



A quarterly update on key issues for CalPERS stakeholders

Navigating Change, Seeking Consistency

By Marcie Frost, Chief Executive Officer

The new year is only a few weeks old and already we have been confronted with more evidence of the unpredictability of life – this time, in the abject horror brought by fires in Los Angeles County fueled by relentless winds and bone-dry conditions.

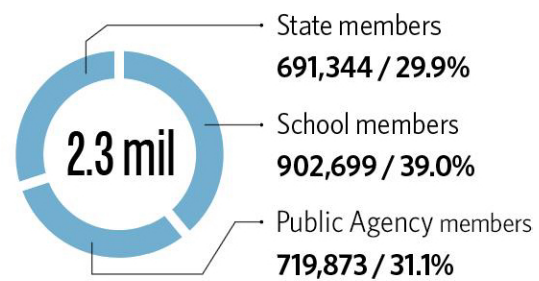
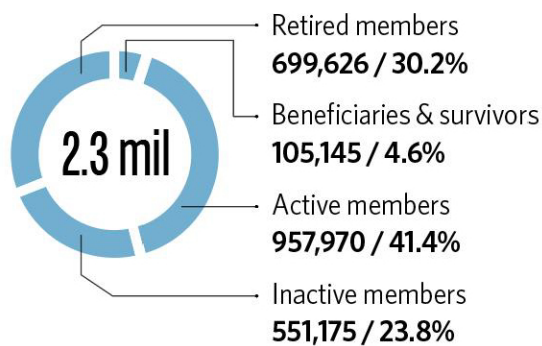
Our hearts go out to those who have had so much taken from them in these deadly blazes. And [we have assembled a list of ways you can help those in need](#) as they seek to pick up the pieces and move on.

At CalPERS, a secure and safe future is a core part of our identity.

The State of Our System

As we begin 2025, there is much to accomplish.

I thought it would be helpful to first explain who we work for, using a snapshot of the 2.3 million CalPERS members by status and by employer. As you can see, we include both public sector employees and their beneficiaries in our tally. And contrary to how some see us as serving state government, some 70% of our members work for schools and local government.



Key to both our members and the employers who help pay for retirement benefits is our funded status, an estimate of the funds we have on hand to meet our future obligations. That estimate varies based on a member's employer; but across the entire pension fund, we were an estimated 75% funded as of June 30, 2024.

That means we have work to do.

Defining 'Risk' in Our Investing

The CalPERS Board of Administration and the organization's senior leaders are already rolling up our sleeves by addressing one important topic: What investing strategies will we use over the next four years?

Four years is the length of [our Asset Liability Management \(ALM\) cycle](#) – a period for which we set investment objectives, balancing the need to generate strong returns with the cost implications for employers, who contribute about one-third of the cost of pensions.

Although the new four-year plan won't take effect until 2026, the Board must give direction to the investment team by the end of 2025. And key to this year's work is better understanding what the Board considers to be a prudent level of investment "risk."

The California Constitution requires the Board to consider risk in its investment directives. But balancing risk and reward can be challenging. That's the focus of the conversations that began last week and will continue over the course of several Board meetings this year.

We welcome the entire CalPERS community to be a part of this discussion, and our team will use this quarterly email and other communications to keep you updated.