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Sent: Thursday, September 21, 2023 9:02 AM
To: Jennifer Blackman
Subject: How Do Investment Returns Impact Your Contribution Rates?



How Do Investment Returns Impact Your Employer Contribution Rates?

We're focused on maximizing our long-term returns.

How investment returns impact your employer contributions is a complex topic but it's important for employers to understand. While the investment returns are the most significant factor in determining employer contributions, it's just one of the many factors that impacts your pension contribution rates. There is a wide array of other variables that go into the equation including: member demographics, retirement formulas, salary increases and the actual experience of the employer's plans that may differ from the projections. Overall, our focus is to always maximize investment returns to offset employer costs and balance the risks to the system.

When the preliminary investment return of 5.8% was announced in July, you may have been confused as to why it's not shown in your 2022 actuarial valuations that were released in August. That's because public agency valuations show your contribution rates two-years ahead following the published valuation date (state and school valuations are one-year ahead). So, your recent valuations will provide your contribution rates for FY 2024-25. These valuations provide your agency with a roadmap to help set and plan your budget.

After the preliminary investment returns are announced in July, they may be higher or lower than the 6.8% discount rate, which is also equal to the assumed rate of return. The discount rate is used to value the current cost of future pension obligations. If the investment return is lower than the discount rate, then the contribution rates will increase or vice versa. Investment gains

or losses are amortized over 20 years with a 5-year ramp up to help employers build these costs/savings into their annual budgets. Based on the preliminary 5.8% investment return we anticipate that employer rates would increase by approximately 1-2% in payroll by the end of the 5-year ramp up period.

The final fiscal year investment return is determined in September that sets the employer contribution rates for public agencies in FY 2025-26 and for the state and school districts in FY 2024-25. To see how the investment return will impact your rates specifically, use our [Pension Outlook](#) tool to project your rates for your plans and agency.

If you missed our recent webcast, listen to our Deputy Chief Investment Officer of Capital Markets, and our Chief Actuary for an in-depth discussion about the impact of the recent 5.8% preliminary investment return to your contribution rates.

[Watch the Webcast](#)

Chief Investment Officer Steps Downs at The End of September

Decision was made to attend to family needs.

Chief Investment Officer Nicole Musicco announced that she will step down from her role at the end of September to allow her to attend to the needs of her family in Toronto, Canada.

“Leading the CalPERS investment office has been an honor, and I am proud of the work my team has done to fulfill the retirement promises made to the 2 million Californians who have spent their lives in public service,” Musicco said. “However, at this time I need to prioritize those who need me the most, my family and children.”

CalPERS Deputy Chief Investment Officer Dan Bienvenue will serve as interim chief investment officer. Bienvenue joined CalPERS in 2004 and has held several leadership roles with the Investment Office.

With guidance from the board and chief executive officer, CalPERS officials will soon launch a global search to identify candidates for the position.

[Read More](#)

Your Employees Need to Know For Employers With CalPERS Health Plans

Open Enrollment is September 18 – October 13, 2023. The deadline for processing all Open Enrollment transactions is 11:59 p.m. PT on Friday, November 3, 2023. Changes made during Open Enrollment will take effect January 1, 2024.

Encourage your employees to use their [myCalPERS](#) account to explore their health plan options. They can use the Search Health Plans tool to find health plans available in their area

and search for doctors, specialists, and new this year, medical groups. More resources and information are available on the [Open Enrollment for Active Members](#) webpage.

If you missed the Open Enrollment Employer Webinar, you can find the recording and other valuable resources on the [Open Enrollment for Employers](#) webpage.

[Watch the Webinar](#)

Do You Need Help to Plan and Budget Your Agency's Pension Costs?

Use our free tool for employers and stakeholders.

The Pension Outlook tool has been updated with the 2022 actuarial valuation data and is ready for you to use. Pension Outlook projects employer contribution rates, the impact of various investment return scenarios or discount rate changes, and UAL paydown strategies on pension plans for any employer in the System.

Either sign in or register with your name, email address, organization name, and title.

Access [more information](#) on how to use the tool as well as FAQs.

[Log In](#)



October • [No October CalPERS Board Meeting](#)

October 2-4 • [CalPERS Educational Forum](#), **Westin Bonaventure, Los Angeles**

October 17, 18, 19 • [myCalPERS Training Classes](#), **San Jose Regional Office**

October 18 • [Prefunding Program](#), **Fresno Regional Office**

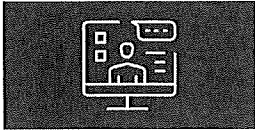
October 24, 25, 26 • [myCalPERS Training Classes](#), **Orange Regional Office**

October 24, 25, 26 • [Business Rules Classes](#), **Walnut Creek Jose Regional Office**

October 25 • [Prefunding Program](#), **Glendale Regional Office**

October 26 • [Prefunding Program](#), **San Bernardino Regional Office**

November 13-15 • [November CalPERS Board Meeting](#)



Training & Events



Board Meetings



Legislation



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