

# CalPERS Pension Update

Santa Clara Valley Water District, CA

March 25, 2025



# Agenda



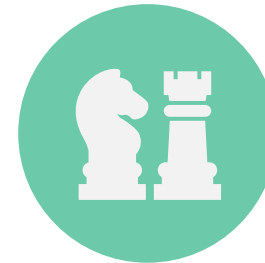
CalPERS  
Pension Basics



Comparison to  
Other Agencies



Changes  
to CalPERS &  
Their Impact



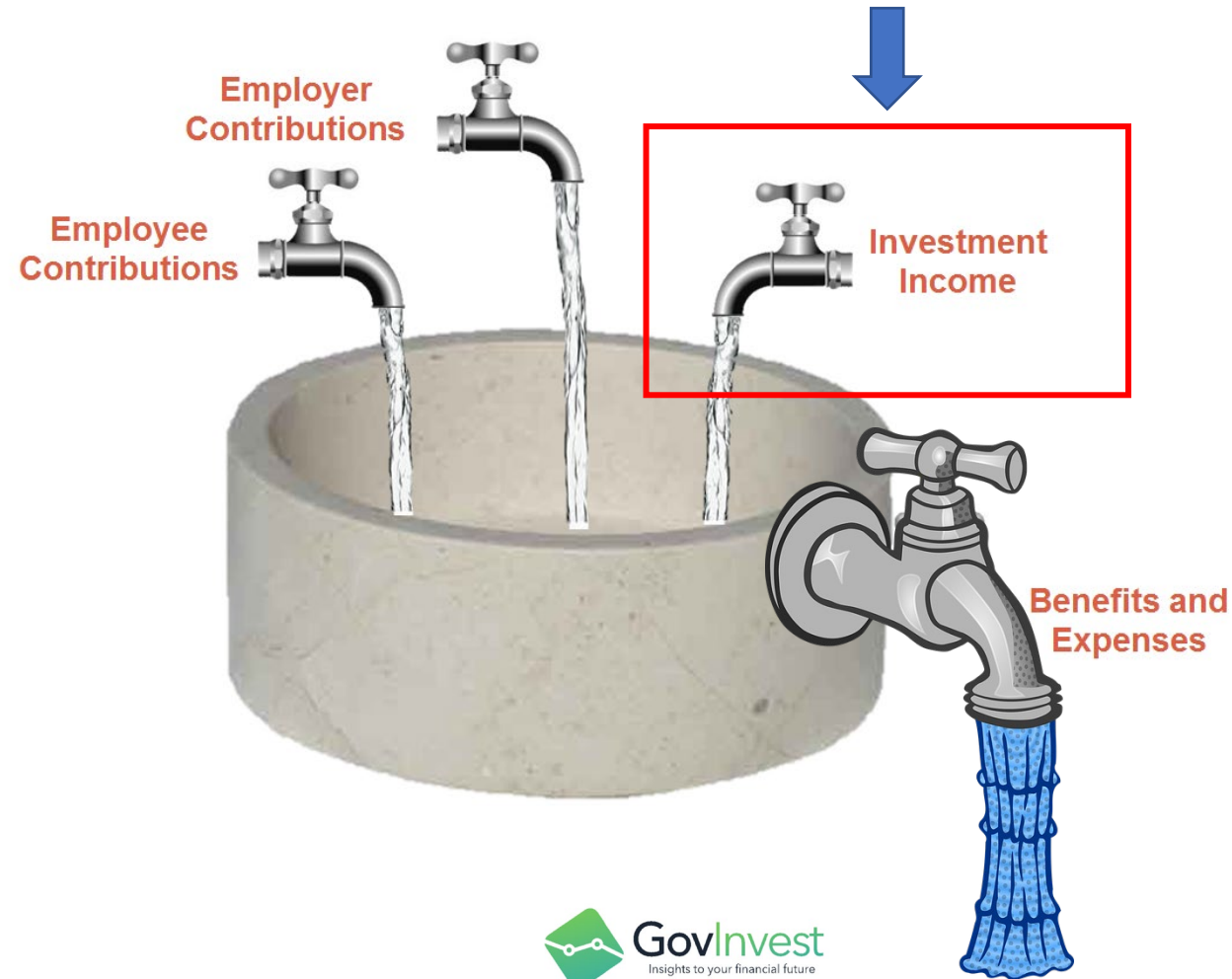
Potential  
Strategies

# 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

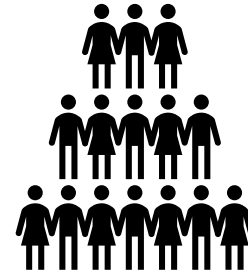


# CalPERS Projects Future Benefit Payments using a Series of Assumptions



## Economic

- Inflation
- Investment Return
- Salary Growth



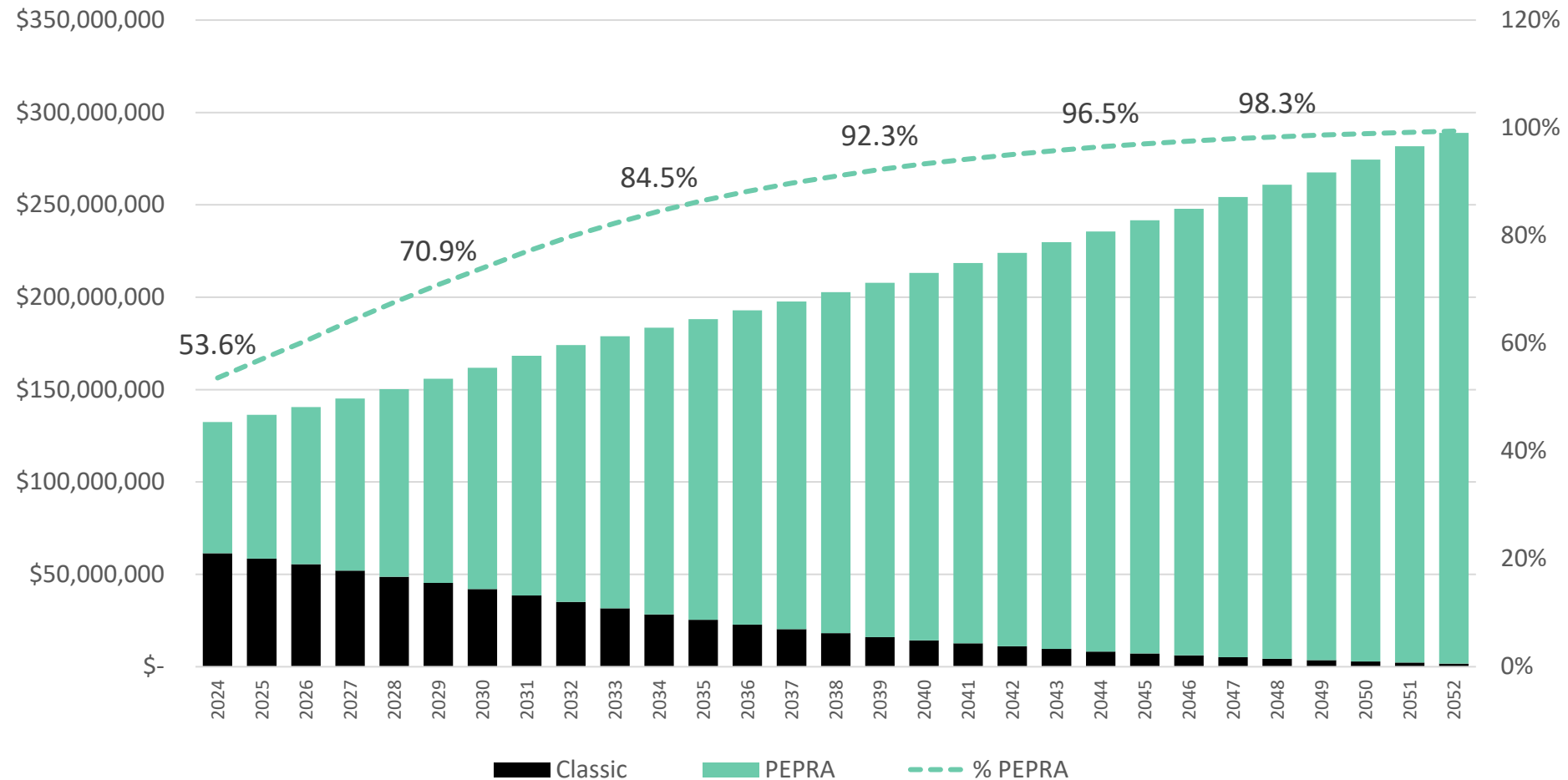
## Demographic

- Retirement
- Disability
- Death
- Termination

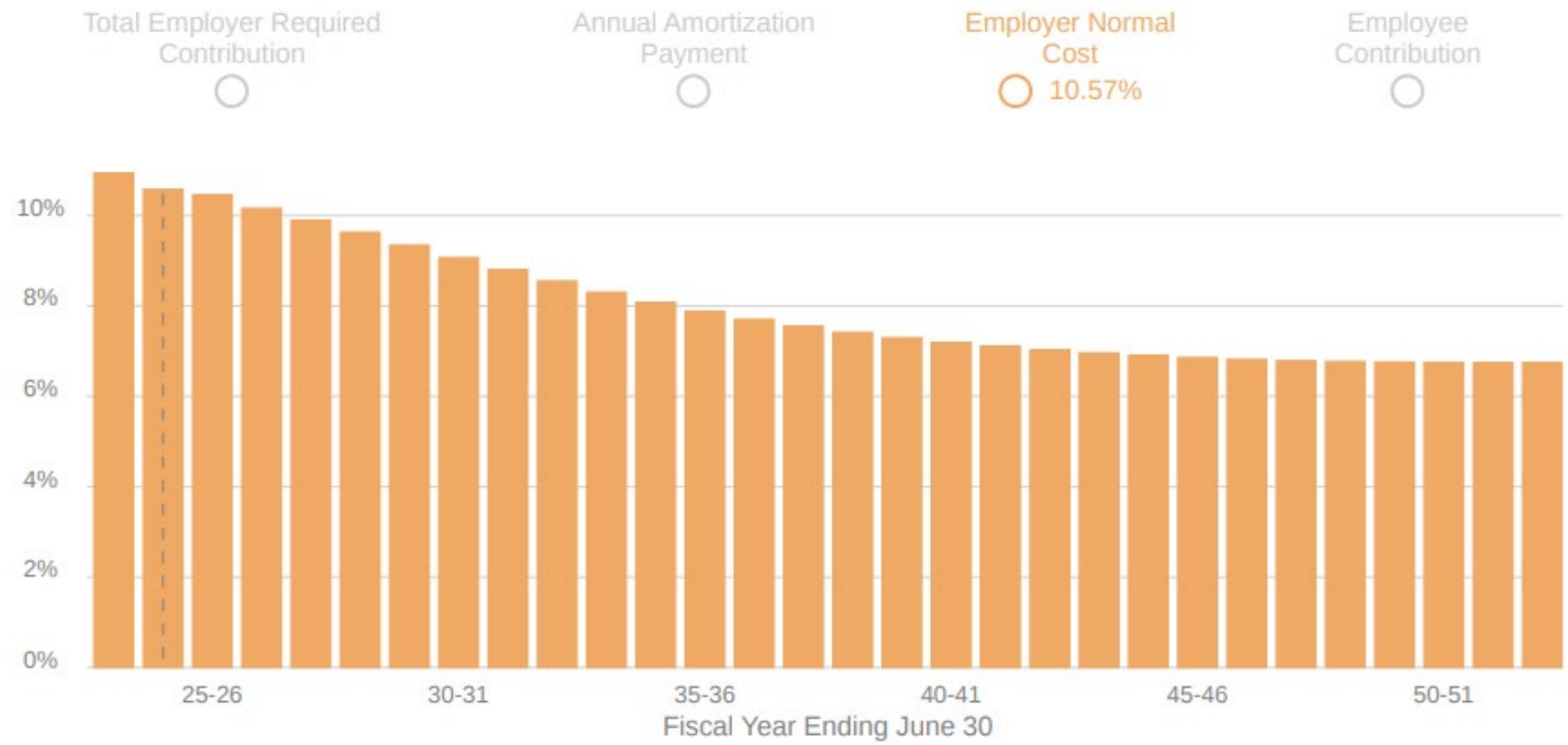
# Santa Clara Valley Water has 3 Benefit Structures within CalPERS for Miscellaneous Employees

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

# Over the Next Few Years, More Employees will be in the PEPRA Tier



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





# Comparison to Other CalPERS Agencies

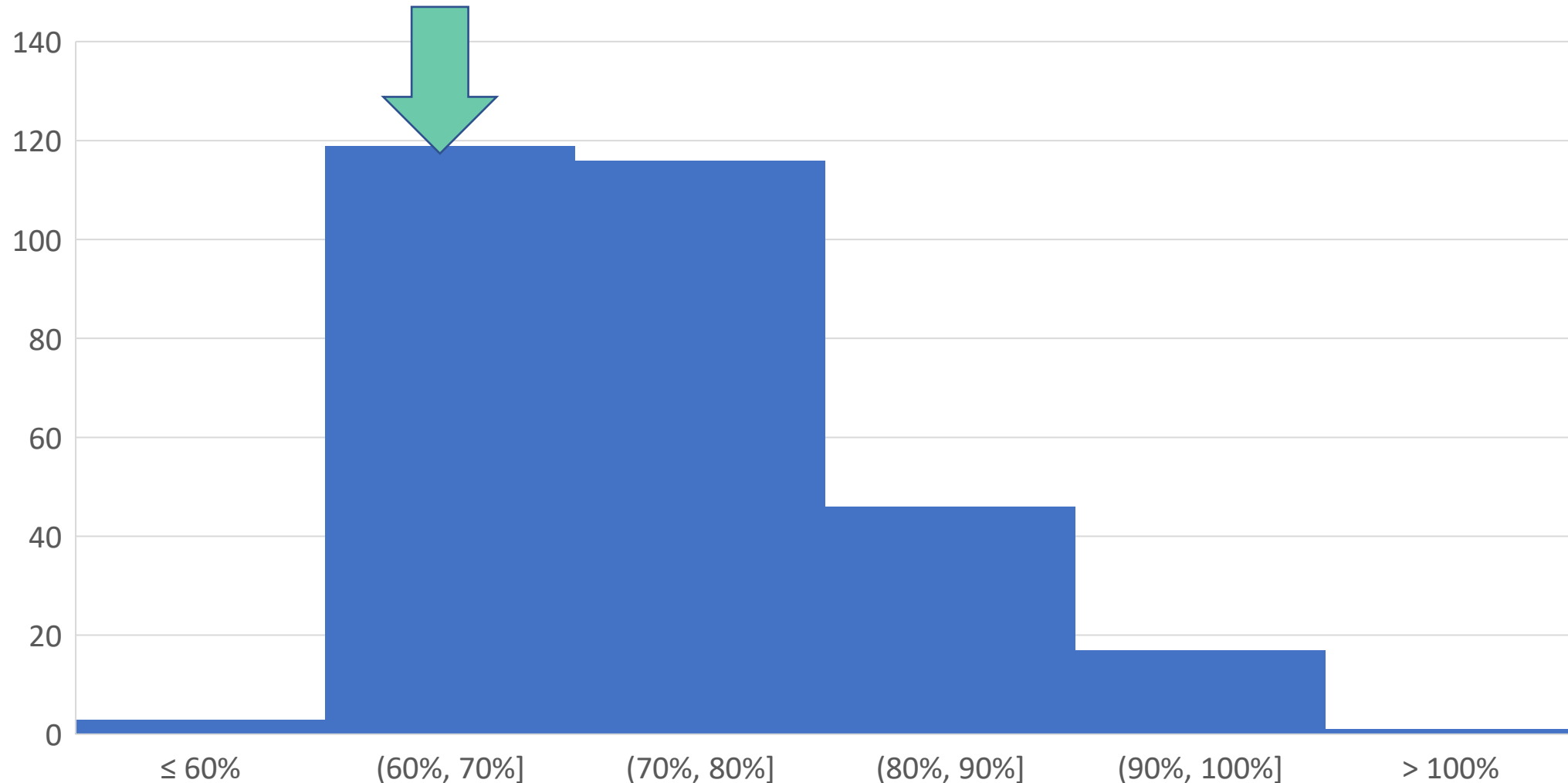
# Comparison Metrics

- **Funded Percentage**
  - Plan assets divided by Plan liabilities
  - Calculated as of June 30, 2023
- **Total Contribution Percentage**
  - Required Contribution divided by Projected Pensionable Compensation
  - Payable in Fiscal Year 2025/26

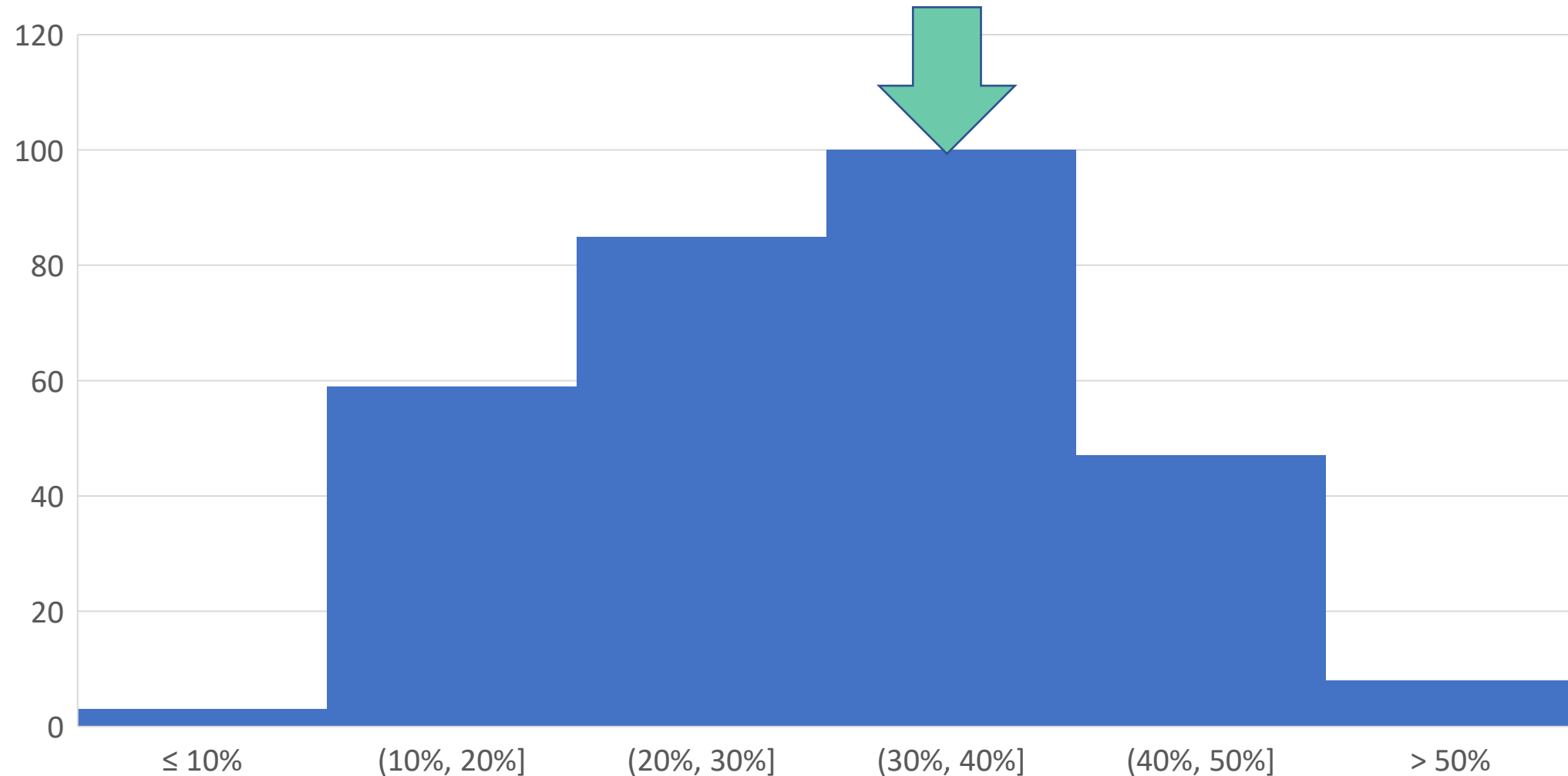
# Comparison Group

- District Miscellaneous results are compared against all the results for CalPERS Miscellaneous Plans that are not in the Risk Pool

# Miscellaneous Funded Percentage Comparison – 69.7%



# Miscellaneous Total Contribution Comparison – 30.3%



# Changes to CalPERS

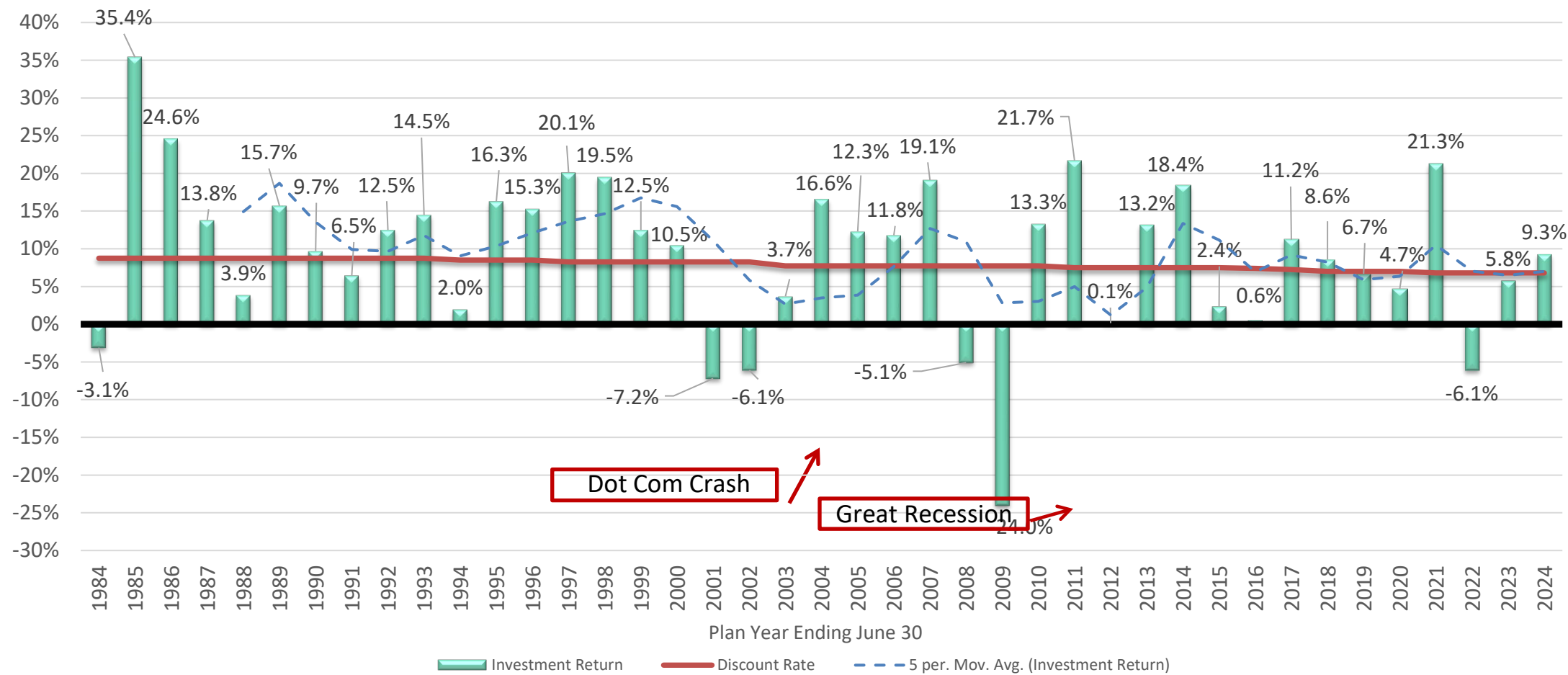
# CalPERS Investment Return:

**5.8% in 2022/23**

**9.3% in 2023/24**

Weak return in 2022/23 followed by better return in 23/24

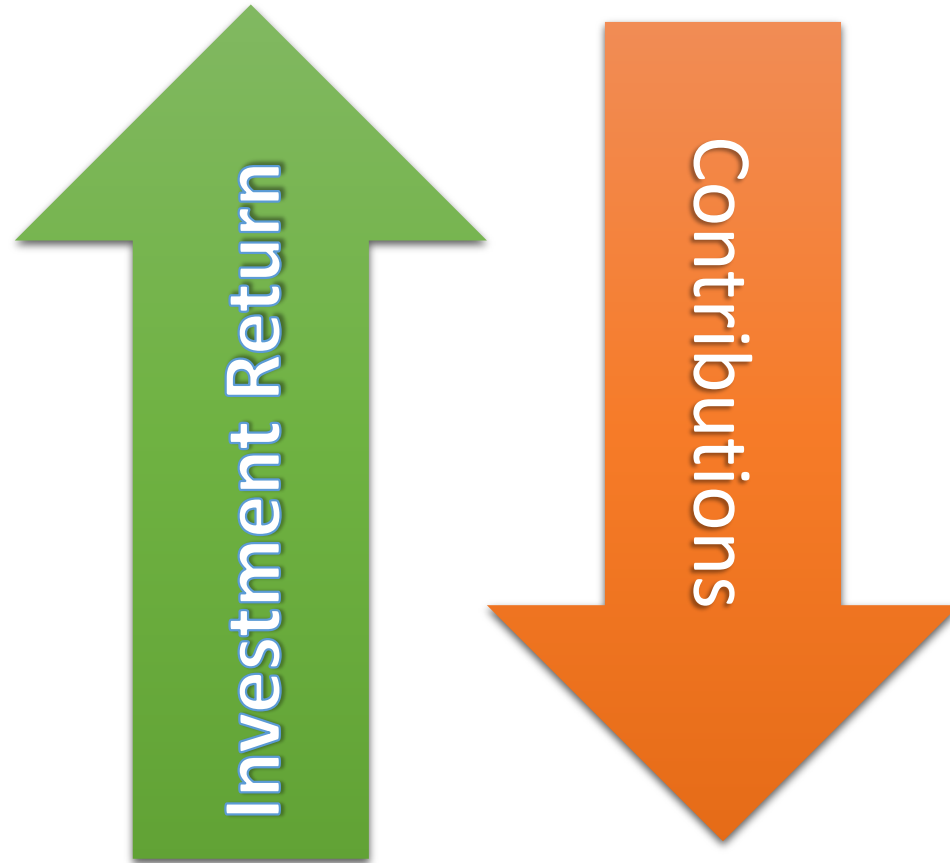
# CalPERS Actual Investment Returns versus Assumed Investment Return



Discount Rate = Assumed Investment Return Rate



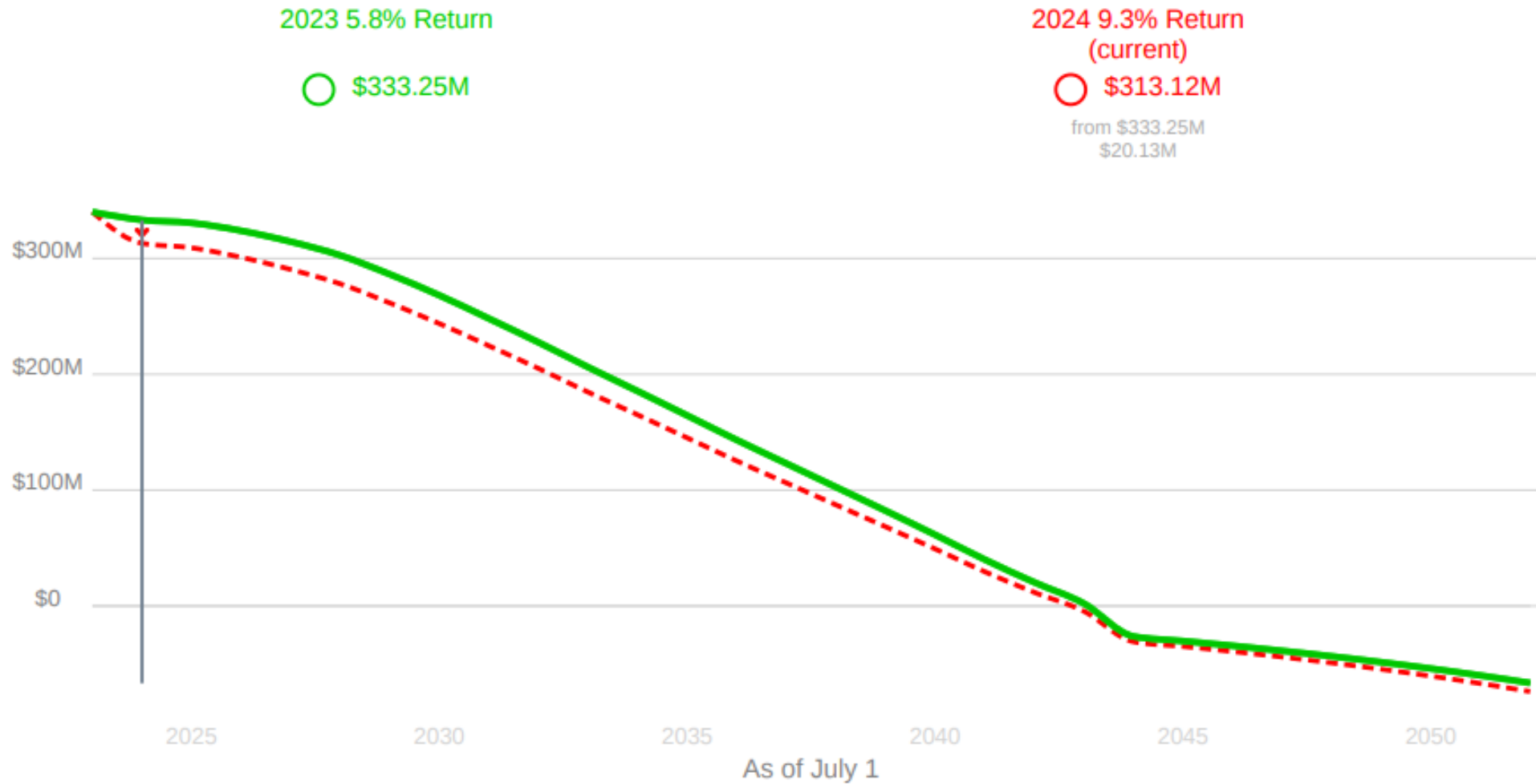
# More Money from Investment Return means Less Money Required from Contributions



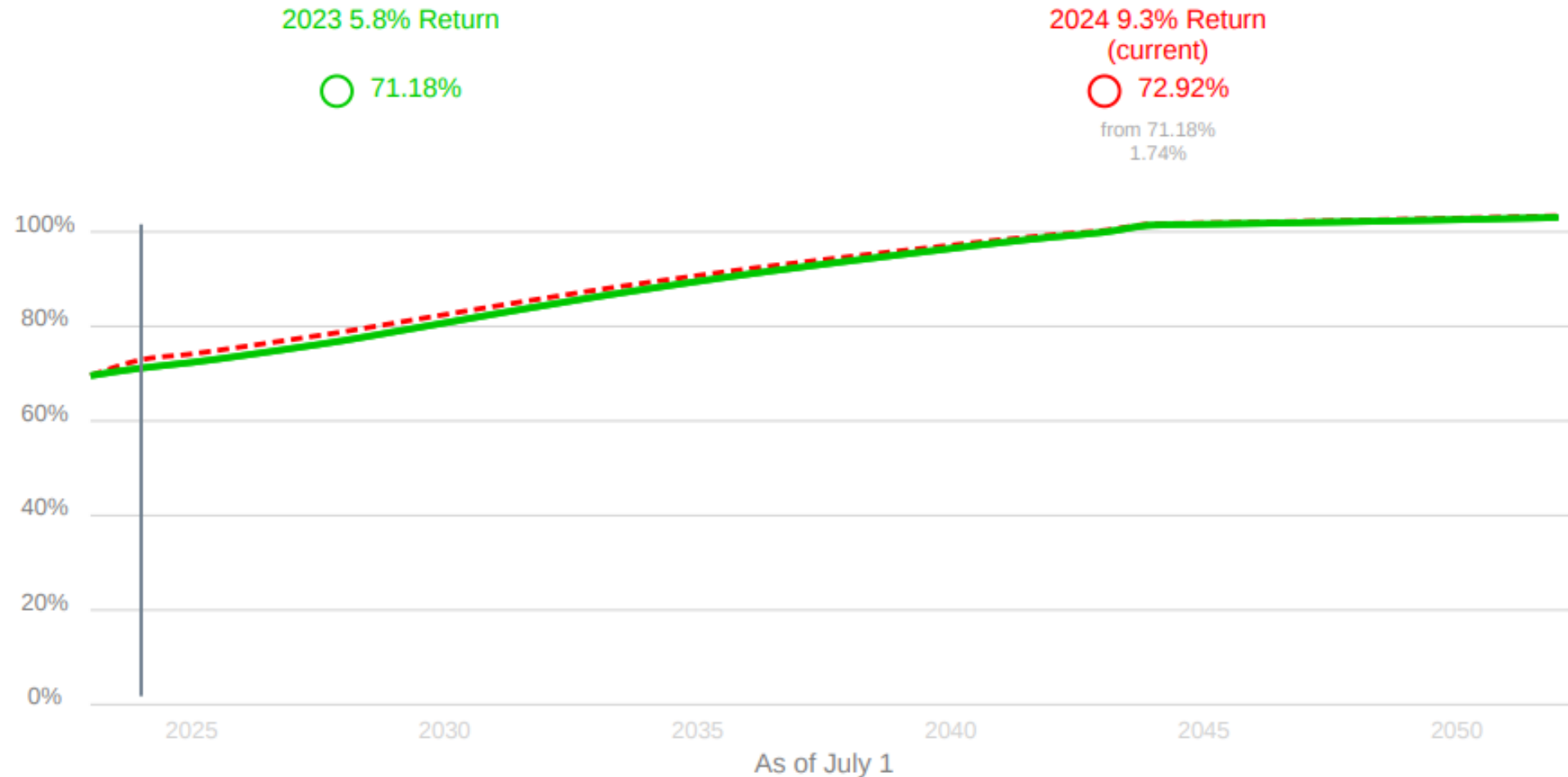
# What is the Impact of those Changes?

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

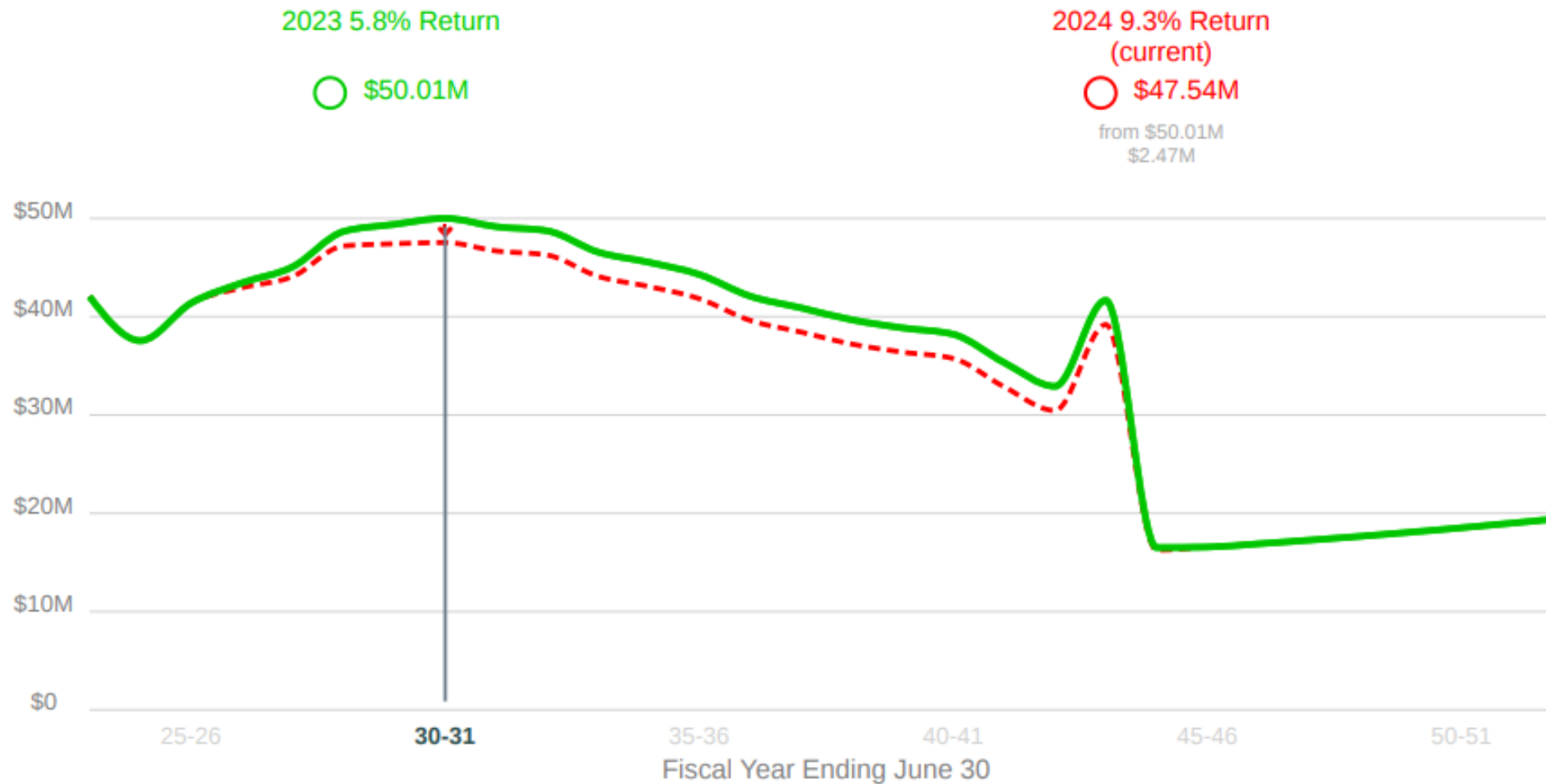
# Unfunded Actuarial Liability



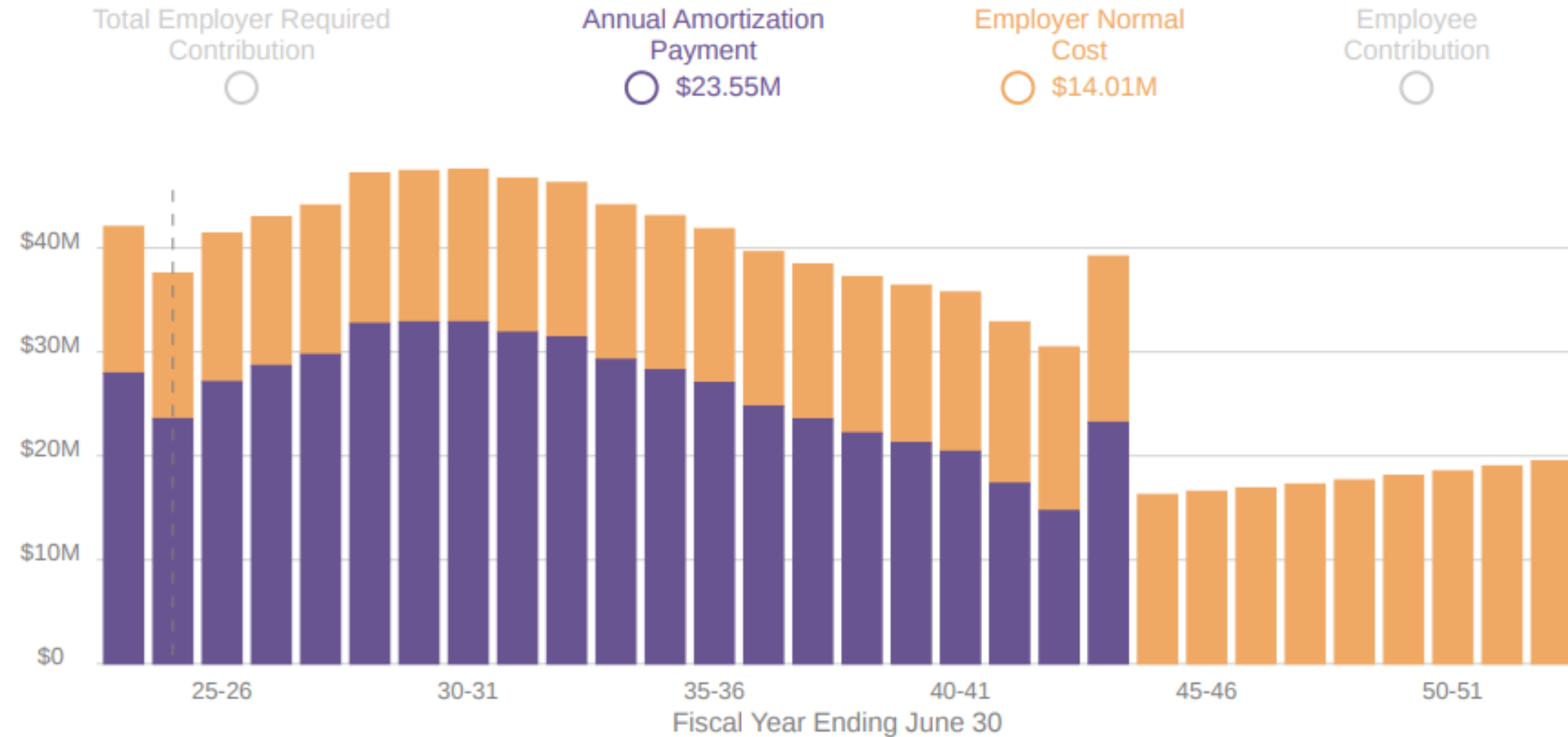
# Funded Percentage



# Employer Required Contributions



# Employer Required Contributions



# Impact of Additional Contributions

# Why Address Unfunded Actuarial Liability?

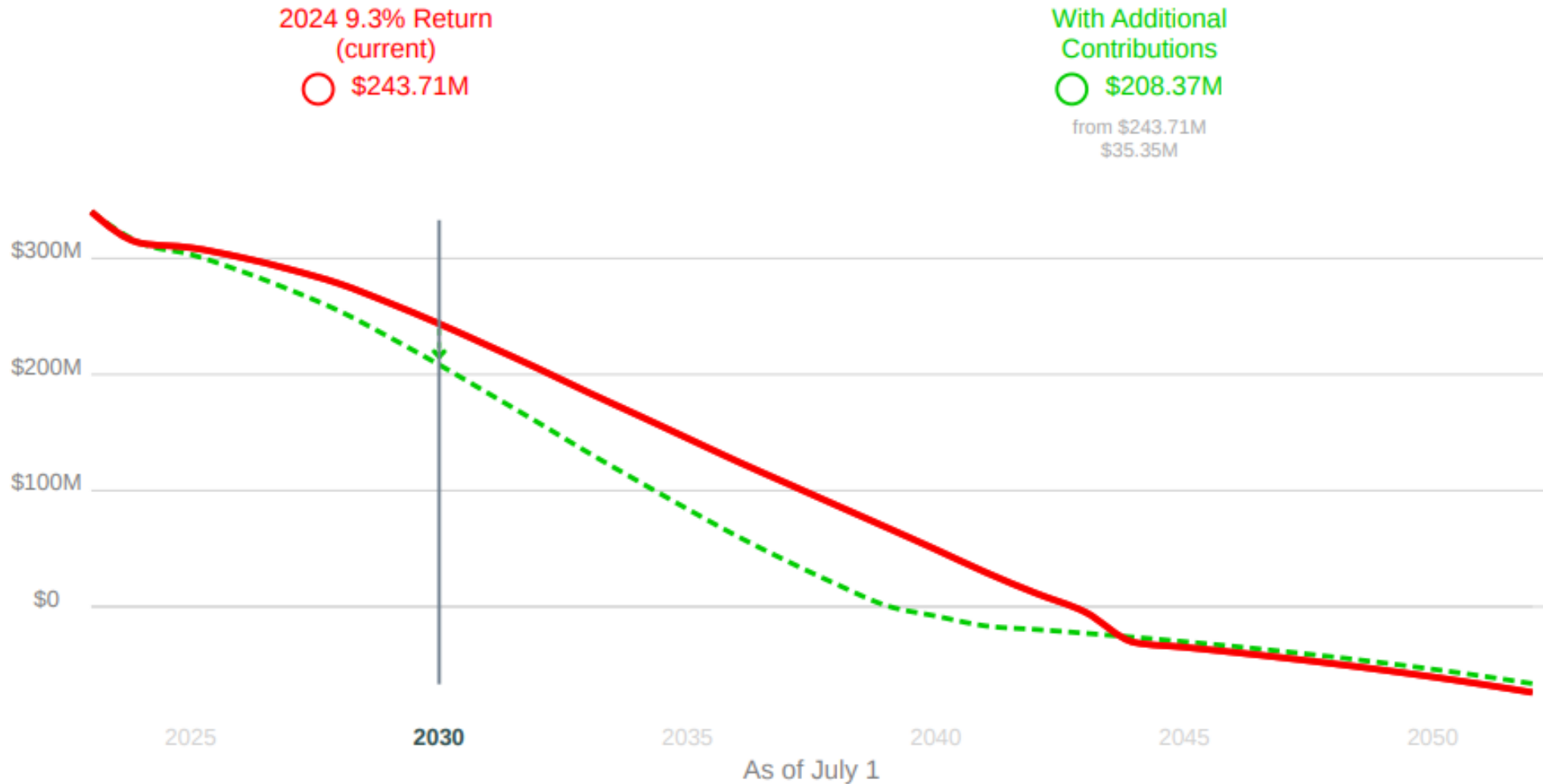
- Most of the increase in Required Contribution is due to payment toward Unfunded Actuarial Liability
- District is effectively paying interest to CalPERS for Unfunded Actuarial Liability
- Current interest rate is 6.8%



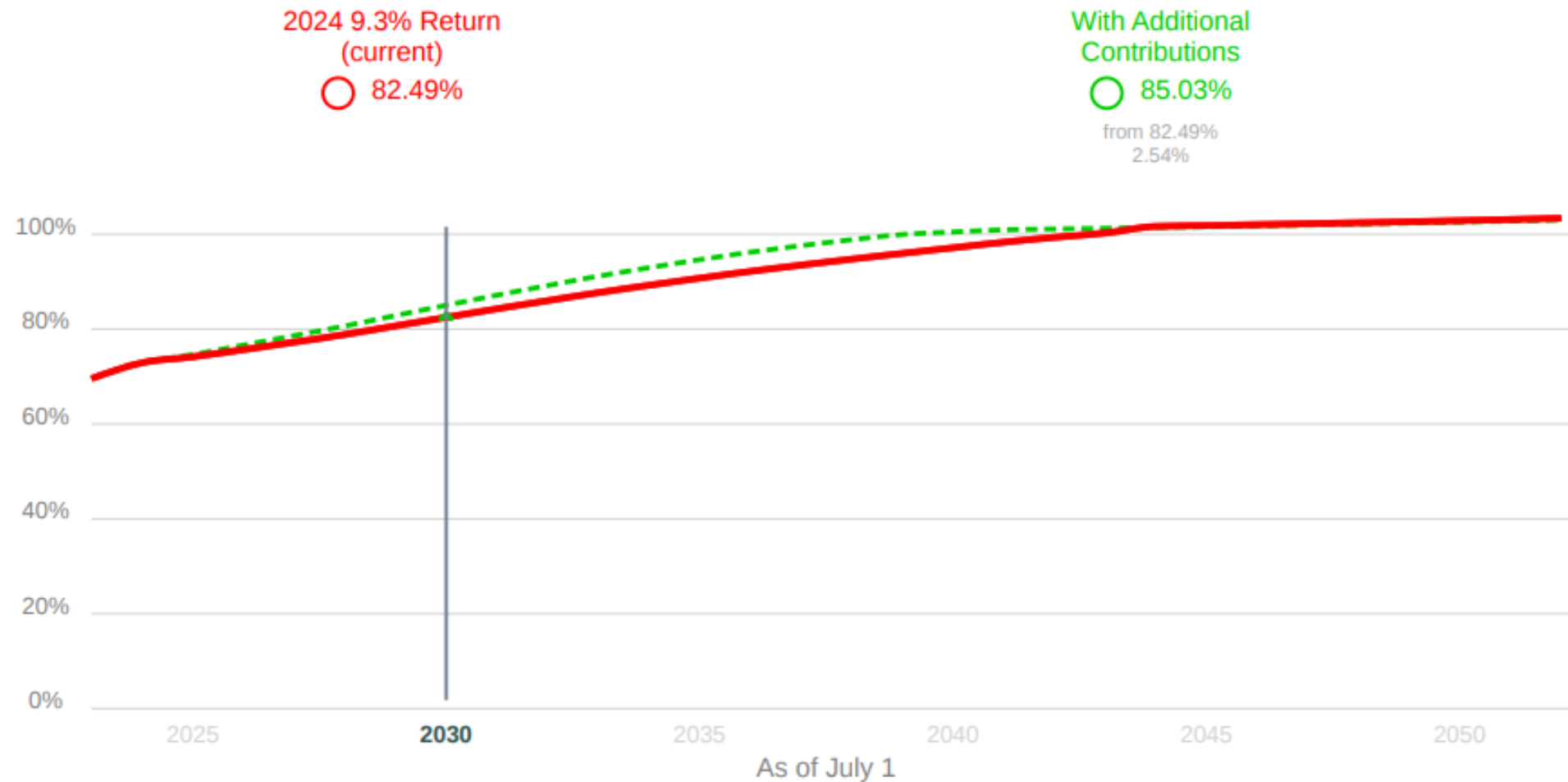
# Impact of Additional Contributions

- 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

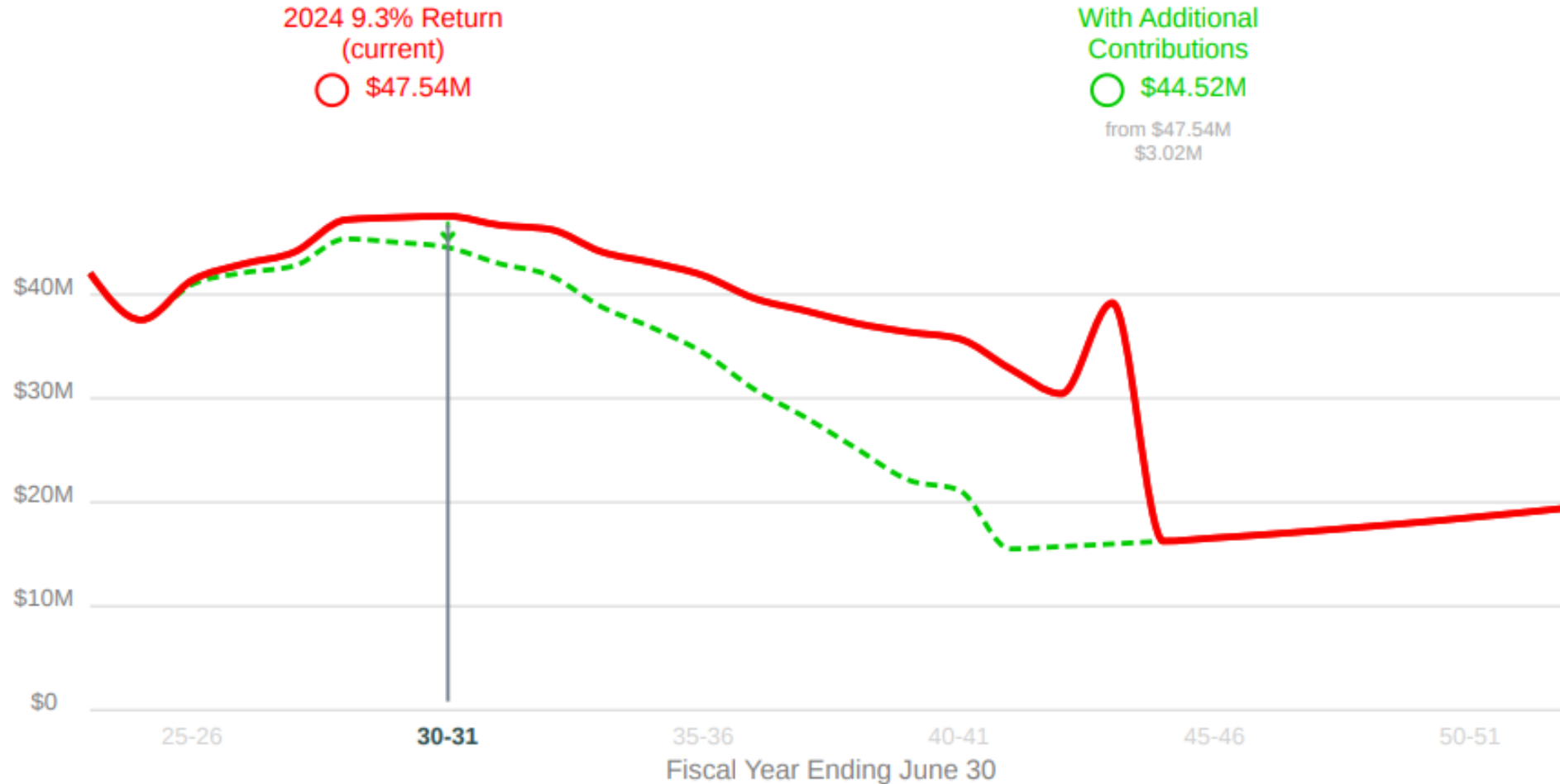
# Unfunded Actuarial Liability



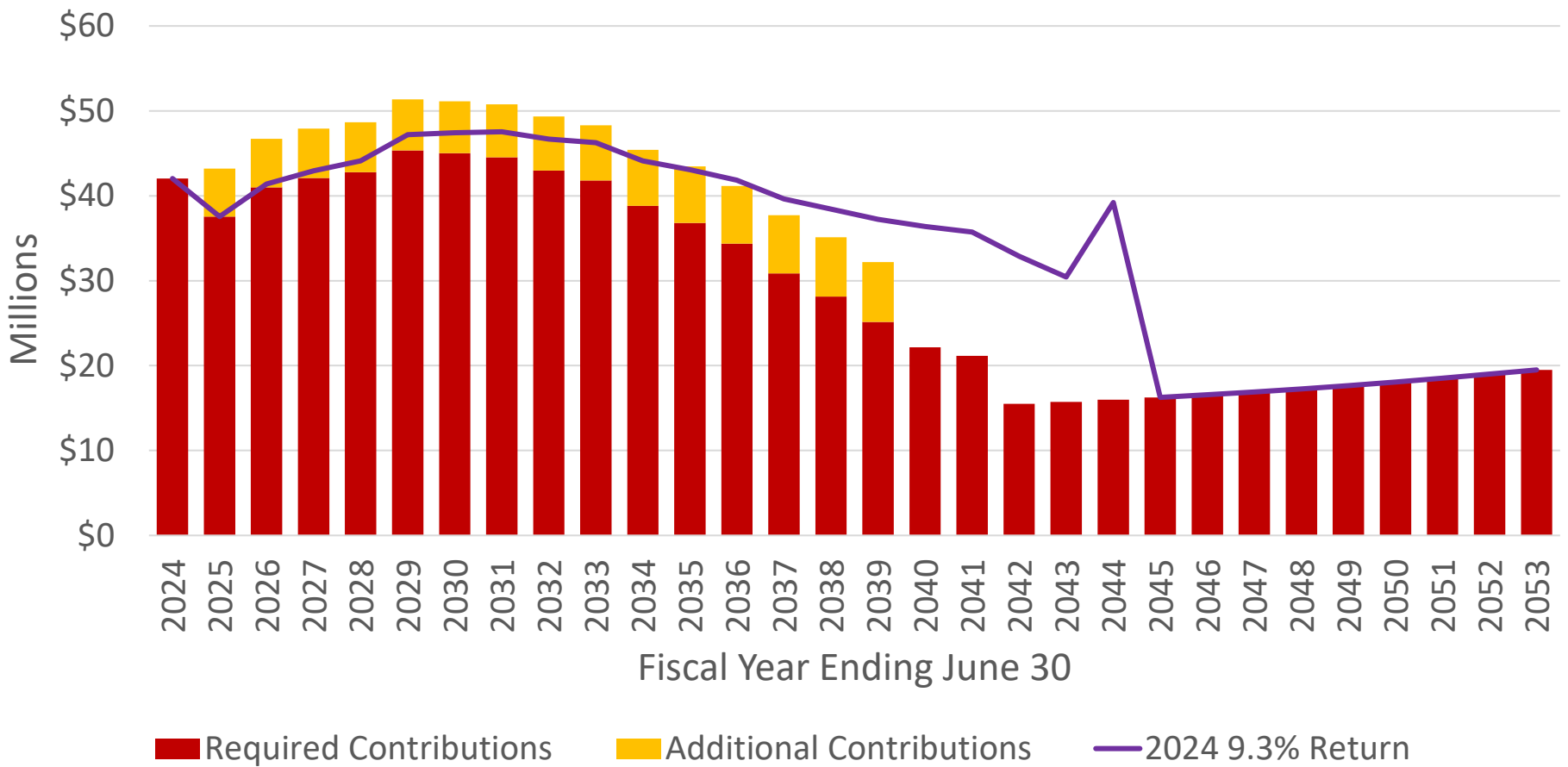
# Funded Percentage



# Employer Required Contributions



# Total Employer Contribution



# Projected Savings from Making Additional Contributions

<b>Baseline Required Contributions</b>	<b>\$1,021,791,269</b>
<b>Required Contributions after Additional</b>	<b>\$869,587,980</b>
<b>Total Additional Contributions</b>	<b>\$95,176,976</b>
<b>Savings</b>	<b>\$57,026,313</b>

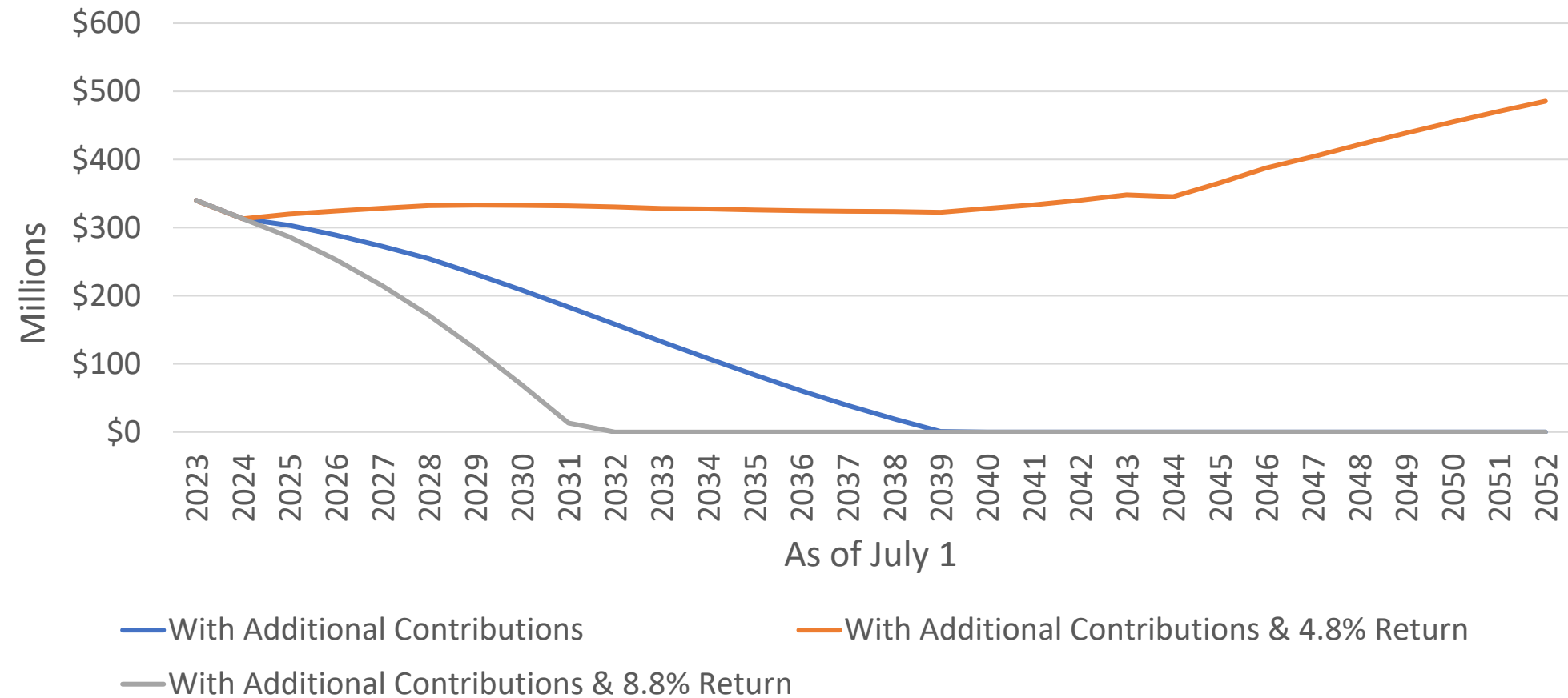
# Impact of Future Investment Returns

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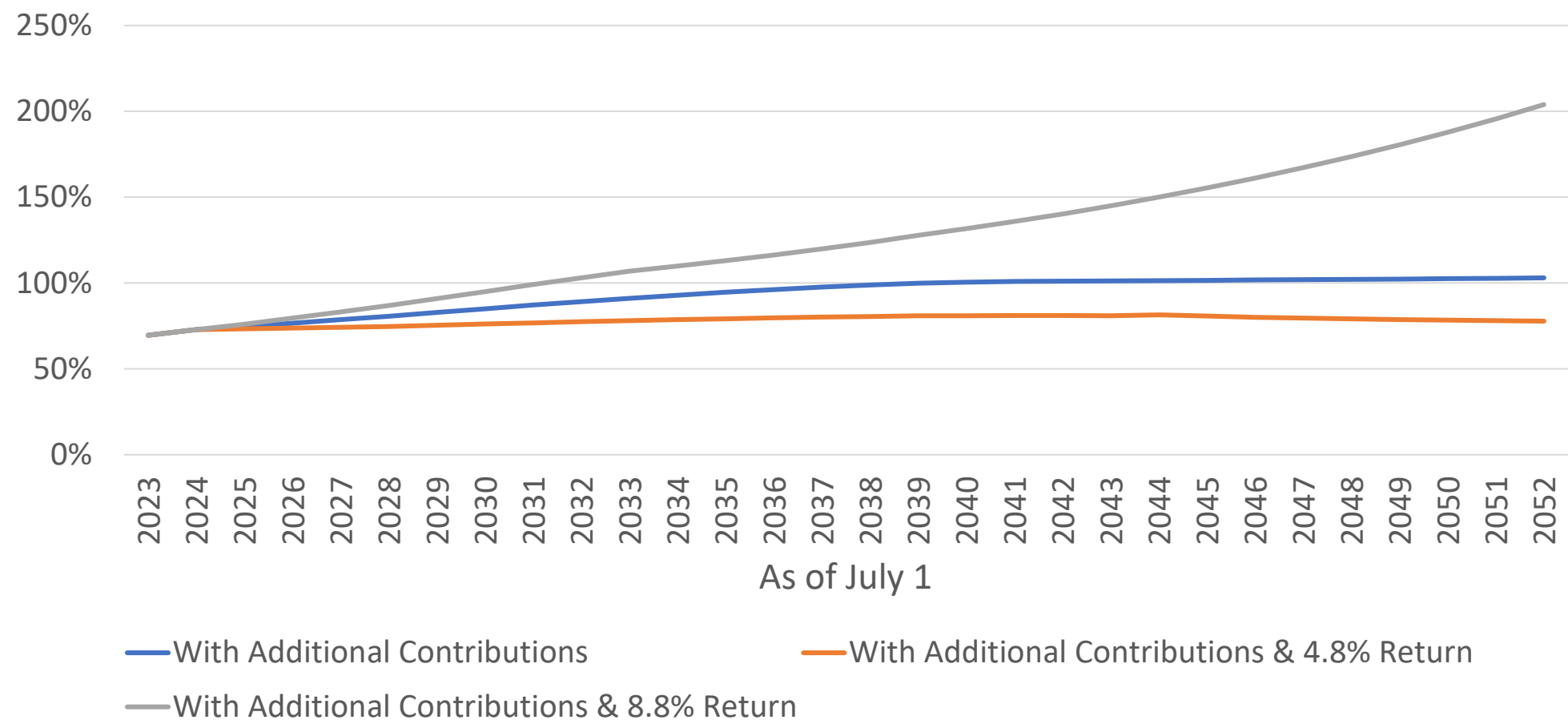
- Actual Investment Returns have a significant impact on future required contribution rates
- In this section, we look at the Required Contribution to CalPERS under three future investment return scenarios:
  - Baseline – 6.8% per year
  - Weaker than Expected – 4.8% per year
  - Stronger than Expected – 8.8% per year



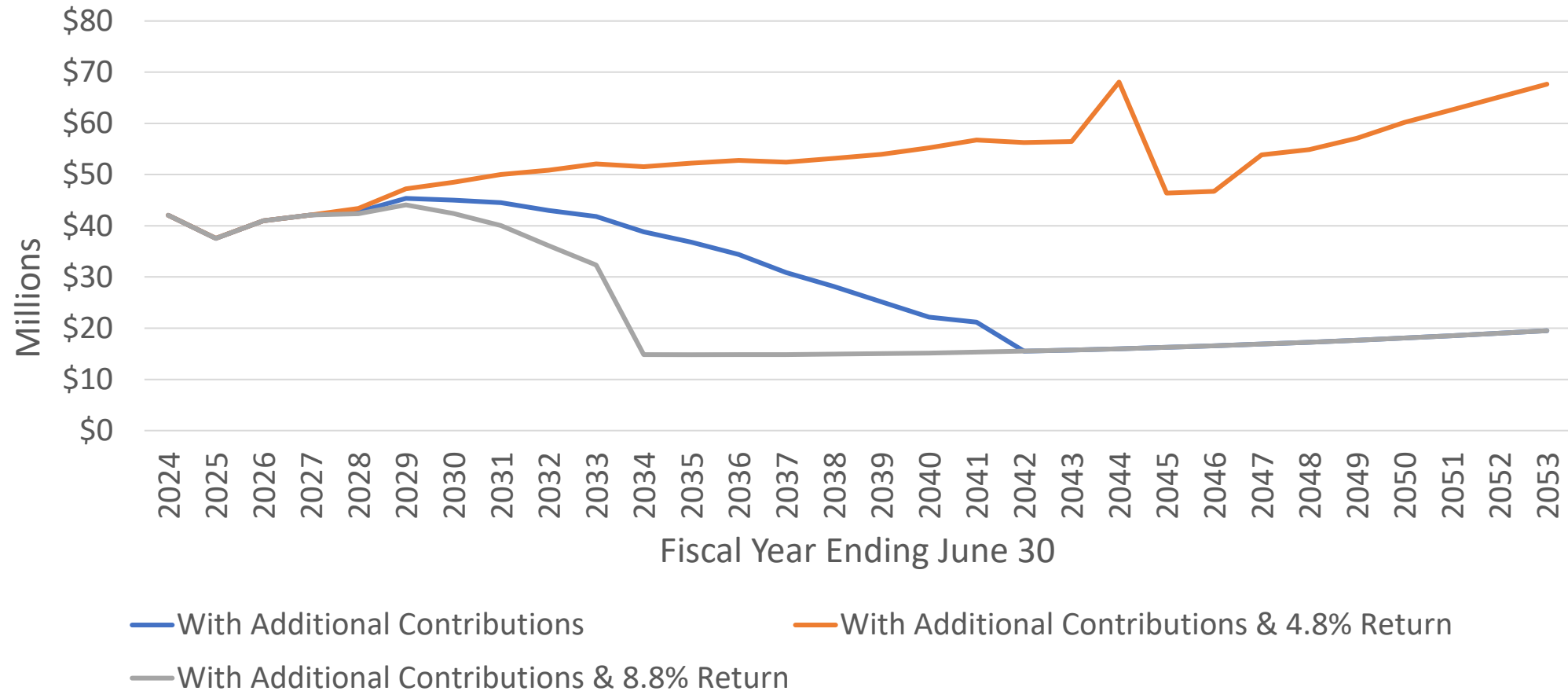
# Unfunded Actuarial Liability



# Funded Percentage



# Employer Required Contributions



# Questions



# Disclaimer

While tested against actuarial valuation results, the software results will not necessarily match actuarial valuation results, as no two actuarial models are identical. The software offers financially sound projections and analysis; however, outputs do not guarantee compliance with standards under the Government Accounting Standards Board or Generally Accepted Accounting Principles. The software and this presentation are not prepared in accordance with standards as promulgated by the American Academy of Actuaries, nor do outputs or this presentation constitute Statements of Actuarial Opinion. GovInvest has used census data, plan provisions, and actuarial assumptions provided by Customer and/or Customer's actuary to develop the software for Customer. GovInvest has relied on this information without audit.

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