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Today CalPERS held a press briefing announcing the 2003/04 fiscal year investment returns. This broadcast message is intended to communicate the information directly to employers who participate in the system and to provide employers with additional information helping them understand what this means to them in terms of how and when it will impact their required retirement contribution rates.

Great news! The investment rate of return CalPERS achieved in fiscal year 2003/04 was 16.7 percent. The 16.7 percent rate of return is appropriate for comparing the performance of different investment managers, however, several additional factors affect the final rate of return that will actually be credited to employer accounts. These factors include:

• CalPERS administrative expenses
• Late adjustments to asset values for infrequently traded assets such as real estate or alternative investments
• Timing of cash flows

For these reasons, the rate of return that is credited to employer accounts will be slightly different than the 16.7 percent.
How and when will these excellent investment returns affect employer rates? Recognizing that CalPERS assumed a 7.75 percent return for fiscal year 2003/04, these returns will generate a gain that will offset almost all of the previously unrecognized asset losses from the prior three fiscal years. This means that the 2006/07 contribution rates for public agencies (which are set by the June 30, 2004, actuarial valuation) are expected to be the same as or slightly higher than the 2005/06 contribution rates.

The best estimate of a public agency employer’s 2006/07 contribution rate is the estimate that will be included in the actuarial valuation report that sets the 2005/06 contribution rate. Our actuaries are currently working on these valuations and employers can expect to receive the reports by the end of October. The estimated rate for 2006/07 will reflect the investment results just announced.

If you have any questions regarding the 16.7 percent return, please contact our Employer Contact Center at (888) CalPERS (225-7377).