147	91,147	84,099	79,699	67,102
Contribution Excess	**$0**	**$0**	**$0**	**$0**	**$0**
Covered Payroll	$361,108	$352,700	$318,827	$299,396	$291,097
Contributions as a Percentage of Covered Payroll	23.3%	25.8%	26.4%	26.6%	23.1%

(1) This is a 10-year schedule. Information in this schedule is not available prior to 2014. Additional years will be added to this schedule in future fiscal years until 10 years of data is presented.

(2) Additional discretionary contribution payments are not available prior to 2016.

(3) Does not agree to Basic Financial Statements due to an adjustment in 2021.

(4) Because of the provisions of the Public Employees' Pension Reform Act of 2013 (PEPRA), the required employer contribution is the greater of the actuarially determined employer contribution or the employer normal cost.

(5) The actuarially determined contributions 2016 and beyond are based on a 10-year amortization period, while the 2015 and 2014 actuarially determined contributions are based on a two-year amortization period.

(6) Contributions to the JRF are made on the pay-as-you-go basis.

Required Supplementary Information (continued)

2016	2015	2014
$1,421,289	$1,303,162	$1,201,125
1,421,289	1,303,162	1,201,125
$0	**$0**	**$0**
$11,747,602	$10,964,872	$10,120,248
12.1%	11.9%	11.8%
$789,103	$691,602	$732,142
881,767	691,602	732,142
$92,664	**$0**	**$0**
$3,472,950	$3,356,312	$3,248,018
25.4%	20.6%	22.5%
$141	$260	$33
549	590	565
$408	**$330**	**$532**
$1,313	$1,545	$1,470
41.8%	38.2%	38.4%
$463,073	$1,884,555	$1,569,630
192,287	180,910	191,148
$270,786	**$1,703,645**	**$1,378,482**
$34,301	$41,378	$49,287
560.6%	437.2%	387.8%
$65,839	$63,193	$55,538
65,839	63,193	55,538
$0	**$0**	**$0**
$280,879	$259,133	$249,248
23.4%	24.4%	22.3%

Required Supplementary Information (continued)

Actuarial Assumptions and Methods Used to Set the Actuarially Determined Contributions – Eight-Year Review

	2020-21	2019-20	2018-19	2017-18
PERF B				
Actuarial Cost Method	Individual Entry Age Normal	Individual Entry Age Normal	Individual Entry Age Normal	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll (pre-2019 bases), Level Dollar (2019 and later bases), and Direct Rate Smoothing	Level Percentage of Payroll and Direct Rate Smoothing	Level Percentage of Payroll and Direct Rate Smoothing	Level Percentage of Payroll and Direct Rate Smoothing
Remaining Amortization Periods[1]	10-29 years	11-30 years	12-30 years	13-30 years
Asset Valuation Method	Fair Value	Fair Value	Fair Value	Fair Value
Inflation	2.50%	2.63%	2.75%	2.75%
Salary Increases	Varies, Based on Entry Age and Service	Varies, Based on Entry Age and Service	Varies, Based on Entry Age and Service	Varies, Based on Entry Age and Service
Investment Rate of Return	7.00%	7.25%	7.38%	7.50%
PERF C				
Actuarial Cost Method	Individual Entry Age Normal	Individual Entry Age Normal	Individual Entry Age Normal	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll and Direct Rate Smoothing	Level Percentage of Payroll and Direct Rate Smoothing	Level Percentage of Payroll and Direct Rate Smoothing	Level Percentage of Payroll and Direct Rate Smoothing
Remaining Amortization Periods[1]	Differs by employer rate plan but no more than 30 years	Differs by employer rate plan but no more than 30 years	Differs by employer rate plan but no more than 30 years	Differs by employer rate plan but no more than 30 years
Asset Valuation Method	Fair Value	Fair Value	Fair Value	Fair Value
Inflation	2.50%	2.63%	2.75%	2.75%
Salary Increases	Varies, Based on Entry Age and Service	Varies, Based on Entry Age and Service	Varies, Based on Entry Age and Service	Varies, Based on Entry Age and Service
Investment Rate of Return	7.00%	7.25%	7.38%	7.50%
LRF				
Actuarial Cost Method	Individual Entry Age Normal	Individual Entry Age Normal	Individual Entry Age Normal	Individual Entry Age Normal
Amortization Method	Level Dollar and Direct Rate Smoothing	Level Percentage of Payroll and Direct Rate Smoothing	Level Percentage of Payroll and Direct Rate Smoothing	Level Percentage of Payroll and Direct Rate Smoothing
Remaining Amortization Periods[1]	N/A	N/A	30 years	30 years
Asset Valuation Method	Fair Value	Fair Value	Fair Value	Fair Value
Inflation	2.50%	2.50%	2.50%	2.75%
Salary Increases	2.75%	2.75%	2.75%	3.00%
Investment Rate of Return	5.00%	5.00%	5.00%	5.00%
JRF				
Actuarial Cost Method	Individual Entry Age Normal	Individual Entry Age Normal	Individual Entry Age Normal	Individual Entry Age Normal
Amortization Method	Level Dollar	Level Dollar	Level Dollar	Level Dollar
Remaining Amortization Periods	10 years	10 years	10 years	10 years
Asset Valuation Method	Fair Value	Fair Value	Fair Value	Fair Value
Inflation	2.50%	2.50%	2.50%	2.75%
Salary Increases	2.75%	2.75%	2.75%	3.00%
Investment Rate of Return	3.00%	3.00%	3.00%	3.25%
JRF II				
Actuarial Cost Method	Individual Entry Age Normal	Individual Entry Age Normal	Individual Entry Age Normal	Individual Entry Age Normal
Amortization Method	Level Dollar	Level Percentage of Payroll and Direct Rate Smoothing	Level Percentage of Payroll and Direct Rate Smoothing	Level Percentage of Payroll and Direct Rate Smoothing
Remaining Amortization Periods[1]	5 years	5-30 years	2-30 years	20-30 years
Asset Valuation Method	Fair Value	Fair Value	Fair Value	Fair Value
Inflation	2.50%	2.50%	2.50%	2.75%
Salary Increases	2.75%	2.75%	2.75%	3.00%
Investment Rate of Return	6.50%	6.50%	6.50%	6.50%

(1) Remaining periods vary by portion of unfunded liability balance being amortized.

Required Supplementary Information (continued)

2016-17	2015-16	2014-15	2013-14
PERF B			
Individual Entry Age Normal	Individual Entry Age Normal	Individual Entry Age Normal	Individual Entry Age Normal
Level Percentage of Payroll and Direct Rate Smoothing	Level Percentage of Payroll and Direct Rate Smoothing	Level Percentage of Payroll	Level Percentage of Payroll
14-30 years	15-30 years	16-30 years	17-30 years
Fair Value	Fair Value	Smoothing of Fair Value	Smoothing of Fair Value
2.75%	2.75%	2.75%	2.75%
Varies, Based on Entry Age and Service	Varies, Based on Entry Age and Service	Varies, Based on Entry Age and Service	Varies, Based on Entry Age and Service
7.50%	7.50%	7.50%	7.50%
PERF C			
Individual Entry Age Normal	Individual Entry Age Normal	Individual Entry Age Normal	Individual Entry Age Normal
Level Percentage of Payroll and Direct Rate Smoothing	Level Percentage of Payroll and Direct Rate Smoothing	Level Percentage of Payroll	Level Percentage of Payroll
Differs by employer rate plan but no more than 30 years	Differs by employer rate plan but no more than 30 years	Differs by employer rate plan but no more than 30 years	Differs by employer rate plan but no more than 30 years
Fair Value	Fair Value	Smoothing of Fair Value	Smoothing of Fair Value
2.75%	2.75%	2.75%	2.75%
Varies, Based on Entry Age and Service	Varies, Based on Entry Age and Service	Varies, Based on Entry Age and Service	Varies, Based on Entry Age and Service
7.50%	7.50%	7.50%	7.50%
LRF			
Individual Entry Age Normal	Individual Entry Age Normal	Individual Entry Age Normal	Individual Entry Age Normal
Level Percentage of Payroll and Direct Rate Smoothing	Level Percentage of Payroll and Direct Rate Smoothing	Level Percentage of Payroll	Level Percentage of Payroll
63 years	29-30 years	30 years	30 years
Fair Value	Fair Value	Smoothing of Fair Value	Smoothing of Fair Value
2.75%	2.75%	2.75%	2.75%
3.00%	3.00%	3.00%	3.00%
5.75%	5.75%	5.75%	5.75%
JRF			
Individual Entry Age Normal	Individual Entry Age Normal	Individual Entry Age Normal	Individual Entry Age Normal
Level Dollar	Level Dollar	Level Dollar	Level Dollar
10 years	10 years	2 years	2 years
Fair Value	Fair Value	Fair Value	Fair Value
2.75%	2.75%	2.75%	2.75%
3.00%	3.00%	3.00%	3.00%
4.25%	4.25%	4.25%	4.25%
JRF II			
Individual Entry Age Normal	Individual Entry Age Normal	Individual Entry Age Normal	Individual Entry Age Normal
Level Percentage of Payroll and Direct Rate Smoothing	Level Percentage of Payroll and Direct Rate Smoothing	Level Percentage of Payroll	Level Percentage of Payroll
30 years	30 years	16-30 years	17-30 years
Fair Value	Fair Value	Smoothing of Fair Value	Smoothing of Fair Value
2.75%	2.75%	2.75%	2.75%
3.00%	3.00%	3.00%	3.00%
7.00%	7.00%	7.00%	7.00%

SCHEDULE OF INVESTMENT RETURNS

Annual Money-Weighted Rate of Return, Net of Investment Expense – Eight-Year Review[1]

Plan	2021 Rate of Return	2020 Rate of Return	2019 Rate of Return	2018 Rate of Return	2017 Rate of Return	2016 Rate of Return	2015 Rate of Return	2014 Rate of Return
PERF A								
Agent	22.4%	5.0%	6.5%	8.4%	11.2%	0.5%	2.2%	17.7%
PERF B								
Schools Cost-Sharing	22.4%	5.0%	6.5%	8.4%	11.2%	0.5%	2.2%	17.7%
PERF C								
Public Agency Cost-Sharing	22.4%	5.0%	6.5%	8.4%	11.2%	0.5%	2.2%	17.7%
LRF	13.4%	6.2%	7.0%	4.8%	4.3%	3.8%	(0.1%)	12.9%
JRF	0.3%	2.3%	3.2%	1.9%	1.0%	0.5%	0.2%	0.1%
JRF II	24.3%	4.1%	6.9%	7.4%	9.6%	1.9%	(0.2%)	18.3%
CERBTF[2]	25.6%	4.0%	6.5%	7.3%	10.0%	1.6%	—%	—%
CEPPTF[3]	14.4%	—%	—%	—%	—%	—%	—%	—%

(1) This is a 10-year schedule. Information in this schedule is not available prior to 2014. Additional years will be added to this schedule in future years until 10 years of data is presented.
(2) Information in this schedule is not available prior to 2016.
(3) Information in this schedule is not available prior to 2021.

PUBLIC EMPLOYEES' HEALTH CARE FUND

Schedule of Claims Development Information (Dollars in Thousands)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
1) Net Earned Required Premium and Investment Revenues	$3,940,892	$3,772,501	$3,751,406	$3,985,393	$3,829,095	$3,801,266	$3,642,206	$2,808,384	$1,948,531	$1,912,355
2) Unallocated Expenses	$304,990	$331,235	$299,053	$304,408	$312,924	$355,779	$371,916	$192,987	$105,154	$96,043
3) Estimated Incurred Claims and Expenses, End of Policy Year	$3,750,063	$3,569,208	$3,666,596	$3,576,081	$3,391,183	$3,424,147	$3,432,102	$2,748,821	$1,921,957	$1,816,245
4) Paid (Cumulative) as of:										
End of Policy Year	$3,267,719	$3,111,826	$3,244,896	$3,039,289	$3,061,085	$3,000,726	$3,378,857	$2,122,865	$1,640,709	$1,635,839
One Year Later	—	3,482,260	3,620,210	3,380,649	3,395,673	3,406,016	3,802,277	2,678,906	1,796,587	1,788,135
Two Years Later	—	—	3,627,419	3,386,762	3,395,673	3,406,016	3,802,277	2,678,906	1,796,587	1,788,135
Three Years Later	—	—	—	3,386,762	3,395,673	3,406,016	3,802,277	2,678,906	1,796,587	1,788,135
Four Years Later	—	—	—	—	3,395,673	3,406,016	3,802,277	2,678,906	1,796,587	1,788,135
Five Years Later	—	—	—	—	—	3,406,016	3,802,277	2,678,906	1,796,587	1,788,135
Six Years Later	—	—	—	—	—	—	3,802,277	2,678,906	1,796,587	1,788,135
Seven Years Later	—	—	—	—	—	—	—	2,678,906	1,796,587	1,788,135
Eight Years Later	—	—	—	—	—	—	—	—	1,796,587	1,788,135
Nine Years Later	—	—	—	—	—	—	—	—	—	1,788,135
5) Re-Estimated Incurred Claims Expenses:										
End of Policy Year	$3,750,063	$3,569,208	$3,666,596	$3,576,081	$3,391,183	$3,424,147	$3,432,102	$2,748,821	$1,921,957	$1,816,245
One Year Later	—	3,482,260	3,620,210	3,380,649	3,395,673	3,406,016	3,802,277	2,678,906	1,796,587	1,788,135
Two Years Later	—	—	3,627,419	3,386,762	3,395,673	3,406,016	3,802,277	2,678,906	1,796,587	1,788,135
Three Years Later	—	—	—	3,386,762	3,395,673	3,406,016	3,802,277	2,678,906	1,796,587	1,788,135
Four Years Later	—	—	—	—	3,395,673	3,406,016	3,802,277	2,678,906	1,796,587	1,788,135
Five Years Later	—	—	—	—	—	3,406,016	3,802,277	2,678,906	1,796,587	1,788,135
Six Years Later	—	—	—	—	—	—	3,802,277	2,678,906	1,796,587	1,788,135
Seven Years Later	—	—	—	—	—	—	—	2,678,906	1,796,587	1,788,135
Eight Years Later	—	—	—	—	—	—	—	—	1,796,587	1,788,135
Nine Years Later	—	—	—	—	—	—	—	—	—	1,788,135
6) Increase (Decrease) in Estimated Incurred Claims and Expenses From End of Policy Year	$—	($86,948)	($39,177)	($189,319)	$4,490	($18,131)	$370,175	($69,915)	($125,370)	($28,110)

Rows 1 through 6 contain the following information:

(1) This line shows the total earned premium revenues and investment revenues for each fiscal year.

(2) This line shows other HCF operating costs, including overhead and claims expense not allocable to individual claims, for each fiscal year.

(3) This line shows the HCF incurred claims and allocated claim adjustment expenses (both paid and accrued) as reported at the end of the policy year. The policy year is the first year in which the triggering event under the contract occurred.

(4) This section shows the cumulative amounts paid as of the end of each policy year and years succeeding the policy year.

(5) This section shows re-estimated incurred claims as of the end of each policy year and years succeeding the policy year. Re-estimates are based on new information on new claims not previously reported.

(6) This line compares the amount of the re-estimated incurred claims to the amount initially established (line 3), and shows whether the re-estimate is greater or less than projected. As data mature for individual policy years, the correlation between initial estimates and re-estimates is used to evaluate the accuracy of incurred claims currently recognized.

Other Supplementary Information

ADMINISTRATIVE EXPENSES – ALL FUNDS (DOLLARS IN THOUSANDS)

	2021
PERSONAL SERVICES	
Salaries & Wages	$189,070
Employee Benefits	100,343
Accrued Pension & OPEB Expense	(14,117)
Total Personal Services	**$275,296**
CONSULTANT & PROFESSIONAL SERVICES	
State of California Agencies	$4,797
External Consultants	22,988
Retiree Benefit Trust Management Fees	90
Pension Prefunding Trust Management Fees	12
Deferred Compensation Management/Custody Fees	3,230
Health Plan Administrator Fees	266,684
Long-Term Care Administrator Fees	19,791
Total Consultant & Professional Services	**$317,592**
OPERATING EXPENSES & EQUIPMENT	
General Expense	$3,971
Software	1,340
Printing	235
Building	19,207
Postage	1,390
Communications	1,236
Data Processing Services	14,459
Travel	93
Training	290
Medical Examiners	1,339
Facilities Operation	2,322
Central Administrative Services	21,246
Administrative Hearings	1,318
Consolidated Data Center	338
CSUS Foundation - Students	170
Equipment	820
Total Operating Expenses & Equipment	**$69,774**
OTHER EXPENSES & ADJUSTMENTS	
Depreciation Expense	$17,558
Increase in Paid Absence Obligation	7,248
Amortization	71,658
Miscellaneous	6,488
Total Other Expenses & Adjustments	**$102,952**
TOTAL ADMINISTRATIVE EXPENSES — ALL FUNDS	**$765,614**

The total pension administration cost in Fiscal Year 2019-20 (most recent available) was $217 per active member and annuitant.

Other Supplementary Information (continued)

INVESTMENT EXPENSES – ALL FUNDS

Investment Management Fees[1,2] (Dollars in Thousands)

	Fees
Equity Managers	
Arrowstreet Capital, LP	$14,565
Baillie Gifford Overseas, Ltd.	950
Hamilton Lane Advisors, LLC	233
J.P. Morgan Investment Management, Inc.	61
Lazard Asset Management, LLC	353
Legato Capital Management Investments, LLC	2,584
State Street Global Advisors	6,151
Strategic Investment Management, LP	20
Wellington Management Company, LLP	3,490
Total Equity Managers	**$28,407**
Fixed Income Managers	
Columbia Management Investment Advisers	$5,211
Nomura	5,779
Total Fixed Income Managers	**$10,990**
Private Equity Managers[3,4]	
57 Stars Global Opportunities Fund 2 (CalPERS), LLC	$812
57 Stars Global Opportunities Fund, LLC	463
Aberdare Ventures IV, LP	5
Advent International GPE IX Limited Partnership	8,250
Advent International GPE V-D, LP	80
Advent International GPE VI-A, LP	812
Advent International GPE VII-C, LP	3,137
Advent International GPE VIII-B Limited Partnership	6,397
Advent Latin America Private Equity Fund IV-D, LP	312
Advent Latin America Private Equity Fund V-H, LP	647
Advent Latin American Private Equity Fund III-D, LP	90
AlpInvest Secondaries Fund (onshore) VII, LP	3,735
Apollo Investment Fund IX, LP	5,439
Apollo Investment Fund VII, LP	142
Apollo Investment Fund VIII, LP	1,507
Apollo Special Opportunities Managed Account, LP	290
Ares Corporate Opportunities Fund V, LP	4,973
ASF VIII B, LP	7,424
Asia Alternatives Capital Partners II, LP	66
Avatar North America Investors, LP	16
Baring Vostok Private Equity Fund IV, LP	4
BDC III C, LP	1,213
BDC IV D, LP	958
BE VI 'H' LP	5,410
Birch Hill Equity Partners (US) IV, LP	761
Blackstone Capital Partners VI, LP	1,255
Blackstone Capital Partners VII, LP	4,322
Blackstone Capital Partners VIII, LP	4,194
Blackstone Tactical Opportunities Fund - C, LP	2,660
Blackstone Tactical Opportunities Fund (KG Co-Invest), LP	453
Blackstone Tactical Opportunities Fund (T4U Co-Invest), LP	142

	Fees
Blackstone Tactical Opportunities Fund II - C, LP	$2,457
Blackstone Tactical Opportunities Fund III - C (Surge), LP	493
Blackstone Tactical Opportunities Fund III - C, LP	1,635
Bridgepoint Europe IV 'B', LP	104
Bridgepoint Europe IV 'D', LP	395
Bridgepoint Europe V	2,524
California Asia Investors, LP	151
California Emerging Ventures IV, LLC	275
California Mezzanine Investment Fund, LP	313
Capital Link Fund I, LLC	382
Capital Link Fund II, LLC	380
Carlyle Asia Growth Partners IV, LP	132
Carlyle Asia Partners III, LP	262
Carlyle Asia Partners V, LP	3,250
Carlyle Europe Partners III, LP	(40)
Carlyle Europe Partners V, S.C.Sp	4,025
Carlyle Japan Partners II, LP	8
Carlyle Partners V, LP	(74)
Carlyle Partners VI, LP	2,645
Carlyle Partners VII, LP	6,620
Carlyle Strategic Partners II, LP	22
Carlyle Strategic Partners IV, LP	1,651
Carlyle U.S. Equity Opportunities II, LP	1,709
CDH Fund V, LP	2,554
Centerbridge Capital Partners III, LP	1,231
Cerberus CAL II Partners, LP	1,869
Cerberus CAL III Partners, LP	3,696
Cerberus CP Partners, LP	(777)
Cerberus Institutional Partners V, LP	94
Clayton, Dubilier & Rice Fund X, LP	734
Clayton, Dubilier & Rice Fund XI, LP	3,001
Clearlake Capital Partners III, LP	190
Clearlake Capital Partners IV, LP	504
Clearlake Capital Partners V, LP	508
Clearlake Opportunities Partners (P), LP	609
Clearwater Capital Partners Fund II Holdings, LP	9
CVC Capital Partners Asia V, LP	2,707
CVC Capital Partners Strategic Opportunities Compounding Capital, LP	7,550
CVC Capital Partners VI, LP	4,459
CVC Capital Partners VII (A), LP	7,461
CVC Credit Strategic Investment A, LP	1
EMAlternatives Investments, LP	200
EQT IX (No.2) USD SCSp	4,582
Essex Woodlands Health Ventures Fund VIII, LP	469
EW Healthcare Partners Acquisition Fund, LP	56
First Reserve Fund XIII, LP	1,635
Francisco Partners Agility II, LP	545
Francisco Partners III, LP	398
Francisco Partners VI, LP	1,692

Other Supplementary Information (continued)

INVESTMENT EXPENSES – ALL FUNDS (CONTINUED)

Investment Management Fees[1,2] (Dollars in Thousands) (continued)

	Fees
GCM Grosvenor DEM II, LP	$634
GCM Grosvenor DEM III, LP	1,594
GCM Grosvenor DEM, LP	314
GPE IX Forescout Co-Investment, LP	34
GPE IX TKE Co-Investment, LP	13
Green Equity Investors V, LP	(73)
Green Equity Investors VIII, LP	1,482
GSO Capital Opportunities Fund II, LP	393
GSO Capital Solutions Fund II, LP	1,114
GSO Energy Partners-C II, LP	1,351
GSO Energy Partners-C, LP	1,717
H&F ARROW 1, LP	15
Hellman & Friedman Capital Partners IX, LP	2,762
Hellman & Friedman Capital Partners VII	392
Hellman & Friedman Capital Partners VIII, LP	3,330
Insight Partners XI, LP	6,996
Insight Venture Partners Growth-Buyout Coinvestment Fund (B), LP	3,033
Insight Venture Partners IX, LP	1,673
Insight Venture Partners X, LP	3,769
Ithaca, LP	—
Jade Equity Investors, LP	1,694
Khosla Ventures III, LP	1,093
Khosla Ventures Seed, LP	600
KKR 2006 Fund, LP	(69)
KKR Asian Fund II, LP	1,448
KKR Asian Fund IV SCSp	2,529
KKR Asian Fund, LP	15
KKR European Fund II, LP	11
KKR European Fund III, LP	138
KKR European Fund V (USD) SCSp	1,046
KM Corporate Partners Fund II, LP	231
Lime Rock Partners V, LP	20
Lindsay Goldberg IV, LP	1,077
Lindsay Goldberg V, LP	1,545
Lion Capital Fund II, LP	71
LongRange Capital Fund I, LP	5,546
Madison Dearborn Capital Partners VIII, LP	6,000
MHR Institutional Partners III, LP	419
New Mountain Partners VI, LP	4,268
Newbridge Asia IV, LP	97
Oak Hill Capital Partners III, LP	103
Oaktree Latigo Investment Fund, LP	882
Oaktree Opportunities Fund VIIIb, LP	1,183
OHA Black Bear Fund, LP	2,059
Onex Partners IV, LP	1,565
Onex Partners V (B), LP	8,254
PAG Asia I, LP	451
PAG Asia III, LP	6,650

	Fees
Palladium Equity Partners III, LP	($1,517)
Palladium Equity Partners V, LP	1,305
Patria Brazilian Private Equity Fund V, LP	2,506
Permira Growth Opportunities I, LP 1	2,500
Permira V, LP	2,176
Permira VI, LP 1	4,179
Permira VII, LP 1	8,360
RFG Private Equity Limited Partnership No. 1A, 1B and 1C	—
Riverstone Global Energy and Power Fund V, LP	2,406
Riverstone Global Energy and Power Fund VI, LP	7,094
Riverstone/Carlyle Global Energy and Power Fund IV, LP	346
Riverstone/Carlyle Renewable & Alternative Energy Fund II, LP	405
Riverwood Capital Partners (Parallel - A), LP	288
SAIF Partners III, LP	574
SAIF Partners IV, LP	1,151
Samson Brunello 1, LP	1
Samson Hockey 1, LP	26
Sankaty Managed Account (CalPERS), LP	1,127
Silver Lake Partners III, LP	(35)
Silver Lake Partners IV, LP	2,019
Silver Lake Partners V, LP	2,737
Silver Lake Partners VI, LP	7,401
Siris Partners III, LP	894
Siris Partners IV, LP	1,676
SL SPV-1, LP	381
SL SPV-2, LP	280
Tailwind Capital Partners II, LP	407
Tailwind Capital Partners III, LP	1,391
TCV X, LP	3,063
TCV XI, LP	75
The Central Valley Fund II SBIC, LP	149
The Rise Fund (A), LP	662
TowerBrook Investors III, LP	7
TowerBrook Investors IV (Onshore), LP	2,417
Towerbrook Investors V (Onshore), LP	5,616
Towerbrook Structured Opportunities Fund (Onshore), LP	1,769
Towerbrook Structured Opportunities Fund II (Onshore), LP	1,096
TPG Asia VII (A), LP	4,202
TPG Growth IV, LP	1,025
TPG Growth V, LP	1,668
TPG Healthcare Partners, LP	1,272
TPG Partners VIII, LP	6,362
Trident VI	2,139
Trident VII, LP	3,618
Trident VIII, LP	5,953
Triton Fund IV, LP	895
Triton Fund V, LP	3,681
T-VI Co-Invest-A, LP	(91)

Other Supplementary Information (continued)

INVESTMENT EXPENSES – ALL FUNDS (CONTINUED)

Investment Management Fees[1,2] (Dollars in Thousands) (continued)

	Fees
Valor Equity Partners IV, LP	$1,158
VantagePoint Venture Partners 2006 (Q), LP	361
Vicente Capital Partners Growth Equity Fund, LP	(5)
VIP IV, LP	2,531
Vista Equity Partners Fund VII-Z, LP	5,774
WCAS XIII, LP	5,431
Wellspring Capital Partners V, LP	235
Welsh, Carson, Anderson & Stowe XI, LP	46
Welsh, Carson, Anderson & Stowe XII, LP	2,629
Wigmore Street (BDC III), LP	1
Wigmore Street Co-investment No.1, LP	1
Wigmore Street VI Co-Investment No.1, LP	102
Total Private Equity Managers	**$334,654**
Real Asset Managers	
Alinda Infrastructure Fund II, LP	$293
ARA China Long Term Hold	6,905
Archmore International Infrastructure Fund II (B), LP	412
Archmore International Infrastructure Fund II (C), LP	874
Blackstone BioMed Life Science Real Estate, LP	1,603
Blackstone Property Partners Europe, LP	7,406
CalEast Solstice - Base	11,950
CalEast Solstice - DT Land	480
CalEast Solstice - DT Other	2,071
CalWest CalPERS GIP	80
Canyon Catalyst Fund II, LLC	1,358
CCF II Industrial	387
CCF III Industrial	737
CCF III, LLC	1,109
CCP 2020	2,113
CIM Fund III, LP	4,091
CIM Infrastructure Fund, LP	2,757
Fairmont Residential Owner, LLC	152
FSP - Base	26,550
FSP - DT 2012 and Beyond	162
Global Infrastructure Partners II, LP (GIP II)	2,554
Global Infrastructure Partners IV-A/B, LP	6,047
Golden Reef Infrastructure Trust	4,678
Gotham Office Realty Partnership	719
GRI - Base	17,987
GRI - DT 2012 and Beyond	128
Harbert Gulf Pacific Power, LLC (HGPP)	5,776
Harbert Infrastructure Fund VI, LP	917
Harbert Power Fund V, LP (HPF V)	1,013
HC Green Development Fund, LP	406
HC LTH, LLC	4,992
HCC Interests, LP	39
IHP Investment Fund III, LP	1,000
IMI - Base	23,173
IMP - Base	28,037

	Fees
IMP - DT 2012 and Beyond	$2,151
IMP - ICMI	3,470
IMP Abaca	594
IMP Fairmont Residential Owner, LLC	91
Institutional Logistics Partners, LLC	6,580
JP Morgan Infrastructure Investments Fund, LP	1,875
KC 2011, LLC	91
Land Management Company Resmark	2,931
Land Management Company, LLC	6
Lincoln Timber, LP	3,292
North Haven Infrastructure Partners II, LP	1,631
Pacific Multifamily Investors, LLC	6,554
PMI Tactical	371
Sacramento Venture - Base	110
Sacramento Venture - DT	106
Sacramento Venture Hines Base	444
Sacramento Venture Hines DT	432
Stockbridge Hollywood Park Co-Investors, LP	314
Stockbridge Real Estate Fund II - B, LP	33
Strategic Property Fund Asia SCSP	1,338
Sylvanus, LLC	1,938
TechCore 2019	502
TechCore, LLC	9,351
Tower Bridge Infrastructure Partners, LP	5,698
Whitney Ranch Resmark	148
Total Real Asset Managers	**$219,007**
Other Investment Management Fees	
Antares Credit Opportunities CA, LLC	$265
AQR	917
Ares Capital Europe V (D) Levered	215
Blackstone Real Estate Debt Strategies IV - C LP	1,254
Brookside Capital Partners Fund, LP	2
Federated Redwood Trade Finance Fund, LP	65
FIAM Fidelity Investments	—
Oaktree Gilead Investment Fund, LP - Series A	360
OZ Eureka Fund, LP	38
PIMCO DISCO Fund III Onshore Feeder, LP	280
Sixth Street Fundamental Strategies Partners (A), LP	74
TSSP Adjacent Opportunities Partners (B), LP	760
West Street Co-Investment Partners (C), LP	50
West Street Strategic Solutions Fund I, LP	841
Total Other Investment Management Fees	**$5,121**
Total Management Fees	**$598,179**

Other Supplementary Information (continued)

INVESTMENT EXPENSES – ALL FUNDS (CONTINUED)

Performance Fees[5] (Dollars in Thousands)

	Fees
Equity Managers	
Baillie Gifford Overseas, Ltd.	$16,875
Total Equity Managers	**$16,875**
Fixed Income Managers	
Pacific Investment Management Co., LLC	$435
Total Fixed Income Managers	**$435**
Real Asset Managers	
Blackstone BioMed Life Science Real Estate, LP	$2,698
Blackstone Property Partners Europe, LP	11,277
Canyon Catalyst Fund II, LLC	(2,756)
Canyon Johnson Urban Fund, III	(1)
CCF II Industrial	679
CIM Infrastructure Fund, LP	10,340
CIM Urban Real Estate Fund, LP	(1,134)
FSP - Base	17,523
FSP - DT 2012 and Beyond	(622)
Global Infrastructure Partners II, LP (GIP II)	8,680
GRI - Base	10,970
Harbert Gulf Pacific Power, LLC (HGPP)	7,747
Harbert Power Fund V, LP (HPF V)	1,700
HC Green Development Fund, LP	(1,735)
IMI - Base	(4,075)
IMP - Base	18,008
IMP - DT 2012 and Beyond	(2,819)
IMP - ICMI	2,811
IMP Abaca	389
Institutional Logistics Partners, LLC	5,294
Ivy Investment Vehicle LDC	24
KC 2011, LLC	1,498
ORA Multifamily Investments I, LLC	(1,009)
ORA Residential Investments I, LP	1,292
Pacific Multifamily Investors, LLC	2,148
Sacramento Venture - Base	96
Sacramento Venture - DT	107
TechCore 2019	251
TechCore, LLC	16,776
Total Real Asset Managers	**$106,157**
Other Investment Managers	
Brookside Capital Partners Fund, LP	$1
Total Other Investment Managers	**$1**
Total Performance Fees	**$123,468**
Total Management and Performance Fees	**$721,647**

Other Supplementary Information (continued)

INVESTMENT EXPENSES – ALL FUNDS (CONTINUED)

Other Investment Expenses[1,5] (Dollars in Thousands)

	Fees
Advisory Fees	
Goldman Sachs Asset Management, LP	$79
Legato Capital Management Investments, LLC	1,750
Principal Life Insurance Company	841
TOBAM SAS	50
Total Advisory Fees	**$2,720**
Appraisal Fees	
RERC, LLC	$7,015
Total Appraisal Fees	**$7,015**
Auditor Fees	
Conrad, LLP	$120
KPM & Associates, LLP	91
Total Auditor Fees	**$211**
Company Expense	
Federated Redwood Trade Finance Fund, LP	$114
FIS CalBear Fund, LLC	2
Legato Capital Management Investments, LLC	241
LEIA GEM Investment, LLC	46
PIMCO DISCO Fund III Onshore Feeder, LP	187
Strategic Investment Group, LLC	56
Universa Investments, LP	(10)
Total Company Expense	**$636**
Fund Administration Fees	
State Street Bank and Trust Company	$3,355
Total Fund Administration Fees	**$3,355**
Investment Consultant Fees	
Bard Consulting, LLC	$385
BDO USA, LLP	26
Callan, LLC	841
Crosswater Advisors, LLC	32
Funston Advisory Services, LLC	(142)
Greenhill & Co., LLC	(1)
HHS Technology Group, LLC	52
Mckinsey & Company, Inc.	999
Mercer Investments, LLC	134
MSys International Inc.	182
Nxtis, Inc.	233
Performance Technology Partners, LLC	60
Propoint Technology, Inc.	2,299
Pyramid Technical Consultants, Inc.	333
RCLCO Fund Advisors, LLC	26
Real Estate Fiduciary Services, LLC	98
SPS Consulting Services, LLC	218
SRI InfoTech, Inc.	184
Technology Crest Corporation	200
The Spaulding Group	87

	Fees
Trinity Technology Group, Inc.	($3)
Wellington Management Company, LLP	125
Total Investment Consultant Fees	**$6,368**
Legal Fees	
Berman Tabacco	$10
Cox, Castle & Nicholson, LLP	47
DLA Piper, LLP	505
Downey Brand, LLP	1
Durie Tangri, LLP	(2)
Foster Pepper, PLLC	396
Hogan Lovells, US LLP	122
K & L Gates, LLP	242
Katten Muchin Rosenman, LLP	—
Morgan, Lewis & Bockius, LLP	270
Nixon Peabody, LLP	—
Nossaman, LLP	41
Orrick Herrington & Sutcliffe, LLP	13
Pennington, LLP	(8)
Pillsbury Winthrop Shaw Pittman, LLP	544
Reed Smith, LLP	8
Seward & Kissel, LLP	—
Stoel Rives, LLP	—
Wilson Sonsini Goodrich & Rosati	11
Total Legal Fees	**$2,200**
Master Custodian Fees	
State Street Bank and Trust Company	$8,940
Total Master Custodian Fees	**$8,940**
Tax Advisory Fees	
Ernst & Young, LLP	$638
Total Tax Advisory Fees	**$638**
Technology Expenses	
13D Research, Inc.	$70
A.M. Best Company, Inc.	3
Abel Noser Solutions, LLC	24
Acadiasoft, Inc.	9
Altus Group US, Inc.	340
Axioma, Inc.	355
Babelfish Analytics, Inc.	35
Barra, LLC	2,527
BCA Research	267
BDO USA, LLP	24
BlackRock Financial Management, Inc.	9,912
Bloomberg Index Services Limited	216
Bloomberg, LP	3,663
Broadridge Investor Communications	16
Cambridge Associates, LLC	21
Carahsoft Technology Corp.	867

Other Supplementary Information (continued)

INVESTMENT EXPENSES – ALL FUNDS (CONTINUED)

Other Investment Expenses[1,5] (Dollars in Thousands) (continued)

	Fees
CDP Europe Services	$7
CEM Benchmarking, Inc.	65
Charles River Systems, Inc.	4,312
Clarity Solutions Group, LLC	85
Convergence, Inc.	25
Copyright Clearance Center, Inc.	51
Cornerstone Macro, LLC	140
CoStar Realty Information, Inc.	186
Creditsights	165
DTCC ITP, LLC	160
eFront Financial Solutions, Inc.	1,525
eMBS, Inc.	9
Empirical Research Partners, LLC	435
Equilar, Inc.	32
Eurasia Group	148
Euromoney Trading Limited	20
eVestment Alliance	39
Factset Research Systems, Inc.	2,497
Fan Asset Management, LLC	41
Fitch Solutions, Inc.	479
Frank Russell Company	32
FTSE	805
Gartner, Inc.	239
Gavekal Capital Management Limited	46
Glass Lewis & Co., LLC	506
Global Investor Collaboration Services, LLC	5
Green Street Advisors	155
Haver Analytics, Inc.	133
ICE Benchmark Administration Limited	16
Ice Data Derivatives UK, Limited	37
IHS Global, Inc	21
Institutional Shareholder Services, Inc.	185
Intercontinental Exchange Holdings, Inc.	—
Intex Solutions, Inc.	228
Investment Property Databank	74
IPC Systems, Inc.	300
Kyriba Corporation	79
London Stock Exchange PLC	45
Longtail Research, LLC	100
Markit Indices Limited	30
Markit North America, Inc.	104
Microsoft Services	(3)
Moody's Analytics, Inc.	458
Mountainview Analytics, LLC	10
MRI Software, LLC	102
MSCI, Inc.	1,962
MUFG Capital Analytics, LLC	6,159
NYSE Market, Inc.	3
Option Research & Technology Services, LLC	56
Options Price Reporting Authority	2
Oxford Economics USA, Inc.	32
Preqin Limited	45

	Fees
Radianz Americas, Inc.	$218
Real Capital Analytics, Inc.	99
Refinitiv US, LLC	165
RIMES Technologies Corporation	292
RiskVal Financial Solutions, LLC	60
Ryedale Europe Limited	730
S & P Global Market Intelligence, LLC	1,271
S&P Dow Jones Indices, LLC	61
SWIFT	28
SASB Foundation	2
State Street Bank and Trust Company	1,519
StepStone Group, LP	225
Stone & Kanto, LLC	6
STOXX Ltd.	17
The Burgiss Group, LLC	133
The Depository Trust & Clearing Corp	17
The Mathworks, Inc.	90
The Statestore, Inc.	12
The Yield Book, Inc.	278
Tradeweb, LLC	168
Trend Macrolytics, LLC	17
TRGRP, Inc.	271
TriOptima AB	29
TSX, Inc.	43
Viola Risk Advisors, LLC	10
Wellington Management Company, LLP	125
William O'Neil & Company	23
Wood Mackenzie, Inc.	229
Workato, Inc.	63
Yardeni Research, Inc.	19
Total Technology Expenses	**$46,956**
Internal Investment Personnel and Administrative Expenses	
Internal Investment Personnel and Administrative Expenses	$95,431
Total Internal Investment Personnel and Administrative Expenses	**$95,431**
Miscellaneous Investment Expense Fees	
Miscellaneous Investment Expense Fees	$379
Transaction Fees	122,385
Total Miscellaneous Investment Expense Fees	**$122,764**
Total Other Investment Fees and Expenses	**$297,234**
Total Investment Expenses - All Funds	**$1,018,881**

(1) Expenses and fees less than a thousand dollars are indicated by a dash.
(2) Negative management fees are due to adjusting entries.
(3) CalPERS makes a good faith attempt to account for fees that are not readily separable. These management fees are net of management fee offsets. For more detail, review the Private Equity Management Fees & Profit Sharing table in the Investment Section.
(4) Investments listed reflect only those investments with management fees, rebates, offsets, and/or carried interest incurred within the fiscal reporting period.
(5) Negative performance fees are due to the reversal of accruals caused by the fluctuation in fair values.
(6) Negative expenses are due to market fluctuations, adjusting entries, and reimbursements.

Other Supplementary Information (continued)

CONSULTANT AND PROFESSIONAL SERVICES EXPENSES[1] – ALL FUNDS (DOLLARS IN THOUSANDS)

Individual or Firm	Fees	Nature of Services
AgreeYa Solutions, Inc.	$246	Information Technology, Consulting and Support Services
American Unit, Inc.	165	Information Technology, Consulting and Support Services
Anthem Blue Cross	122,015	Medical Claims Administration, Account Management, Behavioral, Provider Network, Audit, Innovation and Development, Wellness, Prevention and Disease Management Services
BDO USA, LLP	3,022	Auditor Services
Belmonte Enterprises, LLC	239	Application Development
Berman Tabacco	(381)	Succession and Workforce Planning
Blue Shield of California	50,942	Medical Claims Administration, Account management, Behavioral, Provider Network, Audit, Innovation and Development, Wellness, Prevention and Disease Management Services
BM Associates, Inc.	244	Network Architecture Services
Buck Global, LLC	478	Actuarial Services
Capio Group	866	Application Development
CogentTec, LLC	191	Consulting Services for myCalPERS Support
Cornerstone Fitness, Inc.	105	Employee Training and Development
Delegata Corporation	160	Application Development
Department of Human Resources	156	Legal Services, Selection Services Online System Costs, Administrative Fees
Department of Industrial Relations	34	Workers Compensation and Fraud Assessments, Subsequent Injury Benefits Trust Fund and Other Assessments
Department of Justice	147	Legal and Paralegal Services, External Investigative Services
Dore Partnership, LLC	137	Executive Search and Advisory
Durie Tangri, LLP	2,799	Legal Services
Elegant Enterprise Wide Solutions, Inc.	132	Information Technology, Consulting and Support Services
Elite Tech Solutions	198	Actuarial Valuation Systems Support
Elynview Corporation	205	Data Base Administration, Systems Analysis, Design, Implementation, Maintenance and Support
Employment Development Department	358	Print and Mailing of 1099R
Equanim Technologies	397	Business Process Re-engineering, Project Management Services, Technical Writing
Faegre Drinker Biddle & Reath, LLP	26	Legal Services
First Data Merchant Services Corporation	102	Banking Services
Global Governance Advisors, LLC	76	Board Compensation Consultant
Government Operations Agency	354	Operations and Strategic Business Planning
Health Net of California	14,630	Medical Claims Administration, Account Management, Behavioral, Provider Network, Audit, Innovation and Development, Wellness, Prevention and Disease Management Services
Health Services Advisory Group, Inc.	284	Health Care Survey Services
inContact, Inc.	(64)	Information Technology Services, New Solution for the Contact Center
Innovative Software Technologies, Inc.	87	Specialized IT Support Services for Actuarial Systems/Business
Integrity Voting Systems (IVS)	120	Board Election Services
J & K Court Reporting, LLC	62	Legal Services
JLynn Consulting, Inc.	650	Information Services
K&L Gates, LLP	434	Legal Services
KearnFord Application Systems Design	226	Business Transformation/Transition, Information Services, Release Management/Quality Assurance/ Configuration Management
King & Spalding, LLP	724	Legal Services
Kong Consulting, Inc.	541	Systems Analysis, Design, Implementation, Maintenance and Support
Long Term Care Group, Inc.	19,340	Billing, Banking, Claims Administration, Care Advisory, Enrollment, Customer and Specialist, Reporting, Data Feed Services, IT Services, Marketing Consultant, Third-Party Member Record Keeper
Matrix Software Services	34	Data Base Administration, Systems Analysis, Design, Implementation, Maintenance and Support
Mellon Bank	337	Banking Services
Mercer Health and Benefits	529	Health Care and Actuarial Consulting
Michael Scales Consulting, LLC	212	Application Development
Milliman, Inc.	2,797	Project Management Services

Other Supplementary Information (continued)

CONSULTANT AND PROFESSIONAL SERVICES EXPENSES[1] – ALL FUNDS (DOLLARS IN THOUSANDS) (CONTINUED)

Individual or Firm	Fees	Nature of Services
Mulkey Consulting, LLC	$31	Health Care Consulting
National Association Corporate Directors	20	Board Evaluations
Northeast Retirement Services	102	Third-Party Member Record Keeper
Nossaman, LLP	59	Legal Services
Olson Remcho, LLP	252	Election Services
OptumRx	19,024	Pharmacy Claims Administration, Account Management, Eligibility, Retail and Other Reporting Services
Orrick Herrington & Sutcliffe, LLP	244	Legal Services
Pasanna Consulting Group, LLC	1,058	Application Development, Data Base Administration, IT Architecture, Systems Analysis, Design, Implementation, Maintenance and Support
Perspecta State and Local, Inc.	183	Data Base Administration, Systems Analysis, Design, Implementation, Maintenance and Support
QualApps, Inc.	679	Application Development, IT Architecture
Randle Communications, LLC	420	Media Training, Writing, Editorial, Marketing, and Crisis Communication Services
Recon Distribution, Inc.	28	Exhibition Management
RS3 Consulting	199	Information Services, Application Development
RSC Insurance Brokerage, Inc.	506	Actuarial Consulting Services
Runyon Saltzman, Inc.	21	Writing, Editorial and Marketing Services
Saba Software, Inc.	85	Employee Training and Development
Sard Verbinnen & Co, LLC	461	Communication Consulting Services
Sharp Health Plan	7,991	Medical Claims Administration, Account Management, Behavioral, Provider Network, Audit, Innovation and Development, Wellness, Prevention and Disease Management Services
Skadden, Arps, Slate, Meagher & Flom, LLP	65	Legal Services
Slalom, LLC	43	Information Technology Services, Applications Migration
Sophus Consulting	150	Legal Services
SPH Analytics	88	Medical Consulting Services
State Controller's Office	5,442	Account Management, Information Technology, Other Post Employment Benefits, General Administrative Services, and Premium Remittance Services
State Personnel Board	88	Compliance Review, Audit, and Processing of Appeals and Complaints
State Treasurer's Office	24	Money Wiring Services
Steptoe & Johnson, LLP	259	Legal Services
T5 Consulting	610	Application Development, Information Services, IT Architecture
Take 1 Productions	81	Video and Multimedia Production Services
The Highlands Consulting Group, LLC	29	Project Management Services
The RAND Corporation	25	Reference Based Pricing Drug Program
The Regents of the University of California	795	Organizational and Leadership Development
Toppan Merrill, LLC	64	Printing of Open Enrollment Materials and Dissemination
Trinity Technology Group, Inc.	438	Application Development, Business Intelligence and Reporting, Information Services
United HealthCare	44,539	Medical Claims administration, Account Management, Behavioral, Provider Network, Audit, Innovation and Development, Wellness, Prevention and Disease Management Services
Vantage Consulting Group, Inc.	454	Application Development
Voya	3,230	Third-Party Member Record Keeper
West Advanced Technologies, Inc.	199	Information Technology, Systems Analysis, Design, Implementation, Consulting and Support Services
Western Health Advantage	4,983	Medical Claims Administration, Account Management, Behavioral, Provider Network, Audit, Innovation and Development, Wellness, Prevention and Disease Management Services
Wolfsdorf Rosenthal, LLP	48	Legal Services
Worktank Enterprises, LLC	55	Video and Multimedia Production Services, Web Event Services
Various	164	
Total Consultant and Professional Services Expenses	**$317,592**	

(1) Negative Consultant and Professional Services Expenses are due to adjusting entries as a result of reversal of accruals which are estimates.