TOWN OF LOS GATOS
FINANCE COMMISSION AGENDA
SEPTEMBER 08, 2025
110 EAST MAIN STREET
TOWN COUNCIL CHAMBERS
5:30 PM

Linda Reiners, Chair
Ashby Monk, Vice Chair
Adam Fischer, Commissioner
Phil Koen, Commissioner
Joseph Rodgers, Commissioner
Matthew Hudes, Mayor
Rob Moore, Vice Mayor

IMPORTANT NOTICE

This is a hybrid meeting and will be held in-person at the Town Council Chambers at 110 E. Main Street and virtually through Zoom Webinar (log-in information provided below). Members of the public may provide public comments for agenda items in-person or virtually by following the instructions listed below or at the end of the agenda.

To watch and participate via Zoom, please go to:
https://losgatosca-gov.zoom.us/j/84834011781?pwd=rHVGvPbwjNaaM6U6ZB5AbaZUF1ToV9.1
Enter passcode: 998589

CALL MEETING TO ORDER

ROLL CALL

PRESENTATION

i. **Receive a Presentation Related to Commissioners' Roles, Responsibilities, Meeting Procedures and Policies**
RECOMMENDATION: Receive a Presentation Related to Commissioners' Roles, Responsibilities, Meeting Procedures and Policies.

LIASION UPDATE - Verbal report on the status of the RFP for a Fiscal Condition Analysis, including a five year and long term forecast, fiscal impact analysis, and asset liability management study, as well as the timing of upcoming discussions by the Pension and OPEB Oversight Board and the Finance Commission regarding the pension and OPEB trusts.

CONSENT ITEMS *(Items appearing on the Consent are considered routine Town business and may be approved by one motion. Members of the public may provide input on any Consent Item(s) when the Chair asks for public comment on the Consent Items.)*

1. **Approve the Minutes of the August 11, 2025, Finance Commission Regular Meeting**
RECOMMENDATION: Approve the Minutes of the August 11, 2025, Finance Commission Regular Meeting.

2. **Receive the Monthly Financial and Investment Report for July 2025**
RECOMMENDATION: Receive the Monthly Financial and Investment Reports for July 2025.

3. **Receive the California Employer's Retiree Benefit Trust (CERBT) Strategy 1 Market Value Summary Report for the Period Ending June 30, 2025, and the Performance Report as of June 30, 2025**
RECOMMENDATION: Receive California Employer's Retiree Benefit Trust (CERBT) Strategy 1 Market Value Summary Report for the Period Ending June 30, 2025, and the Performance Report as of June 30, 2025.

4. **Receive the California Employer's Pension Prefunding Trust (CEPPT) Strategy Market Value Summary Report for the Period Ending June 30, 2025, and Performance as of June 30, 2025**
RECOMMENDATION: Receive the California Employer's Pension Prefunding Trust (CEPPT) Strategy 2 Market Value Summary Report for the period ending June 30, 2025, and performance as of June 30, 2025.

5. **Receive the CalPERS Actuarial Valuation Reports as of June 30, 2024**
RECOMMENDATION: Receive the CalPERS Actuarial Valuation Reports as of June 30, 2024.

VERBAL COMMUNICATIONS *(Members of the public are welcome to address the Commission on any matter that is not listed on the agenda and is within the subject matter jurisdiction of the Finance Commission. To ensure all agenda items are heard, this portion of the agenda is limited to 30 minutes. In the event additional speakers were not able to be heard during the initial Verbal Communications portion of the agenda, an additional Verbal Communications will be opened prior to adjournment. Each speaker is limited to no more than three (3) minutes or such time as authorized by the Chair.)*

OTHER BUSINESS *(Up to three minutes may be allotted to each speaker on any of the following items.)*

6. **Review and Recommend Updates to the Town's General Fund Reserve Policy**
RECOMMENDATION:
Review and recommend updates to the Town's General Fund Reserve Policy for the Town Council's consideration, incorporating best practices in fiscal policy, reserve management, and financial transparency.

ADJOURNMENT

ADA NOTICE In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Clerk's Office at (408) 354-6834. Notification at least two (2) business days prior to the meeting date will enable the Town to make reasonable arrangements to ensure accessibility to this meeting [28 CFR §35.102-35.104]. The ADA access ramp to the Town Council Chambers is under construction and will be inaccessible through June 2025. Persons who require the use of that ramp to attend meetings are requested to contact the Clerk's Office at least two (2) business days prior to the meeting date.

NOTICE REGARDING SUPPLEMENTAL MATERIALS - Materials related to an item on this agenda submitted to the Commission after initial distribution of the agenda packets are available for public inspection in the Clerk's Office at Town Hall, 110 E. Main Street, Los Gatos and on Town's website at www.losgatosca.gov. Commission agendas and related materials can be viewed online at https://losgatos-ca.municodemeetings.com/.

HOW TO PARTICIPATE

The public is welcome to provide oral comments in real-time during the meeting in three ways:

Zoom Webinar (Online): Join from a PC, Mac, iPad, iPhone or Android device. Please click this URL to join: https://losgatosca-gov.zoom.us/j/84834011781?pwd=rHVGvPbwjNaaM6U6ZB5AbaZUF1ToV9.1
Passcode: 998589 You can also type in 848 3401 1781 in the "Join a Meeting" page on the Zoom website at zoom.com and use passcode 998589.

When the Mayor announces the item for which you wish to speak, click the "raise hand" feature in Zoom. If you are participating by phone on the Zoom app, press *9 on your telephone keypad to raise your hand.

Telephone: Please dial 1 (855) 758-1310 for US Toll-free or 1 (408) 961-3927 for US Toll. (Meeting ID: 848 3401 1781)

If you are participating by calling in, press *9 on your telephone keypad to raise your hand.

In-Person: Please complete a "speaker's card" located on the back of the chamber benches and return it to the Town Clerk before the meeting or when the Chair announces the item for which you wish to speak.

NOTES: Comments will be limited to three (3) minutes or less at the Chair's discretion.
If you are unable to participate in real-time, you may email to Clerk@losgatosca.gov the subject line "Public Comment Item #__ " (insert the item number relevant to your comment). All comments received will become part of the record.
Deadlines to submit written comments are:
-11:00 a.m. the business day before the Commission meeting for inclusion in an addendum.
-11:00 a.m. on the day of the Commission meeting for inclusion in a desk item.

TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 09/08/2025

DATE: September 8, 2025

TO: Finance Commission

FROM: Chris Constantin, Town Manager

SUBJECT: **Receive a Presentation Related to Commissioners' Roles, Responsibilities, Meeting Procedures and Policies**

RECOMMENDATION: Receive a Presentation Related to Commissioners' Roles, Responsibilities, Meeting Procedures and Policies.

BACKGROUND:

In recent months, there has been a growing recognition of the importance of clarifying the roles and responsibilities of Commissioners, as well as the need to review existing procedures and policies. All members must have a clear understanding of their roles and the overall goals of the Commission.

DISCUSSION:

Reviewing the roles and responsibilities of the Commissioners, along with meeting procedures and policies, can help enhance the effectiveness of the Commission and ensure that each member is serving the community to the best of their abilities. Good governance is a core goal in the Town Council's strategic priorities, and to promote good governance, it is important that everyone clearly understands the roles and responsibilities of the Commission. Understanding this will help facilitate effective decision-making, ensure meetings run smoothly, and provide better outcomes for the community.

Topics to be reviewed include the Brown Act, parliamentary procedures, recent updates to Council adopted policies, working constructively with your Commission's staff liaison, and the roles of an advisory commission.

PREPARED BY: Wendy Wood
Town Clerk

Reviewed by: Town Manager, Town Attorney, and Finance Director

TOWN OF LOS GATOS
FINANCE COMMISSION
MINUTES

MEETING DATE: 09/08/2025

ITEM NO: 1

Minutes of the Finance Commission Regular Meeting
August 11, 2025

The Finance Commission of the Town of Los Gatos conducted a regular meeting in person and via teleconference.

THE MEETING WAS CALLED TO ORDER AT 5:32 P.M.

ROLL CALL

Present: Chair Linda Reiners, Commissioner Adam Fischer, Commissioner Phil Koen, Commissioner Joe Rodgers (Arrived at 5:36 for Item 5), and Mayor Matthew Hudes

Absent: Vice Chair Ashby Monk and Vice Mayor Rob Moore

Town Staff Present: Town Manager, Chris Constantin; Finance Director, Gitta Ungvari; Community Development Director, Joel Paulson; Town Clerk, Wendy Wood; and Finance and Accounting Manager, Eric Lemon.

CONSENT ITEMS

1. Approve the Minutes of the May 12, 2025, Finance Commission Regular Meeting.
2. Receive the Monthly Financial and Investment Reports for April, May, and June 2025.
3. Receive the California Employer's Retiree Benefit Trust (CERBT) Strategy 1 Market Value Summary Report for the Period Ending March 31, 2025 and the Performance Report as of March 31, 2025.
4. Receive the California Employer's Pension Prefunding Trust (CEPPT) Strategy Market Value Summary Report for the Period Ending March 31, 2025, and Performance as of March 31, 2025.

There was no public comment.

MOTION: **Motion** by **Commissioner Fischer** to approve the consent items. **Seconded** by **Commissioner Koen.**

VOTE: **Motion passed unanimously.**

VERBAL COMMUNICATIONS

There was no public comment.

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OTHER BUSINESS

5. Discuss the Upcoming Audit and Provide Input on the June 30, 2025, Annual Comprehensive Financial Report with the Town's Independent Auditor.

The Finance Director, Gitta Ungvari, introduced Sheldon Chavan, the Town's Independent External Auditor, to present the item.

The Commission discussed the item, asked questions, and provided input.

The Independent External Auditor and staff addressed the Commissioners' questions.

There was no public comment.

There was no action taken on this item.

6. Review and Provide Recommendations on the Scope of Services for a Fiscal Condition Analysis and Five-Year Projections; Fiscal Impact Analysis for Proposed and Planned Growth; and an Asset Liability Management Study.

The Town Manager, Chris Constantin, presented the staff report.

The Commission discussed the item, asked questions, and provided feedback.

Staff addressed the Commissioners' questions.

There was no public comment.

MOTION: **Motion** by **Commissioner Koen** to recommend that they move forward with the issuance of the RFP (Request for Proposals). **Seconded** by **Commissioner Fischer.**

VOTE: **Motion passed unanimously.**

ADJOURNMENT:

The meeting adjourned at 6:37 p.m.

This is to certify that the foregoing is a true
and correct copy of the minutes of the
August 11, 2025, regular meeting as approved by the
Finance Commission.

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Eric Lemon, Finance and Accounting Manager

TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 09/08/2025
ITEM NO: 2

DATE: September 8, 2025
TO: Finance Commission
FROM: Chris Constantin, Town Manager
SUBJECT: **Receive the Monthly Financial and Investment Report for July 2025**

RECOMMENDATION: Receive the Monthly Financial and Investment Reports for July 2025.

FISCAL IMPACT:

There is no fiscal impact from the receipt of this report.

BACKGROUND:

California Government Code Section 41004 requires that the Town Treasurer submit to the Town Clerk and the legislative body a written report and accounting of all receipts, disbursements, and fund balances. The Finance Director assumes the Town Treasurer role. Attachment 1 contains the July 2025 monthly Financial and Investment Report, which fulfills this requirement.

The July 2025 Monthly Financial and Investment Report will be presented to the Town Council at its September 16, 2025, regular meeting.

DISCUSSION:

The July 2025 Monthly Financial and Investment Report includes a Fund Balance Schedule, representing estimated funding available for all funds at the beginning of the fiscal year and at the end of the respective month.

As operations fluctuate month to month, there are differences between balances in one month and balances in another. Such differences may be significant due to the type of activity in those

PREPARED BY: Eric Lemon
Finance and Accounting Manager

Reviewed by: Town Manager, Assistant Town Manager, Town Attorney, and Finance Director

months and the timing of any estimates used in the presentation, based on the information available. This is demonstrated by the attached July 31, 2025, fund balance report.
In the case that the differences are extraordinary and unanticipated, we will ensure we present more information to explain the differences.
The difference between the July 31, 2025, and June 30, 2025, estimated fund balances is due to normal day-to-day fluctuations in revenues and expenditures.

Please note that the amount in the Fund Schedule differs from the Portfolio Allocation and Treasurer's Cash Fund Balances Summary schedule because assets and liabilities are components of the Fund Balance.

As illustrated in the summary below, Ending Fund Balance = Cash + Assets - Liabilities, which represents the actual amount of funds available.

Reconciling Cash to Fund Balance - July 31, 2025

Total Cash	$	70,742,567
Plus: Assets	$	20,771,621
Less: Liabilities	$	(31,045,938)
Estimated Fund Balance	**$**	**60,468,250**

As of July 31, 2025, the Town's financial position (Cash Plus Other Assets $91.52M, Liabilities $31.05, and Fund Equity $60.47) remains strong, and the Town has sufficient funds to meet the cash demands for the next six months.

As of July 31, 2025, the Town's weighted portfolio yield for investments under management was 4.39%, which was 13 basis points above the Local Agency Investment Fund (LAIF) yield of 4.26% for the same reporting period. Currently, the LAIF portfolio's weighted average maturity (WAM) is 248 days as of June 30, 2025, versus the Town's longer WAM of 600 days as of July 31, 2025. The Town's assets under management reflect the Town's selection of the 1-3 year benchmark investment strategy through the Town's investment advisor to lock in higher yields at the top of the interest rate cycle. The longer maturities are balanced with shorter-term yields available on investments held with the State's LAIF. The Town's weighted average rate of return on investments under management of 4.39% was consistent with the average rate of return on June 30, 2025.

Since July 2024, LAIF yields decreased from 452 basis points (4.52%) to 426 basis points (4.26%) through the end of July 2025. The State LAIF pool typically lags the market when current market yields are either increasing or decreasing.

Following the rate adjustment in July 2023, the Federal Open Market Committee (FOMC) maintained the same rates until their September 18, 2024, meeting, where they approved a reduction of 50 basis points, lowering the rate from 5.5% to 5.0%. Subsequently, on November

7, 2024, the Federal Reserve voted to implement an additional decrease of 25 basis points, bringing the rate down to 4.75%. The latest adjustment occurred during the December 2024 meeting, where another 25 basis point reduction was approved, resulting in a new rate of 4.50%. These adjustments align with the FOMC's objective to promote maximum employment and achieve a year-over-year inflation target of 2%.

Labor market data continued to be moderate. The first estimate of monthly payrolls for June showed the economy added 147,000 new jobs. However, job growth was increasingly limited to certain categories such as government and healthcare and social assistance, the former of which may have been subject to residual seasonality. The unemployment rate fell from 4.2% to 4.1%, due to a second consecutive monthly drop in the labor force participation rate from 62.4% to 62.3%.

The Town's investments are in compliance with the Town's Investment Policy dated March 18, 2025, and are also in compliance with the requirements of Section 53600 et seq. of the California State Code. Based on the information available, the Town has sufficient funds to meet the cash demands for the next six months.

CONCLUSION:

Receive the Monthly Financial and Investment Report for July 2025.

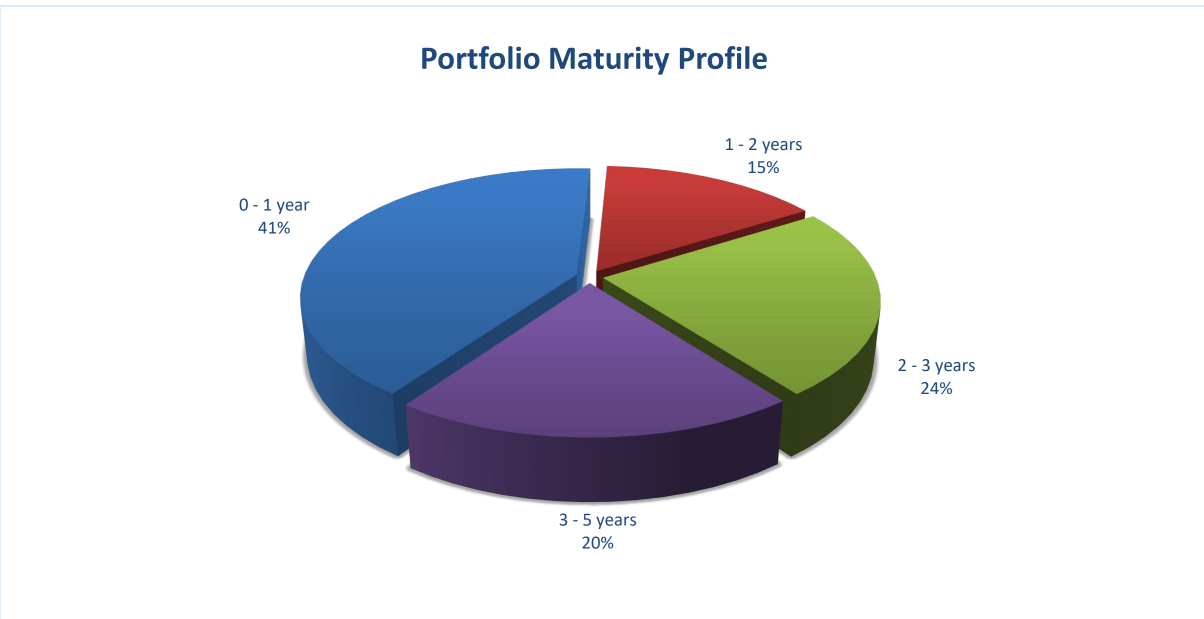
Attachments:

1. Financial and Investment Report (July 2025)

Town of Los Gatos
Summary Investment Information
July 31, 2025

Weighted Average YTM Portfolio Yield on Investments under Management	**4.39%**		
Weighted Average Maturity (days)	**600**		

	This Month	Last Month	One year ago
Portfolio Allocation & Treasurer's Cash Balances	$70,742,567	$81,558,113	$72,350,241
Managed Investments	$51,835,227		
Local Agency Investment Fund	$12,339,746		
Reconciled Demand Deposit Balances	$6,567,594		
Portfolio Allocation & Treasurer's Cash Balances	$70,742,567		
Benchmarks/ References:			
Town's Average Yield	4.39%	4.39%	4.46%
LAIF Yield for month	4.26%	4.27%	4.52%
3 mo. Treasury	4.34%	4.29%	5.29%
6 mo. Treasury	4.27%	4.25%	5.09%
2 yr. Treasury	3.96%	3.72%	4.26%
5 yr. Treasury	3.97%	3.80%	3.91%
10 Yr. Treasury	4.37%	4.23%	4.03%

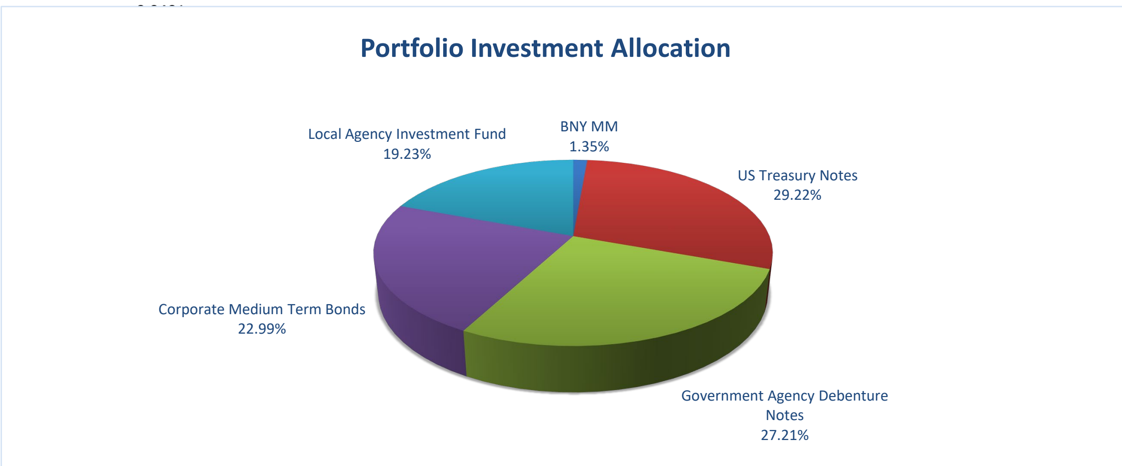


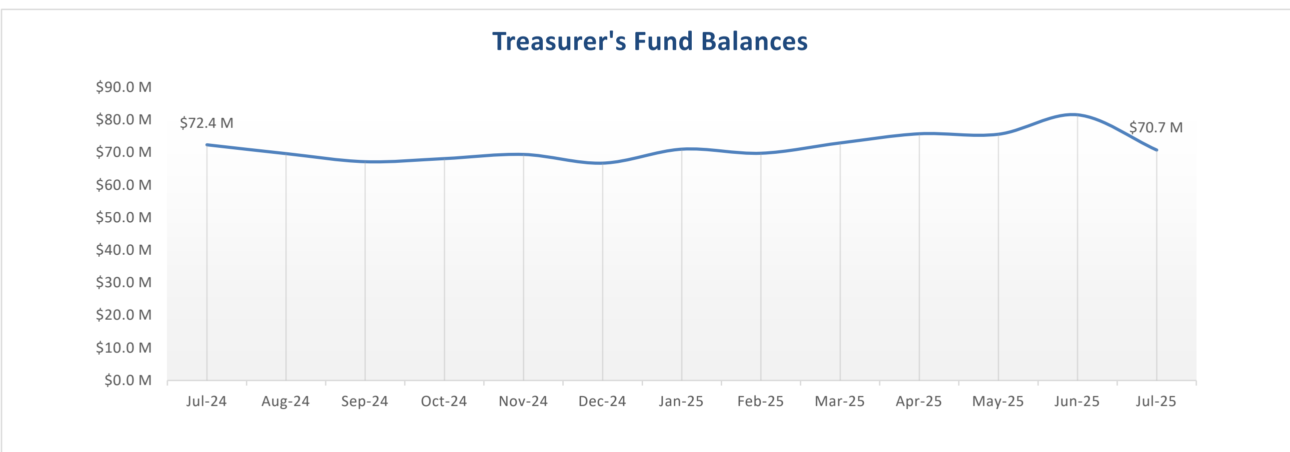
Compliance: The Town's investments are in compliance with the Town's investment policy dated March 18, 2025, and also in compliance with the requirements of Section 53600 at seq. of the California State Code. Based on the information available, the Town has sufficient funds to meet the cash demands for the next six months.

Town of Los Gatos
Portfolio Allocation & Treasurer's Cash Balances
July 31, 2025

	Month	YTD
Cash & Investment Balances - Beginning of Month/Period	$ 81,558,113.19	$ 81,558,113.19
Receipts	11,668,481.33	11,668,481.33
Disbursements	(22,484,027.26)	(22,484,027.26)
Cash & Investment Balances - End of Month/Period	$70,742,567.26	$70,742,567.26

Portfolio Allocation	Amount	% of Portfolio	Max. % or $ Allowed per State Law or Policy
BNY MM	$867,783.91	1.35%	20% of Town Portfolio
US Treasury Notes	$18,751,101.64	29.22%	No Max. on US Treasuries
Government Agency Debenture Notes	$17,464,856.81	27.21%	No Max. on Non-Mortgage Backed
Corporate Medium Term Bonds	$14,751,484.50	22.99%	30% of Town Portfolio
Local Agency Investment Fund	$12,339,746.03	19.23%	$75 M per State Law
Subtotal - Investments	64,174,972.89	100.00%	
Reconciled Demand Deposit Balances	6,567,594.37		
Total Portfolio Allocation & Treasurer's Cash Balances	$70,742,567.26		





Town of Los Gatos
Non-Treasury Restricted Fund Balances
July 31, 2025

	Beginning Balance	July 2025 Deposits Realized Gain/Adj.	July 2025 Interest/ Earnings	July 2025 Withdrawals	Ending Balance	
Non-Treasury Funds:						
Cert. of Participation 2002 Ser A Reserve Fund	$ 697,231.88	$ -	$ 2,160.86	$ -	$ 699,392.74	**Note 1**
Cert. of Participation 2010 Ser Lease Payment Fund	177,115.56	981,367.35	279.59	-	1,158,762.50	**Note 2**
Cert. of Participation 2002 Ser A Lease Payment Fund	16,094.13	567,780.87	49.93	-	583,924.93	**Note 1**
Cert. of Participation 2010 Ser Reserve Fund	1,277,062.50		4,646.78	-	1,281,709.28	**Note 2**
Total Restricted Funds:	$ 2,167,504.07	$ 1,549,148.22	$ 7,137.16	$ -	$ 3,723,789.45	
CEPPT IRS Section 115 Trust	3,090,730.98	-	397.89	-	$ 3,091,128.87	**Note 3**
Grand Total COP's and CEPPT Trust	$ 5,258,235.05	$ 1,549,148.22	$ 7,535.05	$ -	$ 6,814,918.32	

These accounts are not part of the Treasurer's fund balances reported elsewhere in this report, as they are for separate and distinct entities.

Note 1: The three original funds for the Certificates of Participation 2002 Series A consist of construction funds which will be expended over the next few years, reserve funds which will guarantee the payment of lease payments, and a third fund for the disbursement of lease payments and initial delivery costs.

Note 2: The 2010 COP Funds are all for the Library construction, reserves to guarantee lease payments, and a lease payment fund for the life of the COP issue. The COI fund was closed in September 2010.

Note 3: The CEPPT IRS Section 115 Trust was established as an irrevocable trust dedicated to accumulate resources to fund the Town's unfunded liabilities related to pension and other post employment benefits.

Town of Los Gatos
Statement of Interest Earned
July 31, 2025

July 2025	$	238,713.97
August 2025	$	-
September 2025	$	-
October 2025	$	-
November 2025	$	-
December 2025	$	-
January 2026	$	-
February 2026	$	-
March 2026	$	-
April 2026	$	-
May 2026	$	-
June 2026	$	-
	$	238,713.97

Item 2.

Town of Los Gatos
Investment Schedule
July 31, 2025

Institution	CUSIP #	Security	Coupon	Deposit Date	Par Value	Original Cost	Original Issue (Discount) Premium	Market Value	Market Value Above (Under) Cost	Purchased Interest	Maturity Date or Call Date	Yield to Maturity or Call	Interest Received to Date	Interest Earned Prior Yrs.	Interest Earned Current FY	Days to Maturity
Apple	037833DB3	Corporate Bond	2.90%	12/20/2022	1,300,000.00	1,228,591.00	(71,409.00)	1,269,827.00	41,236.00		6/21/2027	4.19%	$ 83,987.22	$ 135,426.07	$ 4,548.44	690
Home Depot	437076BM3	Corporate Bond	3.00%	8/4/2022	1,000,000.00	991,960.00	(8,040.00)	991,210.00	(750.00)		1/1/2026	3.04%	$ 79,750.00	$ 94,051.74	$ 2,747.98	154
FFCB	3133EN5V8	Gov. Agency Debenture	4.13%	1/17/2023	236,000.00	239,174.20	3,174.20	235,837.16	(3,337.04)		1/11/2027	3.76%	$ 24,175.25	$ 21,918.24	$ 759.18	529
US Treasury	91282CBT7	US Treasury Note	0.75%	9/30/2022	800,000.00	712,565.18	(87,434.82)	781,688.00	69,122.82		3/31/2026	4.14%	$ 15,000.00	$ 85,193.12	$ 2,630.46	243
FFCB	3133ENP95	Gov. Agency Debenture	4.25%	9/30/2022	900,000.00	900,939.60	939.60	899,595.00	(1,344.60)		9/30/2025	4.14%	$ 95,625.00	$ 104,352.97	$ 3,222.05	61
JP Morgan Chase	46625HRS1	Corporate Bond	3.20%	9/23/2022	500,000.00	474,660.00	(25,340.00)	495,000.00	20,340.00		3/15/2026	4.70%	$ 43,644.44	$ 64,505.94	$ 1,977.93	227
FHLB	3135G05X7	Gov. Agency Debenture	0.38%	6/10/2022	1,200,000.00	1,102,952.40	(97,047.60)	1,196,760.00	93,807.60		8/25/2025	3.04%	$ 12,187.50	$ 106,169.42	$ 2,949.15	25
FHLB	3130AQF65	Gov. Agency Debenture	1.25%	11/30/2022	1,300,000.00	1,160,559.40	(139,440.60)	1,250,873.00	90,313.60		12/21/2026	4.15%	$ 41,572.92	$ 130,709.25	$ 4,296.91	508
FHLB	3130APJH9	Gov. Agency Debenture	1.00%	1/17/2023	1,000,000.00	907,010.00	(92,990.00)	976,350.00	69,340.00		10/28/2026	4.17%	$ 23,354.17	$ 84,829.28	$ 2,938.22	454
FFCB	3133EN5N6	Gov. Agency Debenture	4.00%	2/8/2023	1,700,000.00	1,706,732.00	6,732.00	1,697,977.00	(8,755.00)		1/6/2028	3.91%	$ 163,955.56	$ 159,363.33	$ 5,658.95	889
Freddie Mac	3137EAEX3	Gov. Agency Debenture	0.38%	5/1/2023	750,000.00	689,032.50	(60,967.50)	745,582.50	56,550.00		9/23/2025	3.97%	$ 5,328.12	$ 61,146.74	$ 2,396.40	54
American Honda	02665WED9	Corporate Bond	4.70%	5/11/2023	600,000.00	608,856.00	8,856.00	602,964.00	(5,892.00)		1/12/2028	4.34%	$ 61,178.33	$ 56,288.41	$ 2,234.24	895
US Treasury	91282CEF4	US Treasury Note	2.50%	6/9/2023	1,500,000.00	1,416,626.12	(83,373.88)	1,463,850.00	47,223.88		3/31/2027	4.09%	$ 67,827.87	$ 122,333.72	$ 5,043.01	608
US Treasury	91282CGA3	US Treasury Note	4.00%	6/20/2023	2,100,000.00	2,080,558.59	(19,441.41)	2,098,383.00	17,824.41		12/15/2025	4.40%	$ 166,852.46	$ 186,379.78	$ 7,797.26	137
Colgate-Palmolive	194162AR4	Corporate Bond	4.60%	7/14/2023	500,000.00	504,655.00	4,655.00	506,075.00	1,420.00		2/1/2028	4.37%	$ 37,502.79	$ 43,173.83	$ 1,866.65	915
FannieMae	3135G06G3	Gov. Agency Debenture	0.50%	7/14/2023	500,000.00	455,157.00	(44,843.00)	494,845.00	39,688.00		11/7/2025	4.63%	$ 4,534.72	$ 42,871.33	$ 1,853.57	99
FFCB	3133EPQC2	Gov. Agency Debenture	4.63%	7/17/2023	500,000.00	501,957.50	1,957.50	502,175.00	217.50		7/17/2026	4.48%	$ 46,250.00	$ 43,961.07	$ 1,908.67	351
FFCB	3133EPBM6	Gov. Agency Debenture	4.13%	7/14/2023	600,000.00	596,220.00	(3,780.00)	600,702.00	4,482.00		8/23/2027	4.29%	$ 39,806.25	$ 50,424.13	$ 2,180.12	753
PNC Bank	69353RFJ2	Corporate Bond	3.25%	7/25/2023	1,000,000.00	921,490.00	(78,510.00)	974,800.00	53,310.00		12/23/2027	5.23%	$ 64,729.17	$ 97,247.67	$ 4,270.08	875
US Treasury	91282CFU0	US Treasury Note	4.13%	7/31/2023	1,300,000.00	1,290,660.60	(9,339.40)	1,305,278.00	14,617.40		10/31/2027	4.31%	$ 93,843.75	$ 107,052.11	$ 4,740.88	822
Toyota Motor Credit	89236TKL8	Corporate Bond	5.45%	8/25/2023	1,600,000.00	1,617,168.00	17,168.00	1,641,872.00	24,704.00		11/10/2027	5.16%	$ 148,966.67	$ 153,725.55	$ 7,059.99	832
US Treasury	912810FE3	US Treasury Note	5.50%	10/3/2023	1,200,000.00	1,238,207.14	38,207.14	1,255,596.00	17,388.86		8/15/2028	4.76%	$ 90,211.96	$ 101,335.84	$ 4,939.33	1111
Pepsico Inc	713448DF2	Corporate Bond	2.85%	10/16/2023	1,000,000.00	947,570.00	(52,430.00)	991,310.00	43,740.00		11/24/2025	5.24%	$ 38,633.33	$ 91,065.84	$ 4,531.37	116
FFCB	3133EPUW3	Gov. Agency Debenture	4.75%	10/13/2023	1,000,000.00	994,338.00	(5,662.00)	1,005,310.00	10,972.00		9/1/2026	4.96%	$ 65,708.33	$ 84,828.57	$ 4,200.78	397
US Treasury	91282CEW7	US Treasury Note	3.25%	10/16/2023	1,000,000.00	950,039.06	(49,960.94)	987,030.00	36,990.94		6/30/2027	4.73%	$ 55,461.96	$ 78,477.53	$ 3,904.98	699
US Treasury	91282CEN7	US Treasury Note	2.75%	10/31/2023	1,300,000.00	1,214,336.39	(85,663.61)	1,272,882.00	58,545.61		4/30/2027	4.82%	$ 53,625.00	$ 100,336.49	$ 5,115.84	638
US Treasury	91282CCH2	US Treasury Note	1.25%	12/21/2023	900,000.00	798,647.55	(101,352.45)	835,065.00	36,417.45		6/30/2028	3.99%	$ 17,180.71	$ 51,319.84	$ 2,856.22	1065
FNMA	3135G0Q22	Gov. Agency Debenture	1.88%	12/21/2023	900,000.00	845,676.00	(54,324.00)	877,473.00	31,797.00		9/24/2026	4.22%	$ 21,234.38	$ 55,770.03	$ 3,103.90	420
US Treasury	91282CFB2	US Treasury Note	2.75%	1/2/2024	1,000,000.00	960,354.91	(39,645.09)	977,030.00	16,675.09		7/31/2027	3.95%	$ 43,417.12	$ 57,605.73	$ 3,276.66	730
US Treasury	91282CHE4	US Treasury Note	3.63%	1/17/2024	1,800,000.00	1,775,185.72	(24,814.28)	1,786,788.00	11,602.28		5/31/2028	3.97%	$ 89,317.63	$ 102,986.91	$ 6,023.76	1035
JP Morgan Chase	46647PDG8	Corporate Bond	4.85%	2/1/2024	1,400,000.00	1,396,528.00	(3,472.00)	1,411,088.00	14,560.00		7/25/2027	4.93%	$ 100,739.10	$ 97,231.80	$ 5,852.79	724
US Bancorp	91159HJF8	Corporate Bond	4.55%	2/5/2024	1,000,000.00	989,200.00	(10,800.00)	1,001,450.00	12,250.00		7/22/2027	4.89%	$ 66,577.67	$ 68,041.60	$ 4,127.77	721
Treasury	91282CHB0	US Treasury Note	3.63%	2/23/2024	1,175,000.00	1,151,962.92	(23,037.08)	1,169,724.25	17,761.33		5/15/2026	4.56%	$ 52,189.05	$ 71,517.53	$ 4,497.05	288
FHLB	3130AXB31	Gov. Agency Debenture	4.88%	2/27/2024	1,000,000.00	1,003,060.00	3,060.00	1,003,770.00	710.00		3/13/2026	4.72%	$ 51,729.17	$ 63,303.13	$ 4,013.08	225
FFCB	3133EP5U5	Gov. Agency Debenture	4.13%	3/28/2024	1,700,000.00	1,687,981.00	(12,019.00)	1,708,942.00	20,961.00		3/20/2029	4.28%	$ 68,566.67	$ 91,219.09	$ 6,160.77	1328
US Treasury	9128285M8	US Treasury Note	3.13%	4/30/2024	1,200,000.00	1,123,832.14	(76,167.86)	1,171,308.00	47,475.86		11/15/2028	4.69%	$ 39,045.34	$ 63,313.82	$ 4,607.34	1203
Cisco Systems	17275RBR2	Corporate Bond	4.85%	5/15/2024	1,000,000.00	999,130.00	(870.00)	1,019,620.00	20,490.00		1/26/2029	4.87%	$ 37,856.94	$ 54,820.58	$ 4,134.89	1275
Home Depot	437076CW0	Corporate Bond	4.90%	5/17/2024	1,000,000.00	1,001,790.00	1,790.00	1,021,920.00	20,130.00		4/15/2029	4.86%	$ 44,644.44	$ 54,498.76	$ 4,130.71	1354
Treasury	91282CJR3	US Treasury Note	3.75%	5/31/2024	1,200,000.00	1,154,629.02	(45,370.98)	1,193,808.00	39,178.98		12/31/2028	4.68%	$ 48,708.79	$ 59,398.06	$ 4,661.62	1249
American Honda	02665WEY3	Corporate Bond	4.95%	6/27/2024	1,000,000.00	995,640.00	(4,360.00)	1,001,330.00	5,690.00		1/9/2026	5.25%	$ 51,287.50	$ 52,766.88	$ 4,445.04	162
FHLB	3130B1BT3	Gov. Agency Debenture	4.88%	7/2/2024	1,150,000.00	1,150,966.00	966.00	1,155,336.00	4,370.00		6/12/2026	4.82%	$ 47,341.67	$ 55,261.42	$ 4,719.30	316
Citibank	17325FBK3	Corporate Bond	4.84%	8/15/2024	1,250,000.00	1,263,062.50	13,062.50	1,270,587.50	7,525.00		7/6/2029	4.60%	$ 28,725.62	$ 50,520.38	$ 4,909.50	1436
FNMA	3135G05Y5	Gov. Agency Debenture	0.75%	9/10/2024	1,100,000.00	1,010,724.00	(89,276.00)	1,028,159.00	17,435.00		10/8/2027	3.56%	$ 4,766.67	$ 29,915.45	$ 3,165.12	799
US Treasury	91282CFL0	US Treasury Note	3.88%	12/3/2024	1,100,000.00	1,088,144.31	(11,855.69)	1,097,679.00	9,534.69		9/30/2029	4.12%	$ 13,817.99	$ 25,813.46	$ 3,828.79	1522
FHLB	3130ATUT2	Gov. Agency Debenture	4.50%	2/12/2025	505,000.00	508,253.21	3,253.21	513,100.20	4,846.99		12/14/2029	4.35%	$ 7,701.25	$ 8,337.70	$ 1,872.96	1597
FFCB	3133ER5X5	Gov. Agency Debenture	3.88%	3/12/2025	1,000,000.00	998,480.00	(1,520.00)	995,950.00	(2,530.00)	538.19	3/7/2028	3.93%	$ (538.19)	$ 11,831.34	$ 3,334.29	950
Treasury	91282CJF9	US Treasury Note	4.88%	3/31/2025	1,100,000.00	1,130,167.75	30,167.75	1,132,142.00	1,974.25		10/31/2028	4.04%	$ 4,444.06	$ 11,273.90	$ 3,840.56	1188
State Street Corp	857477CD3	Corporate Bond	5.27%	4/30/2025	800,000.00	811,184.00	11,184.00	806,488.00	(4,696.00)	10,192.53	8/3/2026	4.04%	$ (10,192.53)	$ 5,565.50	$ 2,828.37	368
Freddie Mac	3134HAW33	Gov. Agency Debenture	4.75%	4/30/2025	1,000,000.00	1,005,644.00	5,644.00	1,003,920.00	(1,724.00)		12/18/2029	4.23%	$ 6,993.07	$ 7,735.00	$ 3,930.90	1601
US Treasury	91282CNG2	US Treasury Note	4.00%	6/30/2025	660,000.00	665,184.24	5,184.24	661,392.60	(3,791.64)	2,163.92	5/31/2030	3.82%	$ (2,163.92)	$ -	$ 2,152.71	1765
Subtotal					$ 52,326,000.00	$ 50,967,442.95	$ (1,358,557.05)	$ 52,087,842.21	$ 1,120,399.26	$ 12,894.64			$ 2,457,102.97	$ 3,557,215.87	$ 192,246.52	
BNY MM		Money Market				867,783.91		867,783.91	0.00			0.00%				1
LAIF		State Investment Pool				12,339,746.03		12,354,532.87	14,786.84			4.26%			43,785.53	1
						64,174,972.89		**$65,310,158.99**	**$1,135,186.10**	**$12,894.64**			$ 2,457,102.97	$ 3,557,215.87	$ 236,032.05	
Matured Assets																
US Treasury	91282CAB7	US Treasury Note	0.25%	11/15/2023	675,000.00	623,900.39	(51,099.61)				7/31/2025	4.92%	$ 2,884.34	$ 51,302.62	$ 2,681.92	
Total Investments "Matured"															$ 2,681.92	
Total Interest FY 24_25 Matured and Current															$ 238,713.97	

Maturity Profile

	Amount	Percent
0-1 year	$ 26,366,511.63	41%
1-2 years	$9,767,534.17	15%
2-3 years	$15,174,901.78	24%
3-5 years	$ 12,866,025.31	20%
	$64,174,972.89	100%

Town of Los Gatos
Investment Transaction Detail
July 31, 2025

Date	Cusip/Id	Description	Transaction Type	Trade Date	Settlement Date	Par	Coupon	Maturity Date	Price	Principal	Interest	Transaction Total
7/2/2025	Cash-USD	Cash-USD	SHORT TERM INVESTMENT FUND INCOME	7/2/2025	7/2/2025	733.67	0.000%		100.00	-	-	733.67
7/7/2025	3133EN5N6	FEDERAL FARM CREDIT BANK 4% 06JAN2028	BOND INTEREST	7/6/2025	7/6/2025	1,700,000.00	4.000%	1/6/2028	-	-	34,000.00	34,000.00
7/9/2025	02665WEY3	AMERICAN HONDA FINANCE 4.95% 09JAN2026	BOND INTEREST	7/9/2025	7/9/2025	1,000,000.00	4.950%	1/9/2026	-	-	24,750.00	24,750.00
7/11/2025	3133EN5V8	FEDERAL FARM CREDIT BANK 4.125% 11JAN2027	BOND INTEREST	7/11/2025	7/11/2025	236,000.00	4.125%	1/11/2027	-	-	4,867.50	4,867.50
7/14/2025	02665WED9	AMERICAN HONDA FINANCE 4.7% 12JAN2028	BOND INTEREST	7/14/2025	7/14/2025	600,000.00	4.700%	1/12/2028	-	-	14,100.00	14,100.00
7/17/2025	3133EPQC2	FEDERAL FARM CREDIT BANK 4.625% 17JUL2026	BOND INTEREST	7/17/2025	7/17/2025	500,000.00	4.625%	7/17/2026	-	-	11,562.50	11,562.50
7/22/2025	69353RFJ2	PNC BANK NA 3.25% 22JAN2028 (CALLABLE 23DEC27)	BOND INTEREST	7/22/2025	7/22/2025	1,000,000.00	3.250%	1/22/2028	-	-	16,250.00	16,250.00
7/22/2025	91159HJF8	US BANCORP 4.548% 22JUL2028 (CALLABLE 22JUL27)	BOND INTEREST	7/22/2025	7/22/2025	1,000,000.00	4.548%	7/22/2028	-	-	22,740.00	22,740.00
7/25/2025	46647PDG8	JPMORGAN CHASE & CO 4.851% 25JUL2028 (CALLABLE 25JUL27)	BOND INTEREST	7/25/2025	7/25/2025	1,400,000.00	4.851%	7/25/2028	-	-	33,957.00	33,957.00
7/31/2025	91282CFB2	USA TREASURY 2.75% 31JUL2027	BOND INTEREST	7/31/2025	7/31/2025	1,000,000.00	2.750%	7/31/2027	-	-	13,750.00	13,750.00
7/31/2025	91282CAB7	USA TREASURY 0.25% 31JUL2025	REDEMPTION	7/31/2025	7/31/2025	675,000.00	0.000%	7/31/2025	100.00	675,000.00	-	675,000.00
7/31/2025	91282CAB7	USA TREASURY 0.25% 31JUL2025	BOND INTEREST	7/31/2025	7/31/2025	675,000.00	0.000%	7/31/2025	-	-	843.75	843.75

TOWN OF LOS GATOS, CA

Insight ESG ratings as of July 31, 2025

CUSIP	Security description	Maturity date	Par/Shares	Total market value ($)	S&P rating	Moody's rating	Insight ESG rating	Environment	Social	Governance
02665WEY3	AMERICAN HONDA FINANCE 4.95% 09JAN2026	1/9/2026	1,000,000	1,004,362	A-	A3	3	3	4	3
02665WED9	AMERICAN HONDA FINANCE 4.7% 12JAN2028	1/12/2028	600,000	604,567	A-	A3	3	3	4	3
037833DB3	APPLE INC 2.9% 12SEP2027 (CALLABLE 12JUN27)	9/12/2027	1,300,000	1,284,509	AA+	Aaa	5	2	5	5
17275RBR2	CISCO SYSTEMS INC 4.85% 26FEB2029 (CALLABLE 26JAN29)	2/26/2029	1,000,000	1,040,609	AA-	A1	2	1	3	3
17325FBK3	CITIBANK NA 4.838% 06AUG2029 (CALLABLE 06JUL29)	8/6/2029	1,250,000	1,300,183	A+	Aa3	3	1	2	4
194162AR4	COLGATE-PALMOLIVE CO 4.6% 01MAR2028 (CALLABLE 01FEB28)	3/1/2028	500,000	515,758	A+	Aa3	3	3	3	3
437076CW0	HOME DEPOT INC 4.9% 15APR2029 (CALLABLE 15MAR29)	4/15/2029	1,000,000	1,036,318	A	A2	3	3	3	2
437076BM3	HOME DEPOT INC 3% 01APR2026 (CALLABLE 01JAN26)	4/1/2026	1,000,000	1,001,228	A	A2	3	3	3	2
46625HRS1	JPMORGAN CHASE & CO 3.2% 15JUN2026 (CALLABLE 15MAR26)	6/15/2026	500,000	497,066	A	A1	3	2	3	4
46647PDG8	JPMORGAN CHASE & CO 4.851% 25JUL2028 (CALLABLE 25JUL27)	7/25/2028	1,400,000	1,412,402	A	A1	3	2	3	4
713448DF2	PEPSICO INC 2.85% 24FEB2026 (CALLABLE 24NOV25)	2/24/2026	1,000,000	1,003,752	A+	A1	3	2	2	4
69353RFJ2	PNC BANK NA 3.25% 22JAN2028 (CALLABLE 23DEC27)	1/22/2028	1,000,000	975,811	A	A2	3	3	3	3
857477CD3	STATE STREET CORP 5.272% 03AUG2026 (CALLABLE 03JUL26)	8/3/2026	800,000	827,154	A	Aa3	2	1	2	2
89236TKL8	TOYOTA MOTOR CREDIT CORP 5.45% 10NOV2027	11/10/2027	1,600,000	1,661,530	A+	A1	3	1	2	5
91159HJF8	US BANCORP 4.548% 22JUL2028 (CALLABLE 22JUL27)	7/22/2028	1,000,000	1,002,804	A	A3	3	3	4	3
Total Corporate / weighted average			**14,950,000**	**15,168,055**			**3**	**2**	**3**	**3**

ESG ratings are from 1 to 5, with 1 as the highest rating and 5 as the lowest. All ratings are weighted by industry rankings, based on the importance of the category within the individual industry

Fund Schedule

Fund Number	Fund Description	Prior Year Carryforward 7/1/2025*	July 2025 Current Revenue	July 2025 Current Expenditure	July 2025 Transfer In	July 2025 Transfer Out	Estimated Fund Balance 7/31/2025*
	GENERAL FUND						
	Non-Spendable:						
	Loans Receivable	159,000	-	-	-	-	159,000
	Restricted Fund Balances:						
	Pension	2,188,659	-	-	-	-	2,188,659
	Land Held for Resale	344,338	-	-	-	-	344,338
	Committed Fund Balances:						
	Budget Stabilization	6,736,781	-	-	-	-	6,736,781
	Catastrophic	6,736,781	-	-	-	-	6,736,781
	Pension/OPEB	300,000	-	-	-	-	300,000
	Measure G District Sales Tax	590,581	-	-	-	-	590,581
	Assigned Fund Balances:						
	Open Space	410,000	-	-	-	-	410,000
	Sustainability	140,553	-	-	-	-	140,553
	Capital/Special Projects	8,651,059	-	-	-	-	8,651,059
	Carryover Encumbrances	85,861	-	-	-	-	85,861
	Compensated Absences	1,555,478	-	-	-	-	1,555,478
	ERAF Risk Reserve	1,430,054	-	-	-	-	1,430,054
	Market Fluctuations	1,712,246	-	-	-	-	1,712,246
	Council Priorities - Economic Recovery	20,684	-	-	-	-	20,684
	Unassigned Fund Balances:						
111	Other Unassigned Fund Balance Reserve (Pre YE distribution)	5,051,458	3,158,967	(3,265,172)	-	-	4,945,253
	General Fund Total	36,113,533	3,158,967	(3,265,172)	-	-	36,007,328

* Interfund transfers and Council Priorities/Economic Recovery funding allocation to be performed as part of the fiscal year end closing entries.

Fund Schedule

Item 2.

Fund Number	Fund Description	Prior Year Carryforward 7/1/2025*	July 2025 Current Revenue	Current Expenditure	Transfer In	Transfer Out	Estimated Fund Balance 7/31/2025*
	SPECIAL REVENUE						
211/212	CDBG	166,653	-	-	-	-	166,653
222	Urban Runoff (NPDES)	643,711	16,133	(9,017)	-	-	650,827
231-236	Landscape & Lighting Districts	190,600	908	-	-	-	191,508
251	Los Gatos Theatre	557,352	15,070	(215)	-	-	572,207
261-264,269	Library Trusts	569,584	-	(3,593)	-	-	565,991
	Special Revenue Total	2,127,900	32,111	(12,825)	-	-	2,147,186
	CAPITAL PROJECTS						
411	GFAR - General Fund Appropriated Reserve	16,023,597	137,616	(872)	-	-	16,160,341
412	Community Center Development	800,834	-	-	-	-	800,834
421	Grant Funded Projects	(2,084,552)	81,064	-	-	-	(2,003,488)
461-463	Storm Basin Projects	2,650,986	16,444	-	-	-	2,667,430
471	Traffic Mitigation Projects	509,491	-	-	-	-	509,491
472	Utility Undergrounding Projects	3,597,927	-	-	-	-	3,597,927
481	Gas Tax Projects	2,158,621	156,215	-	-	-	2,314,836
	Capital Projects Total	23,656,904	391,339	(872)	-	-	24,047,371
	INTERNAL SERVICE FUNDS						
611	Town General Liability	(588,784)	-	(1,466,790)	-	-	(2,055,574)
612	Workers Compensation	98,692	64,041	(445,922)	-	-	(283,189)
621	Information Technology	2,450,302	7,688	(235,346)	-	-	2,222,644
631	Vehicle & Equipment Replacement	3,890,428	-	-	-	-	3,890,428
633	Facility Maintenance	865,566	2,158	(43,212)	-	-	824,512
	Internal Service Funds Total	6,716,204	73,887	(2,191,270)	-	-	4,598,821
	Trust/Agency						
942	RDA Successor Agency	(4,589,733)	36	(1,742,759)	-	-	(6,332,456)
	Trust/Agency Fund Total	(4,589,733)	36	(1,742,759)	-	-	(6,332,456)
	Total Town	**64,024,808**	**3,656,340**	**(7,212,898)**	**-**	**-**	**60,468,250**

* Interfund transfers and Council Priorities/Economic Recovery funding allocation to be performed as part of the fiscal year end closing entries.

Deposit Accounts of Interest:

111-23541 General Plan Update deposit account balance $493,687.50

111-23521 BMP Housing deposit account balance $4,039,055.78

TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 09/08/2025
ITEM NO: 3

DATE: September 3, 2025

TO: Finance Commission

FROM: Chris Constantin, Town Manager

SUBJECT: **Receive the California Employer's Retiree Benefit Trust (CERBT) Strategy 1 Market Value Summary Report for the Period Ending June 30, 2025, and the Performance Report as of June 30, 2025**

RECOMMENDATION: Receive California Employer's Retiree Benefit Trust (CERBT) Strategy 1 Market Value Summary Report for the Period Ending June 30, 2025, and the Performance Report as of June 30, 2025.

FISCAL IMPACT:

There is no fiscal impact related to receiving this report.

BACKGROUND:

In 2009, the Council approved participating in the CERBT Fund. The CERBT Fund is an IRS Section 115 trust fund dedicated to the prefunding of other post-employment benefits ("OPEB"). The CERBT Strategy 1 is the single investment vehicle for the Town's OPEB Plan ("OPEB Plan").

DISCUSSION:

The ending OPEB 115 Trust account balance as of June 30, 2025, was $30,284,763.02 compared to $28,308,357.69 as of June 30, 2025 (Attachment 1). As of June 30, 2025, the CERBT Strategy 1 fund had a net return of 3.16% for the month and 12.27% as of the Fiscal Year to Date (Attachment 2).

The Town Pension and OPEB Oversight Committee received this information at its September 2, 2025, meeting.

PREPARED BY: Gitta Ungvari
Finance Director

Reviewed by: Town Manager, Assistant Town Manager, and Town Attorney

SUBJECT: Receive the California Employer's Retiree Benefit Trust (CERBT) Strategy 1 Market Value Summary Report for the Period Ending June 30, 2025, and the Performance Report as of June 30, 2025

DATE: September 3, 2025

Attachments:

1. OPEB 115 Trust Market Value Summary Report as of June 30, 2025
2. CERBT Strategy 1 Performance Report June 30, 2025

Town of Los Gatos

CERBT Strategy 1
Entity #: SKB0-4589482285
Quarter Ended June 30, 2025

CalPERS

Market Value Summary:

	QTD Current Period	Fiscal Year to Date
Beginning Balance	$28,308,357.69	$26,976,205.35
Contribution	0.00	0.00
Disbursement	0.00	0.00
Transfer In	0.00	0.00
Transfer Out	0.00	0.00
Investment Earnings	1,981,420.50	3,329,558.32
Administrative Expenses	(1,934.42)	(9,237.62)
Investment Expense	(3,080.75)	(11,763.03)
Other	0.00	0.00
Ending Balance	$30,284,763.02	$30,284,763.02
FY End Contrib per GASB 74 Para 22	0.00	0.00
FY End Disbursement Accrual	0.00	0.00
Grand Total	$30,284,763.02	$30,284,763.02

Unit Value Summary:

	QTD Current Period	Fiscal Year to Date
Beginning Units	1,188,552.988	1,188,552.988
Unit Purchases from Contributions	0.000	0.000
Unit Sales for Withdrawals	0.000	0.000
Unit Transfer In	0.000	0.000
Unit Transfer Out	0.000	0.000
Ending Units	1,188,552.988	1,188,552.988
Period Beginning Unit Value	23.817498	22.696679
Period Ending Unit Value	25.480364	25.480364

Please note the Grand Total is your actual fund account balance at the end of the period, including all contributions per GASB 74 paragraph 22 and accrued disbursements. Please review your statement promptly. All information contained in your statement will be considered true and accurate unless you contact us within 30 days of receipt of this statement. If you have questions about the validity of this information, please contact CERBT4U@calpers.ca.gov.

ATTACHMENT 1

Statement of Transaction Detail for the Quarter Ending 06/30/2025

Town of Los Gatos

Entity #: SKB0-4589482285

Date	Description	Amount	Unit Value	Units	Check/Wire	Notes

Client Contact:
CERBT4U@CalPERS.ca.gov

If you have any questions or comments regarding the new statement format please contact CERBT4U@CalPERS.ca.gov

California Employers' Retiree Benefit Trust (CERBT)

CERBT Strategy 1

June 30, 2025

Objective

The CERBT Strategy 1 portfolio seeks to provide capital appreciation and income consistent with its strategic asset allocation. There is no guarantee that the portfolio will achieve its investment objective.

Strategy

The CERBT Strategy 1 portfolio is invested in various asset classes. CalPERS periodically adjusts the composition of the portfolio in order to match the target allocations. Generally, equities are intended to help build the value of the employer's portfolio over the long term while bonds are intended to help provide income and stability of principal. Also, strategies invested in a higher percentage of equities seek higher investment returns (but assume more risk) compared with strategies invested in a higher percentage of bonds.

Compared with CERBT Strategy 2 and Strategy 3, this portfolio has a higher allocation to equities than bonds and other assets. Historically, equities have displayed greater price volatility and, therefore, this portfolio may experience greater fluctuation of value. Employers that seek higher investment returns, and are able to accept greater risk and tolerate more fluctuation in returns, may wish to consider this portfolio.

CalPERS Board may change the list of approved asset classes in composition as well as targeted allocation percentages and ranges at any time.

Composition

Asset Class Allocations and Benchmarks

The CERBT Strategy 1 portfolio consists of the following asset classes and corresponding benchmarks:

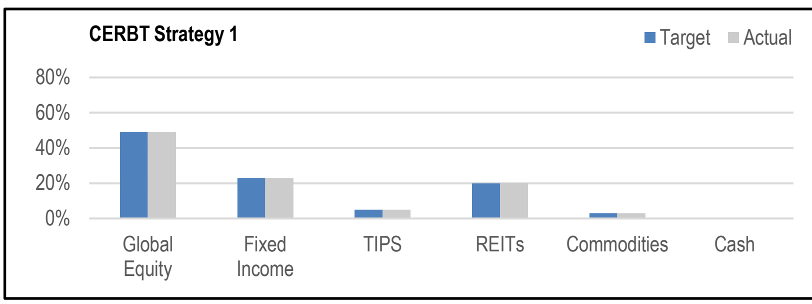
Asset Class	Target Allocation	Target Range	Benchmark
Global Equity	49%	± 5%	MSCI All Country World Index IMI (Net)
Fixed Income	23%	± 5%	Bloomberg Long Liability Index
Treasury Inflation-Protected Securities ("TIPS")	5%	± 3%	Bloomberg US TIPS Index, Series L
Real Estate Investment Trusts ("REITs")	20%	± 5%	FTSE EPRA/NAREIT Developed Index (Net)
Commodities	3%	± 3%	S&P GSCI Total Return Index
Cash	-	+ 2%	ICE BofA US 3-Month Treasury Bill Index

Portfolio Benchmark

The CERBT Strategy 1 benchmark is a composite of underlying asset class market indices, each assigned the target weight for the asset class it represents.

Target vs. Actual Asset Class Allocations

The following chart shows policy target allocations compared with actual asset allocations as of the specified reporting month-end. CalPERS may temporarily deviate from the target allocation to a particular asset class based on market, economic, or other considerations.



Assets Under Management

As of the specified reporting month-end:

CERBT Strategy 1	Annual Operating Ratio
$22,009,428,766	0.085%

CERBT Strategy 1 Performance as of June 30, 2025								
	1 Month	3 Months	Fiscal YTD	1 Year	3 Years*	5 Years*	10 Years*	Since Inception* (June 1, 2007)
Gross Return[1,3]	3.17%	7.00%	12.35%	12.35%	9.92%	7.97%	6.90%	5.68%
Net Return[2,3]	3.16%	6.98%	12.27%	12.27%	9.83%	7.88%	6.81%	5.60%
Benchmark Returns	3.13%	6.87%	11.97%	11.97%	9.65%	7.73%	6.57%	5.30%
Standard Deviation[4]	-	-	-	-	13.15%	12.83%	11.52%	12.80%

* Returns for periods greater than one year are annualized.

[1] Gross returns are net of State Street Investment Management operating expenses.

[2] Net returns are net of State Street Investment Management operating expenses, investment management, administrative and recordkeeping fees.

[3] Expenses are described in more detail on page 2 of this document.

[4] [illegible]eviation is based on gross returns and is reported for periods greater than 3 years.

ATTACHMENT 2

California Employers' Retiree Benefit Trust (CERBT)

CERBT Strategy 1

CalPERS

June 30, 2025

General Information

Information Accessibility
The CERBT Strategy 1 portfolio consists of assets managed internally by CalPERS and/or by external advisors. Since it is not a mutual fund, a prospectus is not available and daily holdings are not published. CalPERS provides a quarterly statement of the employer's account and other information about the CERBT. For total market value, detailed asset allocation, investment policy and current performance information, please visit our website at: **www.calpers.ca.gov.**

Portfolio Manager Information
The CalPERS Board, through its Investment Committee, directs the CERBT investment strategy based on policies approved by the Board of Administration. State Street Investment Management manages all underlying investments for CERBT, which include: Global Equity, Fixed Income, Real Estate Investment Trusts, Treasury Inflation-Protected Securities, and Commodities.[1]

Custodian and Record Keeper
State Street Bank serves as custodian for the CERBT. Northeast Retirement Services serves as recordkeeper.

Expenses
CERBT is a self-funded trust in which participating employers pay for all administrative and investment expenses. Expenses reduce the gross investment return by the fee amount. The larger the expenses, the greater the reduction of investment return. Currently, CERBT expenses are 0.085% which consist of administrative expenses borne by CalPERS to administer and oversee the Trust assets, investment management and administrative fees paid to State Street Investment Management to manage all asset classes, and recordkeeping fees paid to Northeast Retirement Services to administer individual employer accounts. The expenses described herein are reflected in the net asset value per unit. The expense ratio is subject to change at any time and without prior notification due to factors such as changes to average fund assets or market conditions. CalPERS reviews the operating expenses annually and changes may be made as appropriate. Even if the portfolio loses money during a period, the expenses will still be charged.

What Employers Own
Each employer invested in CERBT Strategy 1 owns units of this portfolio, which invests in pooled asset classes managed by CalPERS and/or external advisors. Employers do not have direct ownership of the securities in the portfolio.

Price
The value of the portfolio changes daily based upon the market value of the underlying securities. Just as prices of individual securities fluctuate, the portfolio's value also changes with market conditions.

Principal Risks of the Portfolio
The CalPERS CERBT Fund provides California government employers with a trust through which they may prefund retiree medical costs and other post-employment benefits (OPEB). CERBT is not, however, a defined benefit plan. There is no guarantee that the portfolio will achieve its investment objectives or provide sufficient funding to meet employer obligations. Further, CalPERS will not make up the difference between an employer's CERBT assets and the actual cost of OPEB provided to an employer's plan members.

An investment in the portfolio is not a bank deposit, nor is it insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC), CalPERS, the State of California or any other government agency.

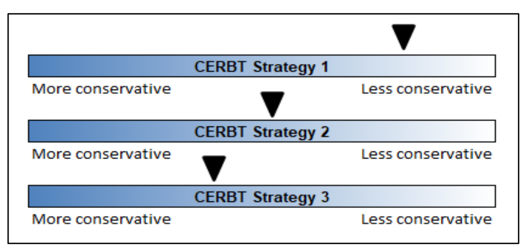
There are risks associated with investing, including possible loss of principal. The portfolio's risk depends in part on the portfolio's asset class allocations and the selection, weighting and risks of the underlying investments. For more information about investment risks, please see the document entitled "CERBT Principal Investment Risks" located at **www.calpers.ca.gov.**

Fund Performance
Performance data shown on page 1 represents past performance and is no guarantee of future results. The investment return and principal value of an investment will fluctuate so that an employer's units, when redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than historical performance data shown. For current performance information, please visit **www.calpers.ca.gov** and follow the links to California Employers' Retiree Benefit Trust.

CERBT Strategy Risk Levels

CalPERS offers employers the choice of one of three investment strategies. Projected risk levels among strategies vary, depending upon the target asset class allocations. Generally, equities carry more risk than fixed income securities.

Asset Class Target Allocations[1]	Strategy 1	Strategy 2	Strategy 3
Global Equity	49%	34%	23%
Fixed Income	23%	41%	51%
Treasury Inflation-Protected Securities	5%	5%	9%
Real Estate Investment Trusts	20%	17%	14%
Commodities	3%	3%	3%



[1] Since June 2018, State Street Investment Management has passively managed all CERBT asset classes. Previously, Fixed Income, TIPS and Commodity asset classes were ernally by CalPERS.

TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 09/08/2025
ITEM NO: 4

DATE: September 3, 2025

TO: Finance Commission

FROM: Chris Constantin, Town Manager

SUBJECT: **Receive the California Employer's Pension Prefunding Trust (CEPPT) Strategy Market Value Summary Report for the Period Ending June 30, 2025, and Performance as of June 30, 2025**

RECOMMENDATION: Receive the California Employer's Pension Prefunding Trust (CEPPT) Strategy 2 Market Value Summary Report for the period ending June 30, 2025, and performance as of June 30, 2025.

FISCAL IMPACT:

There is no fiscal impact associated with receiving this report.

BACKGROUND:

On November 5, 2019, the Town Council authorized the Town Manager to enter into an agreement with CalPERS for participation in the California Employers' Pension Prefunding Trust (CEPPT) program.

The CEPPT Fund is a Section 115 trust fund dedicated to prefunding employer contributions to defined benefit pension systems for eligible California public agencies. On March 3, 2020, the Town Pension and OPEB Trusts Oversight Committee adopted CEPPT Strategy 2 as the asset allocation for the Town's Section 115 Trust pension assets.

DISCUSSION:

Effective Fiscal Year (FY) 2015-16, Council determined that if sufficient General Fund year-end savings are available and targeted reserve levels for the Catastrophic Reserve and Budget Stabilization Reserve have been met, upon the final close of the fiscal year, a minimum of

PREPARED BY: Gitta Ungvari
Finance Director

Reviewed by: Town Manager, Assistant Town Manager, and Town Attorney

$300,000 annually shall be deposited into the Pension/OPEB Reserve Fund. In 2018, the Council updated the General Fund Reserve Policy to provide for additional discretionary payments Strategy 2 (ADPs) of $390,000 per year to address the unfunded pension liability. Under the updated Policy, a 20-year amortization equivalence will be achieved.

The ending CEPPT 115 Trust account balance as of June 30, 2025, was $3,090,730.98 (Attachment 1). As of June 30, 2025, the CEPPT Strategy 2 fund had a net return of 2.09% for the month and 8.63% for the Fiscal Year to Date (FYTD) (Attachment 2). Staff transferred $690,000 to the CEPPT Trust during this quarter. According to the March 2024 Pension/OPEB Oversight Committee action, the Town will keep the funds in the CEPPT Trust. It will continuously monitor and evaluate whether an additional discretionary payment should be made directly to CalPERS.

The Town Pension and OPEB Trusts Oversight Committee received this report at its September 2, 2025, regular meeting.

The Commission reiterated its prior recommendation to the Oversight Committee on March 10, 2025, to transfer the balance of the Pension IRS 115 Trust to CalPERS and pay off the Longest Base in the Safety Plan to maximize the interest savings. According to the actuarial analysis, paying an ADP of $2.18 million to the Safety Plan would have yielded approximately $2,259,000 in interest savings at the time of the former recommendation. The Finance Commission also recommended that the Town move from Strategy 2 to Strategy 1.

Staff plans to set up a joint Study Session between the Town Pension and OPEB Trust Oversight Committee and the Finance Commission to discuss the pension and OPEB Trusts. Staff recommends waiting until the study session to decide on transferring the money to CalPERS. In the meantime, if the Council wishes to take a higher risk in the CEPPT Trust investment, the portfolio can be moved from Strategy 2 to Strategy 1. Taking higher risks can potentially increase the growth as well as the loss in the current portfolio.

Attachments:
1. CEPPT Market Value Summary Report as of June 30, 2025
2. CEPPT Strategy 2 Performance as of June 30, 2025

Town of Los Gatos

CEPPT Strategy 2
Entity #: SKHE-4589482285-501P
Quarter Ended June 30, 2025

CalPERS

Market Value Summary:

	QTD Current Period	Fiscal Year to Date
Beginning Balance	$2,983,246.45	$2,188,658.95
Contribution	0.00	690,000.00
Disbursement	0.00	0.00
Transfer In	0.00	0.00
Transfer Out	0.00	0.00
Investment Earnings	109,145.05	217,687.93
Administrative Expenses	(1,095.19)	(3,704.01)
Investment Expense	(565.33)	(1,911.89)
Other	0.00	0.00
Ending Balance	$3,090,730.98	$3,090,730.98
FY End Contribution Accrual	0.00	0.00
FY End Disbursement Accrual	0.00	0.00
Grand Total	$3,090,730.98	$3,090,730.98

Unit Value Summary:

	QTD Current Period	Fiscal Year to Date
Beginning Units	266,043.432	204,653.336
Unit Purchases from Contributions	0.000	61,390.096
Unit Sales for Withdrawals	0.000	0.000
Unit Transfer In	0.000	0.000
Unit Transfer Out	0.000	0.000
Ending Units	266,043.432	266,043.432
Period Beginning Unit Value	11.213381	10.694469
Period Ending Unit Value	11.617392	11.617392

Please note the Grand Total is your actual fund account balance at the end of the period, including accrued contribution and disbursements. Please review your statement promptly. All information contained in your statement will be considered true and accurate unless you contact us within 30 days of receipt of this statement. If you have questions about the validity of this information, please contact CEPPT4U@calpers.ca.gov.

ATTACHMENT 1

Statement of Transaction Detail for the Quarter Ending 06/30/2025

Town of Los Gatos

Entity #: SKHE-4589482285-501P

Date	Description	Amount	Unit Value	Units	Check/Wire	Notes

Client Contact:
CEPPT4U@CalPERS.ca.gov

If you have any questions or comments regarding the new statement format please contact CEPPT4U@CalPERS.ca.gov

California Employers' Pension Prefunding Trust (CEPPT)

CEPPT Strategy 2

CalPERS

June 30, 2025

Objective

The CEPPT Strategy 2 portfolio seeks to provide capital appreciation and income consistent with its strategic asset allocation. There is no guarantee that the portfolio will achieve its investment objective.

Strategy

The CEPPT Strategy 2 portfolio is invested in various asset classes that are passively managed to an index. CalPERS periodically adjusts the composition of the portfolio in order to match the target allocations. Generally, equities are intended to help build the value of the employer's portfolio over the long term while bonds are intended to help provide income and stability of principal. Also, strategies invested in a higher percentage of equities seek higher investment returns (but assume more risk) compared with strategies invested in a higher percentage of bonds.

Compared with CEPPT Strategy 1, this portfolio has a lower allocation to equities and a higher allocation to bonds. Historically, funds with a lower percentage of equities have displayed less price volatility and, therefore, this portfolio may experience comparatively less fluctuation of value. Employers that seek greater stability of value, in exchange for possible lower investment returns, may wish to consider this portfolio.

CalPERS Board may change the list of approved asset classes in composition as well as targeted allocation percentages and ranges at any time.

Composition

Asset Class Allocations and Benchmarks

The CEPPT Strategy 2 portfolio consists of the following asset classes and corresponding benchmarks:

Asset Class	Target Allocation	Target Range	Benchmark
Global Equity	21%	± 5%	MSCI All Country World Index IMI (Net)
Fixed Income	61%	± 5%	Bloomberg US Aggregate Bond Index
Treasury Inflation-Protected Securities ("TIPS")	9%	± 3%	Bloomberg US TIPS Index, Series L
Real Estate Investment Trusts ("REITs")	9%	± 5%	FTSE EPRA/NAREIT Developed Index (Net)
Cash	-	+ 2%	ICE BofA US 3-Month Treasury Bill Index

Portfolio Benchmark

The CEPPT Strategy 2 benchmark is a composite of underlying asset class market indices, each assigned the target weight for the asset class it represents.

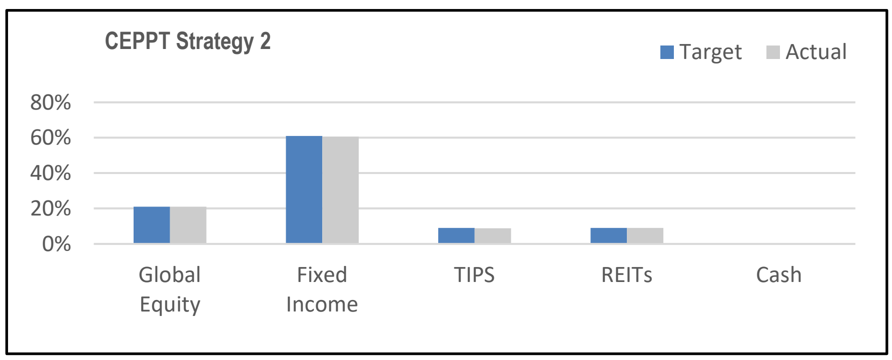
Target vs. Actual Asset Class Allocations

The following chart shows policy target allocations compared with actual asset allocations as of the specified reporting month-end. CalPERS may temporarily deviate from the target allocation for a particular asset class based on market, economic, or other considerations.

Assets Under Management

As of the specified reporting month-end:

CEPPT Strategy 2	Annual Expense Ratio
$77,118,114	0.25%



CEPPT Strategy 2 Performance as of June 30, 2025								
	1 Month	3 Months	Fiscal YTD	1 Year	3 Years*	5 Years*	10 Years*	Since Inception* (January 1, 2020)
Gross Return [1,3]	2.11%	3.66%	8.88%	8.88%	5.78%	2.63%	-	2.89%
Net Return [2,3]	2.09%	3.60%	8.63%	8.63%	5.54%	2.40%	-	2.66%
Benchmark Return	2.09%	3.62%	8.68%	8.68%	5.68%	2.50%	-	2.77%
Standard Deviation [4]	-	-	-	-	9.05%	8.04%	-	8.05%

* Returns for periods greater than one year are annualized.

[1] Gross returns are net of State Street Investment Management operating expenses.

[2] Net returns are net of State Street Investment Manaagement operating expenses, investment management, administrative and recordkeeping fees.

[3] Expenses are described in more detail on page 2 of this document.

ation is based on gross returns and is reported for periods greater than 3 years.

ATTACHMENT 2

California Employers' Pension Prefunding Trust (CEPPT)

CEPPT Strategy 2

June 30, 2025

General Information

Information Accessibility
The CEPPT Strategy 2 portfolio consists of assets managed internally by CalPERS and/or by external managers. Since it is not a mutual fund, a prospectus is not available and daily holdings are not published. CalPERS provides a quarterly statement of the employer's account and other information about the CEPPT. For total market value, detailed asset allocation, investment policy and performance information, please visit our website at **www.calpers.ca.gov.**

Portfolio Manager Information
The CalPERS Board, through its Investment Committee, directs the CEPPT investment strategy based on policies approved by the Board of Administration. State Street Investment Management manages all underlying investments for CEPPT, which include: Global Equity, Fixed Income, Real Estate Investment Trusts, and Treasury Inflation-Protected Securities.

Custodian and Record Keeper
State Street Bank serves as custodian for the CEPPT. Northeast Retirement Services serves as recordkeeper.

Expenses
CEPPT is a self-funded trust in which participating employers pay for all administrative and investment expenses. Expenses reduce the gross investment return by the fee amount. The larger the expenses, the greater reduction of investment return. Currently, CEPPT expense ratios are 0.25%. This equates to $2.50 per $1,000 invested. The expenses consist of administrative expenses borne by CalPERS to administer and oversee the Trust assets, investment management and administrative fees paid to State Street Investment Management to manage all asset classes, and recordkeeping fees paid to Northeast Retirement Services to administer individual employer accounts. The expenses described herein are reflected in the net asset value per unit. The expense ratio is subject to change at any time and without prior notification due to factors such as changes to average fund assets or market conditions. CalPERS reviews the operating expenses annually and changes may be made as appropriate. Even if the portfolio loses money during a period, the expenses will still be charged.

What Employers Own
Each employer invested in CEPPT Strategy 2 owns units of this portfolio, which invests in pooled asset classes managed by CalPERS and/or external advisors. Employers do not have direct ownership of the securities in the portfolio.

Price
The value of the portfolio changes daily based upon the market value of the underlying securities. Just as prices of individual securities fluctuate, the portfolio's value also changes with market conditions.

Principal Risks of the Portfolio
The CEPPT fund is a trust fund dedicated to prefunding employer contributions to defined benefit pension plans for eligible state and local agencies. CEPPT is not, however, a defined benefit plan. There is no guarantee that the portfolio will achieve its investment objectives or provide sufficient funding to meet employer obligations.

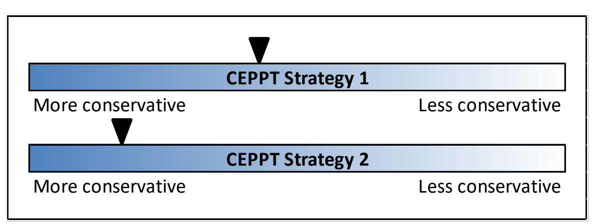
An investment in the portfolio is not a bank deposit, nor is it insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC), CalPERS, the State of California or any other government agency.

There are risks associated with investing, including possible loss of principal. The portfolio's risk depends in part on the portfolio's asset class allocations and the selection, weighting and risks of the underlying investments. For more information about investment risks, please see the document entitled "CEPPT Principal Investment Risks" located at **www.calpers.ca.gov.**

Fund Performance
Performance data shown on page 1 represents past performance and is no guarantee of future results. The investment return and principal value of an investment will fluctuate so that an employer's units, when redeemed, may be worth more or less than their original cost. Current performance may be higher or lower than historical performance data shown. For current performance information, please visit **www.calpers.ca.gov** and follow the links to California Employers' Pension Prefunding Trust.

CEPPT Strategy Risk Levels
CalPERS offers employers the choice of one of two investment strategies. Projected risk levels among risk strategies vary, depending upon the target asset class allocations. Generally, equities carry more risk than fixed income securities.

Asset Class Target Allocations	Strategy 1	Strategy 2
Global Equity	37%	21%
Fixed Income	44%	61%
Treasury-Inflation Protected Securities	5%	9%
Real Estate Investment Trusts	14%	9%



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 09/08/2025
ITEM NO: 5

DATE: September 3, 2025

TO: Finance Commission

FROM: Chris Constantin, Town Manager

SUBJECT: **Receive the CalPERS Actuarial Valuation Reports as of June 30, 2024.**

RECOMMENDATION: Receive the CalPERS Actuarial Valuation Reports as of June 30, 2024.

FISCAL IMPACT:

There is no fiscal impact from the receipt of these reports.

BACKGROUND:

The Town's pension plans are administered by the Board of Administration of the California Public Employees' Retirement System (CalPERS). The Board of Administration is responsible for the management and control of CalPERS. In addition, the Board has exclusive control of the administration and investment of funds. Sworn employees are covered under the Safety Plan, which is a pooled plan, while all other employees are covered in the Miscellaneous Plan, which is a separate plan. The Miscellaneous Plan is administered by CalPERS in the Public Employees' Retirement Fund (PERF).

In order for the Town to understand the value of future pension benefit payments, actuarial valuations are performed each year for the pension plans. The CalPERS actuary estimates the payments that will be made for all potential retirees from each plan in each future year. The actuary calculates the present value of future benefits the plan will be required to pay to its current participants: those still working who will retire in the future, retirees, and those who have terminated employment but have not yet begun drawing benefits.

PREPARED BY: Gitta Ungvari
Finance Director

Reviewed by: Town Manager, Assistant Town Manager, and Town Attorney

The 2024 valuation reports provide the determination of the minimum required employer contributions for fiscal year (FY) 2026-27. In addition, the reports also contain important information regarding the current financial status of the plans as well as projections and risk measures to aid in planning for the future. The pension funding information presented in this report should not be used in financial reports subject to the Governmental Accounting Standards Board (GASB) Statement No. 68 for an Agent Employer Defined Benefit Pension Plan.

Staff has received the annual Actuarial Valuation Reports from CalPERS for the Miscellaneous Plan (Attachment 1) and the Classic and PEPRA Safety Plan (Attachment 2). The measurement date for each of the Plans is as of June 30, 2024. These reports provide the Town Pension and OPEB Trusts Oversight Committee with an understanding of the scale of future pension costs, the risks associated with underperformance, and strategies that could mitigate long-term exposure.

DISCUSSION:

As of the valuation date and as provided in Exhibit 1 below, the Miscellaneous Plan reported an accrued liability of $137.2 million against the market value of assets of $106.0 million, leaving a Unfunded Accrued Liability (UAL) of $31.2 million and a funded ratio of 77.2%. The Safety and PEPRA Safety Plans combined reported an accrued liability of $121.2 million against the market value of assets of $85.2 million, leaving a UAL of $36.0 million and a funded ratio of 70.3%. Together, the Town’s total pension debt stands at approximately $67 million.

For fiscal year 2026–27, the Miscellaneous Plan requires an employer normal cost contribution of 10.8% of payroll, in addition to an annual UAL payment of $3.29 million. This UAL payment may be made monthly at $274,000 or prepaid in July at $3.19 million. For the Safety and PEPRA Safety Plans, the employer's normal cost contributions are 29.38% for Classic members and 14.86% for PEPRA members, with a UAL contribution of $3.40 million. The Safety UAL payment may be made monthly at $283,000 or prepaid at $3.29 million.

Exhibit 1 Summary of CalPERS Actuarial Valuation Reports

June 30, 2024	Miscellaneous Plan	Safety & PEPRA Safety Plan
Accrued Liability	$137,248,177	$121,207,129
Market Value of Assets	$106,009,107	$85,213,104
Unfunded Accrued Liability	$31,239,070	$35,994,025
Funded Ratio	77.2%	70.3%

Looking forward, both plans show rising contribution requirements through 2031. The Miscellaneous Plan's UAL contributions are projected to increase from $3.3 million in FY 2026–27 to a peak of $3.6 million by FY 2030–31 before tapering down slightly. The Safety Plan's UAL contributions are projected to rise from $3.4 million in FY 2026–27 to nearly $4.0 million by FY 2031–32.

Risk and Sensitivity Analysis

The actuarial valuations also provide insight into the risks associated with pension funding. If long-term investment returns fall below the assumed 6.8%, contributions will increase substantially. For example, if average returns fall to 3.0%, annual Safety UAL contributions could exceed $5.2 million by FY 2031–32. Conversely, if returns average 10.8%, UAL obligations could be eliminated earlier in the next decade. Similarly, a 1% reduction in the discount rate assumption would reduce funded ratios by 8–10%, underscoring the Town's exposure to market fluctuations.

Both plans are mature, meaning a significant share of their liabilities are already owed to retirees. Retirees account for 64% of the Miscellaneous Plan's liability and 75% of the Safety Plans' liability. The active-to-retired support ratios are low—0.42 for Miscellaneous and 0.36 for Safety—indicating that there are fewer active workers relative to retirees, increasing the sensitivity of contribution requirements to investment volatility and demographic shifts.

Policy Considerations

The Town has several policy options available to address these long-term pension obligations. First, the Town may continue paying the required minimum contributions established by CalPERS. Second, the Town could make Additional Discretionary Payments (ADPs) to accelerate the payoff of pension debt. For the Miscellaneous Plan, paying down the UAL more aggressively—for example, at $6.9 million annually instead of $3.3 million—could eliminate the debt in approximately five years and save more than $10.4 million in interest. For the Safety Plan, a 10-year accelerated payoff schedule at $4.75 million annually could save approximately $7.8 million in interest. Third, the Town may strategically leverage its Pension and OPEB Trust to smooth contribution volatility or to prefund obligations. Finally, as more new employees are hired under PEPRA rules, normal costs will gradually decline; however, this will not reduce the existing unfunded liability, which remains the primary driver of high contributions.

These reports are attached (Attachment 1 and 2) and posted on the Town's website: https://www.losgatosca.gov/1861/CalPERS-and-OPEB-Actuarial-Valuation-Rep. The Town Pension and OPEB Oversight Finance Committee received this report at its September 2, 2025, regular meeting.

CONCLUSION:

In conclusion, while the Town's pension funded status has improved modestly, the combined $67 million in unfunded liabilities continues to present a major long-term fiscal challenge. Required contributions will grow steadily through 2031, consuming a larger share of payroll and constraining fiscal flexibility.

COORDINATION:

This staff report was coordinated with the Town Manager and Town Attorney.

Attachments:
1. CalPERS Annual Valuation Report as of June 30, 2024 – Miscellaneous Plan of the Town of Los Gatos
2. CalPERS Annual Valuation Report as of June 30, 2024 – Safety Risk Poll (Safety and PEPRA Safety) Police Plans of the Town of Los Gatos

California Public Employees' Retirement System
Actuarial Office
400 Q Street, Sacramento, CA 95811 | Phone: (916) 795-3000 | Fax: (916) 795-2744
888 CalPERS (or **888**-225-7377) | TTY: (877) 249-7442 | **www.calpers.ca.gov**

July 2025

Miscellaneous Plan of the Town of Los Gatos (CalPERS ID: 4589482285)
Annual Valuation Report as of June 30, 2024

Dear Employer,

Attached to this letter is 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.

Required Contributions

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

Fiscal Year	Employer Normal Cost Rate	Employer Amortization of Unfunded Accrued Liability	PEPRA Member Contribution Rate
2026-27	10.80%	$3,293,827	7.75%
Projected Results			
2027-28	*10.6%*	*$3,430,000*	*TBD*

The actual investment return for FY 2024-25 was not known at the time this report was prepared. The projection 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.

ATTACHMENT 1

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

Further descriptions of general changes are included in the Highlights and Executive Summary section and in Appendix A - Actuarial Methods and Assumptions. The effects of any changes on the required contributions are included in the Reconciliation of Required Employer Contributions section.

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 Miscellaneous Plan of the Town of Los Gatos

as of June 30, 2024

(CalPERS ID: 4589482285)
(Rate Plan ID: 946)

Required Contributions for Fiscal Year

July 1, 2026 — June 30, 2027

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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 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, this report is complete and accurate and contains sufficient information to disclose, fully and fairly, the funded condition of the Miscellaneous Plan of the Town of Los Gatos 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.

Matthew Biggart

Matthew Biggart, ASA, MAAA
Actuary, CalPERS

Highlights and Executive Summary

Introduction

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

Purpose

This report documents the results of the actuarial valuation prepared by the CalPERS Actuarial Office using data as of June 30, 2024. This report contains actuarial information for the following rate plan(s).

- 946, Miscellaneous First Level
- 30563, Miscellaneous Second Level
- 27442, Miscellaneous PEPRA Level

The purpose of the valuation is to:

- Set forth the assets and accrued liabilities of this rate plan as of June 30, 2024;
- Determine the minimum required employer contributions for this rate plan 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 an Agent Employer Defined Benefit Pension Plan. A separate accounting valuation report for such purposes is available from CalPERS and details for ordering are 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.

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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 13

	Fiscal Year 2025-26	Fiscal Year 2026-27
Employer Normal Cost Rate	10.79%	10.80%
Unfunded Accrued Liability (UAL) Contribution Amount	$2,926,599	$3,293,827
Paid either as		
Option 1) 12 Monthly Payments of	$243,883	$274,486
Option 2) Annual Prepayment in July	$2,831,898	$3,187,243

Member Contribution Rates — page 14

	Fiscal Year 2025-26	Fiscal Year 2026-27
Classic Member Contribution Rate	7.00%/8.00%	7.00%/8.00%
PEPRA Member Contribution Rate	7.75%	7.75%

Projected Employer Contributions — page 17

Fiscal Year	Normal Cost (% of payroll)	Annual UAL Payment
2027-28	10.6%	$3,430,000
2028-29	10.5%	$3,578,000
2029-30	10.3%	$3,598,000
2030-31	10.1%	$3,603,000
2031-32	10.0%	$3,319,000

Funded Status – Funding Policy Basis — page 15

	June 30, 2023	June 30, 2024
Entry Age Accrued Liability (AL)	$131,694,738	$137,248,177
Market Value of Assets (MVA)	99,158,305	106,009,107
Unfunded Accrued Liability (UAL) [AL – MVA]	$32,536,433	$31,239,070
Funded Ratio [MVA ÷ AL]	75.3%	77.2%

Summary of Valuation Data — page 34

	June 30, 2023	June 30, 2024
Active Member Count	114	115
Annual Covered Payroll	$12,754,753	$13,504,198
Transferred Member Count	112	115
Separated Member Count	100	102
Retired Members and Beneficiaries Count	267	274

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 rate plans that are not in a risk pool (non-pooled), benefit changes by contract amendment are generally included in the first valuation that is prepared after the amendment becomes effective, even if the effective date of the amendment is after the valuation date.

Please refer to the Plan's Major Benefit Options and Appendix B - Principal Plan Provisions for a summary of the plan provisions used in this valuation. The effect of any mandated benefit changes or plan amendments on the unfunded liability is shown in the (Gain)/Loss Analysis 6/30/23 – 6/30/24 and the effect on the employer contribution is shown in the Reconciliation of Required Employer Contributions. It should be noted that no change in liability or contribution is shown for any plan changes which were already included in the prior year's 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.

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.

Assets

Reconciliation of the Market Value of Assets

1.	Market Value of Assets as of 6/30/23 including Receivables	$99,158,305
2.	Change in Receivables for Service Buybacks	(4,616)
3.	Employer Contributions	3,876,932
4.	Employee Contributions	994,668
5.	Benefit Payments to Retirees and Beneficiaries	(7,322,481)
6.	Refunds	(15,878)
7.	Transfers	0
8.	Service Credit Purchase (SCP) Payments and Interest	6,882
9.	Administrative Expenses	(72,435)
10.	Miscellaneous Adjustments	0
11.	Investment Return (Net of Investment Expenses)	9,387,729
12.	Market Value of Assets as of 6/30/24 including Receivables	$106,009,107

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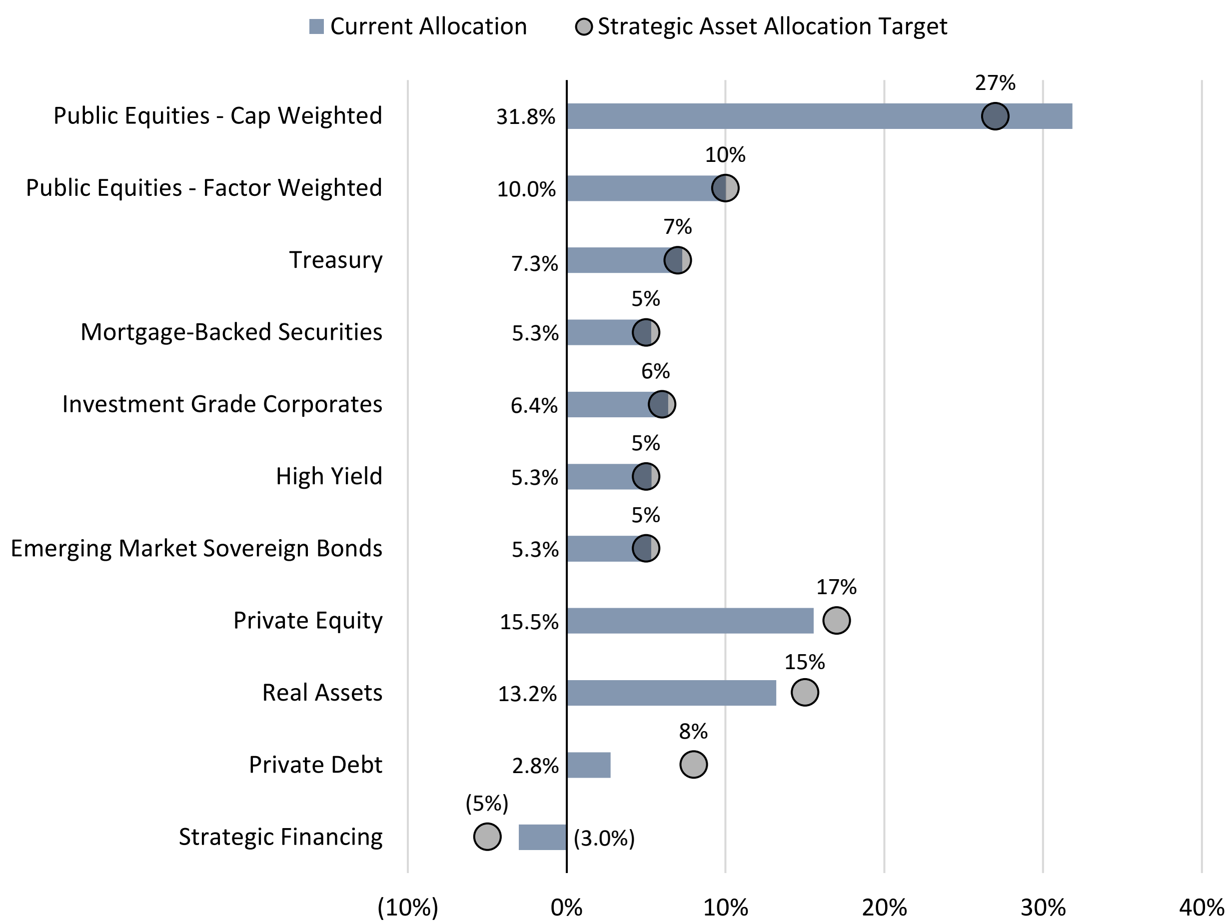
Asset Allocation

CalPERS adheres to an Asset Allocation Strategy which establishes asset class allocation policy targets and ranges and manages those asset class allocations within their policy ranges. CalPERS Investment Belief No. 6 recognizes that strategic asset allocation is the dominant determinant of portfolio risk and return.

The asset allocation shown below reflects the allocation of the Public Employees' Retirement Fund (PERF) in its entirety. The assets for Town of Los Gatos Miscellaneous Plan are a subset of the PERF and are invested accordingly.

On March 20, 2024, the board adopted changes to the strategic asset allocation. The new allocation was effective July 1, 2024. The asset allocation as of June 30, 2024, is shown below, along with the strategic asset allocation targets.



For more information see the Trust Level Review as of June 30, 2024, which is available on the CalPERS website.

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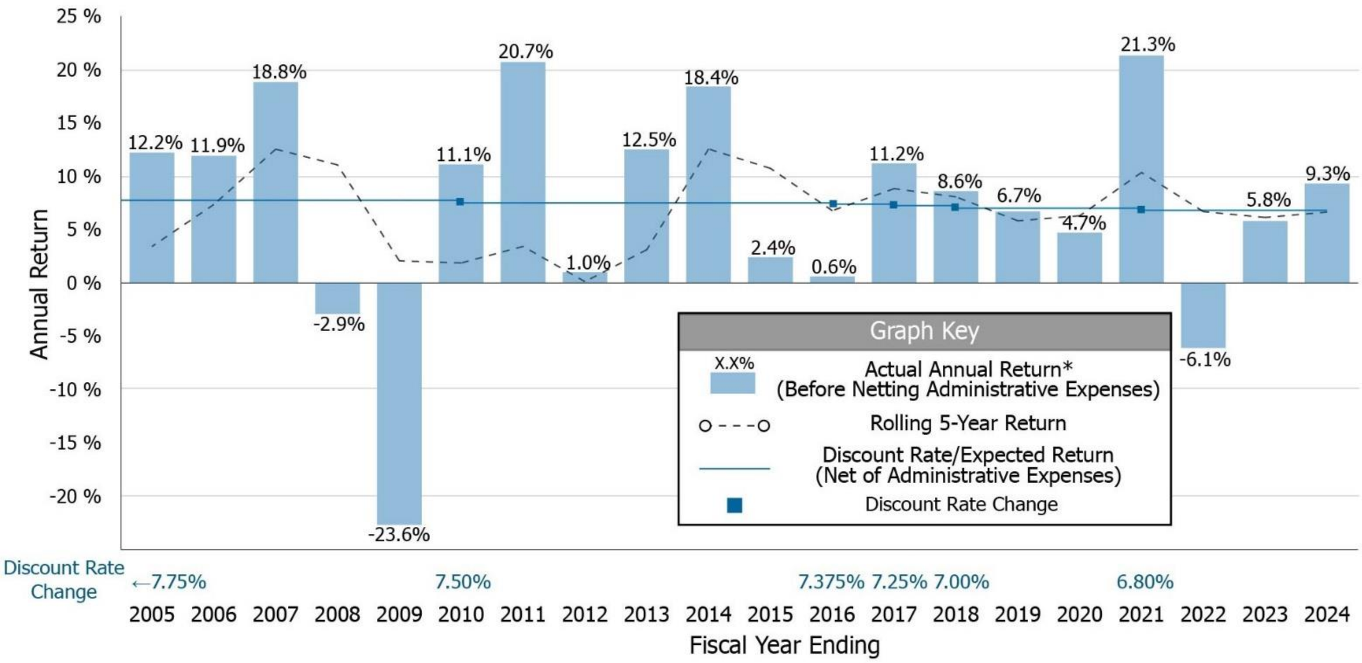
CalPERS History of Investment Returns

The following is a chart with 20 years of historical annual returns of the PERF for each fiscal year ending on June 30 as reported by the Investment Office. Investment returns reported are net of investment expenses but without reduction for administrative expenses. The assumed rate of return, however, is net of both investment and administrative expenses. Also, the Investment Office uses lagged private asset valuations for investment performance reporting purposes. This can lead to a timing difference in private asset influence on performance in the returns below and those used for financial reporting purposes. The investment gain or loss calculation in this report relies on final assets that have been audited and are appropriate for financial reporting. Because of these differences, the effective investment return for funding purposes in a single year can be higher or lower than the return reported by the Investment Office shown here.

History of Investment Returns (2005 through 2024)



* As reported by the Investment Office with lagged private valuations and without any reduction for administrative expenses.

The table below shows annualized investment returns of the PERF for various time periods ending on June 30, 2024. These returns are the annual rates that if compounded over the indicated number of years would equate to the actual time-weighted investment performance of the PERF. It should be recognized that the annual rate of return is volatile, as the chart above illustrates, so when looking at investment returns, it is informative to look at average returns over longer time horizons.

PERF Realized Rates of Return as of June 30, 2024

1 year	3 year	5 year	10 year	20 year	30 year
9.3%	2.8%	6.6%	6.2%	6.7%	7.7%

Liabilities and Contributions

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 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 for more information on the amortization policy.

Development of Accrued and Unfunded Liabilities

		June 30, 2023	June 30, 2024
1.	Present Value of Projected Benefits		
	a) Active Members	$47,686,388	$51,661,414
	b) Transferred Members	13,074,583	14,530,430
	c) Separated Members	4,459,819	4,099,857
	d) Members and Beneficiaries Receiving Payments	87,182,041	88,343,924
	e) Total	$152,402,831	$158,635,625
2.	Present Value of Future Employer Normal Costs	$11,485,922	$11,828,287
3.	Present Value of Future Employee Contributions	$9,222,171	$9,559,161
4.	Entry Age Accrued Liability		
	a) Active Members [(1a) - (2) - (3)]	$26,978,295	$30,273,966
	b) Transferred Members (1b)	13,074,583	14,530,430
	c) Separated Members (1c)	4,459,819	4,099,857
	d) Members and Beneficiaries Receiving Payments (1d)	87,182,041	88,343,924
	e) Total	$131,694,738	$137,248,177
5.	Market Value of Assets (MVA)	$99,158,305	$106,009,107
6.	Unfunded Accrued Liability (UAL) [(4e) - (5)]	$32,536,433	$31,239,070
7.	Funded Ratio [(5) ÷ (4e)]	75.3%	77.2%

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Required Employer Contributions

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

	Fiscal Year
Required Employer Contributions	**2026-27**
Employer Normal Cost Rate	**10.80%**
Plus	
Unfunded Accrued Liability (UAL) Contribution Amount	**$3,293,827**
Paid either as	
1) Monthly Payment	**$274,486**
Or	
2) Annual Prepayment Option*	**$3,187,243**

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).

* Only the UAL portion of the employer contribution can be prepaid **(which must be received in full no later than July 31)**.

For Member Contribution Rates see the following page.

	Fiscal Year 2025-26	Fiscal Year 2026-27
Normal Cost Contribution as a Percentage of Payroll		
Total Normal Cost[1]	18.43%	18.44%
Offset due to Employee Contributions[2]	(7.64%)	(7.64%)
Employer Normal Cost	10.79%	10.80%
Projected Annual Payroll for Contribution Year	$13,856,431	$14,670,609
Estimated Employer Contributions Based on Projected Payroll		
Total Normal Cost	$2,553,740	$2,705,260
Expected Employee Contributions	(1,058,631)	(1,120,835)
Employer Normal Cost	$1,495,109	$1,584,425
Unfunded Liability Contribution	$2,926,599	$3,293,827
% of Projected Payroll (illustrative only)	21.12%	22.45%
Estimated Total Employer Contribution	$4,421,708	$4,878,252
% of Projected Payroll (illustrative only)	31.91%	33.25%

[1] The Total Normal Cost is a blended rate for all benefit groups in the plan. For a breakout of normal cost by benefit group, see Normal Cost by Benefit Group.

[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
Miscellaneous, 1.5% at age 65	2%
Miscellaneous, 2% at age 60	7%
Miscellaneous, 2% at age 55	7%
Miscellaneous, 2.5% at age 55	8%
Miscellaneous, 2.7% at age 55	8%
Miscellaneous, 3% at age 60	8%

Auxiliary organizations of the CSU system may elect reduced contribution rates for Miscellaneous members, in which case the contribution rate above the breakpoint is 6% if members are not covered by Social Security and 5% if they are.

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 plan, particularly members' entry age into the plan. 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 for each respective rate plan as of the June 30, 2024, valuation.

		Basis for Current Rate		Rates Effective July 1, 2026			
Rate Plan Identifier	Benefit Group Name	Total Normal Cost	Member Rate	Total Normal Cost	Change in Normal Cost	Adj. Needed	Member Rate
27442	Miscellaneous PEPRA Level	15.590%	7.75%	16.24%	0.650%	No	7.75%

For a description of the methodology used to determine the Total Normal Cost for this purpose, see PEPRA Normal Cost Rate Methodology in Appendix A.

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	$152,402,831	$158,635,625
2. Entry Age Accrued Liability	131,694,738	137,248,177
3. Market Value of Assets (MVA)	99,158,305	106,009,107
4. Unfunded Accrued Liability (UAL) [(2) – (3)]	$32,536,433	$31,239,070
5. Funded Ratio [(3) ÷ (2)]	75.3%	77.2%

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. Present Value of Benefits	$184,216,666	$158,635,625	$138,566,820
2. Entry Age Accrued Liability	155,071,256	137,248,177	122,583,563
3. Market Value of Assets (MVA)	106,009,107	106,009,107	106,009,107
4. Unfunded Accrued Liability (UAL) [(2) – (3)]	$49,062,149	$31,239,070	$16,574,456
5. Funded Ratio [(3) ÷ (2)]	68.4%	77.2%	86.5%

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 $3,293,827 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 58%, which means the required payment of $3,293,827 includes $1,896,103 of interest cost and results in a $1,397,724 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 $3,293,827 it would take 13.5 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
$3,293,827	13.5 years	$0	$1,584,425	$4,878,252
4,027,237	10 years	733,410	1,584,425	5,611,662
6,925,588	5 years	3,631,761	1,584,425	8,510,013

[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.

Fiscal Year	ADP	Fiscal Year	ADP
2017-18	N/A	2021-22	$0
2018-19	$0	2022-23	0
2019-20	4,753,965	2023-24	0
2020-21	5,631,307	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. 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 projected normal cost percentages below reflect that the normal cost is expected to continue to decline over time as new employees are hired into lower cost benefit tiers. Future contribution requirements may differ significantly from those shown below. 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.

	Required Contribution	**Projected Future Employer Contributions (Assumes 6.80% Return for Fiscal Year 2024-25 and Beyond)**				
	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32
Normal Cost %	10.80%	10.6%	10.5%	10.3%	10.1%	10.0%
UAL Payment	$3,293,827	$3,430,000	$3,578,000	$3,598,000	$3,603,000	$3,319,000
Total as a % of Payroll*	33.25%	33.4%	33.5%	32.8%	32.1%	29.7%
Projected Payroll	$14,670,609	$15,081,386	$15,503,665	$15,937,767	$16,384,025	$16,842,778

*Illustrative only and based on the projected payroll shown.

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. 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.

(Gain)/Loss Analysis 6/30/23 – 6/30/24

To calculate the cost requirements of the plan, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year, actual experience is compared to the expected experience based on the actuarial assumptions. This results in actuarial gains or losses, as shown below.

1.	Total (Gain)/Loss for the Year	
a)	Unfunded Accrued Liability (UAL) as of 6/30/23	$32,536,433
b)	Expected payment on the UAL during 2023-24	2,410,788
c)	Interest through 6/30/24 [0.068 x (1a) - ((1.068)^{½} - 1) x (1b)]	2,131,859
d)	Expected UAL before all other changes [(1a) - (1b) + (1c)]	32,257,504
e)	Change due to plan changes	0
f)	Change due to AL Significant Increase	0
g)	Change due to assumption changes	0
h)	Change due to method changes	0
i)	Change due to discount rate change with Funding Risk Mitigation	0
j)	Expected UAL after all other changes [(1d) + (1e) + (1f) + (1g) + (1h) + (1i)]	32,257,504
k)	Actual UAL as of 6/30/24	31,239,070
l)	Total (Gain)/Loss for 2023-24 [(1k) - (1j)]	($1,018,434)
2.	Investment (Gain)/Loss for the Year	
a)	Market Value of Assets as of 6/30/23	$99,158,305
b)	Prior fiscal year receivables	(23,004)
c)	Current fiscal year receivables	18,388
d)	Contributions received	4,871,600
e)	Benefits and refunds paid	(7,338,359)
f)	Transfers, SCP payments and interest, and miscellaneous adjustments	6,882
g)	Expected return at 6.8% per year	6,739,598
h)	Expected assets as of 6/30/24 [(2a) + (2b) + (2c) + (2d) + (2e) + (2f) + (2g)]	103,433,411
i)	Actual Market Value of Assets as of 6/30/24	106,009,107
j)	Investment (Gain)/Loss [(2h) - (2i)]	($2,575,696)
3.	Non-Investment (Gain)/Loss for the Year	
a)	Total (Gain)/Loss (1l)	($1,018,434)
b)	Investment (Gain)/Loss (2j)	(2,575,696)
c)	Non-Investment (Gain)/Loss [(3a) - (3b)]	$1,557,262

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 valuati on 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 fro m 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, 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	Escala-tion 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
Assumption Change	6/30/03	No Ramp		2.80%	0	306,144	316,382	0	0	0	0
Method Change	6/30/04	No Ramp		2.80%	0	(50,768)	(26,733)	(26,593)	(27,482)	0	0
Benefit Change	6/30/07	No Ramp		2.80%	2	822,827	224,909	646,349	231,206	451,363	237,679
Assumption Change	6/30/09	No Ramp		2.80%	5	1,759,580	290,446	1,579,073	298,579	1,377,886	306,939
Special (Gain)/Loss	6/30/09	No Ramp		2.80%	15	2,021,990	163,936	1,990,067	168,526	1,951,230	173,245
Special (Gain)/Loss	6/30/10	No Ramp		2.80%	16	1,716,314	133,672	1,694,881	137,415	1,668,123	141,262
Assumption Change	6/30/11	No Ramp		2.80%	7	1,317,003	175,321	1,225,375	180,230	1,122,443	185,277
Special (Gain)/Loss	6/30/11	No Ramp		2.80%	17	802,345	60,207	794,684	61,893	784,760	63,626
(Gain)/Loss	6/30/12	No Ramp		2.80%	18	1,798,707	130,388	1,786,271	134,039	1,769,216	137,792
Payment (Gain)/Loss	6/30/12	No Ramp		2.80%	18	200,654	14,545	199,267	14,953	197,364	15,371
(Gain)/Loss	6/30/13	100%	Up/Dn	2.80%	19	8,641,301	649,319	8,557,877	667,500	8,449,991	686,190
(Gain)/Loss	6/30/14	100%	Up/Dn	2.80%	20	(7,997,876)	(580,504)	(7,941,815)	(596,759)	(7,865,143)	(613,468)
Assumption Change	6/30/14	100%	Up/Dn	2.80%	10	3,978,372	486,799	3,745,823	500,429	3,483,375	514,441
Assumption Change	6/30/16	100%	Up/Dn	2.80%	12	1,688,907	178,327	1,619,462	183,320	1,540,135	188,453
(Gain)/Loss	6/30/17	100%	Up/Dn	2.80%	23	(1,993,817)	(132,196)	(1,992,780)	(135,898)	(1,987,846)	(139,703)
Assumption Change	6/30/17	100%	Up/Dn	2.80%	13	1,542,406	152,959	1,489,216	157,242	1,427,982	161,645
(Gain)/Loss	6/30/18	100%	Up/Dn	2.80%	24	(776,983)	(50,176)	(777,964)	(51,581)	(777,560)	(53,026)
Assumption Change	6/30/18	100%	Up/Dn	2.80%	14	3,672,362	344,056	3,566,521	353,689	3,443,528	363,592
Method Change	6/30/18	100%	Up/Dn	2.80%	14	801,858	75,124	778,748	77,228	751,892	79,390
Non-Investment (Gain)/Loss	6/30/19	No Ramp		0.00%	15	1,378,760	134,763	1,333,246	134,763	1,284,637	134,763

Schedule of Amortization Bases (continued)

Reason for Base	Date Est.	Ramp Level 2026-27	Ramp Shape	Escala-tion 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	6/30/19	100%	Up Only	0.00%	15	485,353	38,683	478,380	48,354	460,939	48,354
Investment (Gain)/Loss	6/30/20	100%	Up Only	0.00%	16	2,303,568	138,506	2,317,073	184,674	2,283,784	230,843
Non-Investment (Gain)/Loss	6/30/20	No Ramp		0.00%	16	(512,568)	(48,597)	(497,200)	(48,597)	(480,787)	(48,597)
Assumption Change	6/30/21	No Ramp		0.00%	17	139,288	12,846	135,484	12,845	131,422	12,845
Net Investment (Gain)	6/30/21	80%	Up Only	0.00%	17	(12,751,772)	(524,190)	(13,077,173)	(786,285)	(13,153,842)	(1,048,380)
Non-Investment (Gain)/Loss	6/30/21	No Ramp		0.00%	17	(111,593)	(10,291)	(108,546)	(10,291)	(105,292)	(10,291)
Benefit Change	6/30/22	No Ramp		0.00%	18	190,248	17,108	185,505	17,108	180,439	17,108
Investment (Gain)/Loss	6/30/22	60%	Up Only	0.00%	18	17,417,056	374,374	18,214,522	748,749	18,679,322	1,123,123
Non-Investment (Gain)/Loss	6/30/22	No Ramp		0.00%	18	803,162	72,223	783,139	72,223	761,754	72,223
Investment (Gain)/Loss	6/30/23	40%	Up Only	0.00%	19	785,202	0	838,596	18,025	876,993	36,051
Non-Investment (Gain)/Loss	6/30/23	No Ramp		0.00%	19	1,879,474	0	2,007,278	180,502	1,957,235	180,502
Investment (Gain)/Loss	6/30/24	20%	Up Only	0.00%	20	(2,575,696)	0	(2,750,843)	0	(2,937,900)	(63,149)
Non-Investment (Gain)/Loss	6/30/24	No Ramp		0.00%	20	1,557,262	0	1,663,156	0	1,776,251	159,727
Total						**31,239,070**	**2,812,206**	**30,457,079**	**2,926,599**	**29,503,694**	**3,293,827**

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.

Item 5.

Amortization Schedule and Alternatives (continued)

	Current Amortization Schedule		Alternative Schedules: 10 Year Amortization		Alternative Schedules: 5 Year Amortization	
Date	**Balance**	**Payment**	**Balance**	**Payment**	**Balance**	**Payment**
6/30/2026	29,503,694	3,293,827	29,503,694	4,027,237	29,503,694	6,925,588
6/30/2027	28,105,970	3,429,546	27,348,034	4,027,237	24,352,760	6,925,588
6/30/2028	26,472,944	3,578,104	25,045,789	4,027,237	18,851,562	6,925,588
6/30/2029	24,575,344	3,598,403	22,586,991	4,027,237	12,976,283	6,925,588
6/30/2030	22,527,731	3,602,512	19,960,995	4,027,237	6,701,485	6,925,588
6/30/2031	20,336,633	3,319,265	17,156,431	4,027,237		
6/30/2032	18,289,261	3,259,042	14,161,157	4,027,237		
6/30/2033	16,164,902	2,968,948	10,962,204	4,027,237		
6/30/2034	14,195,882	2,845,014	7,545,723	4,027,237		
6/30/2035	12,221,045	2,671,247	3,896,921	4,027,237		
6/30/2036	10,291,501	2,369,639				
6/30/2037	8,542,442	2,189,341				
6/30/2038	6,860,773	1,997,973				
6/30/2039	5,262,520	1,849,038				
6/30/2040	3,709,501	1,738,666				
6/30/2041	2,164,938	1,102,674				
6/30/2042	1,172,603	682,334				
6/30/2043	547,191	565,490				
6/30/2044						
6/30/2045						
6/30/2046						
6/30/2047						
6/30/2048						
6/30/2049						
Total		**45,061,063**		**40,272,370**		**34,627,940**
Interest Paid		**15,557,369**		**10,768,676**		**5,124,246**
Estimated Savings				**4,788,693**		**10,433,123**

Reconciliation of Required Employer Contributions

Normal Cost (% of Payroll)

1. For Period 7/1/25 – 6/30/26	
a) Employer Normal Cost	10.79%
b) Employee contribution	7.64%
c) Total Normal Cost	18.43%
2. Changes since the prior year annual valuation	
a) Effect of demographic experience	0.01%
b) Effect of plan changes	0.00%
c) Effect of discount rate change due to Funding Risk Mitigation	0.00%
d) Effect of assumption changes	0.00%
e) Effect of method changes	0.00%
f) Net effect of the changes above [sum of (a) through (e)]	0.01%
3. For Period 7/1/26 – 6/30/27	
a) Employer Normal Cost	10.80%
b) Employee contribution	7.64%
c) Total Normal Cost	18.44%
Employer Normal Cost Change [(3a) – (1a)]	0.01%
Employee Contribution Change [(3b) – (1b)]	0.00%

Unfunded Liability Contribution ($)

1. For Period 7/1/25 – 6/30/26	2,926,599
2. Changes since the prior year annual valuation	
a) Effect of adjustments to prior year's amortization schedule	0
b) Effect of elimination of amortization bases	27,482
c) Effect of progression of amortization bases[1]	243,168
d) Effect of investment (gain)/loss during prior year[2]	(63,149)
e) Effect of non-investment (gain)/loss during prior year	159,727
f) Effect of re-amortizing existing bases due to Funding Risk Mitigation	0
g) Effect of Golden Handshake	0
h) Effect of plan changes	0
i) Effect of AL Significant Increase (Government Code section 20791)	0
j) Effect of assumption changes	0
k) Effect of adjustments to the amortization schedule (e.g., Fresh Start)	0
l) Effect of method change	0
m) Net effect of the changes above [sum of (a) through (l)]	367,228
3. For Period 7/1/26 – 6/30/27 [(1) + (2m)]	3,293,827

The amounts shown for the period 7/1/25 – 6/30/26 may be different if a prepayment of unfunded actuarial liability is made or a plan change became effective after the prior year's actuarial valuation was performed.

[1] Includes scheduled escalation in individual amortization base payments due to the 5-year ramp and payroll growth assumption used in the pre-2019 amortization policy.

[2] The unfunded liability contribution for the investment (gain)/loss during the year prior to the valuation date is 20% of the "full" annual requirement due to the 5-year ramp. Increases to this amount that occur during the ramp period will be included in line c) for each of the next four years.

Employer Contribution History

The table below provides a 10-year 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	Unfunded Liability Payment
06/30/2015	2017-18	9.932%	$1,700,602
06/30/2016	2018-19	10.001%	1,998,006
06/30/2017	2019-20	10.226%	2,328,669
06/30/2018	2020-21	10.458%	2,563,289
06/30/2019	2021-22	10.37%	2,736,531
06/30/2020	2022-23	10.20%	2,515,583
06/30/2021	2023-24	11.42%	2,411,960
06/30/2022	2024-25	11.15%	2,812,206
06/30/2023	2025-26	10.79%	2,926,599
06/30/2024	2026-27	10.80%	3,293,827

Funding History

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

Valuation Date	Accrued Liability (AL)	Market Value of Assets (MVA)	Unfunded Accrued Liability (UAL)	Funded Ratio	Annual Covered Payroll
6/30/2015	$90,796,173	$66,288,507	$24,507,666	73.0%	$8,930,406
6/30/2016	94,603,822	64,502,429	30,101,393	68.2%	8,761,524
6/30/2017	99,902,777	69,526,822	30,375,955	69.6%	9,319,861
6/30/2018	107,075,648	73,291,140	33,784,508	68.4%	9,938,654
6/30/2019	112,050,553	76,137,861	35,912,692	67.9%	10,889,467
6/30/2020	115,223,358	82,711,453	32,511,905	71.8%	11,759,144
6/30/2021	121,630,966	106,171,684	15,459,282	87.3%	11,970,102
6/30/2022	126,242,002	95,841,828	30,400,174	75.9%	11,094,190
6/30/2023	131,694,738	99,158,305	32,536,433	75.3%	12,754,753
6/30/2024	137,248,177	106,009,107	31,239,070	77.2%	13,504,198

Risk Analysis

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)	$3,527,000	$3,872,000	$4,189,000	$4,591,000	$4,808,000
10.8% (95th percentile)	$3,327,000	$3,260,000	$2,943,000	$0	$0

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)	$3,293,827	$4,047,000
(5.2%) (1 standard deviation loss)	$3,293,827	$3,738,000

- 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	23.05%	18.44%	14.93%
b) Accrued Liability	$155,071,256	$137,248,177	$122,583,563
c) Market Value of Assets	$106,009,107	$106,009,107	$106,009,107
d) Unfunded Liability/(Surplus) [(b) - (c)]	$49,062,149	$31,239,070	$16,574,456
e) Funded Ratio	68.4%	77.2%	86.5%

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	19.44%	18.44%	16.71%
b) Accrued Liability	$141,865,212	$137,248,177	$127,860,933
c) Market Value of Assets	$106,009,107	$106,009,107	$106,009,107
d) Unfunded Liability/(Surplus) [(b) - (c)]	$35,856,105	$31,239,070	$21,851,826
e) Funded Ratio	74.7%	77.2%	82.9%

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	18.73%	18.44%	18.16%
b) Accrued Liability	$140,231,606	$137,248,177	$134,514,278
c) Market Value of Assets	$106,009,107	$106,009,107	$106,009,107
d) Unfunded Liability/(Surplus) [(b) - (c)]	$34,222,499	$31,239,070	$28,505,171
e) Funded Ratio	75.6%	77.2%	78.8%

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.

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	$87,182,041	$88,343,924
2. Total Accrued Liability	$131,694,738	$137,248,177
3. Ratio of Retiree AL to Total AL [(1) ÷ (2)]	66%	64%

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	114	115
2. Number of Retirees	267	274
3. Support Ratio [(1) ÷ (2)]	0.43	0.42

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 without Receivables	$99,135,302	$105,990,719
2. Payroll	12,754,753	13,504,198
3. Asset Volatility Ratio (AVR) [(1) ÷ (2)]	7.8	7.8
4. Accrued Liability	$131,694,738	$137,248,177
5. Liability Volatility Ratio (LVR) [(4) ÷ (2)]	10.3	10.2

Maturity Measures History

Valuation Date	Ratio of Retiree Accrued Liability to Total Accrued Liability	Support Ratio	Asset Volatility Ratio	Liability Volatility Ratio
6/30/2017	66%	0.49	7.5	10.7
6/30/2018	66%	0.48	7.4	10.8
6/30/2019	65%	0.48	7.0	10.3
6/30/2020	65%	0.49	7.0	9.8
6/30/2021	65%	0.47	8.9	10.2
6/30/2022	66%	0.41	8.6	11.4
6/30/2023	66%	0.43	7.8	10.3
6/30/2024	64%	0.42	7.8	10.2

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 breakeven 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]	$200,549,876	$153,150,287
2. Market Value of Assets (MVA)	106,009,107	106,009,107
3. Unfunded Termination Liability [(1) – (2)]	$94,540,769	$47,141,180
4. Funded Ratio [(2) ÷ (1)]	52.9%	69.2%

[1] The termination liabilities calculated above include a 5% contingency load. The contingency load and other actuarial assumptions can be found in Appendix A.

In order to terminate the plan, 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 Index[1] 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	$38,822,397
b) Transferred Members	19,355,817
c) Separated Members	5,059,699
d) Members and Beneficiaries Receiving Payments	101,119,892
e) Total	$164,357,805
2. Market Value of Assets (MVA)	106,009,107
3. Unfunded Accrued Liability – Low-Default-Risk Basis [(1e) – (2)]	$58,348,698
4. Unfunded Accrued Liability – Funding Policy Basis	31,239,070
5. Present Value of Unearned Investment Risk Premium [(3) – (4)]	$27,109,628

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

Normal Cost by Benefit Group

The table below displays the Total Normal Cost broken out by benefit group for FY 2026-27. 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. However, based on the characteristics of the members (particularly when the number of actives is small), this may not be the case. Future measurements of the Total Normal Cost for each group may differ significantly from the current values due to such factors as: changes in the demographics of the group, changes in economic and demographic assumptions, changes in plan benefits or applicable law.

Rate Plan Identifier	Benefit Group Name	Total Normal Cost FY 2026-27	Offset due to Employee Contributions FY 2026-27	Employer Normal Cost[1] FY 2026-27	Number of Actives	Payroll on 6/30/2024
946	Miscellaneous First Level	21.15%	8.00%	13.15%	22	$2,922,192
30563	Miscellaneous Second Level	21.57%	7.00%	14.57%	19	2,916,751
27442	Miscellaneous PEPRA Level	16.24%	7.75%	8.49%	74	7,665,255
	Plan Total	**18.44%**	**7.64%**	**10.80%**	**115**	**$13,504,198**

[1] The employer normal cost for individual rate plans is provided for illustrative purposes only. The employer normal cost rate for contribution purposes is the blended rate shown in the Plan Total row and is the employer normal cost contribution rate that applies to the covered payroll of members in every rate plan shown above.

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. Additionally, if a Second Level Benefit Group amended to the same benefit formula as a First Level Benefit Group, their Normal Costs may be dissimilar due to demographic or other population differences. For questions in these situations, please contact a CalPERS actuary.

Summary of Valuation Data

	June 30, 2023	June 30, 2024
1. **Active Members**		
a) Counts	114	115
b) Average Attained Age	44.96	46.01
c) Average Entry Age to Rate Plan	37.67	38.17
d) Average Years of Credited Service	7.11	7.59
e) Average Annual Covered Payroll	$111,884	$117,428
f) Annual Covered Payroll	$12,754,753	$13,504,198
g) Projected Annual Payroll for Contribution Year	$13,856,431	$14,670,609
h) Present Value of Future Payroll	$120,565,572	$124,825,273
2. **Transferred Members**		
a) Counts	112	115
b) Average Attained Age	45.98	45.73
c) Average Years of Credited Service	3.15	3.39
d) Average Annual Covered Payroll	$132,545	$140,092
3. **Separated Members**		
a) Counts	100	102
b) Average Attained Age	47.39	47.54
c) Average Years of Credited Service	2.73	2.40
d) Average Annual Covered Payroll	$72,378	$71,260
4. **Retired Members and Beneficiaries Receiving Payments**		
a) Counts	267	274
b) Average Attained Age	71.26	71.52
c) Average Annual Benefits	$26,983	$27,128
d) Total Annual Benefits	$7,204,417	$7,433,040
5. **Active to Retired Ratio** [(1a) ÷ (4a)]	0.43	0.42

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.

Average Annual Benefits represents benefit amounts payable by this plan only. Some members may have service with another agency and would therefore have a larger total benefit than would be included as part of the average shown here.

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	41	74	64.3%
Average Attained Age	53.83	41.67	
Average Entry Age	39.95	37.18	
Average Years of Credited Service	13.39	4.37	
Average Annual Covered Payroll	$142,413	$103,585	
Annual Covered Payroll	$5,838,943	$7,665,255	56.8%
Present Value of Future Payroll	$40,011,930	$84,813,343	67.9%
Transferred Members			
Count	73	42	36.5%
Separated Members			
Count	67	35	34.3%
Retired Members and Beneficiaries Receiving Payments			
Count	273	1	0.4%
Average Annual Benefit	$27,225	$576	
Total Annual Benefits	$7,432,464	$576	0.0%
Accrued Liabilities			
Active Members	$23,671,528	$6,602,438	21.8%
Transferred Members	13,572,029	958,401	6.6%
Separated Members	3,650,495	449,362	11.0%
Retired Members and Beneficiaries	88,333,875	10,049	0.0%
Total	$129,227,927	$8,020,250	5.8%

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 Appendix B.

	Benefit Group					
Member Category	**Misc**	**Misc**	**Misc**	**Misc**	**Misc**	
Demographics						
Actives	No	Yes	Yes	Yes	No	
Transfers/Separated	Yes	Yes	Yes	Yes	No	
Receiving	Yes	Yes	Yes	Yes	Yes	
Benefit Provision						
Benefit Formula	2% @ 55	2.5% @ 55	2% @ 62	2% @ 60		
Social Security Coverage	No	No	No	No		
Full/Modified	Full	Full	Full	Full		
Employee Contribution Rate		8.00%	7.75%	7.00%		
Final Average Compensation Period	One Year	One Year	Three Year	Three Year		
Sick Leave Credit	No	No	No	No		
Non-Industrial Disability	Standard	Standard	Standard	Standard		
Industrial Disability	No	No	No	No		
Pre-Retirement Death Benefits						
Optional Settlement 2	No	No	No	No		
1959 Survivor Benefit Level	Level 4	Level 4	Level 4	Level 4		
Special	No	No	No	No		
Alternate (firefighters)	No	No	No	No		
Post-Retirement Death Benefits						
Lump Sum	$2,000	$2,000	$2,000	$2,000	$2,000	
Survivor Allowance (PRSA)	Yes	Yes	Yes	Yes	Yes	
COLA	2%	2%	2%	2%	2%	

Appendix A - Actuarial Methods and Assumptions

Actuarial Data

As stated in the Actuarial Certification, the data which serves as the basis of this valuation has been obtained from the various CalPERS databases. We have reviewed the valuation data and believe that it is reasonable and appropriate in aggregate. We are unaware of any potential data issues that would have a material effect on the results of this valuation, except that data does not always contain the latest salary information for former members now in reciprocal systems and does not recognize the potential for unusually large salary deviation in certain cases such as elected officials. Therefore, salary information in these cases may not be accurate. These situations are relatively infrequent, however, and generally do not have a material impact on the required employer contributions.

Actuarial Methods

Actuarial Cost Method

With one exception, the actuarial cost method used in this valuation is the Entry Age Actuarial Cost Method. This method is used to calculate the required employer contributions and the PEPRA member contribution rate. Under this method, the cost of the projected benefits is allocated on an individual basis as a level percent of earnings for the individual between entry age and retirement age. The portion allocated to the year following the valuation date is the normal cost. This method yields a total normal cost rate, expressed as a percentage of payroll, which is designed to remain level throughout the member's career.

The actuarial accrued liability for active members is then calculated as the present value of benefits minus the present value of future normal cost, or the portion of the total present value of benefits allocated to prior years. The actuarial accrued liability for members currently receiving benefits and for members entitled to deferred benefits is equal to the present value of the benefits expected to be paid. No normal costs are applicable for these participants.

To calculate the accrued liability on termination basis, this valuation used the Traditional Unit Credit Actuarial Cost Method. This method differs from the entry age method only for active members where the accrued liability is the present value of benefits assuming no future pay increases or service accruals.

Amortization of Unfunded Actuarial Accrued Liability

The excess of the total actuarial accrued liability over the market value of plan assets is called the unfunded actuarial accrued liability (UAL). Funding requirements are determined by adding the normal cost and a payment toward the UAL. The UAL payment is equal to the sum of individual amortization payments, each representing a different source of UAL for a given measurement period.

Amortization payments are determined according to the CalPERS Actuarial Amortization Policy. The board adopted a new policy effective for the June 30, 2019, actuarial valuation. The new policy applies prospectively only; amortization bases (sources of UAL) established prior to the June 30, 2019, valuation will continue to be amortized according to the prior policy.

Amortization of Unfunded Actuarial Accrued Liability (continued)

Prior Policy (Bases Established on or after June 30, 2013, and prior to June 30, 2019)

Amortization payments are determined as a level percentage of payroll whereby the payment increases each year at an escalation rate. Gains or losses are amortized over a fixed 30-year period with a 5-year ramp up at the beginning and a 5-year ramp down at the end of the amortization period. All changes in liability due to plan amendments (other than golden handshakes) are amortized over a 20-year period with no ramp. Changes in actuarial assumptions or changes in actuarial methodology are amortized over a 20-year period with a 5-year ramp up at the beginning and a 5-year ramp down at the end of the amortization period. Changes in unfunded accrued liability due to a Golden Handshake are amortized over a period of five years (20 years prior to June 30, 2014). A summary is provided in the following table:

	Source				
	(Gain)/Loss				
Driver	Investment	Non-investment	Assumption/Method Change	Benefit Change	Golden Handshake
Amortization Period	30 Years	30 Years	20 Years	20 Years	5 Years
Escalation Rate - Active Plans - Inactive Plans	 2.80% 0%	 2.80% 0%	 2.80% 0%	 2.80% 0%	 2.80% 0%
Ramp Up	5	5	5	0	0
Ramp Down	5	5	5	0	0

The 5-year ramp up means that the payments in the first four years of the amortization period are 20%, 40%, 60% and 80% of the "full" payment which begins in year five. The 5-year ramp down means that the reverse is true in the final four years of the amortization period.

Current Policy (Bases Established on or after June 30, 2019)

Amortization payments are determined as a level dollar amount. Investment gains or losses are amortized over a fixed 20-year period with a 5-year ramp up at the beginning of the amortization period. Non-investment gains or losses are amortized over a fixed 20-year period with no ramps. All changes in liability due to plan amendments (other than golden handshakes) are amortized over a 20-year period with no ramps. Changes in actuarial assumptions or changes in actuarial methodology are amortized over a 20-year period with no ramps. Changes in unfunded accrued liability due to a Golden Handshake are amortized over a period of five years. A summary is provided in the table below:

	Source				
	(Gain)/Loss				
Driver	Investment	Non-investment	Assumption/Method Change	Benefit Change	Golden Handshake
Amortization Period	20 Years	20 Years	20 Years	20 Years	5 Years
Escalation Rate	0%	0%	0%	0%	0%
Ramp Up	5	0	0	0	0
Ramp Down	0	0	0	0	0

The 5-year ramp up means that the payments in the first four years of the amortization period are 20%, 40%, 60% and 80% of the "full" payment which begins in year five.

Amortization of Unfunded Actuarial Accrued Liability (continued)

Exceptions for Inconsistencies

An exception to the amortization rules above is used whenever their application results in inconsistencies. In these cases, a "fresh start" approach is used. This means that the current unfunded actuarial liability is projected and amortized over a set number of years. For example, a fresh start is needed in the following situations:

- 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.

It should be noted that the actuary may determine that a fresh start is necessary under other circumstances. In all cases of a fresh start, the period is set by the actuary at what is deemed appropriate; however, the period will not be greater than 20 years.

Exceptions for Plans in Surplus

If a surplus exists (i.e., the Market Value of Assets exceeds the plan's accrued liability) any prior amortization layers shall be considered fully amortized, and the surplus shall not be amortized.

In the event of any subsequent unfunded liability, a Fresh Start shall be used with an amortization period of 20 years or less.

Exceptions for Small Amounts

Where small unfunded liabilities are identified in annual valuations which result in small payment amounts, the actuary may shorten the remaining period for these bases.

- When the balance of a single amortization base has an absolute value less than $250, the amortization period is reduced to one year.
- When the entire unfunded liability is a small amount, the actuary may perform a Fresh Start and use an appropriate amortization period.

Exceptions for Inactive Plans

The following exceptions apply to plans classified as Inactive. These plans have no active members and no expectation to have active members in the future.

- Amortization of the unfunded liability is on a "level dollar" basis rather than a "level percent of pay" basis. For amortization layers, which utilize a ramp up and ramp down, the "ultimate" payment is constant.
- Actuarial judgment will be used to shorten amortization periods for Inactive plans with existing periods that are deemed too long given the duration of the liability. The specific demographics of the plan will be used to determine if shorter periods may be more appropriate.

Exceptions for Inactive Agencies

For a public agency with no active members in any CalPERS rate plan, the unfunded liability shall be amortized over a closed amortization period of no more than 15 years.

Asset Valuation Method

The Actuarial Value of Assets is set equal to the market value of assets. Asset values include accounts receivable.

PEPRA Normal Cost Rate Methodology

Per Government Code section 7522.30(b), the "normal cost rate" shall mean the annual actuarially determined normal cost for the plan of retirement benefits provided to the new member and shall be established based on actuarial assumptions used to determine the liabilities and costs as part of the annual actuarial valuation. The plan of retirement benefits shall include any elements that would impact the actuarial determination of the normal cost, including, but not limited to, the retirement formula, eligibility and vesting criteria, ancillary benefit provisions, and any automatic cost-of-living adjustments as determined by the public retirement system.

PEPRA Normal Cost Rate Methodology (continued)

For purposes of setting member rates, it is preferable to determine total normal cost using a large active population so that the rate remains relatively stable. While each CalPERS non-pooled plan has a sufficiently large active population for this purpose, the PEPRA active population by itself may not be sufficiently large enough yet. The total PEPRA normal cost for each PEPRA benefit tier will be determined based on the entire active plan population (both PEPRA and Classic) only until the number of members covered under the PEPRA formula meets either:

1. 50% of the active population, or
2. 25% of the active population and 100 or more PEPRA members

Once one of these conditions is met, the total PEPRA normal cost for each PEPRA benefit tier will be determined using the entire active PEPRA population.

Actuarial Assumptions

In 2021, CalPERS completed its most recent asset liability management study incorporating actuarial assumptions and strategic asset allocation. In November 2021, the board adopted changes to the asset allocation that increased the expected volatility of returns. The adopted asset allocation was expected to have a long-term blended return that continued to support a discount rate assumption of 6.80%. The board also approved several changes to the demographic assumptions that more closely aligned with actual experience.

For more details and additional rationale for the selection of the actuarial assumptions, please refer to the 2021 CalPERS Experience Study and Review of Actuarial Assumptions that can be found on the CalPERS website under: Forms and Publications. Click on "View All" and search for Experience Study.

All actuarial assumptions (except the discount rates and price inflation assumption used for the accrued liability on a termination basis and the interest rate used for the low-default-risk obligation measure) represent an estimate of future experience rather than observations of the estimates inherent in market data.

Economic Assumptions

Discount Rate
The prescribed discount rate assumption, adopted by the board on November 17, 2021, is 6.80% compounded annually (net of investment and administrative expenses) as of June 30, 2024. The discount rate is based on the long-term expected rate of return on assets using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The current assumption, originally based on capital market assumptions developed by the Investment Office in 2021, has been reviewed for this valuation based on capital market assumptions developed by the Investment Office in 2023.

Termination Liability Discount Rate
The current discount rate assumption used for termination valuations is a weighted average of the 10-year and 30-year U.S. Treasury yields where the weights are based on matching asset and liability durations as of the termination date. The accrued liabilities on a termination basis in this report use discount rates that are based on the 20-year Treasury rate on the valuation date.

To illustrate the impact of the variability of interest rates, the accrued liabilities on a termination basis in this report use discount rates 1% below and 1% above the 20-year Treasury rate on the valuation date. The 20-year Treasury rate was 4.61% on June 30, 2024.

Salary Increases
Annual increases vary by category, entry age, and duration of service. A sample of assumed increases due to seniority, merit and promotion are shown below. Assumed wage inflation is combined with these factors to develop the total expected salary increases.

Public Agency Miscellaneous

Duration of Service	(Entry Age 20)	(Entry Age 30)	(Entry Age 40)
0	0.0764	0.0621	0.0521
1	0.0663	0.0528	0.0424
2	0.0576	0.0449	0.0346
3	0.0501	0.0381	0.0282
4	0.0435	0.0324	0.0229
5	0.0378	0.0276	0.0187
10	0.0201	0.0126	0.0108
15	0.0155	0.0102	0.0071
20	0.0119	0.0083	0.0047
25	0.0091	0.0067	0.0031
30	0.0070	0.0054	0.0020

Public Agency Fire

Duration of Service	(Entry Age 20)	(Entry Age 30)	(Entry Age 40)
0	0.1517	0.1549	0.0631
1	0.1191	0.1138	0.0517
2	0.0936	0.0835	0.0423
3	0.0735	0.0613	0.0346
4	0.0577	0.0451	0.0284
5	0.0453	0.0331	0.0232
10	0.0188	0.0143	0.0077
15	0.0165	0.0124	0.0088
20	0.0145	0.0108	0.0101
25	0.0127	0.0094	0.0115
30	0.0112	0.0082	0.0132

Public Agency Police

Duration of Service	(Entry Age 20)	(Entry Age 30)	(Entry Age 40)
0	0.1181	0.1051	0.0653
1	0.0934	0.0812	0.0532
2	0.0738	0.0628	0.0434
3	0.0584	0.0485	0.0353
4	0.0462	0.0375	0.0288
5	0.0365	0.0290	0.0235
10	0.0185	0.0155	0.0118
15	0.0183	0.0150	0.0131
20	0.0181	0.0145	0.0145
25	0.0179	0.0141	0.0161
30	0.0178	0.0136	0.0179

Salary Increases (continued)

Public Agency County Peace Officers

Duration of Service	(Entry Age 20)	(Entry Age 30)	(Entry Age 40)
0	0.1238	0.1053	0.0890
1	0.0941	0.0805	0.0674
2	0.0715	0.0616	0.0510
3	0.0544	0.0471	0.0387
4	0.0413	0.0360	0.0293
5	0.0314	0.0276	0.0222
10	0.0184	0.0142	0.0072
15	0.0174	0.0124	0.0073
20	0.0164	0.0108	0.0074
25	0.0155	0.0094	0.0075
30	0.0147	0.0083	0.0077

Schools

Duration of Service	(Entry Age 20)	(Entry Age 30)	(Entry Age 40)
0	0.0275	0.0275	0.0200
1	0.0422	0.0373	0.0298
2	0.0422	0.0373	0.0298
3	0.0422	0.0373	0.0298
4	0.0388	0.0314	0.0245
5	0.0308	0.0239	0.0179
10	0.0236	0.0160	0.0121
15	0.0182	0.0135	0.0103
20	0.0145	0.0109	0.0085
25	0.0124	0.0102	0.0058
30	0.0075	0.0053	0.0019

- The Miscellaneous salary scale is used for Local Prosecutors.
- The Police salary scale is used for Other Safety, Local Sheriff, and School Police.

Price Inflation
2.30% compounded annually.

Termination Liability Price Inflation
The breakeven inflation rate for 20-year Treasuries on the valuation date, 2.45%.

Wage Inflation
2.80% compounded annually. This is used in projecting individual salary increases.

Payroll Growth
2.80% compounded annually. This is used as the escalation rate of the amortization payments on level percent of payroll amortization bases, that is, on any amortization bases established prior to 2019 for plans that currently have active members.

Miscellaneous Loading Factors

Credit for Unused Sick Leave
Total years of service is increased by 1% for those plans that have adopted the provision of providing Credit for Unused Sick Leave.

Conversion of Employer Paid Member Contributions (EPMC)
Total years of service is increased by the Employee Contribution Rate for those plans with the provision providing for the Conversion of Employer Paid Member Contributions (EPMC) during the final compensation period.

Norris Decision (Best Factors)
Employees hired prior to July 1, 1982, have projected benefit amounts increased in order to reflect the use of "Best Factors" in the calculation of optional benefit forms. This is due to a 1983 Supreme Court decision, known as the Norris decision, which required males and females to be treated equally in the determination of benefit amounts. Consequently, anyone already employed at that time is given the best possible conversion factor when optional benefits are determined. No loading is necessary for employees hired after July 1, 1982.

Termination Liability
The termination liabilities include a 5% contingency load. This load is for unforeseen improvements in mortality.

Demographic Assumptions

Pre-Retirement Mortality
The mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board in November 2021. For purposes of the mortality rates, the rates incorporate generational mortality to capture ongoing mortality improvement. Generational mortality explicitly assumes that members born more recently will live longer than the members born before them thereby capturing the mortality improvement seen in the past and expected continued improvement. For more details, please refer to the 2021 CalPERS Experience Study and Review of Actuarial Assumptions report that can be found on the CalPERS website.

Rates vary by age and gender. This table only contains a sample of the 2017 base table rates for illustrative purposes. The non-industrial death rates are used for all plans. The industrial death rates are used for Safety plans, except for local Safety members described in Government Code section 20423.6 where the agency has not specifically contracted for industrial death benefits.

	Miscellaneous		Safety			
	Non-Industrial Death (Not Job-Related)		Non-Industrial Death (Not Job-Related)		Industrial Death (Job-Related)	
Age	Male	Female	Male	Female	Male	Female
20	0.00039	0.00014	0.00038	0.00014	0.00004	0.00002
25	0.00033	0.00013	0.00034	0.00018	0.00004	0.00002
30	0.00044	0.00019	0.00042	0.00025	0.00005	0.00003
35	0.00058	0.00029	0.00048	0.00034	0.00005	0.00004
40	0.00075	0.00039	0.00055	0.00042	0.00006	0.00005
45	0.00093	0.00054	0.00066	0.00053	0.00007	0.00006
50	0.00134	0.00081	0.00092	0.00073	0.00010	0.00008
55	0.00198	0.00123	0.00138	0.00106	0.00015	0.00012
60	0.00287	0.00179	0.00221	0.00151	0.00025	0.00017
65	0.00403	0.00250	0.00346	0.00194	0.00038	0.00022
70	0.00594	0.00404	0.00606	0.00358	0.00067	0.00040
75	0.00933	0.00688	0.01099	0.00699	0.00122	0.00078
80	0.01515	0.01149	0.02027	0.01410	0.00225	0.00157

- The pre-retirement mortality rates above are for 2017 and are projected generationally for future years using 80% of the Society of Actuaries' Scale MP-2020.
- Miscellaneous plans usually have industrial death rates set to zero unless the agency has specifically contracted for industrial death benefits. If so, each non-industrial death rate shown above will be split into two components: 99% will become the non-industrial death rate and 1% will become the industrial death rate.

Post-Retirement Mortality
Rates vary by age, type of retirement, and gender. See sample rates in table below. These rates are used for all plans.

	Service Retirement		**Non-Industrial Disability (Not Job-Related)**		**Industrial Disability (Job-Related)**	
Age	Male	Female	Male	Female	Male	Female
50	0.00267	0.00199	0.01701	0.01439	0.00430	0.00311
55	0.00390	0.00325	0.02210	0.01734	0.00621	0.00550
60	0.00578	0.00455	0.02708	0.01962	0.00944	0.00868
65	0.00857	0.00612	0.03334	0.02276	0.01394	0.01190
70	0.01333	0.00996	0.04001	0.02910	0.02163	0.01858
75	0.02391	0.01783	0.05376	0.04160	0.03446	0.03134
80	0.04371	0.03403	0.07936	0.06112	0.05853	0.05183
85	0.08274	0.06166	0.11561	0.09385	0.10137	0.08045
90	0.14539	0.11086	0.16608	0.14396	0.16584	0.12434
95	0.24665	0.20364	0.24665	0.20364	0.24665	0.20364
100	0.36198	0.31582	0.36198	0.31582	0.36198	0.31582
105	0.52229	0.44679	0.52229	0.44679	0.52229	0.44679
110	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000

- The post-retirement mortality rates above are for 2017 and are projected generationally for future years using 80% of the Society of Actuaries' Scale MP-2020.

Marital Status
For active members, a percentage who are married upon retirement is assumed according to the member category as shown in the following table.

Member Category	**Percent Married**
Miscellaneous Member	70%
Local Police	85%
Local Fire	85%
Other Local Safety	70%
School Police	85%
Local County Peace Officers	75%

Age of Spouse
It is assumed that female spouses are 3 years younger than male spouses. This assumption is used for all plans.

Separated Members
It is assumed that separated members refund immediately if non-vested. Separated members who are vested are assumed to retire at age 59 for Miscellaneous members and age 54 for Safety members.

Termination with Refund
Rates vary by entry age and service for Miscellaneous plans. Rates vary by service for Safety plans. See sample rates in tables below.

Public Agency Miscellaneous

Duration of Service	Entry Age 20		Entry Age 25		Entry Age 30		Entry Age 35		Entry Age 40		Entry Age 45	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
0	0.1851	0.1944	0.1769	0.1899	0.1631	0.1824	0.1493	0.1749	0.1490	0.1731	0.1487	0.1713
1	0.1531	0.1673	0.1432	0.1602	0.1266	0.1484	0.1101	0.1366	0.1069	0.1323	0.1037	0.1280
2	0.1218	0.1381	0.1125	0.1307	0.0970	0.1183	0.0815	0.1058	0.0771	0.0998	0.0726	0.0938
3	0.0927	0.1085	0.0852	0.1020	0.0727	0.0912	0.0601	0.0804	0.0556	0.0737	0.0511	0.0669
4	0.0672	0.0801	0.0616	0.0752	0.0524	0.0670	0.0431	0.0587	0.0392	0.0523	0.0352	0.0459
5	0.0463	0.0551	0.0423	0.0517	0.0358	0.0461	0.0292	0.0404	0.0261	0.0350	0.0230	0.0296
10	0.0112	0.0140	0.0101	0.0129	0.0083	0.0112	0.0064	0.0094	0.0048	0.0071	0.0033	0.0049
15	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
20	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
25	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
30	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
35	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

Public Agency Safety

Duration of Service	Fire		Police		County Peace Officer	
	Male	Female	Male	Female	Male	Female
0	0.1022	0.1317	0.1298	0.1389	0.1086	0.1284
1	0.0686	0.1007	0.0789	0.0904	0.0777	0.0998
2	0.0441	0.0743	0.0464	0.0566	0.0549	0.0759
3	0.0272	0.0524	0.0274	0.0343	0.0385	0.0562
4	0.0161	0.0349	0.0170	0.0206	0.0268	0.0402
5	0.0092	0.0214	0.0113	0.0128	0.0186	0.0276
10	0.0015	0.0000	0.0032	0.0047	0.0046	0.0038
15	0.0000	0.0000	0.0000	0.0000	0.0023	0.0036
20	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
25	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
30	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
35	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

- The police termination and refund rates are also used for Public Agency Local Prosecutors, Other Safety, Local Sheriff, and School Police.

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Termination with Refund (continued)

Schools

Duration of Service	Entry Age 20		Entry Age 25		Entry Age 30		Entry Age 35		Entry Age 40		Entry Age 45	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
0	0.2054	0.2120	0.1933	0.1952	0.1730	0.1672	0.1527	0.1392	0.1423	0.1212	0.1318	0.1032
1	0.1922	0.2069	0.1778	0.1883	0.1539	0.1573	0.1300	0.1264	0.1191	0.1087	0.1083	0.0910
2	0.1678	0.1859	0.1536	0.1681	0.1298	0.1383	0.1060	0.1086	0.0957	0.0934	0.0853	0.0782
3	0.1384	0.1575	0.1256	0.1417	0.1042	0.1155	0.0829	0.0893	0.0736	0.0774	0.0643	0.0656
4	0.1085	0.1274	0.0978	0.1143	0.0800	0.0925	0.0622	0.0707	0.0542	0.0620	0.0462	0.0533
5	0.0816	0.0991	0.0732	0.0887	0.0590	0.0713	0.0449	0.0539	0.0383	0.0476	0.0317	0.0413
10	0.0222	0.0248	0.0200	0.0221	0.0163	0.0174	0.0125	0.0128	0.0094	0.0100	0.0063	0.0072
15	0.0106	0.0132	0.0095	0.0113	0.0077	0.0083	0.0058	0.0052	0.0040	0.0039	0.0021	0.0026
20	0.0059	0.0065	0.0050	0.0054	0.0035	0.0036	0.0021	0.0019	0.0010	0.0009	0.0000	0.0000
25	0.0029	0.0034	0.0025	0.0029	0.0018	0.0020	0.0010	0.0012	0.0005	0.0006	0.0000	0.0000
30	0.0012	0.0015	0.0011	0.0013	0.0011	0.0011	0.0010	0.0009	0.0005	0.0005	0.0000	0.0000
35	0.0006	0.0007	0.0006	0.0007	0.0005	0.0006	0.0005	0.0005	0.0003	0.0002	0.0000	0.0000

Termination with Vested Benefits
Rates vary by entry age and service for Miscellaneous plans. Rates vary by service for Safety plans. See sample rates in tables below.

Public Agency Miscellaneous

Duration of Service	Entry Age 20		Entry Age 25		Entry Age 30		Entry Age 35		Entry Age 40	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
5	0.0381	0.0524	0.0381	0.0524	0.0358	0.0464	0.0334	0.0405	0.0301	0.0380
10	0.0265	0.0362	0.0265	0.0362	0.0254	0.0334	0.0244	0.0307	0.0197	0.0236
15	0.0180	0.0252	0.0180	0.0252	0.0166	0.0213	0.0152	0.0174	0.0119	0.0132
20	0.0141	0.0175	0.0141	0.0175	0.0110	0.0131	0.0079	0.0087	0.0000	0.0000
25	0.0084	0.0108	0.0084	0.0108	0.0064	0.0076	0.0000	0.0000	0.0000	0.0000
30	0.0047	0.0056	0.0047	0.0056	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
35	0.0038	0.0041	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

Public Agency Safety

Duration of Service	Fire		Police		County Peace Officer	
	Male	Female	Male	Female	Male	Female
5	0.0089	0.0224	0.0156	0.0272	0.0177	0.0266
10	0.0066	0.0164	0.0113	0.0198	0.0126	0.0189
15	0.0048	0.0120	0.0083	0.0144	0.0089	0.0134
20	0.0035	0.0088	0.0060	0.0105	0.0063	0.0095
25	0.0024	0.0061	0.0042	0.0073	0.0042	0.0063
30	0.0012	0.0031	0.0021	0.0037	0.0021	0.0031
35	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

- After termination with vested benefits, a Miscellaneous member is assumed to retire at age 59 and a Safety member at age 54.
- The Police termination with vested benefits rates are also used for Public Agency Local Prosecutors, Other Safety, Local Sheriff, and School Police.

Schools

Duration of Service	Entry Age 20		Entry Age 25		Entry Age 30		Entry Age 35		Entry Age 40	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
5	0.0359	0.0501	0.0359	0.0501	0.0332	0.0402	0.0305	0.0304	0.0266	0.0272
10	0.0311	0.0417	0.0311	0.0417	0.0269	0.0341	0.0228	0.0265	0.0193	0.0233
15	0.0193	0.0264	0.0193	0.0264	0.0172	0.0220	0.0151	0.0175	0.0123	0.0142
20	0.0145	0.0185	0.0145	0.0185	0.0113	0.0141	0.0080	0.0097	0.0000	0.0000
25	0.0089	0.0123	0.0089	0.0123	0.0074	0.0093	0.0000	0.0000	0.0000	0.0000
30	0.0057	0.0064	0.0057	0.0064	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
35	0.0040	0.0049	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

Non-Industrial (Not Job-Related) Disability
Rates vary by age and gender for Miscellaneous plans. Rates vary by age and category for Safety plans.

	Miscellaneous		Fire	Police	County Peace Officer	Schools	
Age	Male	Female	All	All	All	Male	Female
20	0.0001	0.0000	0.0001	0.0001	0.0001	0.0000	0.0002
25	0.0001	0.0001	0.0001	0.0001	0.0001	0.0000	0.0002
30	0.0002	0.0003	0.0001	0.0001	0.0001	0.0002	0.0002
35	0.0004	0.0007	0.0001	0.0002	0.0003	0.0005	0.0004
40	0.0009	0.0012	0.0001	0.0002	0.0006	0.0010	0.0008
45	0.0015	0.0019	0.0002	0.0003	0.0011	0.0019	0.0015
50	0.0015	0.0019	0.0004	0.0005	0.0016	0.0027	0.0021
55	0.0014	0.0013	0.0006	0.0007	0.0009	0.0024	0.0017
60	0.0012	0.0009	0.0006	0.0011	0.0005	0.0020	0.0010

- The Miscellaneous non-industrial disability rates are used for Local Prosecutors.
- The police non-industrial disability rates are also used for Other Safety, Local Sheriff, and School Police.

Industrial (Job-Related) Disability
Rates vary by age and category.

Age	Fire	Police	County Peace Officer
20	0.0001	0.0000	0.0004
25	0.0002	0.0017	0.0013
30	0.0006	0.0048	0.0025
35	0.0012	0.0079	0.0037
40	0.0023	0.0110	0.0051
45	0.0040	0.0141	0.0067
50	0.0208	0.0185	0.0092
55	0.0307	0.0479	0.0151
60	0.0438	0.0602	0.0174

- The police industrial disability rates are also used for Local Sheriff and Other Safety.
- 50% of the police industrial disability rates are used for School Police.
- 1% of the police industrial disability rates are used for Local Prosecutors.
- Normally, rates are zero for Miscellaneous plans unless the agency has specifically contracted for industrial disability benefits. If so, each Miscellaneous non-industrial disability rate will be split into two components: 50% will become the non-industrial disability rate and 50% will become the industrial disability rate.

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Service Retirement
Retirement rates vary by age, service, and formula, except for the Safety Half Pay at 55 and 2% at 55 formulas, where retirement rates vary by age only.

Public Agency Miscellaneous 1.5% at age 65

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.008	0.011	0.013	0.015	0.017	0.019
51	0.007	0.010	0.012	0.013	0.015	0.017
52	0.010	0.014	0.017	0.019	0.021	0.024
53	0.008	0.012	0.015	0.017	0.019	0.022
54	0.012	0.016	0.019	0.022	0.025	0.028
55	0.018	0.025	0.031	0.035	0.038	0.043
56	0.015	0.021	0.025	0.029	0.032	0.036
57	0.020	0.028	0.033	0.038	0.043	0.048
58	0.024	0.033	0.040	0.046	0.052	0.058
59	0.028	0.039	0.048	0.054	0.060	0.067
60	0.049	0.069	0.083	0.094	0.105	0.118
61	0.062	0.087	0.106	0.120	0.133	0.150
62	0.104	0.146	0.177	0.200	0.223	0.251
63	0.099	0.139	0.169	0.191	0.213	0.239
64	0.097	0.136	0.165	0.186	0.209	0.233
65	0.140	0.197	0.240	0.271	0.302	0.339
66	0.092	0.130	0.157	0.177	0.198	0.222
67	0.129	0.181	0.220	0.249	0.277	0.311
68	0.092	0.129	0.156	0.177	0.197	0.221
69	0.092	0.130	0.158	0.178	0.199	0.224
70	0.103	0.144	0.175	0.198	0.221	0.248

Public Agency Miscellaneous 2% at age 60

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.010	0.011	0.014	0.014	0.017	0.017
51	0.017	0.013	0.014	0.010	0.010	0.010
52	0.014	0.014	0.018	0.015	0.016	0.016
53	0.015	0.012	0.013	0.010	0.011	0.011
54	0.006	0.010	0.017	0.016	0.018	0.018
55	0.012	0.016	0.024	0.032	0.036	0.036
56	0.010	0.014	0.023	0.030	0.034	0.034
57	0.006	0.018	0.030	0.040	0.044	0.044
58	0.022	0.023	0.033	0.042	0.046	0.046
59	0.039	0.033	0.040	0.047	0.050	0.050
60	0.063	0.069	0.074	0.090	0.137	0.116
61	0.044	0.058	0.066	0.083	0.131	0.113
62	0.084	0.107	0.121	0.153	0.238	0.205
63	0.173	0.166	0.165	0.191	0.283	0.235
64	0.120	0.145	0.164	0.147	0.160	0.172
65	0.138	0.160	0.214	0.216	0.237	0.283
66	0.198	0.228	0.249	0.216	0.228	0.239
67	0.207	0.242	0.230	0.233	0.233	0.233
68	0.201	0.234	0.225	0.231	0.231	0.231
69	0.152	0.173	0.164	0.166	0.166	0.166
70	0.200	0.200	0.200	0.200	0.200	0.200

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Service Retirement (continued)

Public Agency Miscellaneous 2% at age 55

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.014	0.014	0.017	0.021	0.023	0.024
51	0.013	0.017	0.017	0.018	0.018	0.019
52	0.013	0.018	0.018	0.020	0.020	0.021
53	0.013	0.019	0.021	0.024	0.025	0.026
54	0.017	0.025	0.028	0.032	0.033	0.035
55	0.045	0.042	0.053	0.086	0.098	0.123
56	0.018	0.036	0.056	0.086	0.102	0.119
57	0.041	0.046	0.056	0.076	0.094	0.120
58	0.052	0.044	0.048	0.074	0.106	0.123
59	0.043	0.058	0.073	0.092	0.105	0.126
60	0.059	0.064	0.083	0.115	0.154	0.170
61	0.087	0.074	0.087	0.107	0.147	0.168
62	0.115	0.123	0.151	0.180	0.227	0.237
63	0.116	0.127	0.164	0.202	0.252	0.261
64	0.084	0.138	0.153	0.190	0.227	0.228
65	0.167	0.187	0.210	0.262	0.288	0.291
66	0.187	0.258	0.280	0.308	0.318	0.319
67	0.195	0.235	0.244	0.277	0.269	0.280
68	0.228	0.248	0.250	0.241	0.245	0.245
69	0.188	0.201	0.209	0.219	0.231	0.231
70	0.229	0.229	0.229	0.229	0.229	0.229

Public Agency Miscellaneous 2.5% at age 55

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.014	0.017	0.027	0.035	0.046	0.050
51	0.019	0.021	0.025	0.030	0.038	0.040
52	0.018	0.020	0.026	0.034	0.038	0.037
53	0.013	0.021	0.031	0.045	0.052	0.053
54	0.025	0.025	0.030	0.046	0.057	0.068
55	0.029	0.042	0.064	0.109	0.150	0.225
56	0.036	0.047	0.068	0.106	0.134	0.194
57	0.051	0.047	0.060	0.092	0.116	0.166
58	0.035	0.046	0.062	0.093	0.119	0.170
59	0.029	0.053	0.072	0.112	0.139	0.165
60	0.039	0.069	0.094	0.157	0.177	0.221
61	0.080	0.077	0.086	0.140	0.167	0.205
62	0.086	0.131	0.149	0.220	0.244	0.284
63	0.135	0.135	0.147	0.214	0.222	0.262
64	0.114	0.128	0.158	0.177	0.233	0.229
65	0.112	0.174	0.222	0.209	0.268	0.273
66	0.235	0.254	0.297	0.289	0.321	0.337
67	0.237	0.240	0.267	0.249	0.267	0.277
68	0.258	0.271	0.275	0.207	0.210	0.212
69	0.117	0.208	0.266	0.219	0.250	0.270
70	0.229	0.229	0.229	0.229	0.229	0.229

Service Retirement (continued)

Public Agency Miscellaneous 2.7% at age 55

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.011	0.016	0.022	0.033	0.034	0.038
51	0.018	0.019	0.023	0.032	0.031	0.031
52	0.019	0.020	0.026	0.035	0.034	0.037
53	0.020	0.020	0.025	0.043	0.048	0.053
54	0.018	0.030	0.040	0.052	0.053	0.070
55	0.045	0.058	0.082	0.138	0.208	0.278
56	0.057	0.062	0.080	0.121	0.178	0.222
57	0.045	0.052	0.071	0.106	0.147	0.182
58	0.074	0.060	0.074	0.118	0.163	0.182
59	0.058	0.067	0.086	0.123	0.158	0.187
60	0.087	0.084	0.096	0.142	0.165	0.198
61	0.073	0.084	0.101	0.138	0.173	0.218
62	0.130	0.133	0.146	0.187	0.214	0.249
63	0.122	0.140	0.160	0.204	0.209	0.243
64	0.104	0.124	0.154	0.202	0.214	0.230
65	0.182	0.201	0.242	0.264	0.293	0.293
66	0.272	0.249	0.273	0.285	0.312	0.312
67	0.182	0.217	0.254	0.249	0.264	0.264
68	0.223	0.197	0.218	0.242	0.273	0.273
69	0.217	0.217	0.217	0.217	0.217	0.217
70	0.227	0.227	0.227	0.227	0.227	0.227

Public Agency Miscellaneous 3% at age 60

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.015	0.020	0.025	0.039	0.040	0.044
51	0.041	0.034	0.032	0.041	0.036	0.037
52	0.024	0.020	0.022	0.039	0.040	0.041
53	0.018	0.024	0.032	0.047	0.048	0.057
54	0.033	0.033	0.035	0.051	0.049	0.052
55	0.137	0.043	0.051	0.065	0.076	0.108
56	0.173	0.038	0.054	0.075	0.085	0.117
57	0.019	0.035	0.059	0.088	0.111	0.134
58	0.011	0.040	0.070	0.105	0.133	0.162
59	0.194	0.056	0.064	0.081	0.113	0.163
60	0.081	0.085	0.133	0.215	0.280	0.333
61	0.080	0.090	0.134	0.170	0.223	0.292
62	0.137	0.153	0.201	0.250	0.278	0.288
63	0.128	0.140	0.183	0.227	0.251	0.260
64	0.174	0.147	0.173	0.224	0.239	0.264
65	0.152	0.201	0.262	0.299	0.323	0.323
66	0.272	0.273	0.317	0.355	0.380	0.380
67	0.218	0.237	0.268	0.274	0.284	0.284
68	0.200	0.228	0.269	0.285	0.299	0.299
69	0.250	0.250	0.250	0.250	0.250	0.250
70	0.245	0.245	0.245	0.245	0.245	0.245

Service Retirement (continued)

Public Agency Miscellaneous 2% at age 62

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.000	0.000	0.000	0.000	0.000	0.000
51	0.000	0.000	0.000	0.000	0.000	0.000
52	0.005	0.008	0.012	0.015	0.019	0.031
53	0.007	0.011	0.014	0.018	0.021	0.032
54	0.007	0.011	0.015	0.019	0.023	0.034
55	0.010	0.019	0.028	0.036	0.061	0.096
56	0.014	0.026	0.038	0.050	0.075	0.108
57	0.018	0.029	0.039	0.050	0.074	0.107
58	0.023	0.035	0.048	0.060	0.073	0.099
59	0.025	0.038	0.051	0.065	0.092	0.128
60	0.031	0.051	0.071	0.091	0.111	0.138
61	0.038	0.058	0.079	0.100	0.121	0.167
62	0.044	0.074	0.104	0.134	0.164	0.214
63	0.077	0.105	0.134	0.163	0.192	0.237
64	0.072	0.101	0.129	0.158	0.187	0.242
65	0.108	0.141	0.173	0.206	0.239	0.300
66	0.132	0.172	0.212	0.252	0.292	0.366
67	0.132	0.172	0.212	0.252	0.292	0.366
68	0.120	0.156	0.193	0.229	0.265	0.333
69	0.120	0.156	0.193	0.229	0.265	0.333
70	0.120	0.156	0.193	0.229	0.265	0.333

Public Agency Fire Half Pay at age 55 and 2% at age 55

Age	Rate	Age	Rate
50	0.016	56	0.111
51	0.000	57	0.000
52	0.034	58	0.095
53	0.020	59	0.044
54	0.041	60	1.000
55	0.075		

Public Agency Police Half Pay at age 55 and 2% at age 55

Age	Rate	Age	Rate
50	0.026	56	0.069
51	0.000	57	0.051
52	0.016	58	0.072
53	0.027	59	0.070
54	0.010	60	0.300
55	0.167		

Service Retirement (continued)

Public Agency Police 2% at age 50

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.018	0.077	0.056	0.046	0.043	0.046
51	0.022	0.087	0.060	0.048	0.044	0.047
52	0.020	0.102	0.081	0.071	0.069	0.075
53	0.016	0.072	0.053	0.045	0.042	0.046
54	0.006	0.071	0.071	0.069	0.072	0.080
55	0.009	0.040	0.099	0.157	0.186	0.186
56	0.020	0.051	0.108	0.165	0.194	0.194
57	0.036	0.072	0.106	0.139	0.156	0.156
58	0.001	0.046	0.089	0.130	0.152	0.152
59	0.066	0.094	0.119	0.143	0.155	0.155
60	0.177	0.177	0.177	0.177	0.177	0.177
61	0.134	0.134	0.134	0.134	0.134	0.134
62	0.184	0.184	0.184	0.184	0.184	0.184
63	0.250	0.250	0.250	0.250	0.250	0.250
64	0.177	0.177	0.177	0.177	0.177	0.177
65	1.000	1.000	1.000	1.000	1.000	1.000

- These rates also apply to County Peace officers, Local Prosecutors, Local Sheriff, School Police, and Other Safety.

Public Agency Fire 2% at age 50

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.054	0.054	0.056	0.080	0.064	0.066
51	0.020	0.020	0.021	0.030	0.024	0.024
52	0.037	0.037	0.038	0.054	0.043	0.045
53	0.051	0.051	0.053	0.076	0.061	0.063
54	0.082	0.082	0.085	0.121	0.097	0.100
55	0.139	0.139	0.139	0.139	0.139	0.139
56	0.129	0.129	0.129	0.129	0.129	0.129
57	0.085	0.085	0.085	0.085	0.085	0.085
58	0.119	0.119	0.119	0.119	0.119	0.119
59	0.167	0.167	0.167	0.167	0.167	0.167
60	0.152	0.152	0.152	0.152	0.152	0.152
61	0.179	0.179	0.179	0.179	0.179	0.179
62	0.179	0.179	0.179	0.179	0.179	0.179
63	0.179	0.179	0.179	0.179	0.179	0.179
64	0.179	0.179	0.179	0.179	0.179	0.179
65	1.000	1.000	1.000	1.000	1.000	1.000

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Service Retirement (continued)

Public Agency Police 3% at age 55

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.019	0.053	0.045	0.054	0.057	0.061
51	0.002	0.017	0.028	0.044	0.053	0.060
52	0.002	0.031	0.037	0.051	0.059	0.066
53	0.026	0.049	0.049	0.080	0.099	0.114
54	0.019	0.034	0.047	0.091	0.121	0.142
55	0.006	0.115	0.141	0.199	0.231	0.259
56	0.017	0.188	0.121	0.173	0.199	0.199
57	0.008	0.137	0.093	0.136	0.157	0.157
58	0.017	0.126	0.105	0.164	0.194	0.194
59	0.026	0.146	0.110	0.167	0.195	0.195
60	0.155	0.155	0.155	0.155	0.155	0.155
61	0.210	0.210	0.210	0.210	0.210	0.210
62	0.262	0.262	0.262	0.262	0.262	0.262
63	0.172	0.172	0.172	0.172	0.172	0.172
64	0.227	0.227	0.227	0.227	0.227	0.227
65	1.000	1.000	1.000	1.000	1.000	1.000

- These rates also apply to County Peace officers, Local Prosecutors, Local Sheriff, School Police, and Other Safety.

Public Agency Fire 3% at age 55

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.003	0.006	0.013	0.019	0.025	0.028
51	0.004	0.008	0.017	0.026	0.034	0.038
52	0.005	0.011	0.022	0.033	0.044	0.049
53	0.005	0.034	0.024	0.038	0.069	0.138
54	0.007	0.047	0.032	0.051	0.094	0.187
55	0.010	0.067	0.046	0.073	0.134	0.266
56	0.010	0.063	0.044	0.069	0.127	0.253
57	0.135	0.100	0.148	0.196	0.220	0.220
58	0.083	0.062	0.091	0.120	0.135	0.135
59	0.137	0.053	0.084	0.146	0.177	0.177
60	0.162	0.063	0.099	0.172	0.208	0.208
61	0.598	0.231	0.231	0.231	0.231	0.231
62	0.621	0.240	0.240	0.240	0.240	0.240
63	0.236	0.236	0.236	0.236	0.236	0.236
64	0.236	0.236	0.236	0.236	0.236	0.236
65	1.000	1.000	1.000	1.000	1.000	1.000

Service Retirement (continued)

Public Agency Police 3% at age 50

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.124	0.103	0.113	0.143	0.244	0.376
51	0.060	0.081	0.087	0.125	0.207	0.294
52	0.016	0.055	0.111	0.148	0.192	0.235
53	0.072	0.074	0.098	0.142	0.189	0.237
54	0.018	0.049	0.105	0.123	0.187	0.271
55	0.069	0.074	0.081	0.113	0.209	0.305
56	0.064	0.108	0.113	0.125	0.190	0.288
57	0.056	0.109	0.160	0.182	0.210	0.210
58	0.108	0.129	0.173	0.189	0.214	0.214
59	0.093	0.144	0.204	0.229	0.262	0.262
60	0.343	0.180	0.159	0.188	0.247	0.247
61	0.221	0.221	0.221	0.221	0.221	0.221
62	0.213	0.213	0.213	0.213	0.213	0.213
63	0.233	0.233	0.233	0.233	0.233	0.233
64	0.234	0.234	0.234	0.234	0.234	0.234
65	1.000	1.000	1.000	1.000	1.000	1.000

- These rates also apply to County Peace officers, Local Prosecutors, Local Sheriff, School Police, and Other Safety.

Public Agency Fire 3% at age 50

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.095	0.048	0.053	0.093	0.134	0.175
51	0.016	0.032	0.053	0.085	0.117	0.149
52	0.013	0.032	0.054	0.087	0.120	0.154
53	0.085	0.044	0.049	0.089	0.129	0.170
54	0.038	0.065	0.074	0.105	0.136	0.167
55	0.042	0.043	0.049	0.085	0.132	0.215
56	0.133	0.103	0.075	0.113	0.151	0.209
57	0.062	0.048	0.060	0.124	0.172	0.213
58	0.124	0.097	0.092	0.153	0.194	0.227
59	0.092	0.071	0.078	0.144	0.192	0.233
60	0.056	0.044	0.061	0.131	0.186	0.233
61	0.282	0.219	0.158	0.198	0.233	0.260
62	0.292	0.227	0.164	0.205	0.241	0.269
63	0.196	0.196	0.196	0.196	0.196	0.196
64	0.197	0.197	0.197	0.197	0.197	0.197
65	1.000	1.000	1.000	1.000	1.000	1.000

Service Retirement (continued)

Public Agency Police 2% at age 57

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.040	0.040	0.040	0.040	0.040	0.080
51	0.028	0.028	0.028	0.028	0.040	0.066
52	0.028	0.028	0.028	0.028	0.043	0.061
53	0.028	0.028	0.028	0.028	0.057	0.086
54	0.028	0.028	0.028	0.032	0.069	0.110
55	0.050	0.050	0.050	0.067	0.099	0.179
56	0.046	0.046	0.046	0.062	0.090	0.160
57	0.054	0.054	0.054	0.072	0.106	0.191
58	0.060	0.060	0.060	0.066	0.103	0.171
59	0.060	0.060	0.060	0.069	0.105	0.171
60	0.113	0.113	0.113	0.113	0.113	0.171
61	0.108	0.108	0.108	0.108	0.108	0.128
62	0.113	0.113	0.113	0.113	0.113	0.159
63	0.113	0.113	0.113	0.113	0.113	0.159
64	0.113	0.113	0.113	0.113	0.113	0.239
65	1.000	1.000	1.000	1.000	1.000	1.000

- These rates also apply to County Peace officers, Local Prosecutors, Local Sheriff, School Police, and Other Safety.

Public Agency Fire 2% at age 57

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.005	0.005	0.005	0.005	0.008	0.012
51	0.006	0.006	0.006	0.006	0.009	0.013
52	0.012	0.012	0.012	0.012	0.019	0.028
53	0.033	0.033	0.033	0.033	0.050	0.075
54	0.045	0.045	0.045	0.045	0.069	0.103
55	0.061	0.061	0.061	0.061	0.094	0.140
56	0.055	0.055	0.055	0.055	0.084	0.126
57	0.081	0.081	0.081	0.081	0.125	0.187
58	0.059	0.059	0.059	0.059	0.091	0.137
59	0.055	0.055	0.055	0.055	0.084	0.126
60	0.085	0.085	0.085	0.085	0.131	0.196
61	0.085	0.085	0.085	0.085	0.131	0.196
62	0.085	0.085	0.085	0.085	0.131	0.196
63	0.085	0.085	0.085	0.085	0.131	0.196
64	0.085	0.085	0.085	0.085	0.131	0.196
65	1.000	1.000	1.000	1.000	1.000	1.000

Service Retirement (continued)

Public Agency Police 2.5% at age 57

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.050	0.050	0.050	0.050	0.050	0.100
51	0.038	0.038	0.038	0.038	0.055	0.089
52	0.038	0.038	0.038	0.038	0.058	0.082
53	0.036	0.036	0.036	0.036	0.073	0.111
54	0.036	0.036	0.036	0.041	0.088	0.142
55	0.061	0.061	0.061	0.082	0.120	0.217
56	0.056	0.056	0.056	0.075	0.110	0.194
57	0.060	0.060	0.060	0.080	0.118	0.213
58	0.072	0.072	0.072	0.079	0.124	0.205
59	0.072	0.072	0.072	0.083	0.126	0.205
60	0.135	0.135	0.135	0.135	0.135	0.205
61	0.130	0.130	0.130	0.130	0.130	0.153
62	0.135	0.135	0.135	0.135	0.135	0.191
63	0.135	0.135	0.135	0.135	0.135	0.191
64	0.135	0.135	0.135	0.135	0.135	0.287
65	1.000	1.000	1.000	1.000	1.000	1.000

- These rates also apply to County Peace officers, Local Prosecutors, Local Sheriff, School Police, and Other Safety.

Public Agency Fire 2.5% at age 57

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.007	0.007	0.007	0.007	0.010	0.015
51	0.008	0.008	0.008	0.008	0.012	0.018
52	0.016	0.016	0.016	0.016	0.025	0.038
53	0.042	0.042	0.042	0.042	0.064	0.096
54	0.057	0.057	0.057	0.057	0.088	0.132
55	0.074	0.074	0.074	0.074	0.114	0.170
56	0.066	0.066	0.066	0.066	0.102	0.153
57	0.090	0.090	0.090	0.090	0.139	0.208
58	0.071	0.071	0.071	0.071	0.110	0.164
59	0.066	0.066	0.066	0.066	0.101	0.151
60	0.102	0.102	0.102	0.102	0.157	0.235
61	0.102	0.102	0.102	0.102	0.157	0.236
62	0.102	0.102	0.102	0.102	0.157	0.236
63	0.102	0.102	0.102	0.102	0.157	0.236
64	0.102	0.102	0.102	0.102	0.157	0.236
65	1.000	1.000	1.000	1.000	1.000	1.000

Service Retirement (continued)

Public Agency Police 2.7% at age 57

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.050	0.050	0.050	0.050	0.050	0.100
51	0.040	0.040	0.040	0.040	0.058	0.094
52	0.038	0.038	0.038	0.038	0.058	0.083
53	0.038	0.038	0.038	0.038	0.077	0.117
54	0.038	0.038	0.038	0.044	0.093	0.150
55	0.068	0.068	0.068	0.091	0.134	0.242
56	0.063	0.063	0.063	0.084	0.123	0.217
57	0.060	0.060	0.060	0.080	0.118	0.213
58	0.080	0.080	0.080	0.088	0.138	0.228
59	0.080	0.080	0.080	0.092	0.140	0.228
60	0.150	0.150	0.150	0.150	0.150	0.228
61	0.144	0.144	0.144	0.144	0.144	0.170
62	0.150	0.150	0.150	0.150	0.150	0.213
63	0.150	0.150	0.150	0.150	0.150	0.213
64	0.150	0.150	0.150	0.150	0.150	0.319
65	1.000	1.000	1.000	1.000	1.000	1.000

- These rates also apply to County Peace officers, Local Prosecutors, Local Sheriff, School Police, and Other Safety.

Public Agency Fire 2.7% at age 57

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.007	0.007	0.007	0.007	0.010	0.015
51	0.008	0.008	0.008	0.008	0.013	0.019
52	0.016	0.016	0.016	0.016	0.025	0.038
53	0.044	0.044	0.044	0.044	0.068	0.102
54	0.061	0.061	0.061	0.061	0.093	0.140
55	0.083	0.083	0.083	0.083	0.127	0.190
56	0.074	0.074	0.074	0.074	0.114	0.171
57	0.090	0.090	0.090	0.090	0.139	0.208
58	0.079	0.079	0.079	0.079	0.122	0.182
59	0.073	0.073	0.073	0.073	0.112	0.168
60	0.114	0.114	0.114	0.114	0.175	0.262
61	0.114	0.114	0.114	0.114	0.175	0.262
62	0.114	0.114	0.114	0.114	0.175	0.262
63	0.114	0.114	0.114	0.114	0.175	0.262
64	0.114	0.114	0.114	0.114	0.175	0.262
65	1.000	1.000	1.000	1.000	1.000	1.000

Item 5.

Service Retirement (continued)

Schools 2% at age 55

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.003	0.004	0.006	0.007	0.010	0.010
51	0.004	0.005	0.007	0.008	0.011	0.011
52	0.005	0.007	0.008	0.009	0.012	0.012
53	0.007	0.008	0.010	0.012	0.015	0.015
54	0.006	0.009	0.012	0.015	0.020	0.021
55	0.011	0.023	0.034	0.057	0.070	0.090
56	0.012	0.027	0.036	0.056	0.073	0.095
57	0.016	0.027	0.036	0.055	0.068	0.087
58	0.019	0.030	0.040	0.062	0.078	0.103
59	0.023	0.034	0.046	0.070	0.085	0.109
60	0.022	0.043	0.062	0.095	0.113	0.141
61	0.030	0.051	0.071	0.103	0.124	0.154
62	0.065	0.098	0.128	0.188	0.216	0.248
63	0.075	0.112	0.144	0.197	0.222	0.268
64	0.091	0.116	0.138	0.180	0.196	0.231
65	0.163	0.164	0.197	0.232	0.250	0.271
66	0.208	0.204	0.243	0.282	0.301	0.315
67	0.189	0.185	0.221	0.257	0.274	0.287
68	0.127	0.158	0.200	0.227	0.241	0.244
69	0.168	0.162	0.189	0.217	0.229	0.238
70	0.191	0.190	0.237	0.250	0.246	0.254

Schools 2% at age 62

	Duration of Service					
Age	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
50	0.000	0.000	0.000	0.000	0.000	0.000
51	0.000	0.000	0.000	0.000	0.000	0.000
52	0.004	0.007	0.010	0.011	0.013	0.015
53	0.004	0.008	0.010	0.013	0.014	0.016
54	0.005	0.011	0.015	0.018	0.020	0.022
55	0.014	0.027	0.038	0.045	0.050	0.056
56	0.013	0.026	0.037	0.043	0.048	0.055
57	0.013	0.027	0.038	0.045	0.050	0.055
58	0.017	0.034	0.047	0.056	0.062	0.069
59	0.019	0.037	0.052	0.062	0.068	0.076
60	0.026	0.053	0.074	0.087	0.097	0.108
61	0.030	0.058	0.081	0.095	0.106	0.119
62	0.053	0.105	0.147	0.174	0.194	0.217
63	0.054	0.107	0.151	0.178	0.198	0.222
64	0.053	0.105	0.147	0.174	0.194	0.216
65	0.072	0.142	0.199	0.235	0.262	0.293
66	0.077	0.152	0.213	0.252	0.281	0.314
67	0.070	0.139	0.194	0.229	0.255	0.286
68	0.063	0.124	0.173	0.205	0.228	0.255
69	0.066	0.130	0.183	0.216	0.241	0.270
70	0.071	0.140	0.196	0.231	0.258	0.289

Miscellaneous

Models

The valuation results are based on proprietary actuarial valuation models. The models are centralized and maintained by a specialized team to achieve a high degree of accuracy and consistency. The Actuarial Office is responsible for confirming the appropriateness of the inputs (such as participant data, actuarial methods and assumptions, and plan provisions) as well as performing tests and validating the reasonableness of the output. The results of our models are independently confirmed by parallel valuations performed by outside actuaries on a periodic basis using their models. In our professional judgment, our actuarial valuation models produce comprehensive pension funding information consistent with the purposes of the valuation and have no material limitations or known weaknesses.

Internal Revenue Code Section 415(b)

The limitations on benefits imposed by Internal Revenue Code section 415(b) are taken into account in this valuation. Each year, the impact of any changes in this limitation other than assumed since the prior valuation is included and amortized as part of the non-investment gain or loss base. This results in lower contributions for those employers contributing to the Replacement Benefit Fund and protects CalPERS from prefunding expected benefits in excess of limits imposed by federal tax law. The Section 415(b) dollar limit for the 2024 calendar year is $275,000.

Internal Revenue Code Section 401(a)(17)

The limitations on compensation imposed by Internal Revenue Code section 401(a)(17) are taken into account in this valuation. Each year, the impact of any changes in the compensation limitation other than assumed since the prior valuation is included and amortized as part of the non-investment gain or loss base. The compensation limit for classic members for the 2024 calendar year is $345,000.

PEPRA Compensation Limits

The limitations on compensation for PEPRA members imposed by Government Code section 7522.10 are taken into account in this valuation. Each year, the impact of any changes in the compensation limitation other than assumed since the prior valuation is included and amortized as part of the non-investment gain or loss base. The PEPRA compensation limit for 2024 is $151,446 for members who participate in Social Security and $181,734 for those who do not. The limits are adjusted annually based on changes to the CPI for all urban consumers.

Appendix B - Principal Plan Provisions

The following is a description of the principal plan provisions used in calculating costs and liabilities. We have indicated whether a plan provision is standard or optional. Standard benefits are applicable to all members while optional benefits vary among employers. Optional benefits that apply to a single period of time, such as Golden Handshakes, have not been included. Many of the statements in this summary are general in nature, and are intended to provide an easily understood summary of the Public Employees' Retirement Law and the California Public Employees' Pension Reform Act of 2013. The law itself governs in all situations.

Service Retirement

Eligibility

A classic CalPERS member or PEPRA Safety member becomes eligible for Service Retirement upon attainment of age 50 with at least 5 years of credited service (total service across all CalPERS employers, and with certain other retirement systems with which CalPERS has reciprocity agreements). For employees hired into a plan with the 1.5% at age 65 formula, eligibility for service retirement is age 55 with at least 5 years of service. PEPRA Miscellaneous members become eligible for service retirement upon attainment of age 52 with at least 5 years of service.

Benefit

The service retirement benefit is a monthly allowance equal to the product of the *benefit factor*, *years of service*, and *final compensation.* The *benefit factor* depends on the benefit formula specified in the agency's contract. The table below shows the factors for each of the available formulas. Factors vary by the member's age at retirement. Listed are the factors for retirement at whole year ages:

<u>Miscellaneous Plan Formulas</u>

Retirement Age	1.5% at age 65	2% at age 60	2% at age 55	2.5% at age 55	2.7% at age 55	3% at age 60	PEPRA 2% at age 62
50	0.5000%	1.092%	1.426%	2.000%	2.000%	2.000%	N/A
51	0.5667%	1.156%	1.522%	2.100%	2.140%	2.100%	N/A
52	0.6334%	1.224%	1.628%	2.200%	2.280%	2.200%	1.000%
53	0.7000%	1.296%	1.742%	2.300%	2.420%	2.300%	1.100%
54	0.7667%	1.376%	1.866%	2.400%	2.560%	2.400%	1.200%
55	0.8334%	1.460%	2.000%	2.500%	2.700%	2.500%	1.300%
56	0.9000%	1.552%	2.052%	2.500%	2.700%	2.600%	1.400%
57	0.9667%	1.650%	2.104%	2.500%	2.700%	2.700%	1.500%
58	1.0334%	1.758%	2.156%	2.500%	2.700%	2.800%	1.600%
59	1.1000%	1.874%	2.210%	2.500%	2.700%	2.900%	1.700%
60	1.1667%	2.000%	2.262%	2.500%	2.700%	3.000%	1.800%
61	1.2334%	2.134%	2.314%	2.500%	2.700%	3.000%	1.900%
62	1.3000%	2.272%	2.366%	2.500%	2.700%	3.000%	2.000%
63	1.3667%	2.418%	2.418%	2.500%	2.700%	3.000%	2.100%
64	1.4334%	2.418%	2.418%	2.500%	2.700%	3.000%	2.200%
65	1.5000%	2.418%	2.418%	2.500%	2.700%	3.000%	2.300%
66	1.5000%	2.418%	2.418%	2.500%	2.700%	3.000%	2.400%
67 & up	1.5000%	2.418%	2.418%	2.500%	2.700%	3.000%	2.500%

Classic Safety Plan Formulas

Retirement Age	Half Pay at age 55*	2% at age 55	2% at age 50	3% at age 55	3% at age 50
50	1.783%	1.426%	2.000%	2.400%	3.000%
51	1.903%	1.522%	2.140%	2.520%	3.000%
52	2.035%	1.628%	2.280%	2.640%	3.000%
53	2.178%	1.742%	2.420%	2.760%	3.000%
54	2.333%	1.866%	2.560%	2.880%	3.000%
55 & Up	2.500%	2.000%	2.700%	3.000%	3.000%

* For this formula, the benefit factor also varies by entry age. The factors shown are for members with an entry age of 35 or greater. If entry age is less than 35, then the age 55 benefit factor is 50% divided by the difference between age 55 and entry age. The benefit factor for ages prior to age 55 is the same proportion of the age 55 benefit factor as in the above table.

PEPRA Safety Plan Formulas

Retirement Age	2% at age 57	2.5% at age 57	2.7% at age 57
50	1.426%	2.000%	2.000%
51	1.508%	2.071%	2.100%
52	1.590%	2.143%	2.200%
53	1.672%	2.214%	2.300%
54	1.754%	2.286%	2.400%
55	1.836%	2.357%	2.500%
56	1.918%	2.429%	2.600%
57 & Up	2.000%	2.500%	2.700%

- The *years of service* is the amount credited by CalPERS to a member while he or she is employed in this group (or for other periods that are recognized under the employer's contract with CalPERS). For a member who has earned service with multiple CalPERS employers, the benefit from each employer is calculated separately according to each employer's contract, and then added together for the total allowance. An agency may contract for an optional benefit where any unused sick leave accumulated at the time of retirement will be converted to credited service at a rate of 0.004 years of service for each day of sick leave.

- The *final compensation* is the monthly average of the member's highest 36 or 12 consecutive months' full-time equivalent monthly pay (no matter which CalPERS employer paid this compensation). The standard benefit is 36 months. Employers had the option of providing a final compensation equal to the highest 12 consecutive months for classic plans only. Final compensation must be defined by the highest 36 consecutive months' pay under the 1.5% at age 65 formula. PEPRA members have a limit on the annual compensation that can be used to calculate final compensation. The limits are adjusted annually based on changes to the CPI for all urban consumers.

- PEPRA benefit formulas have no Social Security offsets and Social Security coverage is optional. For Classic benefit formulas, employees must be covered by Social Security with the 1.5% at age 65 formula. Social Security is optional for all other Classic benefit formulas. For employees covered by Social Security, the modified formula is the standard benefit. Under this type of formula, the final compensation is offset by $133.33 (or by one third if the final compensation is less than $400). Employers may contract for the full benefit with Social Security that will eliminate the offset applicable to the final compensation. For employees not covered by Social Security, the full benefit is paid with no offsets. Auxiliary organizations of the CSUC system may elect reduced contribution rates, in which case the offset is $317 if members are not covered by Social Security or $513 if members are covered by Social Security.

- The Miscellaneous and PEPRA Safety service retirement benefit is not capped. The Classic Safety service retirement benefit is capped at 90% of final compensation.

Vested Deferred Retirement

Eligibility for Deferred Status

CalPERS members becomes eligible for a deferred vested retirement benefit when they leave employment, keep their contribution account balance on deposit with CalPERS, **and** have earned at least 5 years of credited service (total service across all CalPERS employers, and with certain other retirement systems with which CalPERS has reciprocity agreements).

Eligibility to Start Receiving Benefits

The CalPERS classic members and PEPRA Safety members become eligible to receive the deferred retirement benefit upon satisfying the eligibility requirements for deferred status and upon attainment of age 50 (55 for employees hired into a 1.5% at age 65 plan). PEPRA Miscellaneous members become eligible to receive the deferred retirement benefit upon satisfying the eligibility requirements for deferred status and upon attainment of age 52.

Benefit

The vested deferred retirement benefit is the same as the service retirement benefit, where the benefit factor is based on the member's age at allowance commencement. For members who have earned service with multiple CalPERS employers, the benefit from each employer is calculated separately according to each employer's contract, and then added together for the total allowance.

Non-Industrial Disability Retirement

Eligibility

A CalPERS member is eligible for Non-Industrial (non-job related) Disability Retirement if he or she becomes *disabled* and has at least 5 years of credited service (total service across all CalPERS employers, and with certain other retirement systems with which CalPERS has reciprocity agreements). There is no special age requirement. *Disabled* means the member is unable to perform their job because of an illness or injury, which is expected to be permanent or to last indefinitely. The illness or injury does not have to be job related. A CalPERS member must be actively employed by any CalPERS employer at the time of disability in order to be eligible for this benefit.

Standard Benefit

The standard Non-Industrial Disability Retirement benefit is a monthly allowance equal to 1.8% of final compensation, multiplied by *service*, which is determined as follows:

- *Service* is CalPERS credited service, for members with less than 10 years of service or greater than 18.518 years of service; or
- *Service* is CalPERS credited service plus the additional number of years that the member would have worked until age 60, for members with at least 10 years but not more than 18.518 years of service. The maximum benefit in this case is 33⅓% of final compensation.

Improved Benefit

Employers have the option of providing the improved Non-Industrial Disability Retirement benefit. This benefit provides a monthly allowance equal to 30% of final compensation for the first 5 years of service, plus 1% for each additional year of service to a maximum of 50% of final compensation.

Members who are eligible for a larger service retirement benefit may choose to receive that benefit in lieu of a disability benefit. Members eligible to retire, and who have attained the normal retirement age determined by their service retirement benefit formula, will receive the same dollar amount for disability retirement as that payable for service retirement. For members who have earned service with multiple CalPERS employers, the benefit attributed to each employer is the total disability allowance multiplied by the ratio of service with a particular employer to the total CalPERS service.

Industrial Disability Retirement

This is a standard benefit for Safety members except those described in Section 20423.6. For excluded Safety members and all Miscellaneous members, employers have the option of providing this benefit. An employer may choose to provide the increased benefit option or the improved benefit option.

Eligibility

An employee is eligible for Industrial (job related) Disability Retirement if he or she becomes disabled while working, where disabled means the member is unable to perform the duties of the job because of a work-related illness or injury, which is expected to be permanent or to last indefinitely. A CalPERS member who has left active employment within this group is not eligible for this benefit, except to the extent described below.

Standard Benefit

The standard Industrial Disability Retirement benefit is a monthly allowance equal to 50% of final compensation.

Increased Benefit (75% of Final Compensation)

The increased Industrial Disability Retirement benefit is a monthly allowance equal to 75% of final compensation for total disability.

Improved Benefit (50% to 90% of Final Compensation)

The improved Industrial Disability Retirement benefit is a monthly allowance equal to the Workman's Compensation Appeals Board permanent disability rate percentage (if 50% or greater, with a maximum of 90%) times the final compensation.

For a CalPERS member not actively employed in this group who became disabled while employed by some other CalPERS employer, the benefit is a return of accumulated member contributions with respect to employment in this group. With the standard or increased benefit, a member may also choose to receive the annuitization of the accumulated member contributions.

If a member is eligible for service retirement and if the service retirement benefit is more than the industrial disability retirement benefit, the member may choose to receive the larger benefit.

Post-Retirement Death Benefit

Standard Lump Sum Payment

Upon the death of a retiree, a one-time lump sum payment of $500 will be made to the retiree's designated survivor(s), or to the retiree's estate. The lump sum payment amount increases to $2,000 for any death occurring on or after July 1, 2023, due to SB 1168.

Optional Lump Sum Payment

In lieu of the standard lump sum death benefit, employers have the option of providing a lump sum death benefit of $600, $3,000, $4,000 or $5,000.

Form of Payment for Retirement Allowance

Standard Form of Payment

Generally, the retirement allowance is paid to the retiree in the form of an annuity for as long as he or she is alive. The retiree may choose to provide for a portion of their allowance to be paid to any designated beneficiary after the retiree's death. CalPERS provides for a variety of such benefit options, which the retiree pays for by taking a reduction in their retirement allowance. Such reduction takes into account the amount to be provided to the beneficiary and the probable duration of payments (based on the ages of the member and beneficiary) made subsequent to the member's death.

Improved Form of Payment (Post-Retirement Survivor Allowance)

Employers have the option to contract for the post-retirement survivor allowance.

For retirement allowances with respect to service subject to a modified Classic formula, 25% of the retirement allowance will automatically be continued to certain statutory beneficiaries upon the death of the retiree, without a reduction in the retiree's allowance. For retirement allowances with respect to service subject to a PEPRA formula or a full or supplemental Classic formula, 50% of the retirement allowance will automatically be continued to certain statutory beneficiaries upon the death of the retiree, without a reduction in the retiree's allowance. This additional benefit is referred to as post-retirement survivor allowance (PRSA) or simply as survivor continuance.

In other words, 25% or 50% of the allowance, the continuance portion, is paid to the retiree for as long as he or she is alive, and that same amount is continued to the retiree's spouse (or if no eligible spouse, to unmarried child(ren) until they attain age 18; or, if no eligible child(ren), to a qualifying dependent parent) for the rest of their lifetime. This benefit will not be discontinued in the event the spouse remarries.

The remaining 75% or 50% of the retirement allowance, which may be referred to as the option portion of the benefit, is paid to the retiree as an annuity for as long as he or she is alive. Or, the retiree may choose to provide for some of this option portion to be paid to any designated beneficiary after the retiree's death. Benefit options applicable to the option portion are the same as those offered with the standard form. The reduction is calculated in the same manner but is applied only to the option portion.

Pre-Retirement Death Benefits

Basic Death Benefit

This is a standard benefit.

Eligibility

An employee's beneficiary (or estate) may receive the basic death benefit if the member dies while actively employed. A CalPERS member must be actively employed with the CalPERS employer providing this benefit to be eligible for this benefit. A member's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit.

Benefit

The basic death benefit is a lump sum in the amount of the member's accumulated contributions, where interest is credited annually at the greater of 6% or the prevailing discount rate through the date of death, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

1957 Survivor Benefit

This is a standard benefit.

Eligibility

An employee's *eligible survivor(s)* may receive the 1957 Survivor benefit if the member dies while actively employed, has attained at least age 50 for classic and PEPRA Safety members and age 52 for PEPRA Miscellaneous members, and has at least 5 years of credited service (total service across all CalPERS employers and with certain other retirement systems with which CalPERS has reciprocity agreements). A CalPERS member must be actively employed with the CalPERS employer providing this benefit to be eligible for this benefit. An eligible survivor means the surviving spouse to whom the member was married at least one year before death or, if there is no eligible spouse, to the member's unmarried child(ren) under age 18. A member's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this 1957 Survivor benefit.

Benefit

The 1957 Survivor benefit is a monthly allowance equal to one-half of the unmodified service retirement benefit that the member would have been entitled to receive if the member had retired on the date of their death. If the benefit is payable to the spouse, the benefit is discontinued upon the death of the spouse. If the benefit is payable to dependent child(ren), the benefit will be discontinued upon death or attainment of age 18, unless the child(ren) is disabled. The total amount paid will be at least equal to the basic death benefit.

Optional Settlement 2 Death Benefit

This is an optional benefit.

Eligibility

An employee's *eligible survivor* may receive the Optional Settlement 2 Death benefit if the member dies while actively employed, has attained at least age 50 for classic and PEPRA Safety members and age 52 for PEPRA Miscellaneous members, and has at least 5 years of credited service (total service across all CalPERS employers and with certain other retirement systems with which CalPERS has reciprocity agreements). A CalPERS member who is no longer actively employed with **any** CalPERS employer is not eligible for this benefit. An *eligible survivor* means the surviving spouse to whom the member was married at least one year before death. A member's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this Optional Settlement 2 Death benefit.

Benefit

The Optional Settlement 2 Death benefit is a monthly allowance equal to the service retirement benefit that the member would have received had the member retired on the date of their death and elected 100% to continue to the eligible survivor after the member's death. The allowance is payable to the surviving spouse until death, at which time it is continued to any unmarried child(ren), if applicable. The total amount paid will be at least equal to the basic death benefit.

Special Death Benefit

This is a standard benefit for Safety members except those described in Section 20423.6. For excluded Safety members and all Miscellaneous members, employers have the option of providing this benefit.

Eligibility

An employee's *eligible survivor(s)* may receive the special death benefit if the member dies while actively employed and the death is job-related. A CalPERS member who is no longer actively employed with **any** CalPERS employer is not eligible for this benefit. An *eligible survivor* means the surviving spouse to whom the member was married prior to the onset of the injury or illness that resulted in death. If there is no eligible spouse, an eligible survivor means the member's unmarried child(ren) under age 22. An eligible survivor who chooses to receive this benefit will not receive any other death benefit.

Benefit

The special death benefit is a monthly allowance equal to 50% of final compensation and will be increased whenever the compensation paid to active employees is increased but ceasing to increase when the member would have attained age 50. The allowance is payable to the surviving spouse until death, at which time the allowance is continued to any unmarried child(ren) under age 22. There is a guarantee that the total amount paid will at least equal the basic death benefit.

If the member's death is the result of an accident or injury caused by external violence or physical force incurred in the performance of the member's duty, and there are *eligible* surviving child(ren) (*eligible* means unmarried child(ren) under age 22) in addition to an eligible spouse, then an **additional monthly allowance** is paid equal to the following:

- if 1 eligible child: 12.5% of final compensation
- if 2 eligible children: 20.0% of final compensation
- if 3 or more eligible children: 25.0% of final compensation

Alternate Death Benefit for Local Fire Members

This is an optional benefit available only to local fire members.

Eligibility

An employee's *eligible survivor(s)* may receive the alternate death benefit in lieu of the basic death benefit or the 1957 Survivor benefit if the member dies while actively employed and has at least 20 years of total CalPERS service. A CalPERS member who is no longer actively employed with **any** CalPERS employer is not eligible for this benefit. An *eligible survivor* means the surviving spouse to whom the member was married prior to the onset of the injury or illness that resulted in death. If there is no eligible spouse, an eligible survivor means the member's unmarried child(ren) under age 18.

Benefit

The Alternate Death benefit is a monthly allowance equal to the service retirement benefit that the member would have received had the member retired on the date of their death and elected Optional Settlement 2. (A retiree who elects Optional Settlement 2 receives an allowance that has been reduced so that it will continue to be paid after their death to a surviving beneficiary.) If the member has not yet attained age 50, the benefit is equal to that which would be payable if the member had retired at age 50, based on service credited at the time of death. The allowance is payable to the surviving spouse until death, at which time it is continued to any unmarried child(ren), if applicable. The total amount paid will be at least equal to the basic death benefit.

Cost-of-Living Adjustments (COLA)

Standard Benefit

Retirement and survivor allowances are adjusted each year in May for cost of living, beginning the second calendar year after the year of retirement. The standard cost-of-living adjustment (COLA) is 2%. Annual adjustments are calculated by first determining the lesser of 1) 2% compounded from the end of the year of retirement or 2) actual rate of price inflation. The resulting increase is divided by the total increase provided in prior years. For any given year, the COLA adjustment may be less than 2% (when the rate of price inflation is low), may be greater than the rate of price inflation (when the rate of price inflation is low after several years of high price inflation) or may even be greater than 2% (when price inflation is high after several years of low price inflation).

Improved Benefit

Employers have the option of providing a COLA of 3%, 4%, or 5%, determined in the same manner as described above for the standard 2% COLA. An improved COLA is not available with the 1.5% at age 65 formula.

Purchasing Power Protection Allowance (PPPA)

Retirement and survivor allowances are protected against price inflation by PPPA. PPPA benefits are cost-of-living adjustments that are intended to maintain an individual's allowance at 80% of the initial allowance at retirement adjusted for price inflation since retirement. The PPPA benefit will be coordinated with other cost-of-living adjustments provided under the plan.

Employee Contributions

Each employee contributes toward their retirement based upon the retirement formula. The standard employee contribution is as described below.

- The percent contributed below the monthly compensation breakpoint is 0%.
- The monthly compensation breakpoint is $0 for all PEPRA members and Classic members covered by a full or supplemental formula and $133.33 for Classic members covered by a modified formula.
- The percent contributed above the monthly compensation breakpoint depends upon the benefit formula, as shown in the table below.

Benefit Formula	Percent Contributed above the Breakpoint
Miscellaneous, 1.5% at age 65	2%
Miscellaneous, 2% at age 60	7%
Miscellaneous, 2% at age 55	7%
Miscellaneous, 2.5% at age 55	8%
Miscellaneous, 2.7% at age 55	8%
Miscellaneous, 3% at age 60	8%
Miscellaneous, 2% at age 62	50% of the Total Normal Cost
Miscellaneous, 1.5% at age 65	50% of the Total Normal Cost
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%
Safety, 2% at age 57	50% of the Total Normal Cost
Safety, 2.5% at age 57	50% of the Total Normal Cost
Safety, 2.7% at age 57	50% of the Total Normal Cost

The employer may choose to “pick-up” these contributions for classic members (Employer Paid Member Contributions or EPMC). EPMC is prohibited for new PEPRA members.

An employer may also include Employee Cost Sharing in the contract, where employees agree to share the cost of the employer contribution. These contributions are paid in addition to the member contribution.

Auxiliary organizations of the CSU system may elect reduced contribution rates, in which case the offset is $317 and the contribution rate is 6% if members are not covered by Social Security. If members are covered by Social Security, the offset is $513 and the contribution rate is 5%.

Refund of Employee Contributions

If the member’s service with the employer ends, and if the member does not satisfy the eligibility conditions for any of the retirement benefits above, the member may elect to receive a refund of their employee contributions, which are credited with 6% interest compounded annually.

1959 Survivor Benefit

This is a pre-retirement death benefit available only to members not covered by Social Security. Any agency joining CalPERS subsequent to 1993 is required to provide this benefit if the members are not covered by Social Security. The benefit is optional for agencies joining CalPERS prior to 1994. Levels 1, 2, and 3 are now closed. Any new agency or any agency wishing to add this benefit or increase the current level may only choose the 4th or Indexed Level.

This benefit is not included in the results presented in this valuation. More information on this benefit is available on the CalPERS website.

Appendix C - Participant Data

Active Members

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.

Distribution of Active Members by Age and Service

	Years of Service at Valuation Date						
Attained Age	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25+**	**Total**
15-24	0	0	0	0	0	0	0
25-29	5	2	0	0	0	0	7
30-34	17	6	2	0	0	0	25
35-39	5	5	0	0	0	0	10
40-44	3	3	1	1	1	0	9
45-49	9	8	3	2	1	1	24
50-54	3	3	1	2	1	2	12
55-59	6	4	0	2	1	0	13
60-64	2	1	2	1	1	0	7
65 and Over	5	1	0	0	0	2	8
All Ages	**55**	**33**	**9**	**8**	**5**	**5**	**115**

Distribution of Average Annual Salaries by Age and Service

	Years of Service at Valuation Date						
Attained Age	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25+**	**Average Salary**
15-24	$0	$0	$0	$0	$0	$0	$0
25-29	85,383	118,813	0	0	0	0	94,935
30-34	87,494	113,543	125,991	0	0	0	96,825
35-39	101,710	102,048	0	0	0	0	101,879
40-44	137,391	113,816	136,905	109,387	96,971	0	121,876
45-49	109,315	133,009	133,241	148,542	144,414	105,754	124,787
50-54	140,881	154,013	146,765	124,509	242,549	163,427	154,156
55-59	143,247	101,869	0	174,862	129,161	0	134,295
60-64	97,151	59,509	238,231	112,341	130,832	0	139,064
65 and Over	95,692	85,613	0	0	0	87,617	92,413
Average	**$104,977**	**$116,645**	**$156,870**	**$139,694**	**$148,785**	**$121,568**	**$117,428**

Transferred and Separated Members

Distribution of Transfers to Other CalPERS Plans by Age, Service, and average Salary

	Years of Service at Valuation Date							
Attained Age	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25+**	**Total**	**Average Salary**
15-24	1	0	0	0	0	0	1	$115,008
25-29	12	0	0	0	0	0	12	118,449
30-34	7	3	0	0	0	0	10	111,004
35-39	6	2	0	0	0	0	8	107,830
40-44	11	4	1	0	0	0	16	151,829
45-49	21	4	0	2	1	0	28	146,199
50-54	12	5	1	1	0	0	19	149,240
55-59	7	1	1	1	0	0	10	134,009
60-64	5	3	2	0	0	0	10	181,543
65 and Over	1	0	0	0	0	0	1	87,625
All Ages	**83**	**22**	**5**	**4**	**1**	**0**	**115**	**$140,092**

Distribution of Separated Participants with Funds on Deposit by Age, Service, and average Salary

	Years of Service at Valuation Date							
Attained Age	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25+**	**Total**	**Average Salary**
15-24	2	0	0	0	0	0	2	$112,822
25-29	1	0	0	0	0	0	1	67,646
30-34	6	0	0	0	0	0	6	84,448
35-39	10	1	0	0	0	0	11	81,063
40-44	17	4	0	0	0	0	21	72,598
45-49	18	0	1	0	0	0	19	67,936
50-54	13	4	3	1	0	0	21	83,779
55-59	9	2	1	0	0	0	12	60,693
60-64	4	0	1	0	0	0	5	32,935
65 and Over	3	0	1	0	0	0	4	27,301
All Ages	**83**	**11**	**7**	**1**	**0**	**0**	**102**	**$71,260**

Retired Members and Beneficiaries

Distribution of Retirees and Beneficiaries by Age and Retirement Type*

Attained Age	Service Retirement	Non-Industrial Disability	Industrial Disability	Non-Industrial Death	Industrial Death	Death After Retirement	Total
Under 30	0	0	0	0	0	0	0
30-34	0	0	0	0	0	0	0
35-39	0	0	1	0	0	0	1
40-44	0	0	1	0	0	0	1
45-49	0	0	1	0	0	0	1
50-54	4	0	3	0	0	0	7
55-59	19	0	1	0	0	0	20
60-64	23	0	4	0	0	2	29
65-69	59	0	0	0	0	4	63
70-74	46	2	1	0	0	4	53
75-79	46	1	0	0	0	3	50
80-84	25	0	0	0	0	7	32
85 and Over	12	1	0	0	0	4	17
All Ages	**234**	**4**	**12**	**0**	**0**	**24**	**274**

Distribution of Average Annual Disbursements to Retirees and Beneficiaries by Age and Retirement Type*

Attained Age	Service Retirement	Non-Industrial Disability	Industrial Disability	Non-Industrial Death	Industrial Death	Death After Retirement	Average
Under 30	$0	$0	$0	$0	$0	$0	$0
30-34	0	0	0	0	0	0	0
35-39	0	0	330	0	0	0	330
40-44	0	0	320	0	0	0	320
45-49	0	0	329	0	0	0	329
50-54	899	0	691	0	0	0	810
55-59	24,639	0	2,803	0	0	0	23,547
60-64	25,083	0	1,143	0	0	7,268	20,552
65-69	38,911	0	0	0	0	9,587	37,049
70-74	30,388	23,242	583	0	0	34,236	29,847
75-79	24,274	2,111	0	0	0	33,563	24,388
80-84	20,486	0	0	0	0	26,705	21,846
85 and Over	36,660	5,668	0	0	0	19,850	30,882
All Ages	**$29,106**	**$13,566**	**$918**	**$0**	**$0**	**$23,202**	**$27,128**

* Counts of members do not include alternate payees receiving benefits while the member is still working. Therefore, the total counts may not match information on C-1 of the report. Multiple records may exist for those who have service in more than one coverage group. This does not result in double counting of liabilities.

Retired Members and Beneficiaries (continued)

Distribution of Retirees and Beneficiaries by Years Retired and Retirement Type*

Years Retired	Service Retirement	Non-Industrial Disability	Industrial Disability	Non-Industrial Death	Industrial Death	Death After Retirement	Total
Under 5 Yrs	43	0	4	0	0	10	57
5-9	49	0	2	0	0	5	56
10-14	54	0	2	0	0	2	58
15-19	53	0	1	0	0	3	57
20-24	22	2	2	0	0	3	29
25-29	9	1	1	0	0	0	11
30 and Over	4	1	0	0	0	1	6
All Years	**234**	**4**	**12**	**0**	**0**	**24**	**274**

Distribution of Average Annual Disbursements to Retirees and Beneficiaries by Years Retired and Retirement Type*

Years Retired	Service Retirement	Non-Industrial Disability	Industrial Disability	Non-Industrial Death	Industrial Death	Death After Retirement	Average
Under 5 Yrs	$30,209	$0	$594	$0	$0	$26,090	$27,408
5-9	26,363	0	338	0	0	17,376	24,631
10-14	34,869	0	2,520	0	0	33,881	33,720
15-19	28,408	0	661	0	0	33,255	28,176
20-24	29,630	23,242	824	0	0	9,797	25,151
25-29	9,999	2,111	609	0	0	0	8,428
30 and Over	22,435	5,668	0	0	0	12,155	17,927
All Years	**$29,106**	**$13,566**	**$918**	**$0**	**$0**	**$23,202**	**$27,128**

* Counts of members do not include alternate payees receiving benefits while the member is still working. Therefore, the total counts may not match information on C-1 of the report. Multiple records may exist for those who have service in more than one coverage group. This does not result in double counting of liabilities .

Appendix D - Glossary

Glossary

Accrued Liability (Actuarial Accrued Liability)
The portion of the Present Value of Benefits allocated to prior years. It can also be expressed as the Present Value of Benefits minus the present value of future Normal Cost. Different actuarial cost methods and different assumptions will lead to different measures of Accrued Liability.

Actuarial Assumptions
Assumptions made about certain events that will affect pension costs. Assumptions generally can be broken down into two categories: demographic and economic. Demographic assumptions include such things as mortality, disability, and retirement rates. Economic assumptions include discount rate, wage inflation, and price inflation.

Actuarial Methods
Procedures employed by actuaries to achieve certain funding goals of a pension plan. Actuarial methods include an actuarial cost method, an amortization policy, and an asset valuation method.

Actuarial Valuation
The determination as of a valuation date of the Normal Cost, Accrued Liability, and related actuarial present values for a pension plan. These valuations are performed annually or when an employer is contemplating a change in plan provisions.

Actuary
A business professional proficient in mathematics and statistics who measures and manages risk. A public retirement system actuary in California performs actuarial valuations necessary to properly fund a pension plan and disclose its liabilities and must satisfy the qualification standards for actuaries issuing statements of actuarial opinion in the United States with regard to pensions.

Amortization Bases
Separate payment schedules for different portions of the Unfunded Accrued Liability (UAL). The total UAL of a rate plan can be segregated by cause. The impact of such individual causes on the UAL are quantified at the time of their occurrence, resulting in new amortization bases. Each base is separately amortized and paid for over a specific period of time. Generally, in an actuarial valuation, the separate bases consist of changes in UAL due to contract amendments, actuarial assumption changes, method changes, and/or experience gains and losses.

Amortization Period
The number of years required to pay off an Amortization Base.

Classic Member (under PEPRA)
A member who joined a public retirement system prior to January 1, 2013, and who is not defined as a new member under PEPRA. (See definition of New Member below.)

Discount Rate
The rate used to discount the expected future benefit payments to the valuation date to determine the Projected Value of Benefits. Different discount rates will produce different measures of the Projected Value of Benefits. The discount rate for funding purposes is based on the assumed long-term rate of return on plan assets, net of investment and administrative expenses. This rate is called the “actuarial interest rate” in Section 20014 of the California Public Employees’ Retirement Law.

Entry Age
The earliest age at which a plan member begins to accrue benefits under a defined benefit pension plan. In most cases, this is the age of the member on their date of hire.

Entry Age Actuarial Cost Method
An actuarial cost method that allocates the cost of the projected benefits on an individual basis as a level percent of earnings for the individual between entry age and retirement age. This method yields a total normal cost rate, expressed as a percentage of payroll, which is designed to remain level throughout the member’s career.

Fresh Start
A Fresh Start is when multiple amortization bases are combined into a single base and amortized over a new Amortization Period.

Glossary (continued)

Funded Ratio

Defined as the Market Value of Assets divided by the Accrued Liability. Different actuarial cost methods and different assumptions will lead to different measures of Funded Ratio. The Funded Ratio with the Accrued Liability equal to the funding target is a measure of how well funded a rate plan is. A ratio greater than 100% means the rate plan has more assets than the funding target and the employer need only contribute the Normal Cost. A ratio less than 100% means assets are less than the funding target and contributions in addition to Normal Cost are required.

Funded Status

Any comparison of a particular measure of plan assets to a particular measure of pension obligations. The methods and assumptions used to calculate a funded status should be consistent with the purpose of the measurement.

Funding Target

The Accrued Liability measure upon which the funding requirements are based. The funding target is the Accrued Liability under the Entry Age Actuarial Cost Method using the assumptions adopted by the board.

GASB 68

Statement No. 68 of the Governmental Accounting Standards Board; the accounting standard governing a state or local governmental employer's accounting and financial reporting for pensions.

New Member (under PEPRA)

A new member includes an individual who becomes a member of a public retirement system for the first time on or after January 1, 2013, and who was not a member of another public retirement system prior to that date, and who is not subject to reciprocity with another public retirement system.

Normal Cost

The portion of the Present Value of Benefits allocated to the upcoming fiscal year for active employees. Different actuarial cost methods and different assumptions will lead to different measures of Normal Cost. The Normal Cost under the Entry Age Actuarial Cost Method, using the assumptions adopted by the board, plus the required amortization of the UAL, if any, make up the required contributions.

PEPRA

The California Public Employees' Pension Reform Act of 2013.

Present Value of Benefits (PVB)

The total dollars needed as of the valuation date to fund all benefits earned in the past or expected to be earned in the future for *current* members.

Traditional Unit Credit Actuarial Cost Method

An actuarial cost method that sets the Accrued Liability equal to the Present Value of Benefits assuming no future pay increases or service accruals. The Traditional Unit Credit Cost Method is used to measure the accrued liability on a termination basis.

Unfunded Accrued Liability (UAL)

The Accrued Liability minus the Market Value of Assets. If the UAL for a rate plan is positive, the employer is required to make contributions in excess of the Normal Cost.

California Public Employees' Retirement System
Actuarial Office
400 Q Street, Sacramento, CA 95811 | Phone: (916) 795-3000 | Fax: (916) 795-2744
888 CalPERS (or **888**-225-7377) | TTY: (877) 249-7442 | **www.calpers.ca.gov**

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
2026-27	947	29.38%	9.00%
	25874	14.86%	14.50%

Fiscal Year	Employer Amortization of Unfunded Accrued Liability
2026-27	$3,397,473
	Projected (Estimated)
2027-28	*$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

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

CalPERS

Table of Contents

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)

Table of Contents — Section 1

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

Matthew Biggart, ASA, MAAA
Actuary, CalPERS

Highlights and Executive Summary

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.

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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

	Normal Cost (% of payroll)		Annual
Fiscal Year	Rate Plan 947	Rate Plan 25874	UAL Payment
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.

Liabilities and Contributions

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.

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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.

Required Employer Contributions	Fiscal Year 2026-27
Employer Normal Cost Rate	
Classic Rate Plan 947	**29.38%**
PEPRA Rate Plan 25874	**14.86%**
Plus	
Unfunded Accrued Liability (UAL) Contribution Amount†	**$3,397,473**
Paid either as	
1) Monthly Payment	**$283,122.75**
Or	
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 2025-26	Fiscal Year 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.

		Basis for Current Rate		Rates Effective July 1, 2026			
Rate Plan Identifier	Benefit Group Name	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	Required Contribution	Projected Future Employer Contributions (Assumes 6.80% Return for Fiscal Year 2024-25 and Beyond)				
		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	Escala-tion 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	Escala-tion 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)

			Alternative Schedules			
	Current Amortization Schedule		15 Year Amortization		10 Year Amortization	
Date	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.

		Employer Normal Cost Rate		
Valuation Date	**Contribution Year**	**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

Item 5.

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 breakeven 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 Index[1] 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

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	29.36%	14.50%	14.86%	17	2,422,636
	Hypothetical Plan Totals[1]	*34.80%*	*11.17%*	*23.63%*	36	$6,122,639

[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 tra nsition 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	90,637,299	365,326	0.4%
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)	1.96%	1.70%
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 Settlement 2	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	Yes	
Transfers/Separated	Yes	
Receiving	Yes	
Benefit Provision		
Benefit Formula	2.7% @ 57	
Social Security Coverage	No	
Full/Modified	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	Yes	
1959 Survivor Benefit Level	Level 4	
Special	Yes	
Alternate (firefighters)	No	
Post-Retirement Death Benefits		
Lump Sum	$2,000	
Survivor Allowance (PRSA)	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

TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 09/08/2025
ITEM NO: 6

DATE: September 3, 2025

TO: Finance Commission

FROM: Chris Constantin, Town Manager

SUBJECT: **Review and Recommend Updates to the Town's General Fund Reserve Policy**

RECOMMENDATION: Review and recommend updates to the Town's General Fund Reserve Policy for the Town Council's consideration, incorporating best practices in fiscal policy, reserve management, and financial transparency.

FISCAL IMPACT:

There is no fiscal impact of reviewing and modifying the General Fund Reserve Policy.

BACKGROUND:

The Town of Los Gatos has historically maintained a strong General Fund reserve position, contributing to its fiscal stability and high credit ratings. The current General Fund Reserve Policy was last updated in 2021 and outlines a combined minimum reserve of 25% of General Fund ongoing operating expenditures, split evenly between a Catastrophic Reserve and a Budget Stabilization Reserve.

In light of evolving best practices and benchmarking against peer jurisdictions, staff prepared a revised policy to enhance clarity, structure, and long-term resilience.

DISCUSSION:

The Finance Commission discussed the General Fund Reserve Policy at its March 10, 2025, meeting and provided additional feedback and recommended changes.

PREPARED BY: Name
Title

Reviewed by: Town Manager, Assistant Town Manager, Town Attorney, and Finance Director

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www.losgatosca.gov

The revised policy includes Finance Commission feedback from the March meeting, retaining the Town's core reserve structure while incorporating enhancements based on guidance from the Government Finance Officers Association (GFOA) and practices from other California cities.

Staff recommends revising the General Fund Reserve Policy to reflect the establishment of the General Fund Unassigned Fund Balance Reserve with the 2025-26 Adopted Budget. This Reserve is intended to represent available resources that are not allocated for other uses and can be used to address changes in the current year's net revenue. Changes may include net revenue that falls to the bottom line or additional expenditures that are not covered by revenue or transfers into the General Fund. In addition, staff recommends removing obsolete language related to the Almond Grove Reserve, as the Almond Grove Reserve is no longer in use. Staff recommends establishing a clear order for year-end surplus deposits. The recommended changes are redlined in Attachment 1.

Staff is open to more advise and perspective from the Finance Commission, as well as keeping dialog going on opportunities to refine how we maintain and fund reserves.

The Finance Commission should review the recommendation and either forward it to the Town Council for consideration or propose an alternative recommendation.

Attachment:

1. General Fund Reserve Policy-Redlined

COUNCIL POLICY MANUAL

Small Town Service *Community Stewardship* *Future Focus*

TITLE: General Fund Reserve Policy	**POLICY NUMBER: 4-03**
EFFECTIVE DATE: 05/16/2011	**PAGES: 6**
ENABLING ACTIONS:	**REVISED DATES:** 02/21/2017; 05/15/2018; 06/04/2019, 09/21/2021, 3/18/2024
APPROVED:	

PURPOSE

The purpose of this Policy is to establish a target minimum level of designated reserves in the General Fund to:

- Reduce the financial impacts associated with a disaster or catastrophic event;
- Respond to the challenges of a changing economic environment, including prolonged downturns in the local, state, or national economy~~; and~~
- Demonstrate continued prudent fiscal management and creditworthiness~~.~~; and
- Define a replenishment plan and deposit hierarchy to maintain fiscal resilience.

BACKGROUND

The Town of Los Gatos has always maintained a high level of General Fund reserves, which has contributed to superior ratings by credit rating agencies; provided financial flexibility in economic downturns; contributed a source of investment income for General Fund operations; and assured financial coverage in the event of future emergencies.

General Fund operating expenditures refer to the recurring costs necessary to support the day-to-day delivery of public services. These include personnel costs such as salaries, wages, employee benefits, and pension contributions; contracted services like legal counsel, janitorial services, and IT support; and essential operational expenses such as utilities, office supplies, and insurance. They also encompass routine maintenance, minor repairs, and programmatic costs associated with departments like police, fire, parks and recreation, and community development. These expenditures are distinct from one-time or capital costs and are typically funded through general revenues such as property taxes, sales taxes, and service fees.

ATTACHMENT 1

GUIDING PRINCIPLES

Following sound financial practices and adhering to the Government Finance Officers of America (GFOA) recommendations, the Town's designated reserves include reserves for known and unknown contingencies, which take into consideration the:

- Diversity of revenue base
- Volatility of revenue structure
- Changes in political environment
- Frequency of operating surpluses/deficits
- Cash flow management practices

Transparency & Review

The General Fund Reserve Policy is to be reviewed periodically by the Town Council as part of the annual operating budget review and adoption process. Reserves are reported at the Monthly Financial and Investment Report.

POLICY

The fund balance is the difference between the assets and liabilities reported in a governmental fund. Under current accounting standards, there are five separate components of fund balance, each of which identifies the extent to which the Town is bound to honor constraints on the specific purposes for which amounts can be spent.

Government Accounting Standards Board (GASB) 54 includes a prescribed hierarchy based on the extent to which a city is bound by constraints for the use of the funds reported in governmental funds. GASB 54 provides the classification as non-spendable, restricted, committed, assigned and unassigned based on the relative strength of the constraints that control how specific amounts can be spent. The following definitions are provided in GASB 54:

- **Non-spendable**
  These funds are not available for expenditures based on legal or contractual requirements.
- **Restricted**
  These funds are governed by externally enforceable restrictions.
- **Committed**
  Fund balances in this category are limited by the government's highest level of decision making (in this case the Town Council). Any changes of this designation must be done in the same manner that it was implemented.
- **Assigned**
  For funds to be assigned, there must be an intended use which can be established by the Town Council or an official delegated by the council.
- **Unassigned**
  This classification is the default for all funds that do not fit into the other categories.

This, however, should not be a negative number for the General Fund. If it is, the assigned fund balance must be adjusted to offset the Unassigned Fund balance.

~~The following components are defined by Governmental Accounting Standards Board (GASB) Statement No. 54 and shall constitute the Town's Fund Balance:~~

- ~~*Nonspendable Fund Balance* (inherently nonspendable)~~
- ~~*Restricted Fund Balance* (externally enforceable limitations on use)~~
- ~~*Committed Fund Balance* (self-imposed limitations on use)~~
- ~~*Assigned Fund Balance* (limitation resulting from intended use)~~
- ~~*Unassigned Fund Balance* (residual net resources)~~

The first two components listed above are not specifically addressed in this Policy due to the nature of their restrictions. The example of nonspendable fund balance is inventory. Restricted fund balance is either imposed by law or constrained by grantors, contributors, or laws or regulations of other governments. This Policy is focused on financial reporting of unrestricted fund balance, or the last three components listed above. These three components are further defined below.

The accounting policies of the Town consider restricted fund balance spent first when expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts of the unrestricted classifications of fund balance could be used, the Town considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

Committed Fund Balance

The Town Council, as the Town's highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by formal action taken, such as an ordinance or resolution. These committed amounts cannot be used for any other purpose, unless the Town Council removes or changes the specific use through the same type of formal action taken to establish the commitment. The Town Council action to commit fund balance needs to occur within the fiscal reporting period; however, the amount can be determined subsequently at the final close of the fiscal year.

The Town currently sets aside funds into three ~~four~~ committed reserves to address unforeseen emergencies or disasters, significant changes in the economic environment, unfunded pension and Other Post-Employment Benefits (OPEB) obligations, and key infrastructure and capital projects. These include the Catastrophic Reserve, Budget Stabilization Reserve, and Pension (OPEB) Reserve. ~~and Almond Grove Street Projects Reserve.~~ The Town Council can commit other reserves by resolution.

Catastrophic Reserve

Funds reserved under this category shall be used to mitigate costs associated with unforeseen emergencies, such as a disaster or catastrophic event. Should unforeseen and unavoidable events occur that require the expenditure of Town resources beyond those provided for in the annual budget, the Town Manager or designee shall have authority to approve Catastrophic Reserve appropriations. The Town Manager or designee shall then present to the Town Council a budget amendment confirming the nature of the emergency and authorizing the appropriation of reserve funds. Reimbursements from the Federal Emergency Management Agency (FEMA) or other agencies shall be used to replenish the reserve.

The Town currently commits to maintaining this reserve at a minimum of 12.5% of General Fund ongoing operating expenditures (minus one-time and pass-through expenditures).

Should a catastrophic disaster occur, the required reserve level should be adequate to meet the Town's immediate financial needs. For example, in the event of natural disaster, the Catastrophic Reserve would provide necessary coverage for basic operating expenses, including salary and benefits for safety and non-safety Town employees, while still meeting debt service obligations for approximately 60 days. This time frame would enable the Town to explore other available cash alternatives, including the use of internal service funds.

Budget Stabilization Reserve

Funds reserved under this category shall be used to mitigate annual revenue shortfalls ~~(actual revenues less than projected revenues)~~ due to changes in the economic environment and/or one-time uses that will result in future efficiencies and/or budgetary savings. Examples of "economic triggers" and one-time uses include, but are not limited to:

- An unplanned, major event such as a catastrophic disaster requiring expenditures which exceed the General Fund Catastrophic Reserve;
- Drop in projected/actual revenue of more than five percent in property or sales tax, or other economically sensitive revenues;
- Budgeted revenue taken over by another entity exceeding $100,000;
- Loss of businesses considered to be significant ~~sales~~ tax generators;
- Reductions or disruption in projected/actual revenue ~~of more than five percent~~ due to actions by the state/federal government which materially impact the Town's ability to fund current operations;
- Workflow/technical system improvements to reduce ongoing, personnel costs and enhance customer service;
- One-time maintenance of service levels due to significant economic/budget constraints; and
- One-time transitional costs associated with organizational restructuring to secure long-term personnel cost savings.

The Town currently commits to maintaining this reserve at a minimum of 12.5% of General Fund ongoing operating expenditures, including salaries and benefits (minus one-time and pass-through expenditures).

~~Should a loss of the Town's single highest source of sales tax revenue occur, the required reserve level should be adequate to meet the Town's immediate financial needs. For example, the reserve level in the Budget Stabilization Fund would provide for an approximate 3-year transition period, giving the Town adequate time to realign its operating costs with available resources, while minimizing service impacts.~~

Pension/OPEB Reserve

Funds reserved under this category shall be used to further mitigate costs associated with pension and OPEB unfunded obligations. These funds will be used as a funding source for potential additional discretionary payments to pay down unfunded pension and other post-employment obligations, or held in the reserve account to be used as a supplemental funding source for ~~unanticipated~~ increases to the annual pension and other post-employment costs resulting from future actuarial assumptions and investment market volatility, which may impair the Town's ability to continue existing operations.

This Policy requires the Town to set aside additional annual discretionary payments (ADPs) to reduce the effective amortization period of the Town's pension unfunded actuarial liabilities from approximately 30 years to 20 years. To facilitate the implementation of this Policy, staff shall update the estimated unfunded amortization schedules in conjunction with the Town's and CalPERS actuaries. This process will coincide with the annual proposed budget process to determine the additional annual discretionary payment levels required to maintain the goal of lowering the amortization period from a 30-year to a 20-year amortization period for all prior year actuarial bases through ~~FY 18/19~~ 2018-19. The ADP was ~~is~~ ~~currently~~ projected at $390,000 for FY ~~2018/-19~~ 2018-19 (subject to annual updates provided by CalPERS actuaries). Per Council direction ADPs will either be allocated directly to CalPERS, the Town's Pension IRS 115 Trust Fund, or the OPEB IRS 115 Trust Fund.

As part of the proposed budget for each forthcoming fiscal year, staff ~~shall~~ will strive to annually appropriate, to the extent possible, the amount of annual discretionary payments necessary to maintain the unfunded pension liability amortization shortening from 30 to 20 years.

In the event the annual amount required for additional discretionary payments is not available from operating revenues, the ADP shall be funded by a first lien on any one-time excess revenues above expenditures once other General Fund required reserve levels have been established at the appropriate levels as per the Town's General Fund Reserve Policy. If in any given year neither budgetary appropriations or a first lien on one-time excess revenues are sufficient to fund the annual ADP, that years ADP will be accrued to the following year until paid.

Additionally, effective upon the close of fiscal year 2015~~/~~-16 and thereafter, if sufficient General Fund year-end savings are available and targeted reserve levels of 25% (12.5% for Catastrophic Reserve and 12.5% for Budget Stabilization Reserve) of the next fiscal year's operating budget and the funding the following year's proposed budget ADP have been met, upon final close of the fiscal year, a minimum of $300,000 annually shall be deposited into the Pension/OPEB Reserve fund. In addition, Council can assign additional amount deposited to the Pension/OPEB Reserve with a formal Council action from available year end savings.

~~Almond Grove Street Project Reserve~~
~~Funds reserved under this category shall be used to reconstruct the 10 streets identified in the Almond Grove Street Rehabilitation Project specification.~~

~~The Council awarded the bid in April 2017 allowing for $2.9 million savings within the project. The Council reappropriated the use of the savings through the FY 2017/18 budget process. The Almond Grove Reserve should be reduced by the identified $2.9 million savings. The Almond Grove Street Reserve balance will be reduced at each fiscal year end by the funds expended on the Almond Grove Street Rehabilitation Project during the fiscal year.~~

Assigned Fund Balance

Amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance. This Policy hereby delegates the authority to assign amounts to be used for specific purposes to the Town Manager, for the purpose of reporting to assign amounts in the annual financial statements, with annual ratification by the Town Council. A few examples of assigned fund balance follow.

- Encumbrances – material s and services on purchase order and contracts which are unperformed.
- Reappropriations – appropriated by the Council for specific projects or programs that were not completed and not encumbered by year end.
- GASB 31 Adjustments – $10,000 or higher unrealized investment gains that have been recorded in the financial statements in accordance with GASB 31.

Capital~~ and /~~Special Projects Reserve
Funds reserved under this category are designated for key infrastructure and capital/special projects as identified in the Town 5-year Capital Improvement Plan, as there is no ongoing funding source to support the Town's capital needs.

Unassigned Fund Balance

At the end of each fiscal year, the Finance Department reports on the audited year-end budgetary fiscal results. Should actual General Fund revenues exceed expenditures and encumbrances, a year-end operating surplus shall be reported. Any year-end surplus which results in the General Fund balance exceeding the level required by this Reserve Policy shall be available for allocation for the following, subject to Council approval:

- Offset projected future deficits
- Anticipated intergovernmental fiscal impacts
- One-time funding, non-recurring needs

This policy allows for Unassigned fund balances and places no specific restriction on their use. The unassigned fund balance goal is to maintain $4,000,000 to cover needs and support ongoing operations during the upcoming fiscal year. Use of unassigned fund balances must be approved by the Town Council.

~~Upon funding any of the above reserve levels pursuant to this General Fund Reserve Policy, any remaining surplus of fiscal year revenues above expenditures shall be placed in the Capital/ and Special Projects Reserve for appropriation within the Capital Improvement Program budget.~~

Surplus Allocation Hierarchy

After funding carryforwards and legally restricted uses, year-end surpluses shall be allocated in the following order:

1. Catastrophic Reserve
2. Budget Stabilization Reserve
3. Pension/OPEB Reserve
4. Unassigned Fund Balance
5. Capital/Special Projects Reserve
6. Other Council-prioritized reserves

Replenishment of Unreserved Fund Balance

In keeping with the principles discussed in this Policy, when either fund is used, Town Council will develop a 1 to 5 year reserve replenishment plan to meet the minimum threshold of 25% of General Fund ongoing, operating expenditures, excluding one-time expenditures. Temporary exceptions to the minimum may be allowed for one fiscal year with an adopted restoration schedule.

APPROVED AS TO FORM:

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Gabrielle Whelan, Town Attorney