



CALSTRS

2022-23 ALM

March 2, 2023

# ALM process and CalSTRS funding plan

- Goal is to reach full funding by 2046
  - Board has limited rate setting authority to keep funding plan on track
- Funding plan risks
  - Longevity risk
  - Membership/payroll risk
  - Investment risk
- Investment risk is the most significant risk
  - ALM process is key in managing investment risk

# Measuring risk

- Risk measures (liability metrics):
  - Probability of achieving full funding
  - Probability of low funding levels
  - Contribution rate levels
- Not possible to optimize all three measures at the same time

# Trade-offs

- Portfolio risk & return
- Contribution rates
- Long-term funding
- Risk of low funding

