

# CalPERS 2026 Pension Update

Santa Clara Valley Water District, CA

March 24, 2026



# Agenda

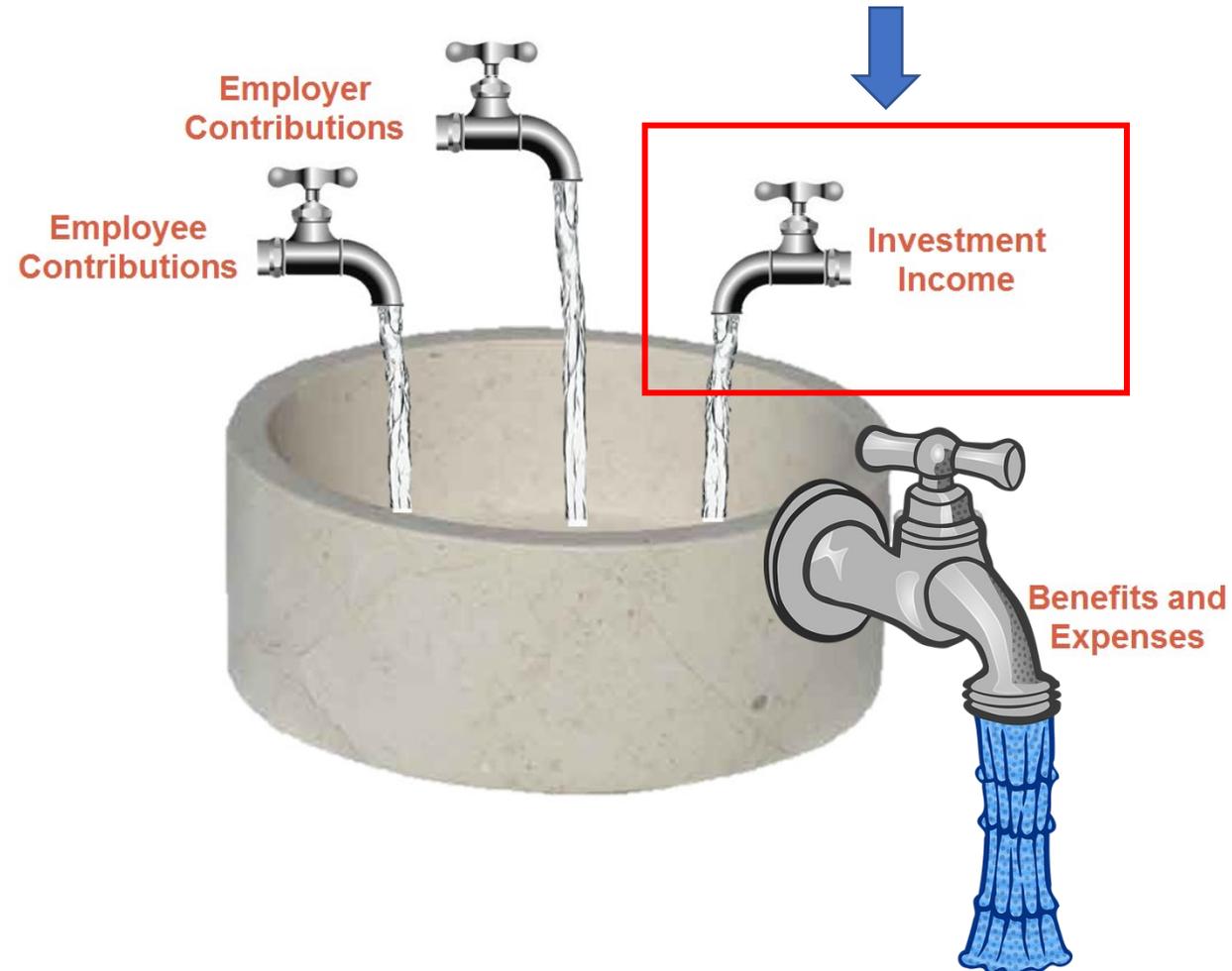
- CalPERS Pension Basics
- Comparison to other CalPERS Agencies
- Changes to CalPERS and the Impact of these Changes
- Addressing Unfunded Liability

# CalPERS Pension Basics

# Money going into CalPERS is equal to the Money coming out of CalPERS

Major Driver of Plan Cost

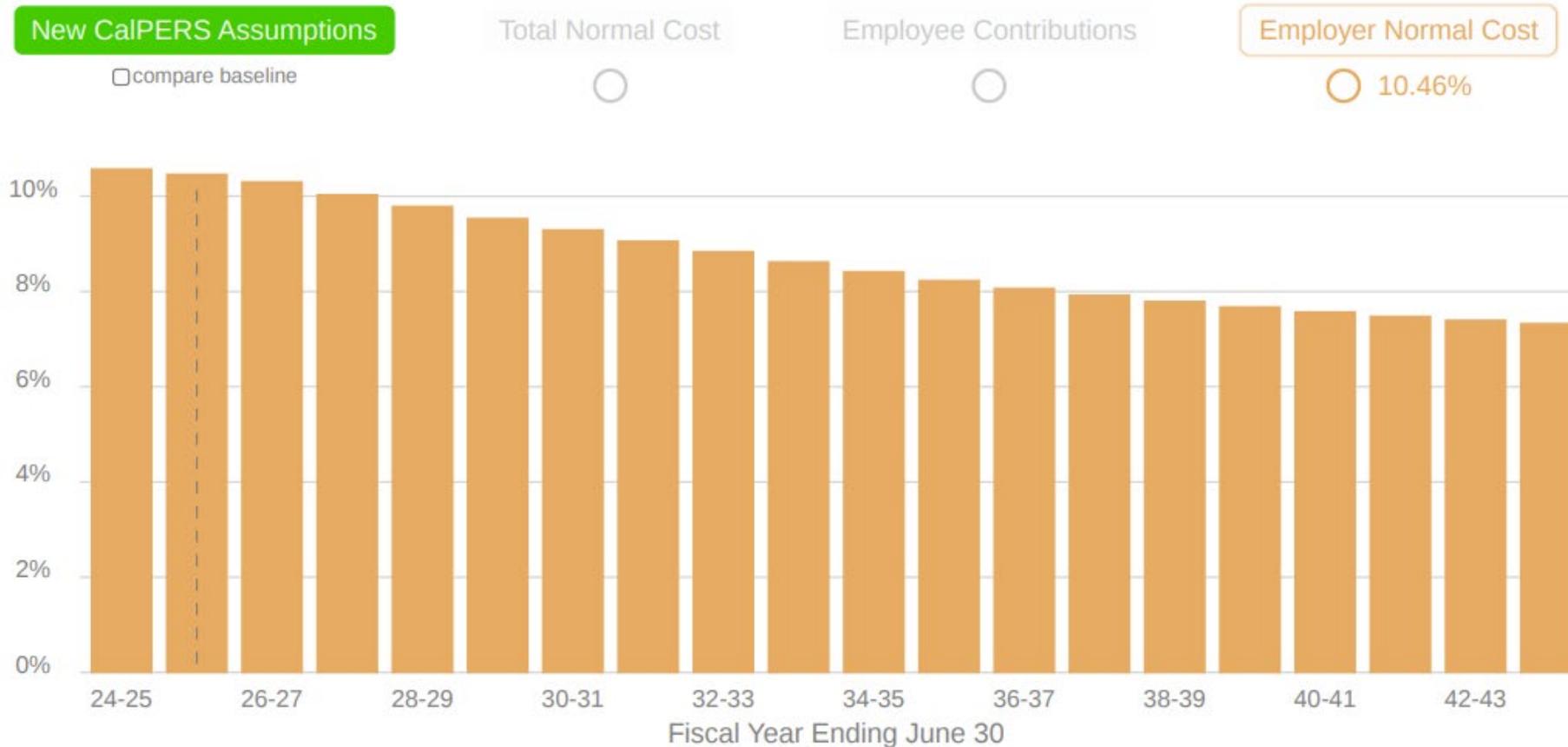
## Funding a Pension Plan



# Santa Clara Valley Water has 3 Benefit Structures within CalPERS for Miscellaneous Employees

	Miscellaneous Tier 1	Miscellaneous Tier 2	PEPRA Miscellaneous
<b>Hire Date</b>	On or Before 2/29/2012	Between 3/1/2012 and 12/31/2012	On or After 01/01/2013
<b>Formula</b>	2.5% @ 55	2% @ 60	2% @ 62
<b>Final Pay Period</b>	12 months	36 months	36 months
<b>COLA</b>	2% per year	2% per year	2% per year
<b>Employee Contributions</b>	8% of pay	7% of pay (picked up by District)	7.25% of pay (50% of Normal Cost)

# Normal Cost will decrease as a percent of payroll as the workforce shifts toward PEPRA

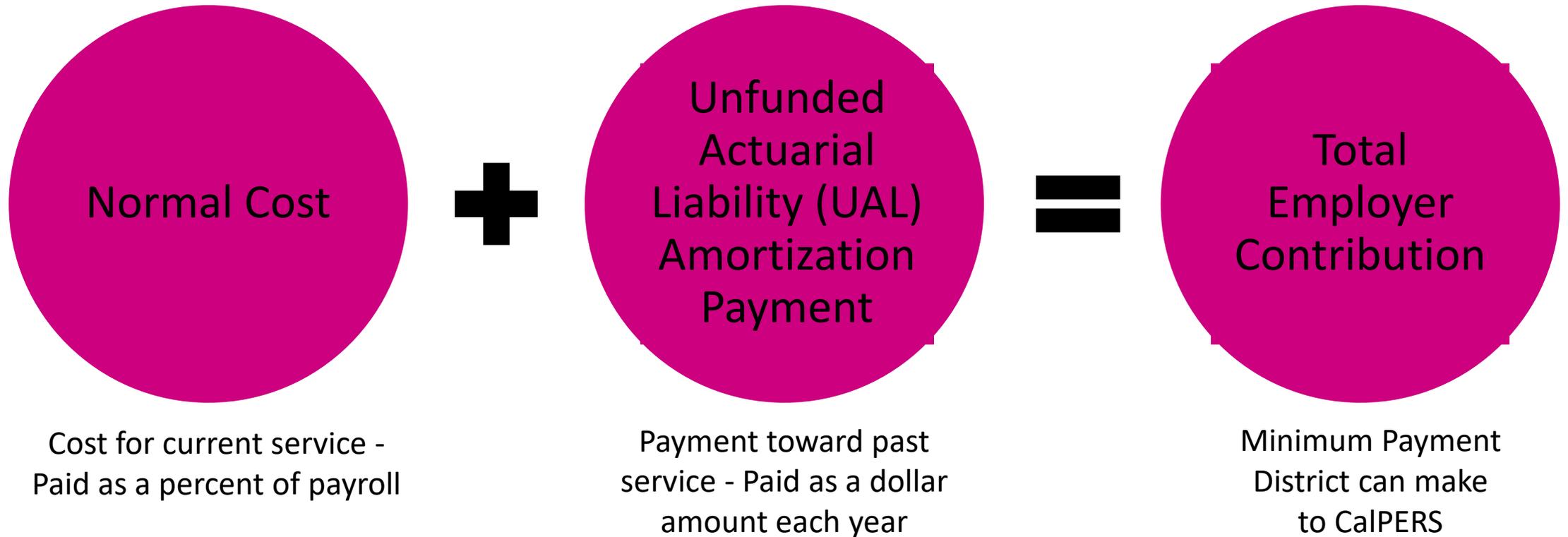


# How is the District doing Relative to Other Agencies?

# Comparison Metrics

- Funded Percentage
  - Plan assets divided by Plan liabilities
  - Calculated as of June 30, 2024
- Total Contribution Percentage
  - Required Contribution divided by Projected Pensionable Compensation
  - Payable in Fiscal Year 2026/27

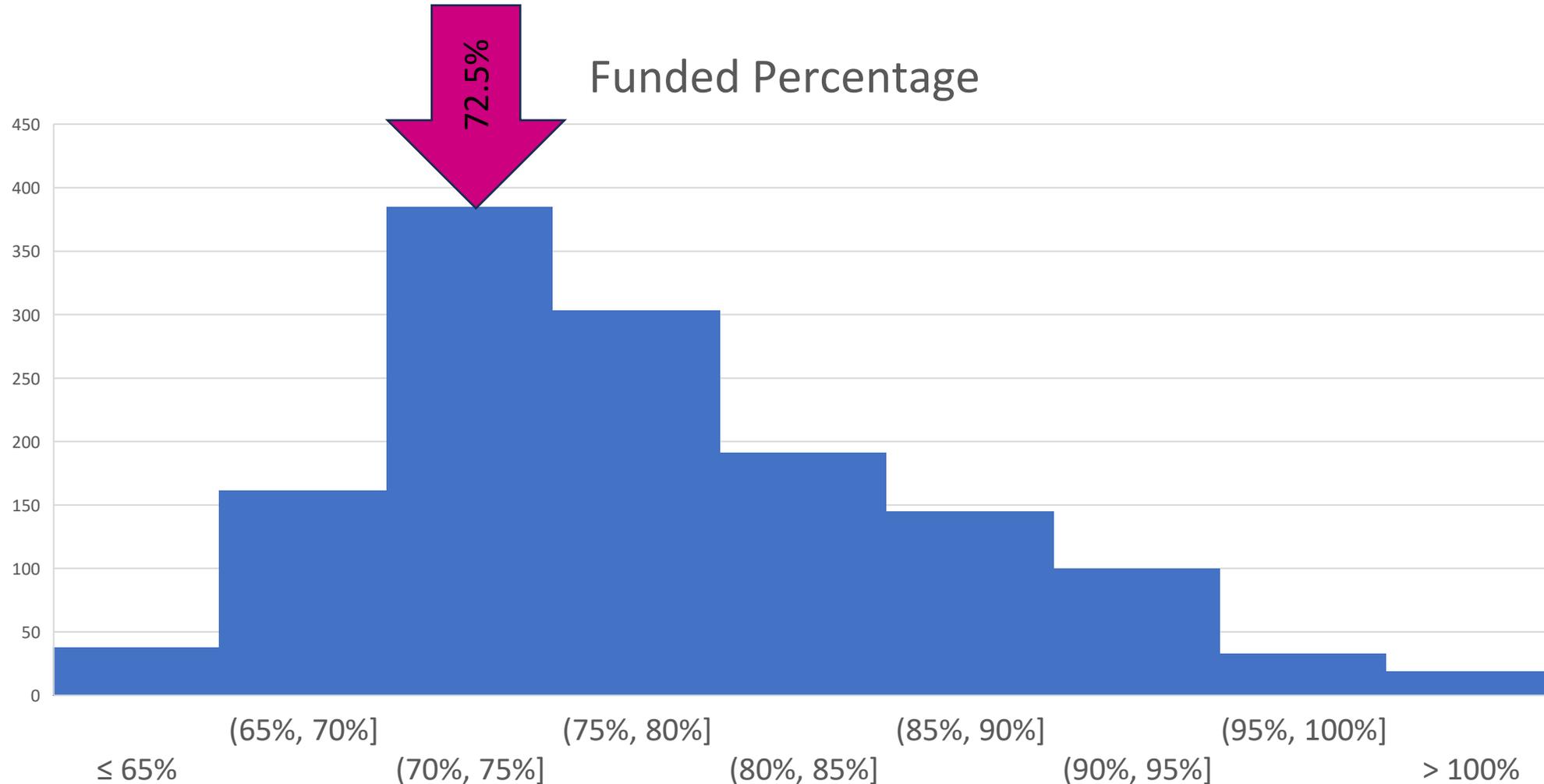
# Actuarially Determined Contribution



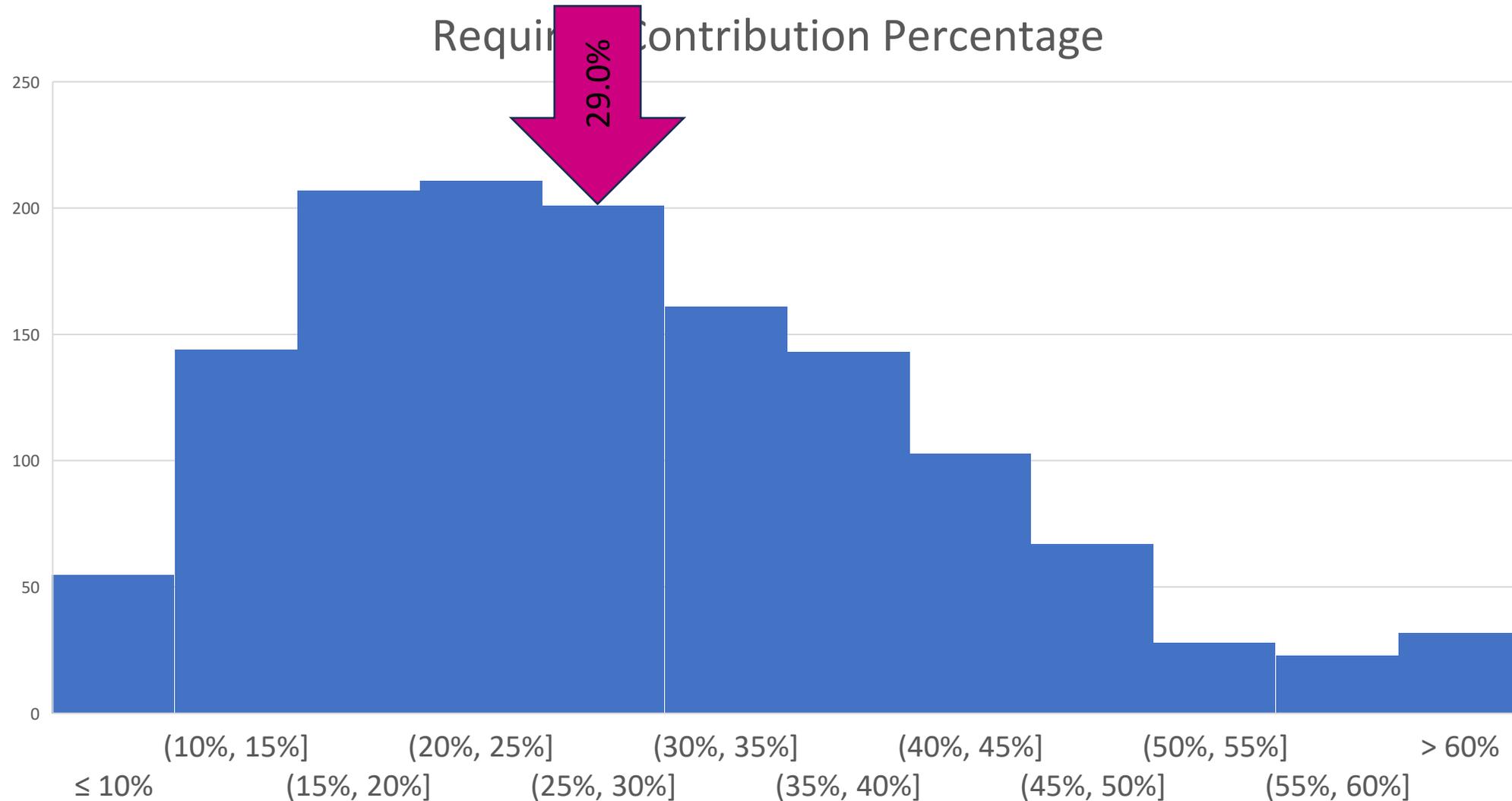
# Comparison Group

- Comparisons are made to similar classifications:
  - Miscellaneous Plan against all Miscellaneous Plans.

# Miscellaneous Plans Funded Percentage as of June 30, 2024 (72.5%)



# Miscellaneous Plans Employer Contribution Rate for Fiscal Year 2026/27(29.0%)



# Changes to CalPERS

# Additional Contributions

# Impact of Additional Contributions

- The District has been addressing its Unfunded Actuarial Liability by making additional contributions each year to CalPERS
- These contributions are equal to the sum of:
  - 2% of Pay, and
  - \$3 Million

## Additional Discretionary Payment History

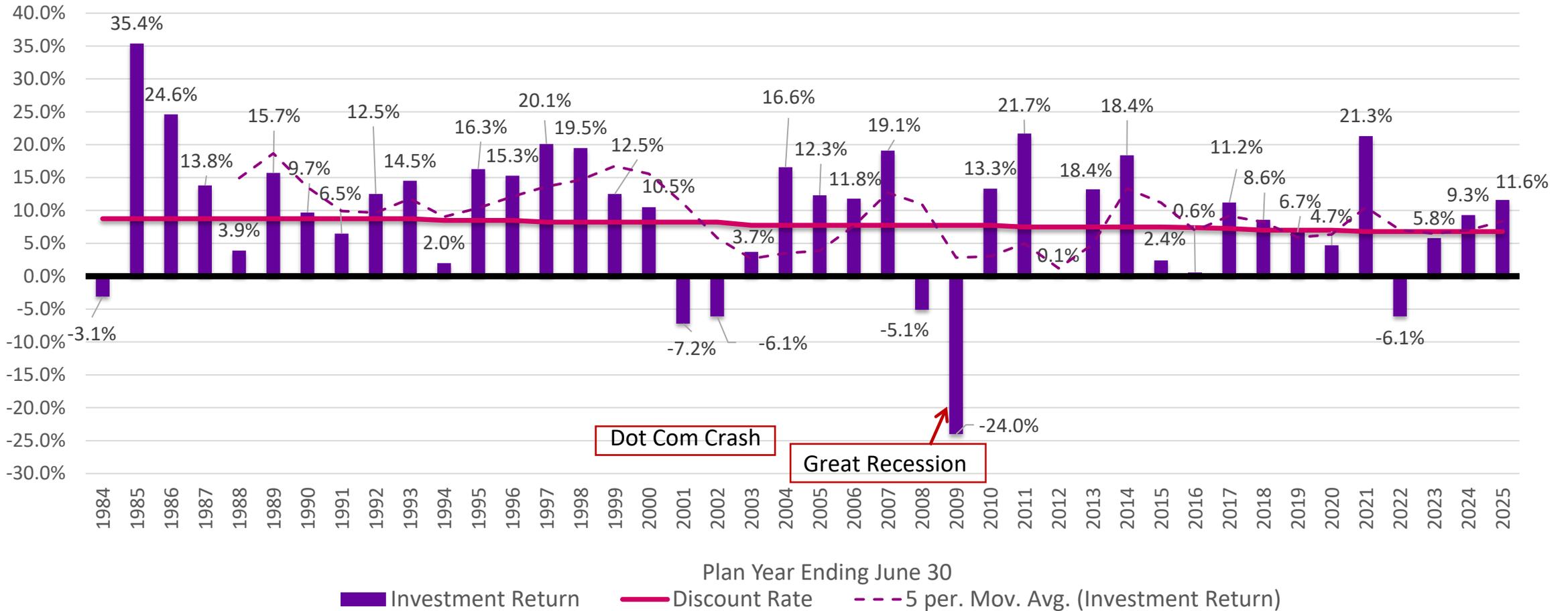
The following table provides a recent history of actual ADPs made to the plan.

<u>Fiscal Year</u>	<u>ADP</u>	<u>Fiscal Year</u>	<u>ADP</u>
2017-18	N/A	2021-22	\$5,528,492
2018-19	\$3,500,000	2022-23	5,278,340
2019-20	4,051,000	2023-24	7,166,964
2020-21	4,661,955	2024-25	5,936,726

# Preliminary CalPERS Investment Return: **11.6% in 2024/25**

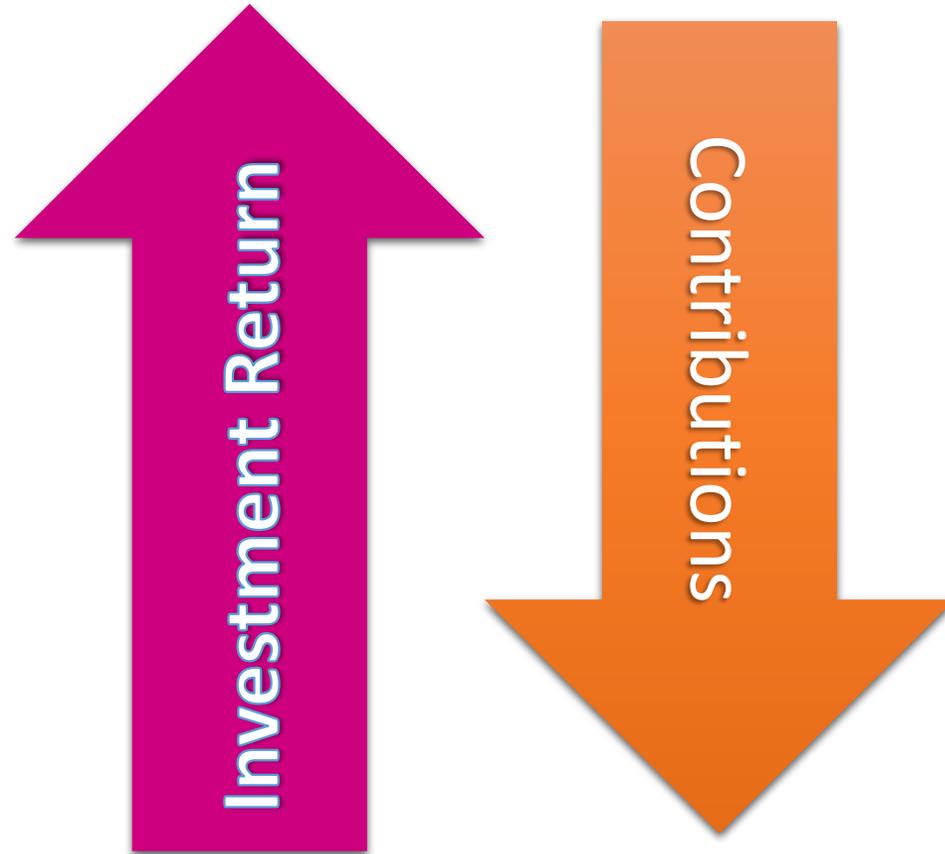
CalPERS beat the Assumed Rate of Return each of the past  
two years

# CalPERS Preliminary Investment Returns versus Assumed Investment Return



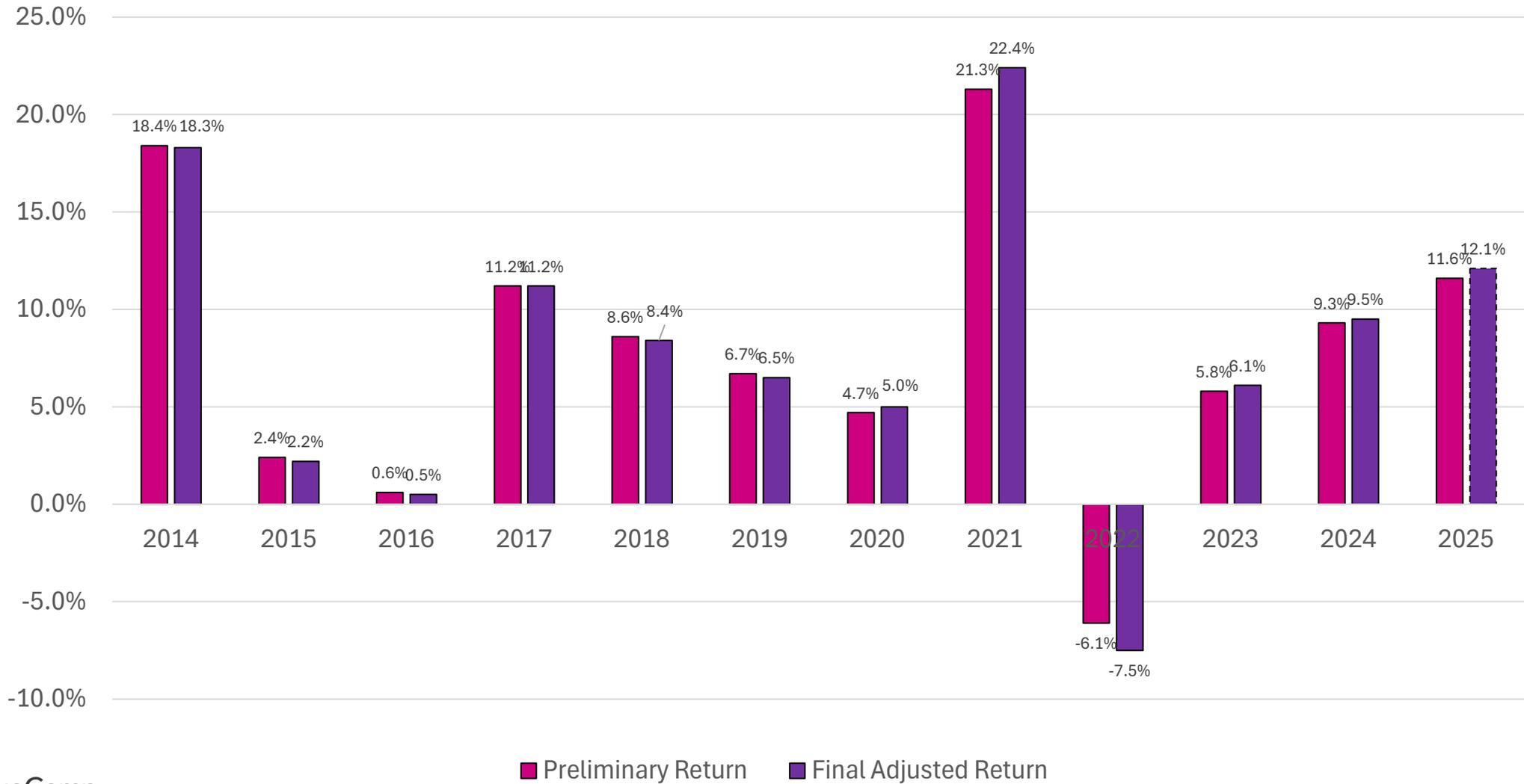
Discount Rate = Assumed Investment Return Rate

# More Money from Investment Return means Less Money Required from Contributions



**Finalize 2024-25  
Investment Return at 12.1%**

# CalPERS Historical Pattern of Prelim and Final Adjusted Investment Returns



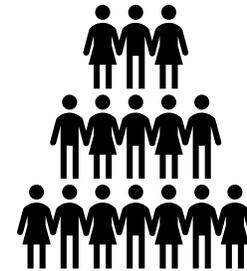
# Update Assumptions Based on Experience Analysis

# CalPERS Projects Future Benefit Payments using a Series of Assumptions



## Economic

- Inflation
- Investment Return
- Salary Growth



## Demographic

- Retirement
- Disability
- Death
- Termination

# Highlights of Changes to Actuarial Assumptions

- **Discount Rate:** No Change to current rate 6.8%
- **Inflation Rate:** Increase from 2.3% to 2.5%
- **Wage Growth:** Increase from 2.8% to 3.0%
- **Salary Growth:** No Change current rate of 2.8%
- **Mortality:** Minor improvement to female base rates and add normal improvement progression

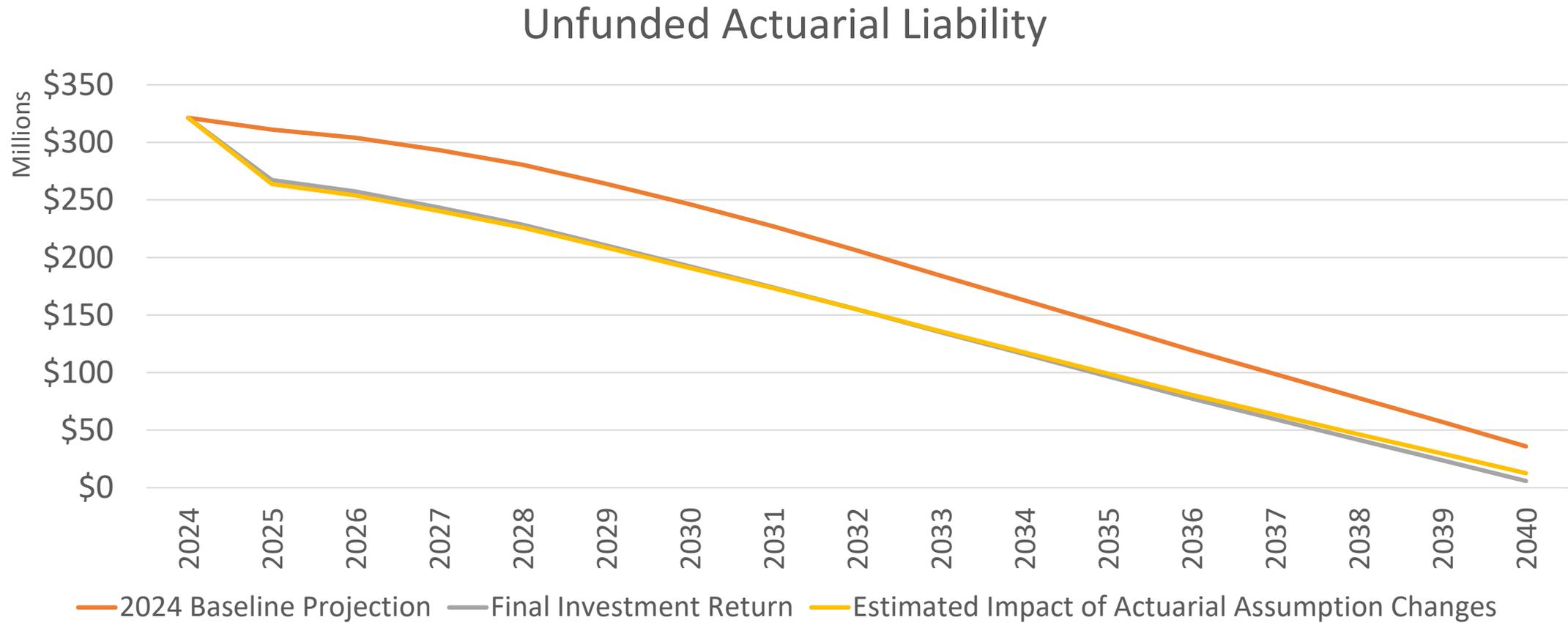
# When will you see impact of changes?

- Changes will appear in the June 30, 2025 actuarial valuation reports
- Reports are expected to be released in August 2026
- Contributions from these valuations will take effect in Fiscal Year 2027-28

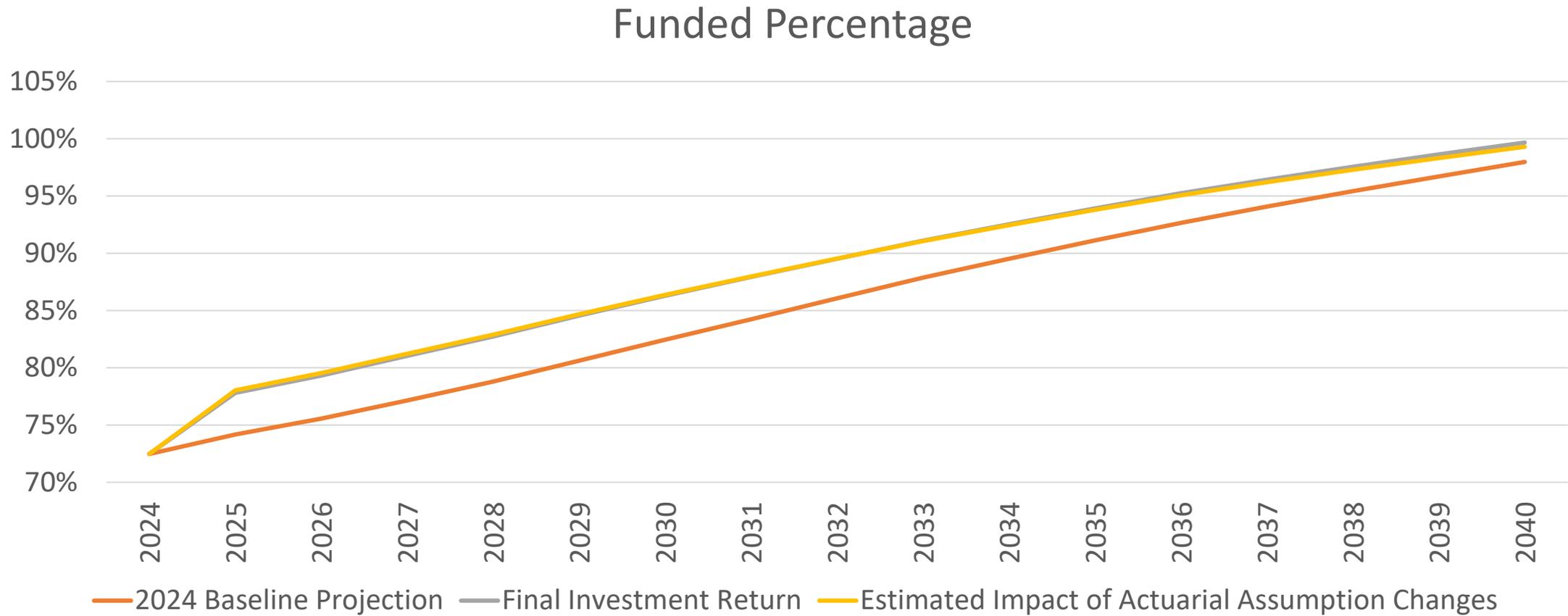
# What is the Impact of those Changes?

How did the above change impact Funded Percentage and Contribution? Now and in the future?

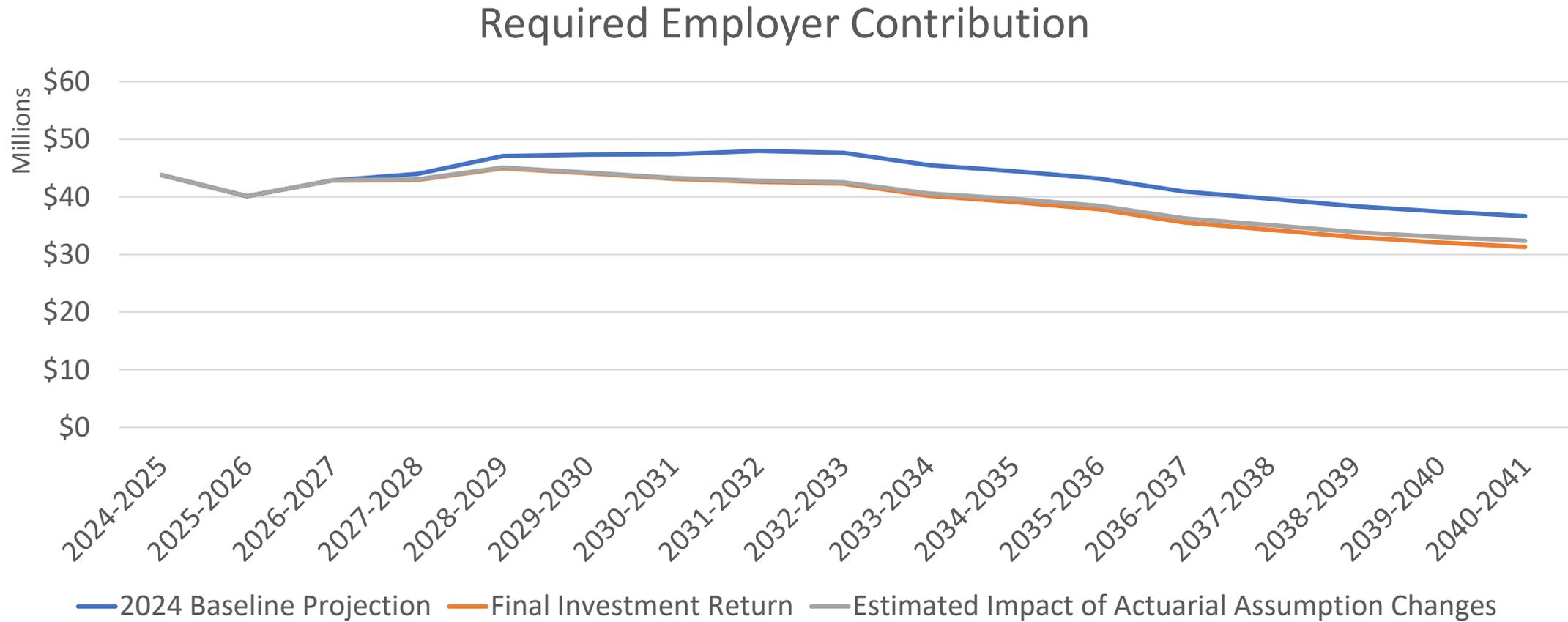
# Unfunded Actuarial Liability



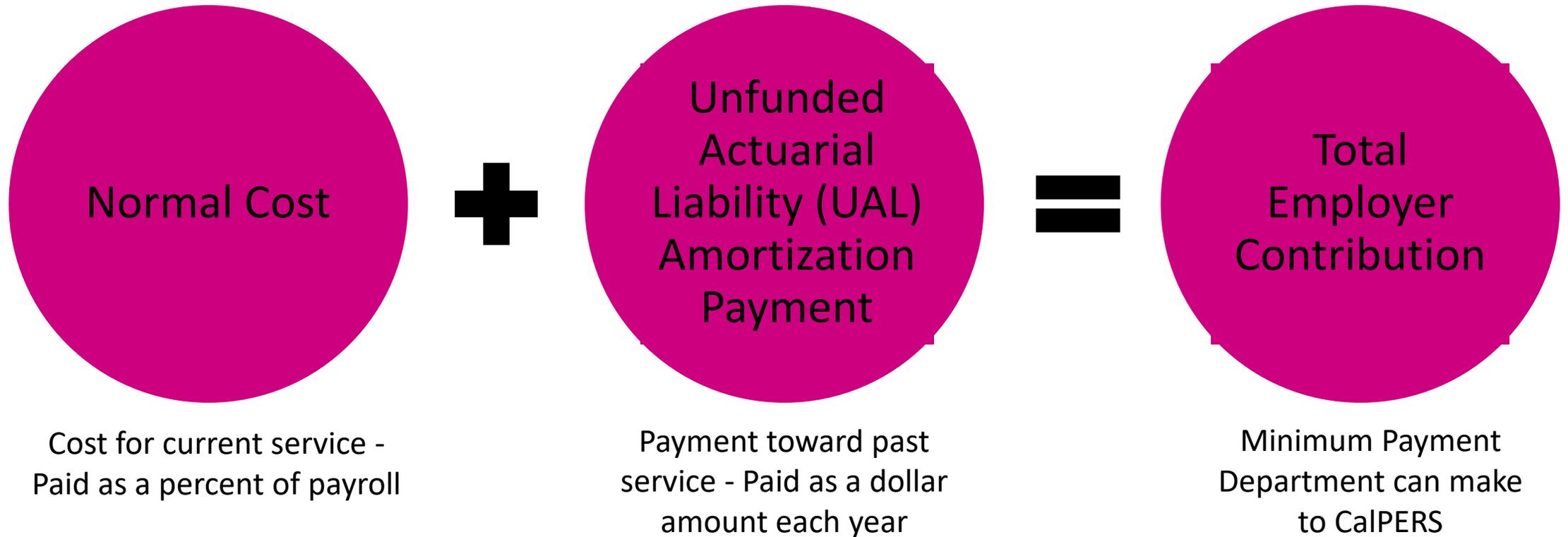
# Funded Percentage



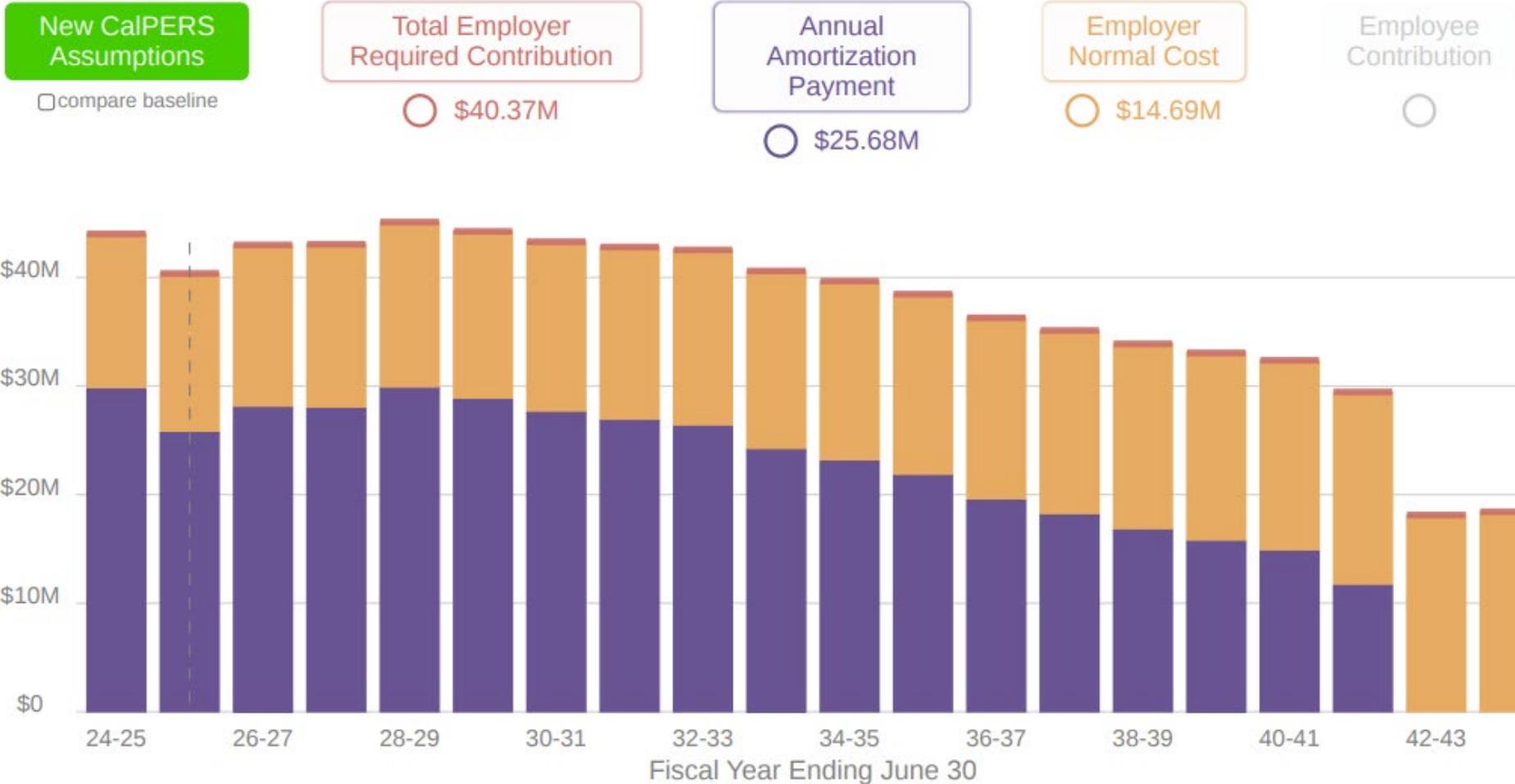
# Employer Required Contributions



# Actuarially Determined Contribution



# Employer Required Contributions



# Impact of Additional Contributions

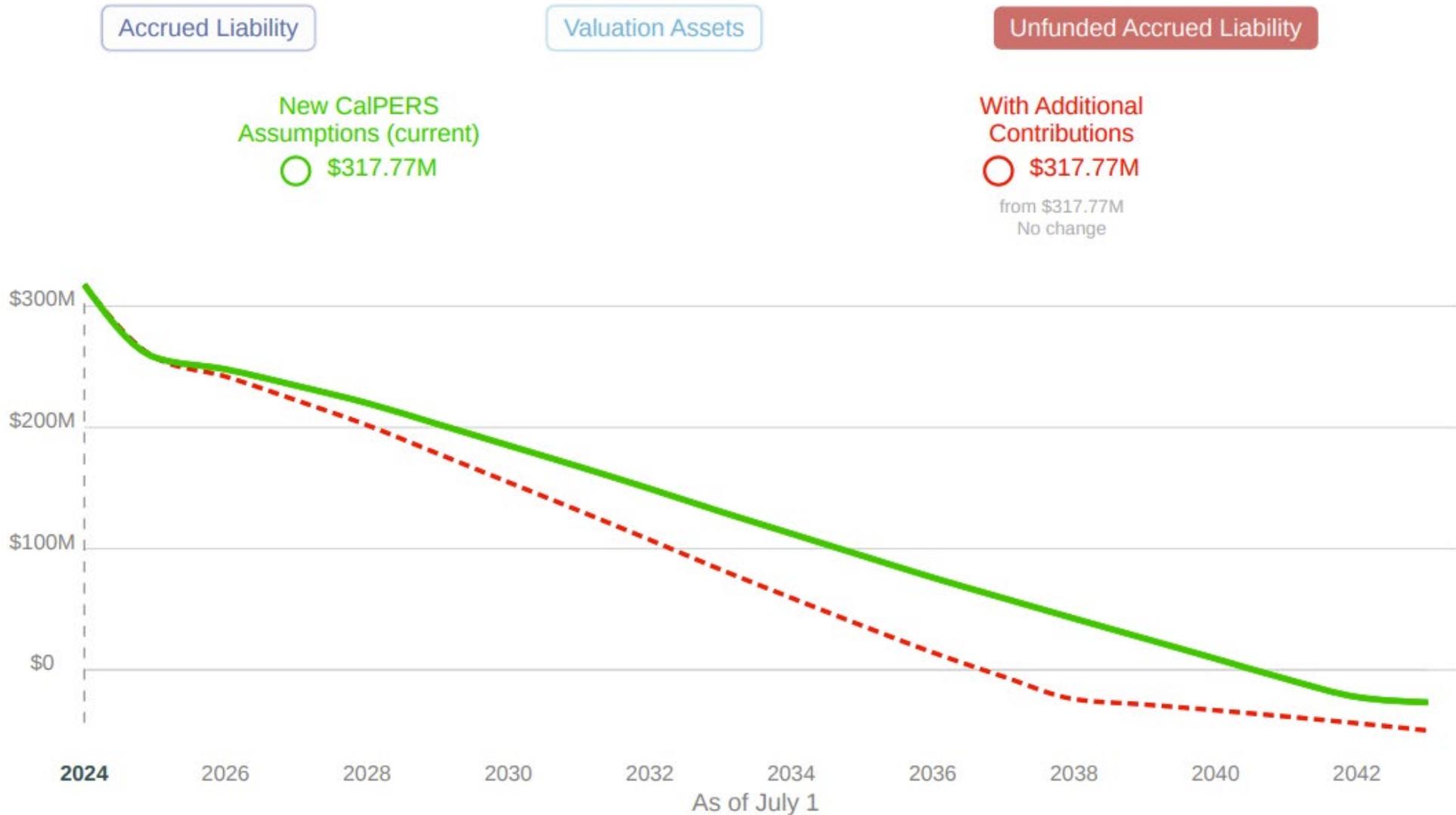
# Why Address Unfunded Actuarial Liability?

- Most of the increase in Required Contribution is due to payment toward Unfunded Actuarial Liability
- District is effectively paying interest to CalPERS for Unfunded Actuarial Liability
- Current interest rate is 6.8%

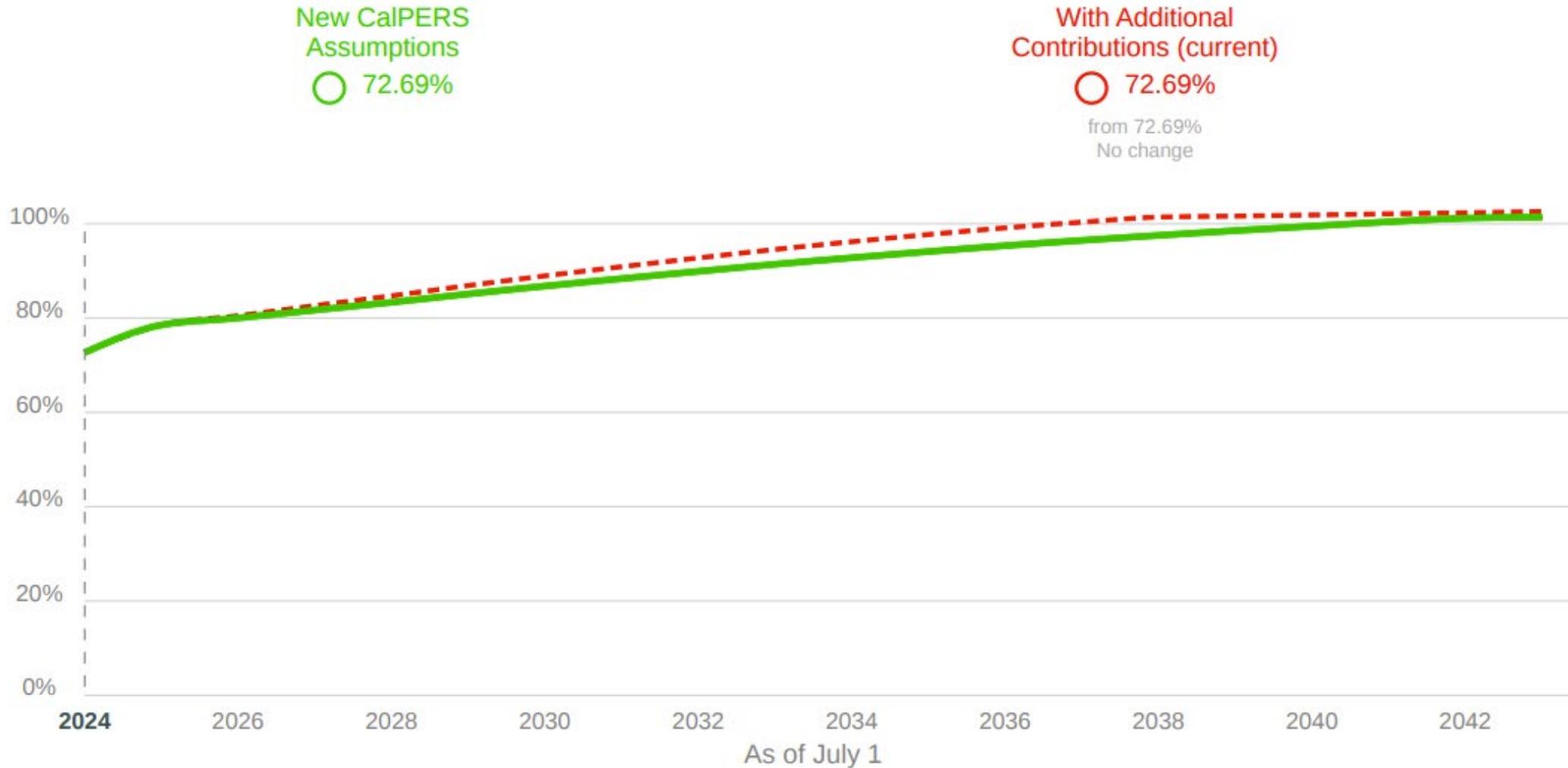
# Impact of Additional Contributions

- The District is addressing its Unfunded Actuarial Liability by making additional contributions each year to CalPERS
- These contributions are equal to the sum of:
  - 2% of Pay, and
  - \$3 Million
- This section shows the impact of these additional contributions

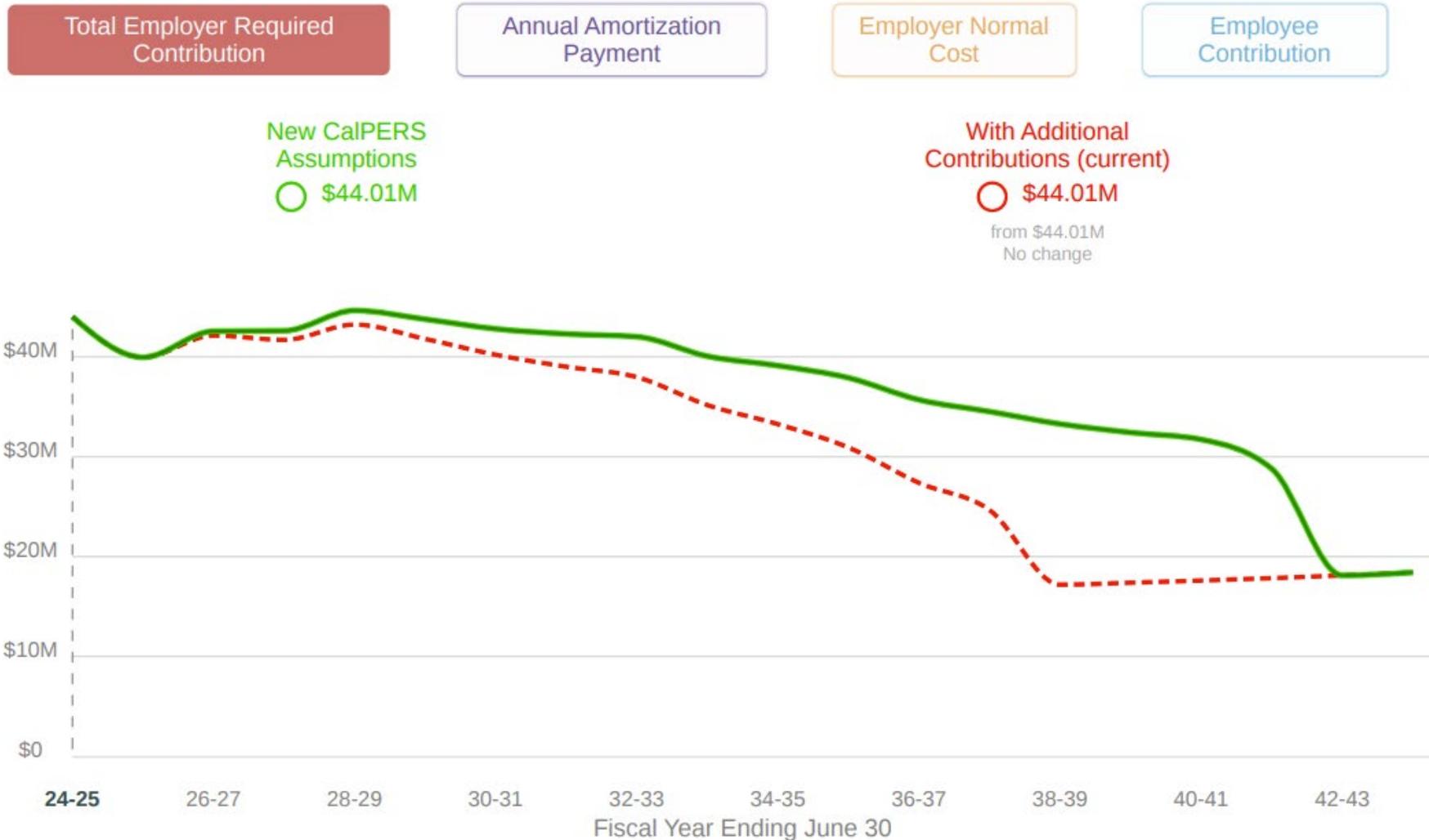
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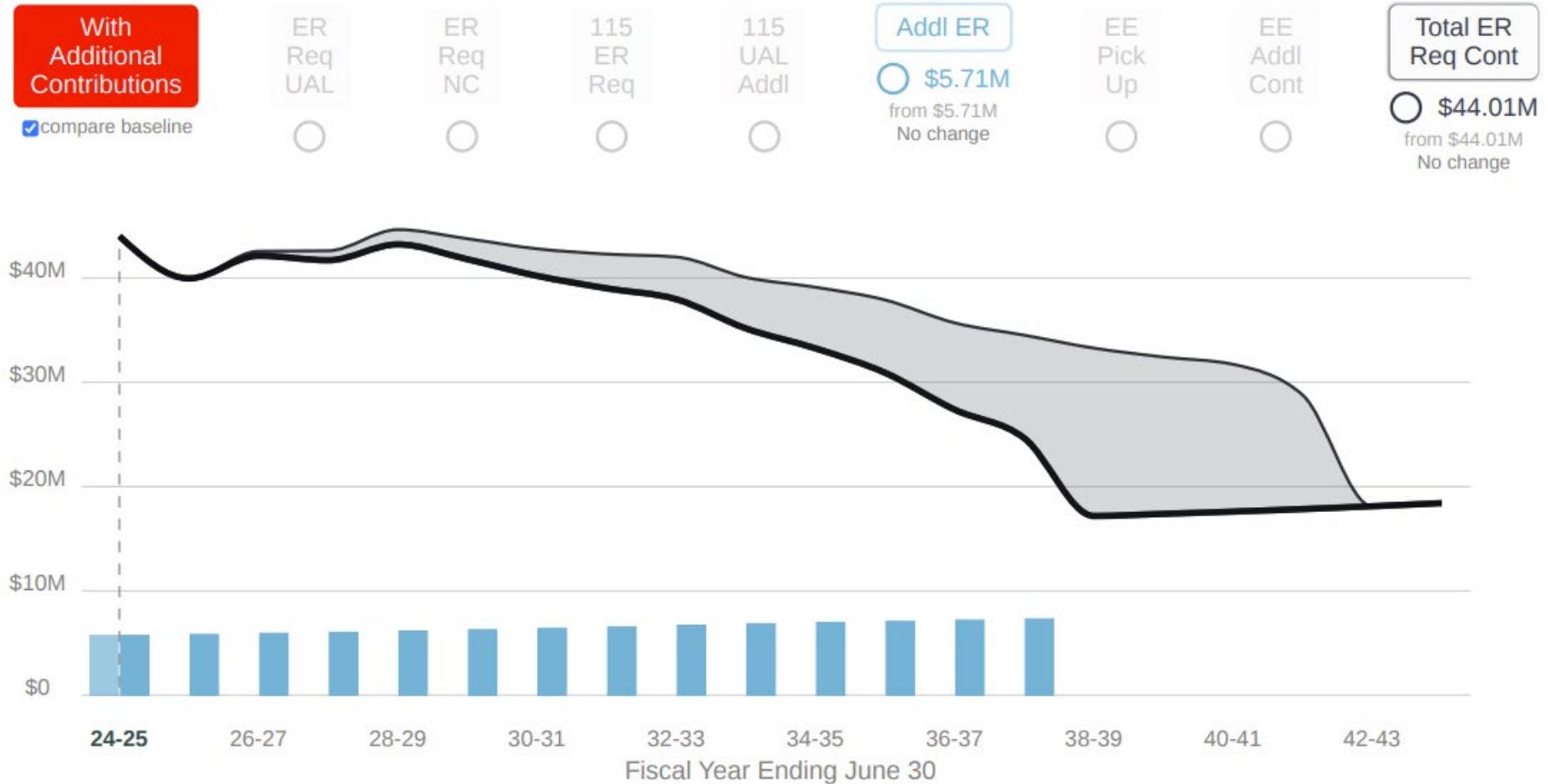
# Funded Percentage



# Employer Required Contributions



# Total Employer Contribution



# Projected Savings from Making Additional Contributions – FY 25/26 through 43/44

<b>Baseline Required Contributions</b>	\$690,686,691
<b>Required Contributions after Additional</b>	\$583,905,425
<b>Total Additional Contributions</b>	\$85,049,419
<b>Net Savings</b>	\$21,731,846

# Questions



# Disclaimer

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