

6A. STAFF PRESENTATION

CALPERS UPDATE

CALPERS UPDATE

Finance Committee Meeting – November 13, 2025





CALPERS NEWS

FISCAL YEAR 2024-25 CALPERS FISCAL STATUS

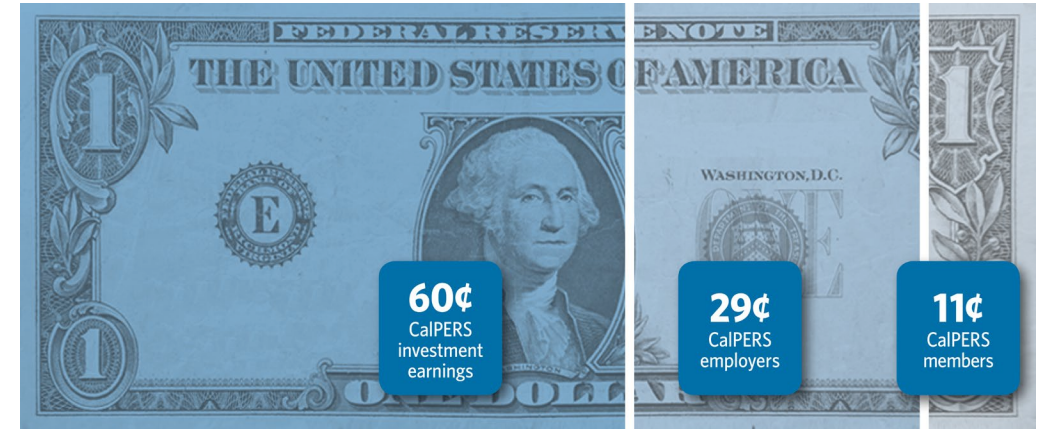
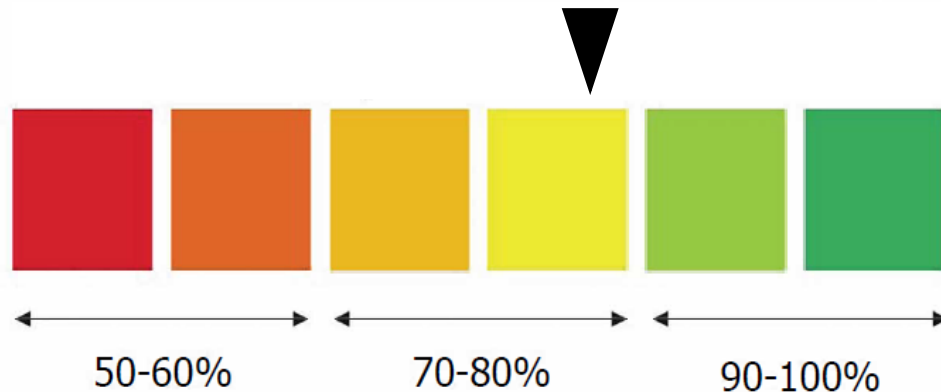
\$563 billion in assets

(up from \$506b in prior year)

12.1% net return on investments

(9.5% in prior year)

79% funded status



Preliminary



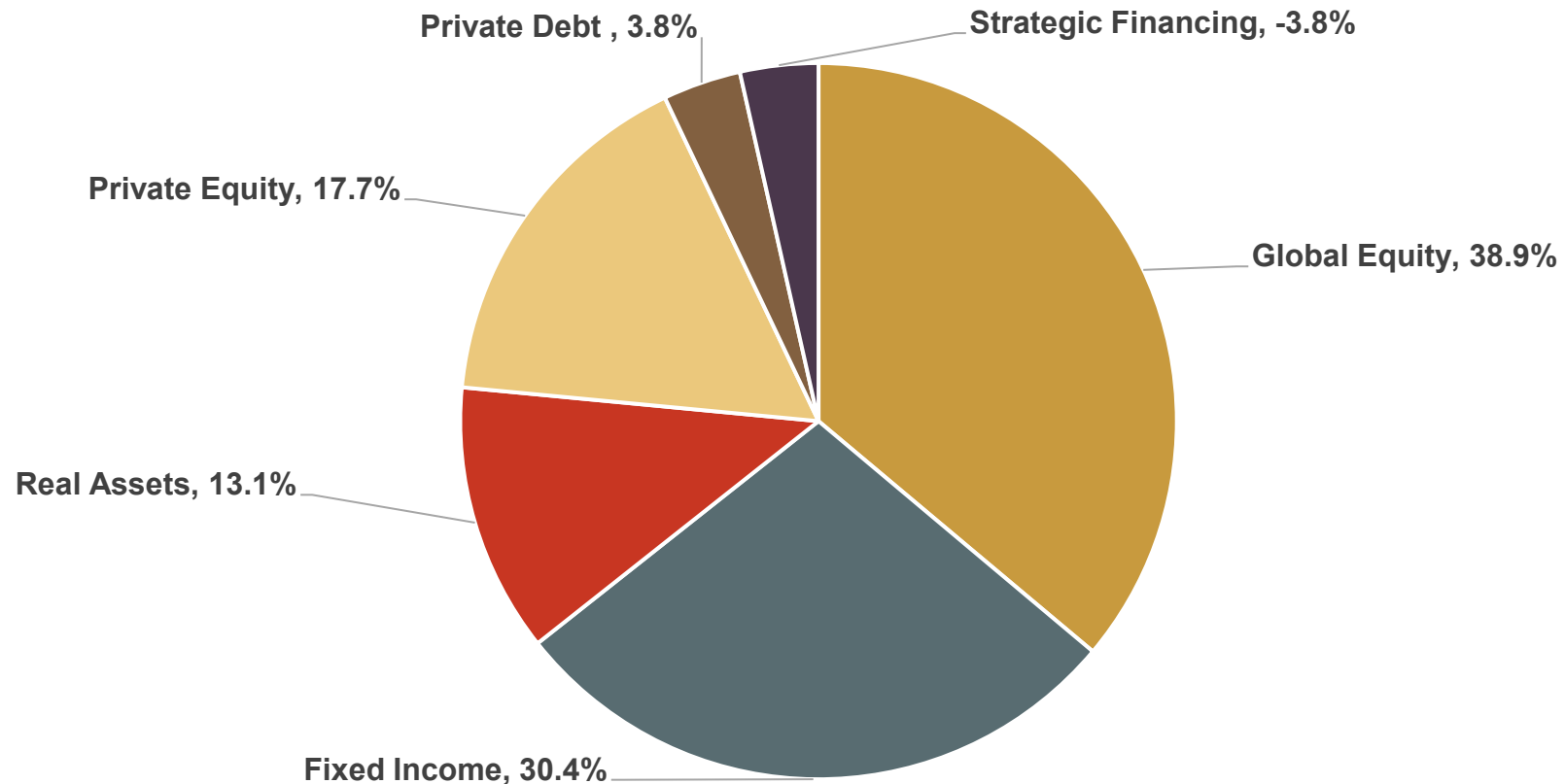
NEW ACTUARIAL ASSUMPTIONS

- On November 18, 2025, CalPERS is expected to adopt new actuarial assumptions based on recommendations in the 2025 CalPERS Experience Study and Review of Actuarial Assumptions.
- Salary 2.80% → 3.00%
- Inflation 2.30% → 2.50%
- Mortality – fully generational based on 80% of SOA Mortality improvement table “MP 2021”



PUBLIC EMPLOYEES' RETIREMENT FUND (PERF)

Current Asset Allocation as of June 30, 2025





JUNE 30, 2024
ACTUARIAL VALUATION REPORTS
(PUBLISHED IN AUG 2025)

JUNE 30, 2024 ACTUARIAL VALUATION REPORTS

- 2024 valuation reports set the contribution rates for FY2026-27.
- FY 2023-24 investment return was 9.5%, overperforming the 6.8% target.
- Total unfunded liability decreased from \$341 million to \$312.5 million, while the total funded ratio increased from 72.5% to 75.9%.
- The 2024 valuation reports do not reflect the 12.1% investment return in FY2024-25

	June 30, 2024			June 30, 2023
	Miscellaneous	Safety	Total	Total
Accrued Liability	\$ 557,154,955	\$ 739,680,443	\$ 1,296,835,398	\$ 1,240,764,986
Market Value of Assets	\$ 436,179,835	\$ 548,134,475	\$ 984,314,310	\$ 899,755,600
Unfunded Liability	\$ 120,975,120	\$ 191,545,968	\$ 312,521,088	\$ 341,009,386
Funded Ratio	78.3%	74.1%	75.9%	72.5%



NORMAL COST FOR ACTIVE EMPLOYEES (BASED ON THE JUNE 30, 2024, ACTUARIAL REPORTS)

Blended Normal Cost Rates (as a % of Payroll)

	FY 2025-26	FY 2026-27
Miscellaneous	17.93%	17.67%
Safety	30.94%	30.88%

- Normal cost represents the amount required to be paid to CalPERS for new pension benefits earned by active employees each pay period.
- Employees pay a portion of normal cost, which varies by bargaining group and benefit tier.
- PEPRA EE's pay 7.5% for Miscellaneous, 13.50% for Safety



COMPARISON TO OTHER ORANGE COUNTY EMPLOYERS

- The funded percentage for every non-pooled plan in the County increased in part to the investment gain.

Agency	June 30, 2024, Valuation		June 30, 2025, Valuation		Change		
	UAL	Funded %	UAL	Funded %	UAL \$	UAL %	Funded %
City of Anaheim	958,818,679	71.7%	805,959,850	76.7%	(152,858,830)	-15.9%	5.1%
City of Brea*	48,528,053	73.8%	40,279,513	78.8%	(8,248,540)	-17.0%	5.0%
City of Buena Park*	26,557,683	85.2%	19,775,721	89.2%	(6,781,962)	-25.5%	4.0%
City of Costa Mesa	268,446,159	64.4%	237,947,722	69.4%	(30,498,437)	-11.4%	4.9%
City of Fullerton	318,857,946	68.5%	281,301,868	73.0%	(37,556,079)	-11.8%	4.5%
City of Garden Grove	362,368,467	67.8%	316,355,784	72.8%	(46,012,684)	-12.7%	5.0%
City of Huntington Beach	215,471,010	87.6%	146,472,972	91.9%	(68,998,038)	-32.0%	4.3%
City of Irvine	202,334,420	80.7%	156,087,134	85.8%	(46,247,286)	-22.9%	5.1%
City of La Habra*	18,463,705	88.2%	11,994,647	92.6%	(6,469,058)	-35.0%	4.4%
City of Laguna Beach*	35,715,287	77.5%	28,611,489	82.7%	(7,103,798)	-19.9%	5.1%
City of Mission Viejo*	27,811,098	78.3%	21,845,230	83.6%	(5,965,868)	-21.5%	5.4%
City of Newport Beach	312,521,088	75.9%	234,342,791	82.4%	(78,178,297)	-25.0%	6.5%
City of Orange	85,050,199	93.0%	31,948,535	97.8%	(53,101,664)	-62.4%	4.8%
City of Santa Ana	450,373,083	82.4%	340,300,019	87.0%	(110,073,064)	-24.4%	4.6%
City of Tustin*	32,561,768	80.4%	23,611,202	86.3%	(8,950,566)	-27.5%	5.9%
City of Westminster*	54,017,434	68.8%	46,849,287	73.7%	(7,168,147)	-13.3%	4.8%
City of Yorba Linda*	25,363,252	75.1%	20,493,356	80.6%	(4,869,896)	-19.2%	5.5%
Irvine Ranch Water District*	94,023,646	76.1%	75,175,762	81.6%	(18,847,885)	-20.0%	5.5%
Santa Margarita Water District*	37,198,393	74.2%	30,785,506	79.5%	(6,412,887)	-17.2%	5.3%

Funded percentages are averages of all combined plans for a city.

** Indicates agency does not have safety plan with CalPERS.*





PENSION PAYDOWN STRATEGY

PENSION PAYDOWN STRATEGY

- Pension paydown strategy reviewed annually.
- FY 2025-26 budget includes \$40 million allocated towards the unfunded accrued liability (UAL); any extra payments will follow Policy F-5, allocating 50% of year-end surplus to debt reduction.
- Previous forecast projected full payoff by FY 2032-33, assuming a 6.8% CalPERS return on average each year.
- FY 2024-25 investment return of 12.1%, exceeded the 6.8% assumed rate of return.



ROLL-FORWARD OF VALUATIONS TO JUNE 30, 2024

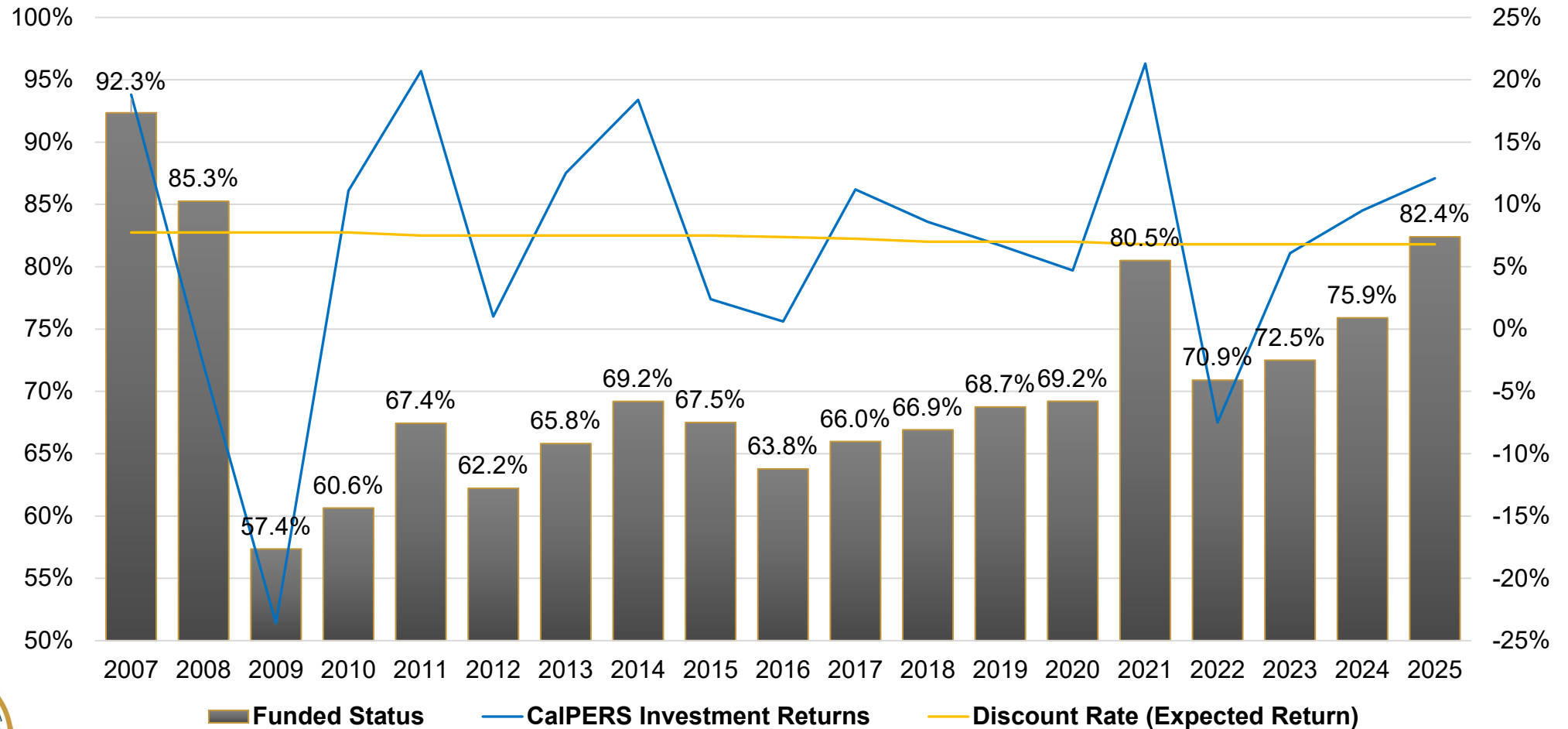
- The Actuarial Valuation at June 30, 2025, will not be available until August 2026. However, the CalPERS Pension Outlook tool has been utilized to estimate the City's projected funded status as of June 30, 2025, which reflects the impact associated with the 12.1% investment gain.

	June 30, 2021	June 30, 2022	June 30, 2023	June 30, 2024	June 30, 2025*
Unfunded Liability	\$ 223,438,444	\$347,832,174	\$341,009,386	\$312,521,088	\$235,142,000
Funded Percentage	79.3 %	70.9%	72.5%	75.9%	82.4%
Investment Return	21.3 %	-7.5%	6.1%	9.5%	12.1%

* Projected



HISTORICAL INVESTMENT RETURNS & THE CITY'S FUNDED STATUS



PROJECTIONS FOR THE FUTURE

- Using the CalPERS Pension Outlook tool, staff modeled the impact of the projected 12.1% return for FY 2024-25 and the impact of continuing the current payment strategy
 - The FY 2024-25 rate of return is estimated to be 5.3% higher than expected
 - Current projection shows the liability will be eliminated in FY 2032-33
 - FY 2025-26 projected to pay approximately \$11.4 million more than required by CalPERS

	2025-26	2026-27	2027-28	2028-29	2029-2030	2032-33
Planned Payment	\$ 45,000,000	\$ 45,000,000	\$ 45,000,000	\$ 45,000,000	\$ 45,000,000	\$ 4,650,000
Beginning Unfunded Liability	\$ 235,142,000	\$ 217,020,000	\$ 194,855,000	\$ 161,693,000	\$ 126,184,000	\$ 4,500,000
Beginning Funded Percentage	82.4%	84.2%	86.3%	89%	91.7%	99.7%
Investment Return	6.8 %	6.8 %	6.8 %	6.8 %	6.8 %	6.8 %



NORMAL COST FOR ACTIVE EMPLOYEES

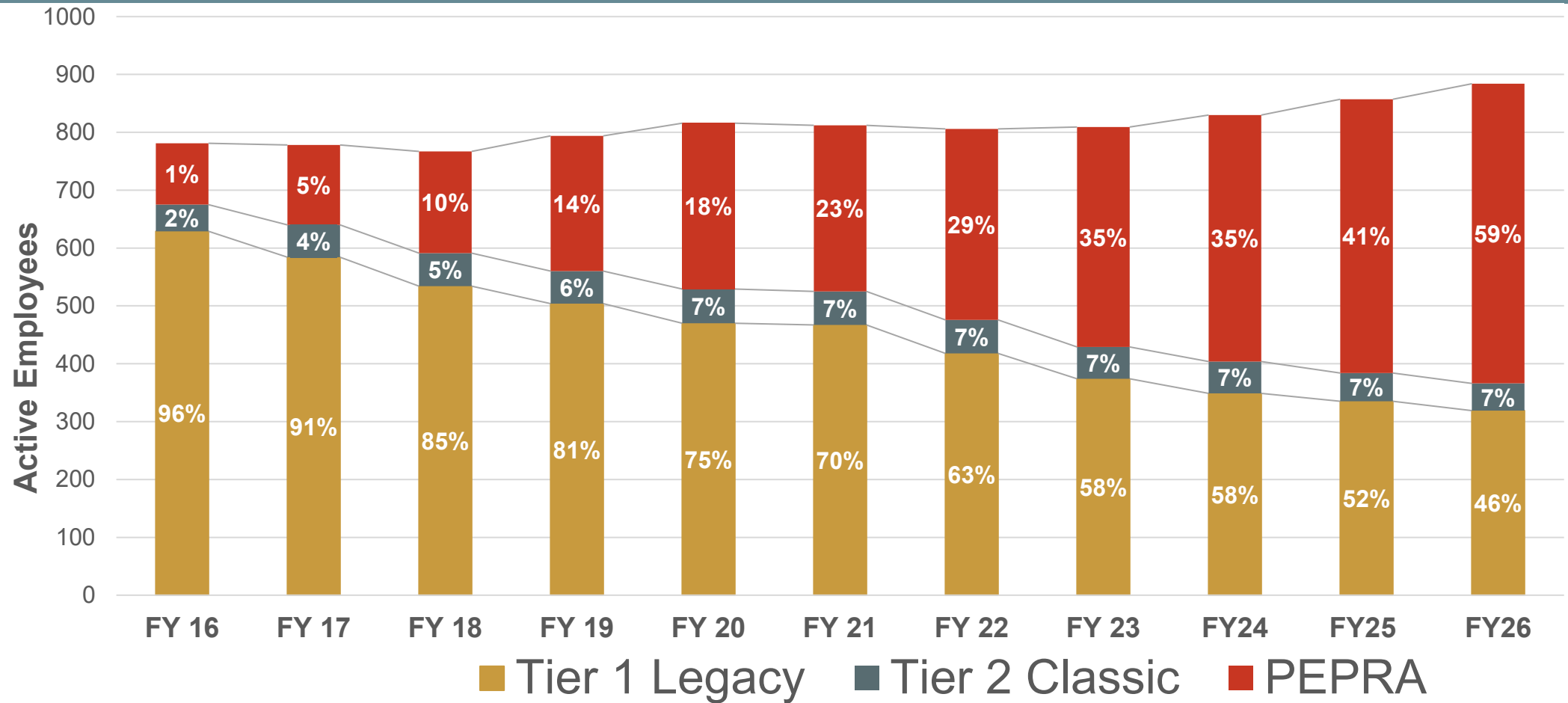
- Tier 1 (Legacy) & Tier 2 (Classic) employees in the Miscellaneous Plan contribute approximately 56.2% of amounts associated with normal cost.
- Tier 1 (Legacy) & Tier 2 (Classic) employees in the Safety Plan contribute approximately 72% of amounts associated with normal cost on average across the various bargaining groups.
- Miscellaneous PEPRA employees contribute approximately 43.9% of amounts associated with normal cost, whereas Safety PEPRA employees share 28.3% in the payment of normal cost.

Total Normal Cost Rates (as a % of Payroll)

	Miscellaneous	Safety
Tier 1 “Legacy”	20.09%	30.64%-37.26%
Tier 2 “Classic”	19.64%	24.46%-33.84%
Tier 3 “PEPRA”	15.3%	25.5%-30.9%



ACTIVE EMPLOYEES BY BENEFIT TIER



IMPACT OF INVESTMENT RETURN AND ADDITIONAL PAYMENTS

- Last year's CalPERS update projected the pension liability to be paid off in FY 2032-33
- FY 2024-25 projection considered a return of 6.8%, where return actual was 12.1%, shortening the payoff timeline further by a few months
- Staff project the pension liability to be paid off in FY 2032-33 if CalPERS can achieve an investment rate of return equal to their 6.8% discount rate



TARGET SCENARIOS

Fiscal Year	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35
Target 85% Funded Status										
Safety	30,527,490	29,559,439	21,824,000	22,831,000	22,483,000	22,068,000	21,996,000	22,655,000	16,114,000	
Misc	14,472,510	15,440,561	13,452,000	14,240,000	13,839,000	13,378,000	13,187,000	13,571,000	9,602,000	
Total	45,000,000	45,000,000	35,276,000	37,071,000	36,322,000	35,446,000	35,183,000	36,226,000	25,716,000	
Funded %	84.2%	86.3%	88.3%	90.4%	92.5%	94.5%	96.5%	98.6%	100.0%	
Target 90% Funded Status										
Safety	30,527,490	29,559,439	27,769,044	27,712,237	21,339,000	20,923,000	20,851,000	21,510,000	5,921,000	
Misc	14,472,510	15,440,561	17,230,956	17,287,763	13,133,000	12,673,000	12,481,000	12,865,000	3,230,000	
Total	45,000,000	45,000,000	45,000,000	45,000,000	34,472,000	33,596,000	33,332,000	34,375,000	9,151,000	
Funded %	84.2%	86.3%	89.0%	91.7%	93.6%	85.6%	97.5%	99.5%	100.0%	
Target 95% Funded Status										
Safety	30,527,490	29,559,439	27,769,044	27,712,237	27,856,086	28,019,496	19,226,000	12,757,000		
Misc	14,472,510	15,440,561	17,230,956	17,287,763	17,143,914	16,980,504	11,522,000	7,115,000		
Total	45,000,000	45,000,000	45,000,000	45,000,000	45,000,000	45,000,000	30,748,000	19,872,000		
Funded %	84.2%	86.3%	89.0%	91.7%	94.3%	97.0%	98.9%	100.0%		





ALTERNATIVE TO ADPS

PARS TRUST TEAM

As of June 30, 2025

Trust Administrator & Consultant*



- Serves as record-keeper, consultant, and central point of contact
- Sub-trust accounting
- Coordinates all agency services
- Monitors plan compliance (IRS/GASB/State Government Code)
- Processes contributions/disbursements
- Hands-on, dedicated support teams

40+
Years of Experience
(1984-2025)

2,000+
Plans under
Administration

1,100+
Public Agency
Clients

500+
115 Trust Clients

750K+
Plan Participants

\$9.8B+
Assets under
Administration

** See important information regarding PARS in the Disclaimer page at the end of the presentation.*

Trustee



- 5th largest commercial bank and one of the nation's largest trustees for Section 115 trusts
- Safeguard plan assets
- Oversight protection as plan fiduciary
- Custodian of assets

162
Years of Experience
(1863-2025)

\$11.0T
Assets under
Administration

Investment Manager



- A division of U.S. Bancorp Asset Management, Inc.
- Fixed income and multi asset portfolios
- Strategic blend and passive platform options
- Customized portfolios (with minimum asset level)

40+
Years of Investment
Experience
(As of 6/30/2025)

\$256.3B*
Assets under Management
& Advisement

**As of June 30, 2025. Total assets under management for U.S. Bancorp Asset Management, Inc. were \$404.9 billion. Please see disclosures at the end of this presentation*



INTERNAL REVENUE CODE SECTION 115 PENSION TRUST

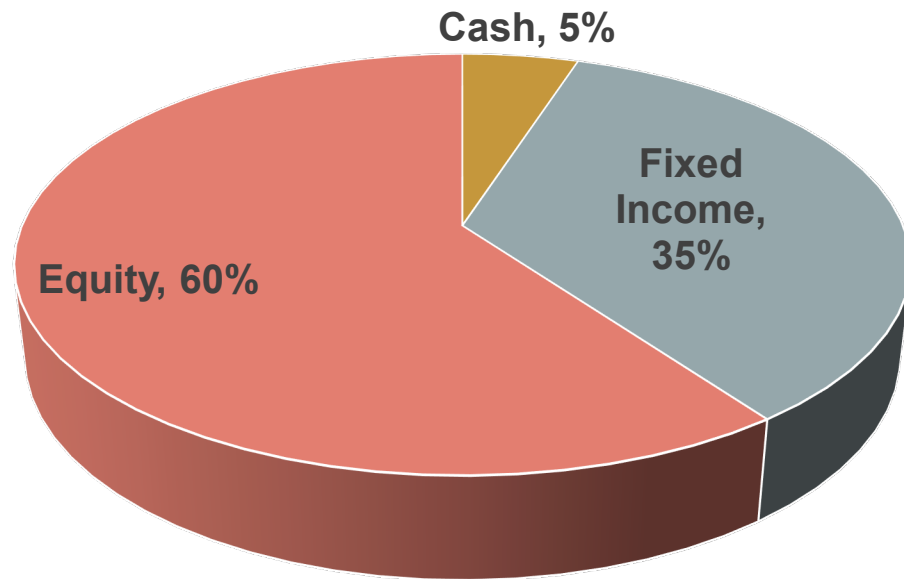
Primary Benefits

- **Rate Stabilization:** designed to *mitigate against pension contribution volatility* since Pension Trust Fund assets can be used to offset unanticipated increases in rates due to investment return volatility.
- **Diversification:** designed to *mitigate against investment return volatility* through diversification where assets are managed in a customized investment strategy that balances risk and return

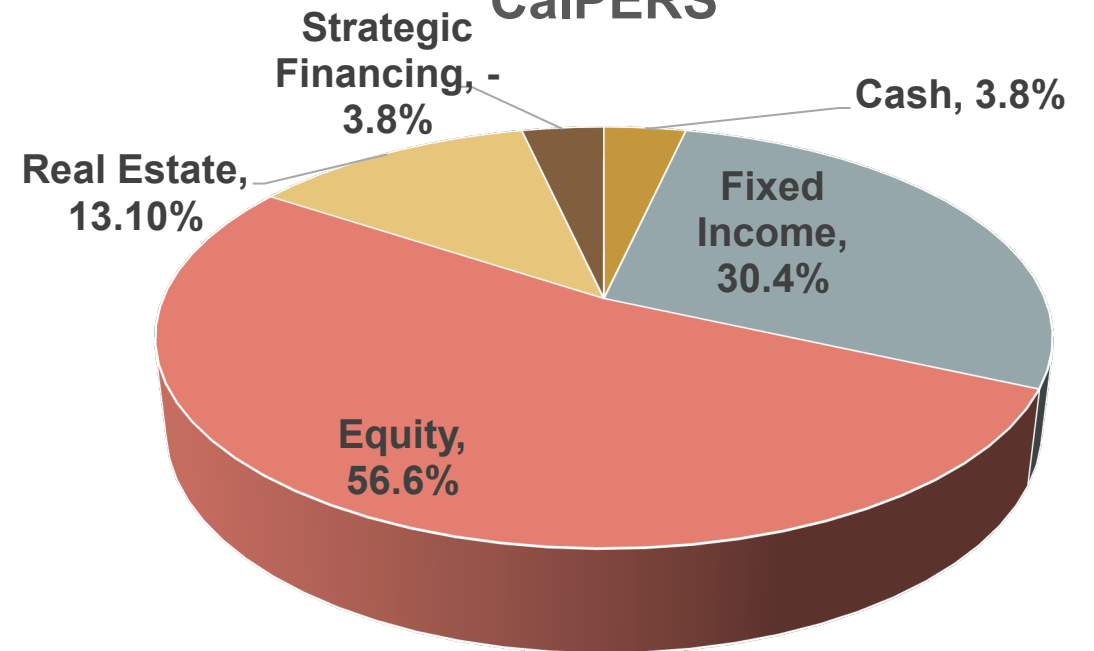


ASSET ALLOCATION & DIVERSIFICATION

Pension Trust, Balanced Strategy



CalPERS



PUBLIC
AGENCY
RETIREMENT
SERVICES

PARS



INVESTMENT RETURN & VOLATILITY

	PARS Balanced Strategy	CalPERS PERF
1 – Year Return	10.7%	12.1%
3 – Year Return	11.0%	9.0%
5 – Year Return	8.4%	8.1%
10 – Year Return	7.2%	7.2%



SUMMARY

- Staff recommend that the Finance Committee discuss and provide recommendations for future steps
- Monitor future CalPERS investment returns and respond accordingly





QUESTIONS?