**CalPERS Investment Gains 16.2% in 2013**

By Marc Lifsher. Los Angeles Times, January 13, 2014, 1:27 p.m.

SACRAMENTO -- The California Public Employee's Retirement System, the nation's biggest government pension, reported a 16.2% return on its investments for 2013.

It was the best calendar year performance in 11 years for the $281-billion [CalPERS](http://www.latimes.com/topic/california-public-employees-retirement-system-ORGOV000359.topic), which provides benefits to about 1.7 million state and local government workers, retirees and their dependents.

"A 16.2% rate of return is really good," said Marcia Fritz, a Sacramento pension reform activist. "They are in it for the long haul."

[**QUIZ: How much do you know about California's economy?**](http://www.latimes.com/business/money/la-fi-mo-quiz-california-economy-20130821-dto,0,3307873.story)

Fritz has warned that CalPERS and California's other giant pension, the State Teachers' Retirement System may not have enough assets to meet obligations to retirees over the coming decades.

As of mid-2012, the fund projected that it had only about 70% of the funds needed. Experts says 80% is a safer proportion.

Publicly traded company stocks, both domestic and international, were a portfolio highlight, CalPERS reported Monday.

Stocks were up 25.6% for the full year, while private equity investments (through September 30) rose by 19.1%.

Real estate, which suffered deep losses during the recession of 2008-09 and its aftermath, grew by 11.7%, while investments in infrastructure jumped 11.2%. Bond investments lost 4%, and commodities lost 4.75%.

The overall rate of return was more than twice the 7.5% minimum that CalPERS' board has said it needs to meet current and future obligations to retirees.

The calendar year net earnings also beat CalPERS' official target of 14.8%, which is based on large portfolios of all types of stocks and investment classes.

CalPERS' board requires the fund to minimize its risk by broadly investing in diversified assets, including commodities, bonds, hedge funds and forest lands, said spokesman Joe DeAnda.

"It just wouldn't be a prudent strategy to just put everything in one basket," he said.

Even so, CalPERS lost a stunning 27.8% of the value of its portfolio during calendar year 2008 in the depths of the worst global economic slowdown in half a century. Since then, it's climbed back. In early 2013 it officially surpassed its pre-recession high.

CalPERS' prudence means that in good times for stocks, such as last year, the fund earns less than it would have had it put all its investments into equities.

The broad-based S&P 500 rose by 32.4% while the [Dow Jones Industrial Average](http://www.latimes.com/topic/economy-business-finance/macroeconomics/stock-market/dow-jones-industrial-average-PRDPER000013.topic) was close at 29.7% for 2013, including reinvested dividends.

Strong results the last couple of years helped CalPERS boost its reported average annual returns. It's three-year net rate of return was 10%; five year was 10.9% and 10-year was 6.8%.

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