



California Public Employees' Retirement System

Actuarial Office

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July 2025

All Rate Plans of the Town of Los Gatos in the Safety Risk Pool (CalPERS ID: 4589482285) Annual Valuation Report as of June 30, 2024

Dear Employer,

Attached to this letter is Section 1 of the June 30, 2024, actuarial valuation report for the plan noted above. **Provided in this report is the determination of the minimum required employer contributions for fiscal year (FY) 2026-27.** In addition, the report contains important information regarding the current financial status of the plan as well as projections and risk measures to aid in planning for the future.

Because this plan is in a risk pool, the following valuation report has been separated into two sections:

- Section 1 contains specific information for the following rate plan(s) including the development of the current and projected employer contributions.
 - 947, Safety Police Plan
 - 25874, PEPRA Safety Police Plan
- Section 2 contains the Safety Risk Pool information as of June 30, 2024.

[Section 2](#) can be found on the CalPERS website (www.calpers.ca.gov). From the home page, go to “Forms & Publications” and select “View All”. In the search box, enter “Risk Pool” and from the results list download the Safety Risk Pool Actuarial Valuation Report for June 30, 2024.

Required Contributions

The table below shows the minimum required employer contributions and member contribution rates for FY 2026-27 along with an estimate of the required employer UAL contribution for FY 2027-28. **The required employer contributions in this report do not reflect any cost sharing arrangement between the agency and the employees.**

Fiscal Year	Rate Plan	Employer Normal Cost Rate	Member Contribution Rate	Fiscal Year	Employer Amortization of Unfunded Accrued Liability
2026-27	947	29.38%	9.00%	2026-27	\$3,397,473
	25874	14.86%	14.50%		
				2027-28	<i>Projected (Estimated)</i> \$3,517,000

The actual investment return for FY 2024-25 was not known at the time this report was prepared. The projected UAL payment above assumes the investment return for that year would be 6.8%. To the extent the actual investment return for FY 2024-25 differs from 6.8%, the actual UAL contribution requirement for FY 2027-28 will differ from that shown above. For additional information on future contribution requirements, please refer to [Projected Employer Contributions](#). This section also contains projected required contributions through FY 2031-32.

PEPRA Member Contribution Rate

The employee contribution rate for PEPRA members can change based on the results of the actuarial valuation. See [Member Contribution Rates](#) for more information.

Report Navigation Features

The valuation report has a number of features to ease navigation and allow the reader to find specific information more quickly. The tables of contents are “clickable.” This is true for the main table of contents that follows the title page and the intermediate tables of contents at the beginning of sections. The Adobe navigation pane on the left can also be used to skip to specific exhibits.

There are a number of links throughout the document in blue text. Links that are internal to the document are not underlined, while underlined links will take you to the CalPERS website. Examples are shown below.

Internal Bookmarks	CalPERS Website Links
Required Employer Contributions	Required Employer Contribution Search Tool
Member Contribution Rates	Public Agency PEPRA Member Contribution Rates
Summary of Key Valuation Results	Pension Outlook Overview
Funded Status – Funding Policy Basis	Interactive Summary of Public Agency Valuation Results
Projected Employer Contributions	Public Agency Actuarial Valuation Reports

Report Enhancements

Effective with the June 30, 2024, actuarial valuation, separate amortization schedules for each tier of benefits are no longer necessary. Multiple amortization schedules, and thus multiple Section 1 reports, have been combined. We believe this gives the employer a clearer picture of the pension plan’s financial health and long-term costs.

Further descriptions of general changes are included in the [Highlights and Executive Summary](#) section and in Appendix A - Actuarial Methods and Assumptions in Section 2.

Questions

A CalPERS actuary is available to answer questions about this report. Other questions may be directed to the Customer Contact Center at **888 CalPERS** (or **888-225-7377**).

Sincerely,



Matthew Biggart, ASA, MAAA
Actuary, CalPERS



Randall Dziubek, ASA, MAAA
Deputy Chief Actuary, Valuation Services, CalPERS



Scott Terando, ASA, EA, MAAA, FCA, CFA
Chief Actuary, CalPERS

California Public Employees' Retirement System

Actuarial Valuation for the
Rate Plans of the Town of Los Gatos in
the
Safety Risk Pool
as of June 30, 2024

(CalPERS ID: 4589482285)
(Rate Plan IDs: 947, 25874)

Required Contributions for Fiscal Year

July 1, 2026 — June 30, 2027

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Section 1

California Public Employees' Retirement System

Employer Specific Information for the Rate Plans of the Town of Los Gatos in the Safety Risk Pool

**(CalPERS ID: 4589482285)
(Rate Plan IDs: 947, 25874)**

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Actuarial Certification

It is our opinion that the valuation has been performed in accordance with generally accepted actuarial principles as well as the applicable Standards of Practice promulgated by the Actuarial Standards Board. While this report, consisting of Section 1 and Section 2, is intended to be complete, our office is available to answer questions as needed. All of the undersigned are actuaries who satisfy the *Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States* of the American Academy of Actuaries with regard to pensions.

Actuarial Methods and Assumptions

It is our opinion that the assumptions and methods, as recommended by the Chief Actuary and adopted by the CalPERS Board of Administration, are internally consistent and reasonable for this plan.



Randall Dziubek, ASA, MAAA
Deputy Chief Actuary, Valuation Services, CalPERS



Scott Terando, ASA, EA, MAAA, FCA, CFA
Chief Actuary, CalPERS

Actuarial Data and Rate Plan Results

To the best of my knowledge and having relied upon the attestation above that the actuarial methods and assumptions are reasonable as well as the information in Section 2 of this report, this report is complete and accurate and contains sufficient information to disclose, fully and fairly, the funded condition of the rate plans of the Town of Los Gatos in the Safety Risk Pool and satisfies the actuarial valuation requirements of Government Code section 7504. This valuation and related validation work was performed by the CalPERS Actuarial Office. The valuation was based on the member and financial data as of June 30, 2024, provided by the various CalPERS databases and the benefits under this plan with CalPERS as of the date this report was produced. Section 1 of this report is based on the member and financial data for Town of Los Gatos, while Section 2 is based on the corresponding information for all agencies participating in the Safety Risk Pool to which the plan belongs.



Matthew Biggart, ASA, MAAA
Actuary, CalPERS

Highlights and Executive Summary

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Introduction

This report presents the results of the June 30, 2024, actuarial valuation of the rate plans of the Town of Los Gatos in the Safety Risk Pool of the California Public Employees' Retirement System (CalPERS). This actuarial valuation sets the minimum required contributions for fiscal year (FY) 2026-27.

Purpose of Section 1

This Section 1 report for the rate plans of the Town of Los Gatos in the Safety Risk Pool of CalPERS was prepared by the Actuarial Office using data as of June 30, 2024. This report contains actuarial information for the following rate plan(s).

- 947, Safety Police Plan
- 25874, PEPRA Safety Police Plan

The purpose of the valuation is to:

- Set forth the assets and accrued liabilities of these rate plans as of June 30, 2024;
- Determine the minimum required employer contributions for these rate plans for FY July 1, 2026, through June 30, 2027;
- Determine the required member contribution rate for FY July 1, 2026, through June 30, 2027, for employees subject to the California Public Employees' Pension Reform Act of 2013 (PEPRA); and
- Provide actuarial information as of June 30, 2024, to the CalPERS Board of Administration (board) and other interested parties.

The pension funding information presented in this report should not be used in financial reports subject to Governmental Accounting Standards Board (GASB) Statement No. 68 for a Cost Sharing Employer Defined Benefit Pension Plan. A separate accounting valuation report for such purposes is available on the CalPERS website (www.calpers.ca.gov).

The measurements shown in this actuarial valuation may not be applicable for other purposes. The agency should contact a CalPERS actuary before disseminating any portion of this report for any reason that is not explicitly described above.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; changes in actuarial policies; changes in plan provisions or applicable law; and differences between the required contributions determined by the valuation and the actual contributions made by the agency.

Assessment and Disclosure of Risk

This report includes the following risk disclosures consistent with the guidance of the Actuarial Standards of Practice:

- A "Scenario Test," projecting future results under different investment income returns.
- A "Sensitivity Analysis," showing the impact on current valuation results using alternative discount rates of 5.8% and 7.8%.
- A "Sensitivity Analysis," showing the impact on current valuation results assuming rates of mortality are 10% lower or 10% higher than our current post-retirement mortality assumptions adopted in 2021.
- Plan maturity measures indicating how sensitive a plan may be to the risks noted above.
- The funded status on a termination basis.
- A low-default-risk obligation measure (LDROM) of benefit costs accrued as of the valuation date.

Summary of Key Valuation Results

Below is a brief summary of key valuation results along with page references where more detailed information can be found.

Required Employer Contributions — page 8

	Fiscal Year 2025-26	Fiscal Year 2026-27
Employer Normal Cost Rates		
Rate Plan 947	29.35%	29.38%
Rate Plan 25874	14.96%	14.86%
Unfunded Accrued Liability(UAL) Contribution Amount	\$3,104,152	\$3,397,473
Paid either as		
Option 1) 12 Monthly Payments of	\$258,679.33	\$283,122.75
Option 2) Annual Prepayment in July	\$3,003,706	\$3,287,535

Member Contribution Rates — page 9

	Fiscal Year 2025-26	Fiscal Year 2026-27
Rate Plan 947	9.00%	9.00%
Rate Plan 25874	14.50%	14.50%

Projected Employer Contributions — page 13

Fiscal Year	Normal Cost (% of payroll)		Annual UAL Payment
	Rate Plan 947	Rate Plan 25874	
2027-28	29.4%	14.9%	\$3,517,000
2028-29	29.4%	14.9%	\$3,842,000
2029-30	29.4%	14.9%	\$3,878,000
2030-31	29.4%	14.9%	\$3,902,000
2031-32	29.4%	14.9%	\$3,982,000

Funded Status — Funding Policy Basis — page 11

	June 30, 2023	June 30, 2024
Entry Age Accrued Liability (AL)	\$116,152,172	\$121,207,129
Market Value of Assets (MVA)	79,483,899	85,213,104
Unfunded Accrued Liability(UAL) [AL – MVA]	\$36,668,273	\$35,994,025
Funded Ratio [MVA ÷ AL]	68.4%	70.3%

Summary of Valuation Data — Page 28

	June 30, 2023	June 30, 2024
Active Member Count	36	36
Annual Covered Payroll	\$5,639,720	\$6,122,639
Transferred Member Count	14	16
Separated Member Count	6	7
Retired Members and Beneficiaries Count	93	100

Changes Since the Prior Year's Valuation

Benefits

The standard actuarial practice at CalPERS is to recognize mandated legislative benefit changes in the first annual valuation following the effective date of the legislation. For pooled rate plans, voluntary benefit changes by plan amendment are generally included in the first valuation with a valuation date on or after the effective date of the amendment.

Please refer to the [Plan's Major Benefit Options](#) in this report and Appendix B of the Section 2 Report for a summary of the plan provisions used in this valuation.

Board Policy

On April 16, 2024, the board took action to modify the Funding Risk Mitigation Policy to remove the automatic change to the discount rate when the investment return exceeds various thresholds. Rather than an automatic change to the discount rate, a board discussion would be placed on the calendar. The 95th percentile return in the [Future Investment Return Scenarios](#) exhibit in this report, which includes returns high enough to trigger a board discussion, does not reflect any change in the discount rate.

Actuarial Methods and Assumptions

There are no significant changes to the actuarial methods or assumptions for the June 30, 2024, actuarial valuation.

Report Enhancements

Effective with the June 30, 2024, Actuarial Valuation, separate amortization schedules for each tier of benefits are no longer necessary. Multiple amortization schedules, and thus multiple Section 1 reports, will be combined. We believe this gives the employer a clearer picture of the pension plan's financial health and long-term costs.

Subsequent Events

This actuarial valuation report reflects fund investment return through June 30, 2024, as well as statutory changes, regulatory changes and board actions through January 2025.

CalPERS will be completing an Asset Liability Management (ALM) review process in November 2025 that will review the capital market assumptions and the CalPERS Total Fund Investment Policy and ascertain whether a change in the discount is warranted. In addition, the Actuarial Office will be presenting the findings of its Experience Study which reviews economic assumptions other than the discount rate as well as all demographic assumptions and makes recommendations to modify actuarial assumptions where appropriate. Any changes in actuarial assumptions will be reflected in the June 30, 2025, actuarial valuations.

The 2024 annual benefit limit under Internal Revenue Code (IRC) section 415(b) and annual compensation limits under IRC section 401(a)(17) and Government Code section 7522.10 were used for this valuation and are assumed to increase 2.3% per year based on the price inflation assumption. The actual 2025 limits, determined in October 2024, are not reflected.

To the best of our knowledge, there have been no other subsequent events that could materially affect current or future certifications rendered in this report.

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Determination of Required Contributions

Contributions to fund the plan are determined by an actuarial valuation performed each year. The valuation employs complex calculations based on a set of actuarial assumptions and methods. See Appendix A in Section 2 for information on the assumptions and methods used in this valuation. The valuation incorporates all plan experience through the valuation date and sets required contributions for the fiscal year that begins two years after the valuation date.

Contribution Components

Two components comprise required contributions:

- Normal Cost—expressed as a percentage of pensionable payroll
- Unfunded Accrued Liability (UAL) Contribution—expressed as a dollar amount

Normal Cost represents the value of benefits allocated to the upcoming year for active employees. If all plan experience exactly matched the actuarial assumptions, normal cost would be sufficient to fully fund all benefits. The employer and employees each pay a share of the normal cost with contributions payable as part of the regular payroll reporting process. The contribution rate for Classic members is set by statute based on benefit formula whereas for PEPRA members it is based on 50% of the total normal cost.

When plan experience differs from the actuarial assumptions, UAL emerges. The new UAL may be positive or negative. If the total UAL is positive (i.e., accrued liability exceeds assets), the employer is required to make contributions to pay off the UAL over time. This is called the UAL Contribution component. There is an option to prepay this amount during July of each fiscal year, otherwise it is paid monthly.

In measuring the UAL each year, plan experience is split by source. Common sources of UAL include investment experience different than expected, non-investment experience different than expected, assumption changes and benefit changes. Each source of UAL (positive or negative) forms a base that is amortized, or paid off, over a specified period of time in accordance with the CalPERS [Actuarial Amortization Policy](#). The UAL Contribution is the sum of the payments on all bases. See the [Schedule of Amortization Bases](#) section of this report for an inventory of existing bases and Appendix A in Section 2 for more information on the amortization policy.

Required Employer Contributions

The required employer contributions in this report do not reflect any cost sharing arrangement between the agency and the employees. For employee contribution rates, see [Member Contribution Rates](#).

	Fiscal Year
	2026-27
Required Employer Contributions	
Employer Normal Cost Rate	
Classic Rate Plan 947	29.38%
PEPRA Rate Plan 25874	14.86%
<i>Plus</i>	
Unfunded Accrued Liability (UAL) Contribution Amount [†]	\$3,397,473
<i>Paid either as</i>	
1) Monthly Payment	\$283,122.75
<i>Or</i>	
2) Annual Prepayment Option [‡]	\$3,287,535
The total minimum required employer contribution is the sum of the Plan's Employer Normal Cost Rate (expressed as a percentage of payroll and paid as payroll is reported) and the Unfunded Accrued Liability(UAL) Contribution Amount (billed monthly(1) or prepaid annually(2) in dollars).	
[†] The required payment on amortization bases does not take into account any additional discretionary payment made after April 30, 2025.	
[‡] Only the UAL portion of the employer contribution can be prepaid (which must be received in full no later than July 31).	

Development of Normal Cost as a Percentage of Payroll

	Fiscal Year	Fiscal Year
	2025-26	2026-27
Classic Rate Plan 947		
Base Total Normal Cost for Formula	34.90%	34.94%
Surcharge for Class 1 Benefits ¹	3.44%	3.43%
Plan's Total Normal Cost	38.34%	38.37%
Offset Due to Employee Contributions ²	(8.99%)	(8.99%)
Employer Normal Cost for Rate Plan 947	29.35%	29.38%
PEPRA Rate Plan 25874		
Base Total Normal Cost for Formula	27.74%	27.66%
Surcharge for Class 1 Benefits ¹	1.72%	1.70%
Plan's Total Normal Cost	29.46%	29.36%
Offset Due to Employee Contributions ²	(14.50%)	(14.50%)
Employer Normal Cost for Rate Plan 25874	14.96%	14.86%

¹ See [Surcharge for Class 1 Benefits](#) in the supplementary information section of this report.

² This is the expected employee contributions, taking into account individual benefit formula and any offset from the use of a modified formula, divided by projected annual payroll. For member contribution rates above the breakpoint for each benefit formula, see [Member Contribution Rates](#).

Member Contribution Rates

The required member contributions in this report do not reflect any cost sharing arrangement between the agency and the employees.

Classic Members

Each member contributes toward their retirement based upon the retirement formula. The standard Classic member contribution rate above the breakpoint, if any, is as described below.

Benefit Formula	Percent Contributed above the Breakpoint
Safety, Half Pay at age 55	Varies by entry age
Safety, 2% at age 55	7%
Safety, 2% at age 50	9%
Safety, 3% at age 55	9%
Safety, 3% at age 50	9%

PEPRA Members

The California Public Employees' Pension Reform Act of 2013 (PEPRA) established new benefit formulas, final compensation period, and contribution requirements for "new" employees (generally those first hired into a CalPERS-covered position on or after January 1, 2013). In accordance with Government Code Section 7522.30(b), "new members ... shall have an initial contribution rate of at least 50% of the normal cost rate." The normal cost rate for the plan is dependent on the benefit levels, actuarial assumptions and demographics of the risk pool, particularly members' entry age. Should the total normal cost rate of the plan change by more than 1% from the base total normal cost rate established for the plan, the new member rate shall be 50% of the new normal cost rate rounded to the nearest quarter percent.

The table below shows the determination of the PEPRA member contribution rates effective July 1, 2026, based on 50% of the total normal cost rate as of the June 30, 2024, valuation.

Rate Plan Identifier	Benefit Group Name	Basis for Current Rate		Rates Effective July 1, 2026			
		Total Normal Cost	Member Rate	Total Normal Cost	Change in Normal Cost	Adj. Needed	Member Rate
25874	PEPRA Safety Police Plan	29.00%	14.50%	29.36%	0.36%	No	14.50%

Breakdown of Entry Age Accrued Liability

Active Members	\$23,783,929
Transferred Members	6,113,104
Separated Members	307,471
Members and Beneficiaries Receiving Payments	91,002,625
Total	\$121,207,129

Allocation of Plan's Share of Pool's Experience

It is the policy of CalPERS to ensure equity within the risk pools by allocating the pool's experience gains/losses and assumption changes in a manner that treats each employer equitably and maintains benefit security for the members of the System while minimizing substantial variations in employer contributions. The pool's experience gains/losses and impact of assumption/method changes is allocated to the plan as follows:

1. Plan's Accrued Liability	\$121,207,129
2. Projected UAL Balance at 6/30/2024	36,814,506
3. Other UAL Adjustments (Golden Handshake, Prior Service Purchase, etc.)	0
4. Adjusted UAL Balance at 6/30/2024 for Asset Share	36,814,506
5. Pool's Accrued Liability ¹	31,999,219,171
6. Sum of Pool's Individual Plan UAL Balances at 6/30/2024 ¹	8,324,583,789
7. Pool's 2023-24 Investment (Gain)/Loss ¹	(601,304,168)
8. Pool's 2023-24 Non-Investment (Gain)/Loss ¹	349,272,193
9. Plan's Share of Pool's Investment (Gain)/Loss: [(1) - (4)] ÷ [(5) - (6)] × (7)	(2,143,460)
10. Plan's Share of Pool's Non-Investment (Gain)/Loss: (1) ÷ (5) × (8)	1,322,979
11. Plan's New (Gain)/Loss as of 6/30/2024: (9) + (10)	(820,481)
12. Increase in Pool's Accrued Liability due to Change in Assumptions ¹	0
13. Plan's Share of Pool's Change in Assumptions: (1) ÷ (5) × (12)	0
14. Increase in Pool's Accrued Liability due to Funding Risk Mitigation ¹	0
15. Plan's Share of Pool's Change due to Funding Risk Mitigation: (1) ÷ (5) × (14)	0
16. Offset due to Funding Risk Mitigation	0
17. Plan's Investment (Gain)/Loss: (9) - (16)	(2,143,460)

¹ Does not include plans that transferred to the pool on the valuation date.

Development of the Plan's Share of Pool's Assets

18. Plan's UAL: (2) + (3) + (11) + (13) + (15)	\$35,994,025
19. Plan's Share of Pool's Market Value of Assets (MVA): (1) - (18)	\$85,213,104

For a reconciliation of the pool's Market Value of Assets (MVA), information on the fund's asset allocation and a history of CalPERS investment returns, see [Section 2](#), which can be found on the CalPERS website (www.calpers.ca.gov).

Funded Status – Funding Policy Basis

The table below provides information on the current funded status of the plan under the funding policy. The funded status for this purpose is based on the market value of assets relative to the funding target produced by the entry age actuarial cost method and actuarial assumptions adopted by the board. The actuarial cost method allocates the total expected cost of a member's projected benefit (**Present Value of Benefits**) to individual years of service (the **Normal Cost**). The value of the projected benefit that is not allocated to future service is referred to as the **Accrued Liability** and is the plan's funding target on the valuation date. The **Unfunded Accrued Liability** (UAL) equals the funding target minus the assets. The UAL is an absolute measure of funded status and can be viewed as employer debt. The **Funded Ratio** equals the assets divided by the funding target. The funded ratio is a relative measure of the funded status and allows for comparisons between plans of different sizes.

	June 30, 2023	June 30, 2024
1. Present Value of Benefits	\$131,672,564	\$138,281,158
2. Entry Age Accrued Liability	116,152,172	121,207,129
3. Market Value of Assets (MVA)	79,483,899	85,213,104
4. Unfunded Accrued Liability (UAL) [(2) – (3)]	\$36,668,273	\$35,994,025
5. Funded Ratio [(3) ÷ (2)]	68.4%	70.3%

A funded ratio of 100% (UAL of \$0) implies that the funding of the plan is on target and that future contributions equal to the normal cost of the active plan members will be sufficient to fully fund all retirement benefits if future experience matches the actuarial assumptions. A funded ratio of less than 100% (positive UAL) implies that in addition to normal costs, payments toward the UAL will be required. Plans with a funded ratio greater than 100% have a negative UAL (or surplus) but are required under current law to continue contributing the normal cost in most cases, preserving the surplus for future contingencies.

Calculations for the funding target reflect the expected long-term investment return of 6.8%. If it were known on the valuation date that future investment returns will average something greater/less than the expected return, calculated normal costs and accrued liabilities provided in this report would be less/greater than the results shown. Therefore, for example, if actual average future returns are less than the expected return, calculated normal costs and UAL contributions will not be sufficient to fully fund all retirement benefits. Under this scenario, required future normal cost contributions will need to increase from those provided in this report, and the plan will develop unfunded liabilities that will also add to required future contributions. For illustrative purposes, funded statuses based on a 1% lower and higher average future investment return (discount rate) are as follows:

	1% Lower Average Return	Current Assumption	1% Higher Average Return
Discount Rate	5.8%	6.8%	7.8%
1. Entry Age Accrued Liability	\$137,396,418	\$121,207,129	\$107,980,850
2. Market Value of Assets (MVA)	85,213,104	85,213,104	85,213,104
3. Unfunded Accrued Liability (UAL) [(1) – (2)]	\$52,183,314	\$35,994,025	\$22,767,746
4. Funded Ratio [(2) ÷ (1)]	62.0%	70.3%	78.9%

The [Risk Analysis](#) section of the report provides additional information regarding the sensitivity of valuation results to the expected investment return and other factors. Also provided in that section are measures of funded status that are appropriate for assessing the sufficiency of plan assets to cover estimated termination liabilities.

Additional Employer Contributions

The CalPERS amortization policy provides a systematic methodology for paying down a plan's unfunded accrued liability (UAL) over a reasonable period of years. The projected schedule of required payments for this plan under the amortization policy is provided in [Amortization Schedule and Alternatives](#). Certain aspects of the policy such as 1) layered amortization bases (positive and negative) with different remaining payoff periods, and 2) the phase-in of required payments toward investment gains and losses, can result in volatility in year-to-year projected UAL payments. Provided below is information on how an Additional Discretionary Payment (ADP), together with your required UAL payment of \$3,397,473 for FY 2026-27, may better accomplish your agency's specific objectives with regard to either smoothing out projected future payments or achieving a greater reduction in UAL than would otherwise occur when making only the minimum required payment. Such additional payments are allowed at any time and can also result in significant long-term savings.

Fiscal Year 2026-27 Employer Contribution Versus Agency Funding Objectives

The interest-to-payment ratio for the FY 2026-27 minimum required UAL payment is 66%, which means the required payment of \$3,397,473 includes \$2,255,031 of interest cost and results in a \$1,142,442 reduction in the UAL, as can be seen in [Amortization Schedule and Alternatives](#) (see columns labelled Current Amortization Schedule). If the interest-to-payment ratio is close to 100%, and the reduction in the UAL is small, it may indicate that required contributions will be increasing in the coming years, which would be shown in [Projected Employer Contributions](#). Another measure that can be used to evaluate how well the FY 2026-27 required UAL payment meets the agency's specific funding objectives is the number of years required to pay off the existing UAL if the annual payment were held constant in future years. With an annual payment of \$3,397,473 it would take 17.1 years to pay off the current UAL. A result that is longer than the agency's target funding period suggests that the option of supplementing the minimum payment with an ADP should be weighed against the agency's budget constraints.

Provided below are select ADP options for consideration. Making such an ADP during FY 2026-27 does not require an ADP be made in any future year, nor does it change the remaining amortization period of any portion of unfunded liability. For information on permanent changes to amortization periods, see [Amortization Schedule and Alternatives](#). Agencies considering making an ADP should contact CalPERS for additional information.

Fiscal Year 2026-27 Employer Contributions — Illustrative Scenarios

If the Annual UAL Payment Each Year Were...	The Current UAL Would be Paid Off in...	This Would Require an ADP ¹ in FY 2026-27 of...	Plus the Estimated Normal Cost of...	Estimated Total Contribution
\$3,397,473	17.1 years	\$0	\$1,415,044	\$4,812,517
3,654,114	15 years	256,641	1,415,044	5,069,158
4,754,690	10 years	1,357,217	1,415,044	6,169,734
8,176,579	5 years	4,779,106	1,415,044	9,591,623

¹ The ADP amounts are assumed to be made in the middle of the fiscal year. A payment made earlier or later in the fiscal year would have to be less or more than the amount shown to have the same effect on the UAL amortization.

The calculations above are based on the projected UAL as of June 30, 2026, as determined in the June 30, 2024, actuarial valuation. New unfunded liabilities can emerge in future years due to assumption or method changes, changes in plan provisions, and actuarial experience different than assumed. Making an ADP illustrated above for the indicated number of years will not result in a plan that is exactly 100% funded in the indicated number of years. Valuation results will vary from one year to the next and can diverge significantly from projections over a period of several years.

Additional Discretionary Payment History

The following table provides a recent history of actual ADPs made to the plan through April 30, 2025.

Fiscal Year	ADP	Fiscal Year	ADP
2019-20	\$0	2022-23	\$0
2020-21	0	2023-24	0
2021-22	0	2024-25	0

Projected Employer Contributions

The table below shows the required and projected employer contributions (before cost sharing) for the next six fiscal years. The projection assumes that all actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur during the projection period. In particular, the investment return beginning with FY 2024-25 is assumed to be 6.80% per year, net of investment and administrative expenses. Future contribution requirements may differ significantly from those shown below. The actual long-term cost of the plan will depend on the actual benefits and expenses paid and the actual investment experience of the fund.

The normal cost rates for each rate plan are assumed to remain constant. However, the employer contribution amounts will vary due to changes in payroll. The actuarial valuation does not include payroll beyond the valuation date. For the most realistic projections, the employer should apply projected payroll amounts to the rates below based on the most recent information available, such as current payroll as well as any plans to fill vacancies or add or remove positions.

Rate Plan Identifier	Covered Payroll June 30, 2024	Projected Future Employer Contributions (Assumes 6.80% Return for Fiscal Year 2024-25 and Beyond)						
		Required Contribution	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32
		Normal Cost Rates (Percentage of Payroll)						
947	\$3,700,003	29.38%	29.4%	29.4%	29.4%	29.4%	29.4%	
25874	2,422,636	14.86%	14.9%	14.9%	14.9%	14.9%	14.9%	
UAL Payment		\$3,397,473	\$3,517,000	\$3,842,000	\$3,878,000	\$3,902,000	\$3,982,000	

Unlike the normal cost rates, the required UAL payments are expected to vary significantly from the projections above due to experience, particularly investment experience. For projected contributions under alternate investment return scenarios, please see the [Future Investment Return Scenarios](#) exhibit. Our online pension plan projection tool, [Pension Outlook](#), is available in the Employers section of the CalPERS website. Pension Outlook can help plan and budget pension costs under various scenarios.

For ongoing plans, investment gains and losses are amortized using an initial 5-year ramp. For more information, please see Amortization of Unfunded Actuarial Accrued Liability in Appendix A of the Section 2 Report. This method phases in the impact of the change in UAL over a 5-year period in order to reduce employer cost volatility from year to year. As a result of this methodology, dramatic changes in the required employer contributions in any one year are less likely. However, required contributions can change gradually and significantly over the next five years. In years when there is a large investment loss, the relatively small amortization payments during the initial ramp period could result in contributions that are less than interest on the UAL (i.e. negative amortization) while the contribution impact of the increase in the UAL is phased in.

Schedule of Amortization Bases

Below is the schedule of the plan's amortization bases. Note that there is a two-year lag between the valuation date and the start of the contribution year.

- The assets, liabilities and funded status of the plan are measured as of the valuation date: June 30, 2024.
- The required employer contributions determined by the valuation are for the fiscal year beginning two years after the valuation date: FY 2026-27.

This two-year lag is necessary due to the amount of time needed to extract and test the membership and financial data, and the need to provide public agencies with their required employer contribution well in advance of the start of the fiscal year.

The Unfunded Accrued Liability (UAL) is used to determine the employer contribution and therefore must be rolled forward two years from the valuation date to the first day of the fiscal year for which the contribution is being determined. The UAL is rolled forward each year by subtracting the expected payment on the UAL for the fiscal year and adjusting for interest. The expected payment on the UAL for FY 2024-25 is based on the actuarial valuation two years ago, adjusted for additional discretionary payments made on or before April 30, 2025, if necessary, and the expected payment for FY 2025-26 is based on the actuarial valuation one year ago.

Reason for Base	Date Est.	Ramp Level 2026-27	Ramp Shape	Escalation Rate	Amort. Period	Balance 6/30/24	Expected Payment 2024-25	Balance 6/30/25	Expected Payment 2025-26	Balance 6/30/26	Minimum Required Payment 2026-27
Investment (Gain)/Loss	6/30/13	100%	Up/Dn	2.80%	19	8,774,249	659,309	8,689,541	677,769	8,579,996	696,747
Non-Investment (Gain)/Loss	6/30/13	100%	Up/Dn	2.80%	19	(107,613)	(8,086)	(106,574)	(8,313)	(105,230)	(8,545)
Share of Pre-2013 Pool UAL	6/30/13	No Ramp		2.80%	11	6,542,614	647,354	6,318,510	665,480	6,060,434	684,113
Assumption Change	6/30/14	100%	Up/Dn	2.80%	10	3,756,171	459,610	3,536,611	472,479	3,288,821	485,709
Investment (Gain)/Loss	6/30/14	100%	Up/Dn	2.80%	20	(6,848,805)	(497,102)	(6,800,798)	(511,021)	(6,735,142)	(525,330)
Non-Investment (Gain)/Loss	6/30/14	100%	Up/Dn	2.80%	20	84,024	6,099	83,435	6,269	82,630	6,445
Investment (Gain)/Loss	6/30/15	100%	Up/Dn	2.80%	21	4,253,115	298,903	4,233,428	307,272	4,203,754	315,876
Non-Investment (Gain)/Loss	6/30/15	100%	Up/Dn	2.80%	21	(15,430)	(1,084)	(15,359)	(1,115)	(15,251)	(1,146)
Assumption Change	6/30/16	100%	Up/Dn	2.80%	12	1,517,626	160,242	1,455,224	164,729	1,383,942	169,341
Investment (Gain)/Loss	6/30/16	100%	Up/Dn	2.80%	22	5,494,680	374,710	5,481,078	385,202	5,455,708	395,988
Non-Investment (Gain)/Loss	6/30/16	100%	Up/Dn	2.80%	22	(893,216)	(60,913)	(891,005)	(62,619)	(886,880)	(64,372)
Assumption Change	6/30/17	100%	Up/Dn	2.80%	13	2,049,792	203,276	1,979,104	208,968	1,897,727	214,819
Investment (Gain)/Loss	6/30/17	100%	Up/Dn	2.80%	23	(2,790,675)	(185,031)	(2,789,222)	(190,211)	(2,782,317)	(195,537)
Non-Investment (Gain)/Loss	6/30/17	100%	Up/Dn	2.80%	23	70,302	4,661	70,266	4,792	70,092	4,926
Assumption Change	6/30/18	100%	Up/Dn	2.80%	14	3,246,802	304,186	3,153,226	312,703	3,044,485	321,459
Investment (Gain)/Loss	6/30/18	100%	Up/Dn	2.80%	24	(885,537)	(57,187)	(886,654)	(58,788)	(886,193)	(60,434)
Method Change	6/30/18	100%	Up/Dn	2.80%	14	735,098	68,870	713,912	70,798	689,292	72,780
Non-Investment (Gain)/Loss	6/30/18	100%	Up/Dn	2.80%	24	420,051	27,126	420,581	27,886	420,362	28,667
Investment (Gain)/Loss	6/30/19	100%	Up Only	0.00%	15	418,389	33,346	412,378	41,683	397,343	41,683
Non-Investment (Gain)/Loss	6/30/19	No Ramp		0.00%	15	424,673	41,509	410,654	41,508	395,682	41,508

Schedule of Amortization Bases (continued)

Reason for Base	Date Est.	Ramp Level 2026-27	Ramp Shape	Escalation Rate	Amort Period	Balance 6/30/24	Expected Payment 2024-25	Balance 6/30/25	Expected Payment 2025-26	Balance 6/30/26	Minimum Required Payment 2026-27
Investment (Gain)/Loss	6/30/20	100%	Up Only	0.00%	16	2,019,082	121,400	2,030,920	161,867	2,001,743	202,334
Non-Investment (Gain)/Loss	6/30/20	No Ramp	0.00%	16	319,180	30,262	309,610	30,262	299,389	30,262	
Assumption Change	6/30/21	No Ramp	0.00%	17	719,849	66,386	700,193	66,387	679,199	66,386	
Net Investment (Gain)	6/30/21	80%	Up Only	0.00%	17	(9,946,499)	(408,873)	(10,200,315)	(613,310)	(10,260,117)	(817,746)
Non-Investment (Gain)/Loss	6/30/21	No Ramp	0.00%	17	(445,834)	(41,116)	(433,660)	(41,116)	(420,658)	(41,116)	
Fresh Start	6/30/22	No Ramp	0.00%	18	268,018	24,101	261,336	24,101	254,200	24,101	
Investment (Gain)/Loss	6/30/22	60%	Up Only	0.00%	18	13,589,474	292,102	14,211,688	584,203	14,574,344	876,305
Non-Investment (Gain)/Loss	6/30/22	No Ramp	0.00%	18	1,860,585	167,310	1,814,200	167,310	1,764,661	167,311	
Investment (Gain)/Loss	6/30/23	40%	Up Only	0.00%	19	558,327	0	596,293	12,817	623,595	25,634
Non-Investment (Gain)/Loss	6/30/23	No Ramp	0.00%	19	1,626,014	0	1,736,583	156,160	1,693,289	156,160	
Investment (Gain)/Loss	6/30/24	20%	Up Only	0.00%	20	(2,143,460)	0	(2,289,215)	0	(2,444,882)	(52,552)
Non-Investment (Gain)/Loss	6/30/24	No Ramp	0.00%	20	1,322,979	0	1,412,942	0	1,509,022	135,697	
Total						35,994,025	2,731,370	35,618,911	3,104,152	34,833,040	3,397,473

The (gain)/loss bases are the plan's allocated share of the risk pool's (gain)/loss for the fiscal year as disclosed in [Allocation of Plan's Share of Pool's Experience](#) earlier in this report. These (gain)/loss bases will be amortized in accordance with the CalPERS amortization policy in effect at the time the base was established.

Amortization Schedule and Alternatives

The amortization schedule on the previous page(s) shows the minimum contributions required according to the CalPERS amortization policy. Each year, many agencies express a desire for a more stable pattern of payments or indicate interest in paying off the unfunded accrued liabilities more quickly than required. As such, we have provided alternative amortization schedules to help analyze the current amortization schedule and illustrate the potential savings of accelerating unfunded liability payments.

Shown on the following page are future year amortization payments based on 1) the current amortization schedule reflecting the individual bases and remaining periods shown on the previous page, and 2) alternative "fresh start" amortization schedules using two sample periods that would both result in interest savings relative to the current amortization schedule. To initiate a fresh start, please contact a CalPERS actuary.

The current amortization schedule typically contains both positive and negative bases. Positive bases result from plan changes, assumption changes, method changes or plan experience that increase unfunded liability. Negative bases result from plan changes, assumption changes, method changes, or plan experience that decrease unfunded liability. The combination of positive and negative bases within an amortization schedule can result in unusual or problematic circumstances in future years, such as:

- When a negative payment would be required on a positive unfunded actuarial liability; or
- When the payment would completely amortize the total unfunded liability in a very short time period, and results in a large change in the employer contribution requirement.

In any year when one of the above scenarios occurs, the actuary will consider corrective action such as replacing the existing unfunded liability bases with a single "fresh start" base and amortizing it over an appropriate period.

The current amortization schedule on the following page may appear to show that, based on the current amortization bases, one of the above scenarios will occur at some point in the future. It is impossible to know today whether such a scenario will in fact arise since there will be additional bases added to the amortization schedule in each future year. Should such a scenario arise in any future year, the actuary will take appropriate action based on guidelines in the CalPERS [Actuarial Amortization Policy](#).

Amortization Schedule and Alternatives (continued)

Date	Current Amortization Schedule		Alternative Schedules			
	Balance	Payment	Balance	Payment	Balance	Payment
6/30/2026	34,833,040	3,397,473	34,833,040	3,654,114	34,833,040	4,754,690
6/30/2027	33,690,598	3,516,564	33,425,376	3,654,114	32,287,996	4,754,690
6/30/2028	32,347,396	3,842,084	31,921,991	3,654,114	29,569,889	4,754,690
6/30/2029	30,576,451	3,877,553	30,316,376	3,654,114	26,666,951	4,754,690
6/30/2030	28,648,429	3,902,310	28,601,579	3,654,114	23,566,613	4,754,690
6/30/2031	26,563,714	3,981,786	26,770,176	3,654,114	20,255,452	4,754,690
6/30/2032	24,255,107	3,948,835	24,814,237	3,654,113	16,719,132	4,754,690
6/30/2033	21,823,565	3,911,749	22,725,295	3,654,113	12,942,342	4,754,690
6/30/2034	19,265,005	3,828,092	20,494,305	3,654,113	8,908,730	4,754,689
6/30/2035	16,618,920	3,682,427	18,111,608	3,654,113	4,600,834	4,754,690
6/30/2036	13,943,435	3,422,513	15,566,888	3,654,114		
6/30/2037	11,354,622	2,350,669	12,849,126	3,654,114		
6/30/2038	9,697,457	2,169,851	9,946,556	3,654,114		
6/30/2039	8,114,470	2,026,396	6,846,611	3,654,113		
6/30/2040	6,572,094	1,937,283	3,535,871	3,654,114		
6/30/2041	5,016,929	1,670,265				
6/30/2042	3,631,960	1,404,298				
6/30/2043	2,427,677	2,264,771				
6/30/2044	252,253	260,689				
6/30/2045						
6/30/2046						
6/30/2047						
6/30/2048						
6/30/2049						
Total		55,395,608		54,811,705		47,546,899
Interest Paid		20,562,568		19,978,665		12,713,859
Estimated Savings				583,903		7,848,709

Employer Contribution History

The table below provides a recent history of the employer contribution requirements for the plan, as determined by the annual actuarial valuation. Changes due to prepayments or plan amendments after the valuation report was finalized are not reflected.

Valuation Date	Contribution Year	Employer Normal Cost Rate		
		Rate Plan 947	Rate Plan 25874	Unfunded Liability Payment
06/30/2015	2017-18	21.418%	12.729%	\$936,543
06/30/2016	2018-19	22.346%	12.965%	1,202,159
06/30/2017	2019-20	23.654%	13.786%	1,491,782
06/30/2018	2020-21	25.540%	13.884%	1,723,504
06/30/2019	2021-22	25.59%	13.98%	2,038,674
06/30/2020	2022-23	25.64%	13.66%	2,336,391
06/30/2021	2023-24	29.09%	14.50%	2,271,254
06/30/2022	2024-25	29.30%	14.72%	2,731,370
06/30/2023	2025-26	29.35%	14.96%	3,104,152
06/30/2024	2026-27	29.38%	14.86%	3,397,473

Funding History

The table below shows the recent history of the actuarial accrued liability, share of the pool's market value of assets, unfunded accrued liability, funded ratio and annual covered payroll.

Valuation Date	Accrued Liability (AL)	Share of Pool's Market Value of Assets (MVA)	Unfunded Accrued Liability (UAL)	Funded Ratio	Annual Covered Payroll
06/30/2015	\$75,151,140	\$58,768,743	\$16,382,397	78.2%	\$5,002,007
06/30/2016	79,906,246	58,187,566	21,718,680	72.8%	5,031,040
06/30/2017	84,807,379	62,718,834	22,088,545	74.0%	4,774,361
06/30/2018	91,525,810	65,948,975	25,576,835	72.1%	5,003,762
06/30/2019	96,524,164	69,511,567	27,012,597	72.0%	5,582,000
06/30/2020	99,929,712	70,533,375	29,396,337	70.6%	5,349,976
06/30/2021	108,058,741	86,809,321	21,249,420	80.3%	5,547,237
06/30/2022	111,281,906	76,741,172	34,540,734	69.0%	5,415,759
06/30/2023	116,152,172	79,483,899	36,668,273	68.4%	5,639,720
06/30/2024	121,207,129	85,213,104	35,994,025	70.3%	6,122,639

Risk Analysis

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Future Investment Return Scenarios

Analysis using the investment return scenarios from the Asset Liability Management process completed in 2021 was performed to determine the effects of various future investment returns on required employer UAL contributions. The CalPERS [Funding Risk Mitigation Policy](#) stipulates that when the investment return exceeds the discount rate by at least 2% the board will consider adjustments to the discount rate. The projections below use a discount rate of 6.8% for all scenarios even though an annual return of 10.8% is high enough to trigger a board discussion on the discount rate. The projections also assume that all other actuarial assumptions will be realized and that no further changes in assumptions, contributions, benefits, or funding will occur.

The employer normal cost rates are not affected by investment returns, and since no future assumption changes are being reflected, the projected employer normal cost rates for every future investment return scenario are the same as those shown earlier in this report. See [Projected Employer Contributions](#) for more information on projecting the employer normal cost.

The first table shows projected UAL contribution requirements if the fund were to earn either 3.0% or 10.8% annually. These alternate investment returns were chosen because 90% of long-term average returns are expected to fall between them over the 20-year period ending June 30, 2044.

Assumed Annual Return FY 2024-25 through FY 2043-44	Projected Employer UAL Contributions				
	2027-28	2028-29	2029-30	2030-31	2031-32
3.0% (5th percentile)	\$3,595,000	\$4,080,000	\$4,357,000	\$4,706,000	\$5,196,000
10.8% (95th percentile)	\$3,434,000	\$3,585,000	\$3,346,000	\$2,987,000	\$1,984,000

Required UAL contributions outside of this range are also possible. In particular, whereas it is unlikely that investment returns will average less than 3.0% or greater than 10.8% over a 20-year period, the likelihood of a single investment return less than 3.0% or greater than 10.8% in any given year is much greater. The following analysis illustrates the effect of an extreme, single year investment return.

The portfolio has an expected volatility (or standard deviation) of 12.0% per year. Accordingly, in any given year there is a 16% probability that the annual return will be -5.2% or less and a 2.5% probability that the annual return will be -17.2% or less. These returns represent one and two standard deviations below the expected return of 6.8%.

The following table shows the effect of one and two standard deviation investment losses in FY 2024-25 on the FY 2027-28 contribution requirements. Note that a single-year investment gain or loss decreases or increases the required UAL contribution amount incrementally for each of the next five years, not just one, due to the 5-year ramp in the amortization policy. However, the contribution requirements beyond the first year are also impacted by investment returns beyond the first year. Historically, significant downturns in the market are often followed by higher than average returns. Such investment gains would offset the impact of these single year negative returns in years beyond FY 2027-28.

Assumed Annual Return for Fiscal Year 2024-25	Required Employer UAL Contributions	Projected Employer UAL Contributions
	2026-27	2027-28
(17.2%) (2 standard deviation loss)	\$3,397,473	\$4,014,000
(5.2%) (1 standard deviation loss)	\$3,397,473	\$3,766,000

- Without investment gains (returns higher than 6.8%) in FY 2025-26 or later, projected contributions rates would continue to rise over the next four years due to the continued phase-in of the impact of the illustrated investment loss in FY 2024-25.
- The Pension Outlook Tool can be used to model projected contributions for these scenarios beyond FY 2027-28 as well as to model other investment return scenarios.

Discount Rate Sensitivity

The discount rate assumption is calculated as the sum of the assumed real rate of return and the assumed annual price inflation, currently 4.5% and 2.3%, respectively. Changing either the price inflation assumption or the real rate of return assumption will change the discount rate. The sensitivity of the valuation results to the discount rate assumption depends on which component of the discount rate is changed. Shown below are various valuation results as of June 30, 2024, assuming alternate discount rates by changing the two components independently. Results are shown using the current discount rate of 6.8% as well as alternate discount rates of 5.8% and 7.8%. The rates of 5.8% and 7.8% were selected since they illustrate the impact of a 1.0% increase or decrease to the 6.8% assumption.

Sensitivity to the Discount Rate Due to Varying the Real Rate of Return Assumption

As of June 30, 2024	1% Lower Real Return Rate	Current Assumptions	1% Higher Real Return Rate
Discount Rate	5.8%	6.8%	7.8%
Price Inflation	2.3%	2.3%	2.3%
Real Rate of Return	3.5%	4.5%	5.5%
a) Total Normal Cost			
Rate Plan 947	48.70%	38.37%	30.56%
Rate Plan 25874	36.97%	29.36%	23.61%
b) Accrued Liability	\$137,396,418	\$121,207,129	\$107,980,850
c) Market Value of Assets	\$85,213,104	\$85,213,104	\$85,213,104
d) Unfunded Liability/(Surplus) [(b) - (c)]	\$52,183,314	\$35,994,025	\$22,767,746
e) Funded Ratio	62.0%	70.3%	78.9%

Sensitivity to the Discount Rate Due to Varying the Price Inflation Assumption

As of June 30, 2024	1% Lower Price Inflation	Current Assumptions	1% Higher Price Inflation
Discount Rate	5.8%	6.8%	7.8%
Price Inflation	1.3%	2.3%	3.3%
Real Rate of Return	4.5%	4.5%	4.5%
a) Total Normal Cost			
Rate Plan 947	40.17%	38.37%	34.95%
Rate Plan 25874	31.02%	29.36%	26.53%
b) Accrued Liability	\$125,416,808	\$121,207,129	\$113,313,783
c) Market Value of Assets	\$85,213,104	\$85,213,104	\$85,213,104
d) Unfunded Liability/(Surplus) [(b) - (c)]	\$40,203,704	\$35,994,025	\$28,100,679
e) Funded Ratio	67.9%	70.3%	75.2%

Mortality Rate Sensitivity

The following table looks at the change in the June 30, 2024, plan costs and funded status under two different longevity scenarios, namely assuming rates of post-retirement mortality are 10% lower or 10% higher than our current mortality assumptions adopted in 2021. This type of analysis highlights the impact on the plan of a change in the mortality assumption.

As of June 30, 2024	10% Lower Mortality Rates	Current Assumptions	10% Higher Mortality Rates
a) Total Normal Cost			
Rate Plan 947	38.85%	38.37%	37.92%
Rate Plan 25874	29.74%	29.36%	29.00%
b) Accrued Liability	\$123,169,832	\$121,207,129	\$119,392,023
c) Market Value of Assets	\$85,213,104	\$85,213,104	\$85,213,104
d) Unfunded Liability/(Surplus) [(b) - (c)]	\$37,956,728	\$35,994,025	\$34,178,919
e) Funded Ratio	69.2%	70.3%	71.4%

Maturity Measures

As pension plans mature they become more sensitive to risks. Understanding plan maturity and how it affects the ability of a pension plan sponsor to tolerate risk is important in understanding how the pension plan is impacted by investment return volatility, other economic variables and changes in longevity or other demographic assumptions.

Since it is the employer that bears the risk, it is appropriate to perform this analysis on a pension plan level considering all rate plans. The following measures include only the rate plans covered in this report. One way to look at the maturity level of CalPERS and its plans is to look at the ratio of a plan's retiree liability to its total liability. A pension plan in its infancy will have a very low ratio of retiree liability to total liability. As the plan matures, the ratio increases. A mature plan will often have a ratio above 60%-65%.

Ratio of Retiree Accrued Liability to Total Accrued Liability	June 30, 2023	June 30, 2024
1. Retiree Accrued Liability	\$84,111,175	\$91,002,625
2. Total Accrued Liability	\$116,152,172	\$121,207,129
3. Ratio of Retiree AL to Total AL [(1) ÷ (2)]	72%	75%

Another measure of the maturity level of CalPERS and its plans is the ratio of actives to retirees, also called the support ratio. A pension plan in its infancy will have a very high ratio of active to retired members. As the plan matures and members retire, the ratio declines. A mature plan will often have a ratio near or below one.

To calculate the support ratio for the rate plan, retirees and beneficiaries receiving a continuance are each counted as one, even though they may have only worked a portion of their careers as an active member of this rate plan. For this reason, the support ratio, while intuitive, may be less informative than the ratio of retiree liability to total accrued liability above.

For comparison, the support ratio for all CalPERS public agency plans as of June 30, 2023, was 0.78 and was calculated consistently with how it is for the individual rate plan. Note that to calculate the support ratio for all public agency plans, a retiree with service from more than one CalPERS agency is counted as a retiree more than once.

Support Ratio	June 30, 2023	June 30, 2024
1. Number of Actives	36	36
2. Number of Retirees	93	100
3. Support Ratio [(1) ÷ (2)]	0.39	0.36

Maturity Measures (continued)

The actuarial calculations supplied in this communication are based on various assumptions about long-term demographic and economic behavior. Unless these assumptions (e.g., terminations, deaths, disabilities, retirements, salary increases, investment return) are exactly realized each year, there will be differences on a year-to-year basis. The year-to-year differences between actual experience and the assumptions are called actuarial gains and losses and serve to lower or raise required employer contributions from one year to the next. Therefore, employer contributions will inevitably fluctuate, especially due to the ups and downs of investment returns.

Asset Volatility Ratio

Shown in the table below is the asset volatility ratio (AVR), which is the ratio of market value of assets to payroll. Plans that have a higher AVR experience more volatile employer contributions (as a percentage of payroll) due to investment return. For example, a plan with an AVR of 8 may experience twice the contribution volatility due to investment return volatility than a plan with an AVR of 4. It should be noted that this ratio is a measure of the current situation. It increases over time but generally tends to stabilize as a plan matures.

Liability Volatility Ratio

Also shown in the table below is the liability volatility ratio (LVR), which is the ratio of accrued liability to payroll. Plans that have a higher LVR experience more volatile employer contributions (as a percentage of payroll) due to changes in liability. For example, a plan with an LVR of 8 is expected to have twice the contribution volatility of a plan with an LVR of 4 when there is a change in accrued liability, such as when there is a change in actuarial assumptions. It should be noted that this ratio indicates a longer-term potential for contribution volatility, since the AVR, described above, will tend to move closer to the LVR as the funded ratio approaches 100%.

Contribution Volatility	June 30, 2023	June 30, 2024
1. Market Value of Assets	\$79,483,899	\$85,213,104
2. Payroll	\$5,639,720	\$6,122,639
3. Asset Volatility Ratio (AVR) [(1) ÷ (2)]	14.1	13.9
4. Accrued Liability	\$116,152,172	\$121,207,129
5. Liability Volatility Ratio (LVR) [(4) ÷ (2)]	20.6	19.8

Maturity Measures History

Valuation Date	Ratio of Retiree Accrued Liability to Total Accrued Liability	Support Ratio	Asset Volatility Ratio	Liability Volatility Ratio
06/30/2017	71%	0.49	13.1	17.8
06/30/2018	73%	0.47	13.2	18.3
06/30/2019	72%	0.46	12.5	17.3
06/30/2020	72%	0.42	13.2	18.7
06/30/2021	74%	0.42	15.6	19.5
06/30/2022	75%	0.41	14.2	20.5
06/30/2023	72%	0.39	14.1	20.6
06/30/2024	75%	0.36	13.9	19.8

Funded Status – Termination Basis

The funded status measured on a termination basis is an estimated range for the financial position of the plan had the contract with CalPERS been terminated as of June 30, 2024. The accrued liability on a termination basis (termination liability) is calculated differently from the plan's ongoing funding liability. For the termination liability calculation, both compensation and service are frozen as of the valuation date and no future pay increases or service accruals are assumed. This measure of funded status is not appropriate for assessing the need for future employer contributions in the case of an ongoing plan, that is, for an employer that continues to provide CalPERS retirement benefits to active employees. Unlike the actuarial cost method used for ongoing plans, the termination liability is the present value of the benefits earned through the valuation date.

A more conservative investment policy and asset allocation strategy was adopted by the board for the Terminated Agency Pool. The Terminated Agency Pool has limited funding sources since no future employer contributions will be made. Therefore, expected benefit payments are secured by risk-free assets and benefit security for members is increased while limiting the funding risk. However, this asset allocation has a lower expected rate of return than the remainder of the PERF and consequently, a lower discount rate assumption. The lower discount rate for the Terminated Agency Pool results in higher liabilities for terminated plans.

The discount rate used for actual termination valuations is a weighted average of the 10-year and 30-year Treasury yields where the weights are based on matching asset and liability durations as of the termination date. The discount rates used in the following analysis is based on 20-year Treasury bonds, which is a good proxy for most plans. The discount rate upon contract termination will depend on actual Treasury rates on the date of termination, which varies over time, as demonstrated below.

Valuation Date	20-Year Treasury Rate	Valuation Date	20-Year Treasury Rate
06/30/2015	2.83%	06/30/2020	1.18%
06/30/2016	1.86%	06/30/2021	2.00%
06/30/2017	2.61%	06/30/2022	3.38%
06/30/2018	2.91%	06/30/2023	4.06%
06/30/2019	2.31%	06/30/2024	4.61%

As Treasury rates are variable, the table below shows a range for the termination liability using discount rates 1% below and above the 20-year Treasury rate on the valuation date. The price inflation assumption is the 20-year Treasury break-even inflation rate, that is, the difference between the 20-year inflation indexed bond and the 20-year fixed-rate bond.

The Market Value of Assets (MVA) also varies with interest rates and will fluctuate depending on other market conditions on the date of termination. Since it is not possible to approximate how the MVA will change in different interest rate environments, the results below use the MVA as of the valuation date.

	Discount Rate: 3.61% Price Inflation: 2.45%	Discount Rate: 5.61% Price Inflation: 2.45%
1. Termination Liability ¹	\$188,815,699	\$141,249,539
2. Market Value of Assets (MVA)	85,213,104	85,213,104
3. Unfunded Termination Liability[(1) – (2)]	\$103,602,595	\$56,036,435
4. Funded Ratio [(2) ÷ (1)]	45.1%	60.3%

¹ The termination liabilities calculated above include a 5% contingency load. The contingency load and other actuarial assumptions can be found in Appendix A of the Section 2 report.

In order to terminate, first contact our Pension Contract Services unit to initiate a Resolution of Intent to Terminate. The completed Resolution will allow a CalPERS actuary to provide a preliminary termination valuation with a more up-to-date estimate of the plan's assets and liabilities. Before beginning this process, please consult with a CalPERS actuary.

Funded Status – Low-Default-Risk Basis

Actuarial Standard of Practice (ASOP) No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions*, requires the disclosure of a low-default-risk obligation measure (LDROM) of benefit costs accrued as of the valuation date using a discount rate based on the yields of high quality fixed income securities with cash flows that replicate expected benefit payments. Conceptually, this measure represents the level at which financial markets would value the accrued plan costs, and would be approximately equal to the cost of a portfolio of low-default-risk bonds with similar financial characteristics to accrued plan costs.

As permitted in ASOP No. 4, the Actuarial Office uses the Entry Age Actuarial Cost Method to calculate the LDROM. This methodology is in line with the measure of “benefit entitlements” calculated by the Bureau of Economic Analysis and used by the Federal Reserve to report the indebtedness due to pensions of plan sponsors and, conversely, the household wealth due to pensions of plan members.

As shown below, the discount rate used for the LDROM is 5.35%, which is the Standard FTSE Pension Liability Index¹ discount rate as of June 30, 2024.

Selected Measures on a Low-Default-Risk Basis	June 30, 2024
Discount Rate	5.35%
1. Accrued Liability – Low-Default-Risk Basis (LDROM)	
a) Active Members	\$29,987,837
b) Transferred Members	8,165,220
c) Separated Members	385,687
d) Members and Beneficiaries Receiving Payments	107,343,492
e) Total	\$145,882,236
2. Market Value of Assets (MVA)	85,213,104
3. Unfunded Accrued Liability – Low-Default-Risk Basis [(1e) – (2)]	\$60,669,132
4. Unfunded Accrued Liability – Funding Policy Basis	35,994,025
5. Present Value of Unearned Investment Risk Premium [(3) – (4)]	\$24,675,107

The difference between the unfunded liabilities on a low-default-risk basis and on the funding policy basis represents the present value of the investment risk premium that must be earned in future years to keep future contributions for currently accrued plan costs at the levels anticipated by the funding policy.

Benefit security for members of the plan relies on a combination of the assets in the plan, the investment income generated from those assets, and the ability of the plan sponsor to make necessary future contributions. If future returns fall short of 6.8%, benefit security could be at risk without higher than currently anticipated future contributions.

The funded status on a low-default-risk basis is not appropriate for assessing the sufficiency of plan assets to cover the cost of settling the plan’s benefit obligations (see [Funded Status – Termination Basis](#)), nor is it appropriate for assessing the need for future contributions (see [Funded Status – Funding Policy Basis](#)).

¹ This index is based on a yield curve of hypothetical AA-rated zero-coupon corporate bonds whose maturities range from 6 months to 30 years. The index represents the single discount rate that would produce the same present value as discounting a standardized set of liability cash flows for a fully open pension plan using the yield curve. The liability cash flows are reasonably consistent with the pattern of benefits expected to be paid from the entire Public Employees’ Retirement Fund for current and former plan members. A different index, hence a different discount rate, may be needed to measure the LDROM for a subset of the fund, such as a single rate plan or a group of retirees.

Supplementary Information

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Normal Cost by Benefit Group

The table below displays the Total Normal Cost broken out by benefit group as of the valuation date, June 30, 2024. The Total Normal Cost is the annual cost of service accrual for the fiscal year for active employees and can be viewed as the long-term contribution rate for the benefits contracted. Generally, the normal cost for a benefit group subject to more generous benefit provisions will exceed the normal cost for a group with less generous benefits. Future measurements of the Total Normal Cost for each group may differ significantly from the current values due to such factors as: changes in economic and demographic assumptions, changes in plan benefits or applicable law.

Rate Plan Identifier	Benefit Group Name	Total Normal Cost as of June 30, 2024	Offset due to Employee Contributions as of June 30, 2024	Employer Normal Cost as of June 30, 2024	Number of Actives	Payroll on 6/30/2024
947	Safety Police Plan	38.37%	8.99%	29.38%	19	\$3,700,003
25874	PEPRA Safety Police Plan	<u>29.36%</u>	<u>14.50%</u>	<u>14.86%</u>	<u>17</u>	<u>2,422,636</u>
	<i>Hypothetical Plan Totals¹</i>	<i>34.80%</i>	<i>11.17%</i>	<i>23.63%</i>	<i>36</i>	<i>\$6,122,639</i>

¹ The hypothetical employer normal cost and contribution rates for the total plan are provided for illustrative purposes only and are based on the payroll as of the valuation date. This snapshot of the cost of providing benefits can be compared from one valuation date to the next as members retire from older tiers and are replaced by members in new tiers. The employer normal cost rate for contribution purposes varies by rate plan and applies to the covered payroll of members in each respective rate plan.

Note that if a Benefit Group above has multiple bargaining units, each of which has separately contracted for different benefits such as Employer Paid Member Contributions, then the Normal Cost shown for the respective benefit level does not reflect those differences.

Summary of Valuation Data

The table below shows a summary of the plan's member data upon which this valuation is based:

	June 30, 2023	June 30, 2024
Active Members		
Counts	36	36
Average Attained Age	N/A	41.6
Average Entry Age to Rate Plan	N/A	33.1
Average Years of Credited Service	N/A	8.1
Average Annual Covered Pay	\$156,659	\$170,073
Annual Covered Payroll	\$5,639,720	\$6,122,639
Present Value of Future Payroll	\$44,747,377	\$49,448,499
Transferred Members		
Counts	14	16
Separated Members		
Counts	6	7
Retired Members and Beneficiaries*		
Counts	93	100
Average Annual Benefits	\$62,562	\$63,167
Total Annual Benefits	\$5,818,224	\$6,316,656

Counts of members included in the valuation are counts of the records processed by the valuation. Multiple records may exist for those who have service in more than one valuation group. This does not result in double counting of liabilities.

* Values include community property settlements.

Status of PEPRA Transition

The California Public Employees' Pension Reform Act of 2013 (PEPRA), which took effect in January 2013, changed CalPERS retirement benefits and placed compensation limits on new members joining CalPERS on or after January 1, 2013. One of the objectives of PEPRA was to improve the ability of employers to manage the costs of retirement benefits for their members. While such changes can reduce future benefit costs in a meaningful way, the full impact on employer contributions will not occur until all active members are subject to the rules and provisions of PEPRA. The table below illustrates the status of this transition as of June 30, 2024.

	Classic	PEPRA	PEPRA as a Percent of Total
Active Members			
Count	19	17	47.2%
Average Attained Age	49.2	33.1	
Average Entry Age	35.5	30.4	
Average Years of Credited Service	12.7	2.9	
Average Annual Covered Payroll	\$194,737	\$142,508	
Annual Covered Payroll	\$3,700,003	\$2,422,636	39.6%
Present Value of Future Payroll	\$18,586,871	\$30,861,628	62.4%
Transferred Members			
Count	9	7	43.8%
Separated Members			
Count	2	5	71.4%
Retired Members and Beneficiaries Receiving Payments			
Count	99	1	1.0%
Average Annual Benefit	\$63,592	\$21,075	
Total Annual Benefits	\$6,295,581	\$21,075	0.3%
Accrued Liabilities			
Active Members	\$21,949,608	\$1,834,321	7.7%
Transferred Members	5,445,881	667,223	10.9%
Separated Members	165,136	142,335	46.3%
Retired Members and Beneficiaries	<u>90,637.299</u>	<u>365,326</u>	<u>0.4%</u>
Total	\$118,197,924	\$3,009,205	2.5%

SurchARGE for Class 1 Benefits

This plan has the following Class 1 benefit provisions which result in the surcharges indicated:

Class 1 benefit provisions	Rate Plan 947	Rate Plan 25874
One Year Final Compensation (FAC 1)	1.47%	N/A
Post-Retirement Survivor Allowance (PRSA)	<u>1.96%</u>	<u>1.70%</u>
Surcharge for Class 1 Benefits	3.43%	1.70%

Plan's Major Benefit Options

Shown below is a summary of the major optional benefits for which the agency has contracted. A description of principal standard and optional plan provisions is in Section 2.

Rate Plan 947	Benefit Group		
Member Category	Police	Police	
Demographics			
Actives	Yes	No	
Transfers/Separated	Yes	No	
Receiving	Yes	Yes	
Benefit Provision			
Benefit Formula	3% @ 50		
Social Security Coverage	No		
Full/Modified	Full		
Employee Contribution Rate	9.00%		
Final Average Compensation Period	One Year		
Sick Leave Credit	Yes		
Non-Industrial Disability	Standard		
Industrial Disability	Standard		
Pre-Retirement Death Benefits			
Optional Settlement2	Yes		
1959 Survivor Benefit Level	Level 4		
Special	Yes		
Alternate (firefighters)	No		
Post-Retirement Death Benefits			
Lump Sum	\$2,000	\$2,000	
Survivor Allowance (PRSA)	Yes	Yes	
COLA	2%	2%	

Plan's Major Benefit Options (Continued)

Shown below is a summary of the major optional benefits for which the agency has contracted. A description of principal standard and optional plan provisions is in Section 2.

Rate Plan 25874	Benefit Group	
Member Category	Police	
Demographics Actives Transfers/Separated Receiving	Yes Yes Yes	
Benefit Provision Benefit Formula Social Security Coverage Full/Modified	2.7% @ 57 No Full	
Employee Contribution Rate	14.50%	
Final Average Compensation Period	Three Year	
Sick Leave Credit	Yes	
Non-Industrial Disability	Standard	
Industrial Disability	Standard	
Pre-Retirement Death Benefits Optional Settlement 2 1959 Survivor Benefit Level Special Alternate (firefighters)	Yes Level 4 Yes No	
Post-Retirement Death Benefits Lump Sum Survivor Allowance (PRSA)	\$2,000 Yes	
COLA	2%	

Section 2

California Public Employees' Retirement System

Risk Pool Actuarial Valuation Information

[Section 2](#) may be found on the
CalPERS website (www.calpers.ca.gov)
in the Forms & Publications section