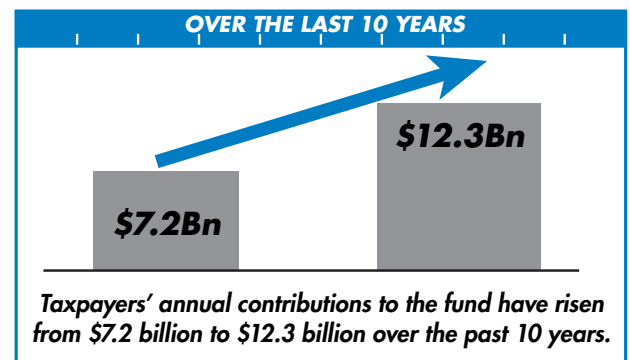
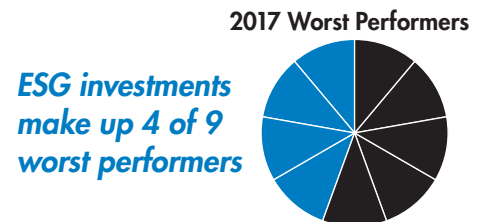
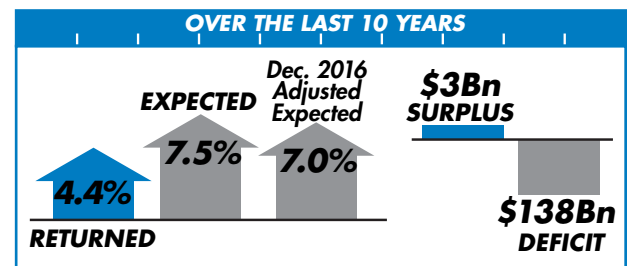


# POINT OF NO RETURNS: CalPERS

The California Public Employees Retirement System (CalPERS) was fully funded in 2007. Now it's \$138 billion in the red, and the fund's prioritization of politics over performance could leave U.S. taxpayers paying the bill. A new report takes a closer look at how poor performance at CalPERS is costing California retirees and taxpayers billions as the fund's management prioritizes social, political and environmental causes over maximizing fund performance.

- Over the past ten years, CalPERS has increased its ESG investing and activism while converting a \$3 billion pension surplus in 2007 to a \$138 billion deficit today.
- This performance lag comes as the value of the S&P 500 index has increased by more than 275 percent over the past eight years.
- CalPERS's environmental-related investments comprised four of its nine worst performing private equity funds last year, accounting for more than \$600 million in committed capital. None of the system's leaders put their own money into environmental investments.
- Cities are looking to cut critical services and are even considering bankruptcy as taxpayers' annual contributions to the fund have risen from \$7.2 billion to \$12.3 billion over the past 10 years.
- Large passive funds such as BlackRock, State Street and Vanguard – which manage trillions in pension fund and 401k dollars – are being influenced to support these political initiatives.



## CalPERS needs to change to protect taxpayers and other investors:

**1**

Conform to the same "discount rate" guidelines/principles that apply to public company pensions.

**2**

Have a non-political, outsourced fund manager whose sole guiding principle would be to increase the value of the fund while protecting California taxpayers.

**3**

Insist that its outside money managers (e.g. BlackRock, State Street, Vanguard) only vote for proposals that add material value to the holding and not vote for proposals that require additional disclosures.

## WHAT THEY'RE SAYING

ORANGE COUNTY  
**REGISTER**

"It is easy to be a 'socially responsible' investor with other people's money. But when those politically manipulated pension portfolios fail to meet the retirement systems' lofty investment return assumptions, it jeopardizes the financial health of the systems established to provide benefits to millions of government employees and that force taxpayers to make up the difference."

– Orange County Register Editorial Board wrote

THE SACRAMENTO BEE 

"We cannot afford to lose funding for law enforcement officers in exchange for a socially responsible investment policy."

– Lt. Jim Auck of the Corona Police Officers Association to the CalPERS board

**UT**  
San Diego

"If we don't do anything today, the city needs to come up with \$40.3 million (over the next five years) to maintain the city's services at today's levels."

– Escondido Mayor Same Abed

ORANGE COUNTY  
**REGISTER**

"That's our library, parks and recreation department, a police beat and a fire station."

– Lodi City Manager Steve Schwabauer on the city's annual pension contribution doubling from \$6 million to \$13 million

**SN&R**  
Sacramento News & Review

"The returns on (CalPERS) investments have been embarrassingly small. It seems like they're horribly off the mark on managing the retirement funds."

– Sacramento City Councilman Steve Hansen

**Bloomberg**

"They can't bail everybody out in the same situation. There's a lot of municipalities in California, counties and cities, that are putting out a lot of their income to pensions."

– State Assemblyman Brain Dahle

THE SACRAMENTO BEE 

"It's time for CalPERS to re-evaluate their investment strategies and focus more on improving their investment returns and less on 'socially responsible' investments."

– Steve Crouch, Director of state employees for the International Union of Operating Engineers