

CalPERS Pension Update

Napa, CA
May 20, 2025



Agenda



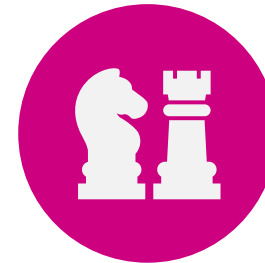
CalPERS
Pension Basics



Comparison to
Other Agencies



Changes
to CalPERS &
Their Impact



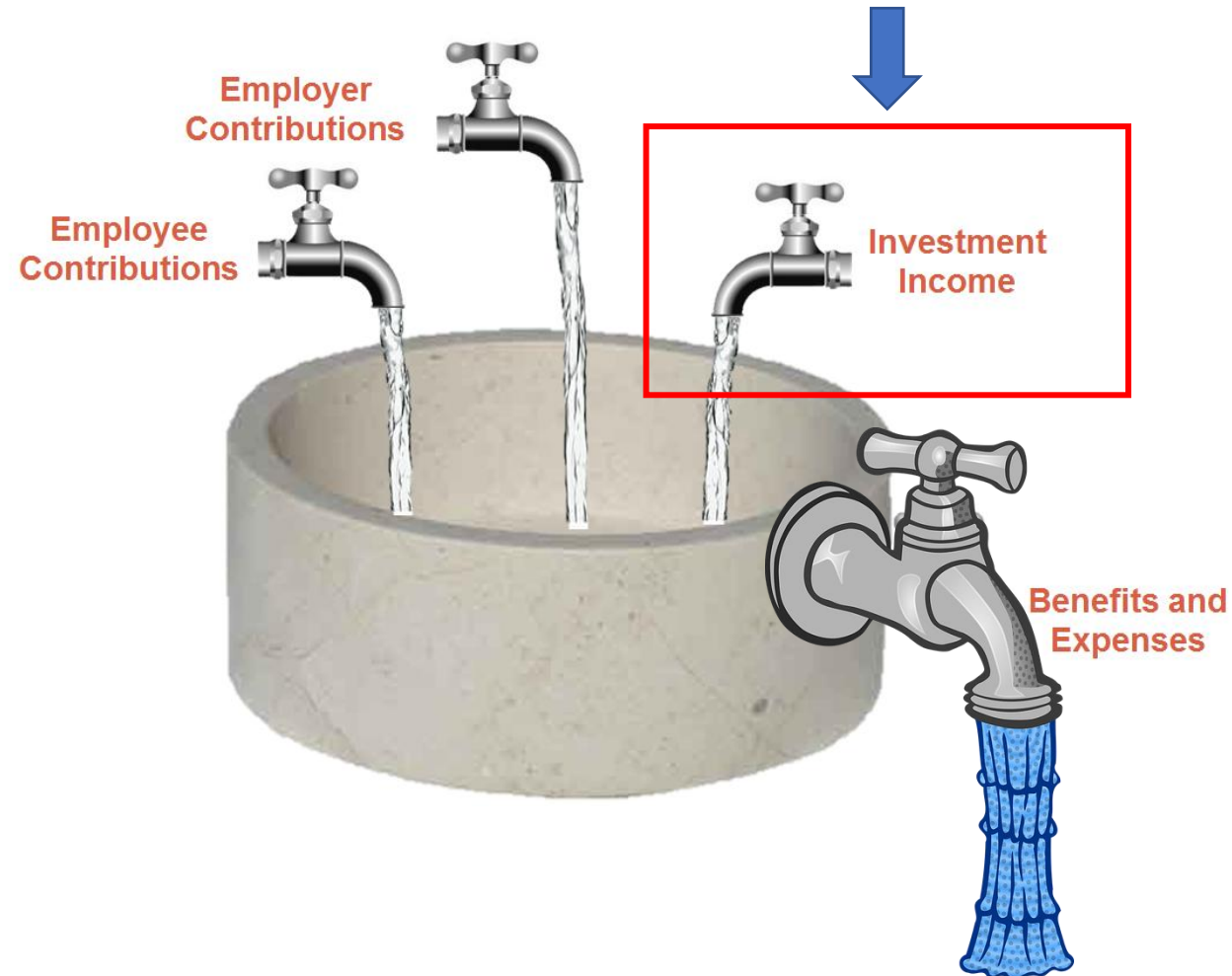
Potential
Strategies

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

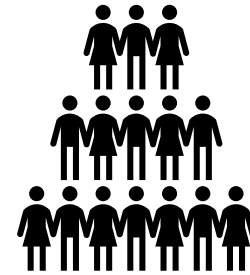


CalPERS Projects Future Benefit Payments using a Series of Assumptions



Economic

- Inflation
- Investment Return
- Salary Growth



Demographic

- Retirement
- Disability
- Death
- Termination

Napa has 4 Benefit Structures within CalPERS for Miscellaneous Employees

	<i>Miscellaneous Tier 1</i>	<i>Miscellaneous Tier 2</i>	<i>Miscellaneous Tier 3</i>	<i>PEPRA Miscellaneous</i>
Hire Date	On or Before 4/19/83	Between 4/20/83 and 12/20/2012	Between 12/21/2012 and 12/31/2012	On or After 01/01/2013
Formula	2.7% @ 55	2.7% @ 55	2% @ 60	2% @ 62
Final Pay Period	12 months	36 months	36 months	36 months
COLA	2% per year	2% per year	2% per year	2% per year
Employee Contributions	8% of pay	8% of pay	7% of pay	7.25% of pay (50% of Normal Cost)
Additional Employee Contributions	4.5% of pay	4.5% of pay	4.5% of pay	4.5% of pay

No Additional Employee Contributions for Elected Officials

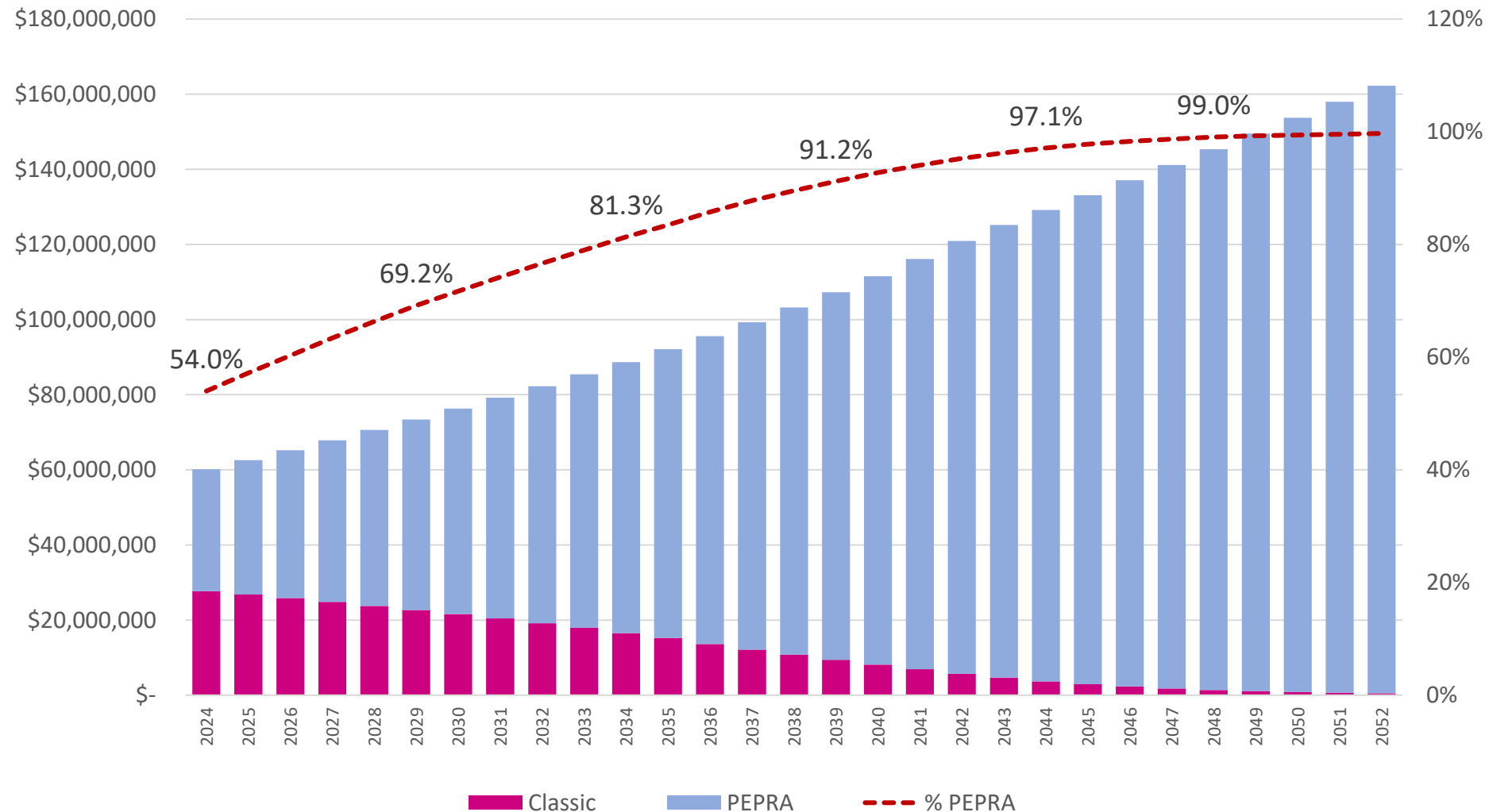
Napa has 3 Benefit Structures within CalPERS for Police Officers

	<i>Safety Tiers 1 & 2</i>	<i>Safety Tier 3</i>	<i>PEPRA Safety</i>
<i>Hire Date</i>	On or Before 1/6/2012	Between 1/7/2012 and 12/31/2012	On or After 01/01/2013
<i>Formula</i>	3% @ 50	3% @ 55	2.7% @ 57
<i>Final Pay Period</i>	12 months	36 months	36 months
<i>COLA</i>	2% per year	2% per year	2% per year
<i>Employee Contributions</i>	9% of pay	9% of pay	12.25% of pay (50% of Normal Cost)
<i>Additional Employee Contributions</i>	5.5% of pay	NPOA: 5.5% of pay PMU: 4% of pay	1.75% of pay

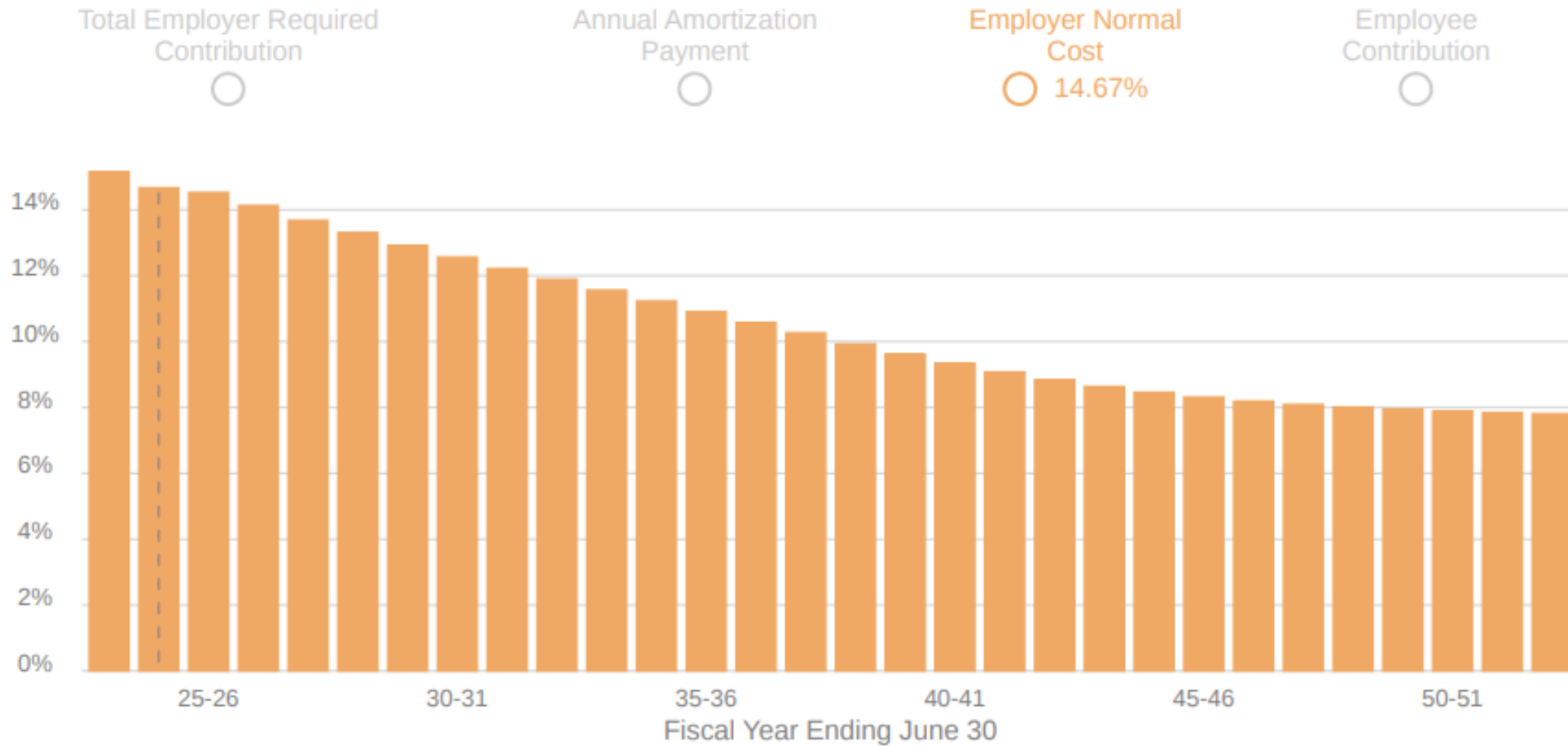
Napa has 3 Benefit Structures within CalPERS for Fire Fighters

	<i>Safety Tiers 1 & 2</i>	<i>Safety Tier 3</i>	<i>PEPRA Safety</i>
<i>Hire Date</i>	On or Before 8/10/2012	Between 8/11/2012 and 12/31/2012	On or After 01/01/2013
<i>Formula</i>	3% @ 50	3% @ 55	2.7% @ 57
<i>Final Pay Period</i>	12 months	36 months	36 months
<i>COLA</i>	2% per year	2% per year	2% per year
<i>Employee Contributions</i>	9% of pay	9% of pay	12.25% of pay (50% of Normal Cost)
<i>Additional Employee Contributions</i>	NCFA: 3% of pay NCFO: 5.5% of pay	NCFA: 3% of pay NCFO: 5.5% of pay	NCFA: 0% of pay NCFO: 5.5% of pay

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

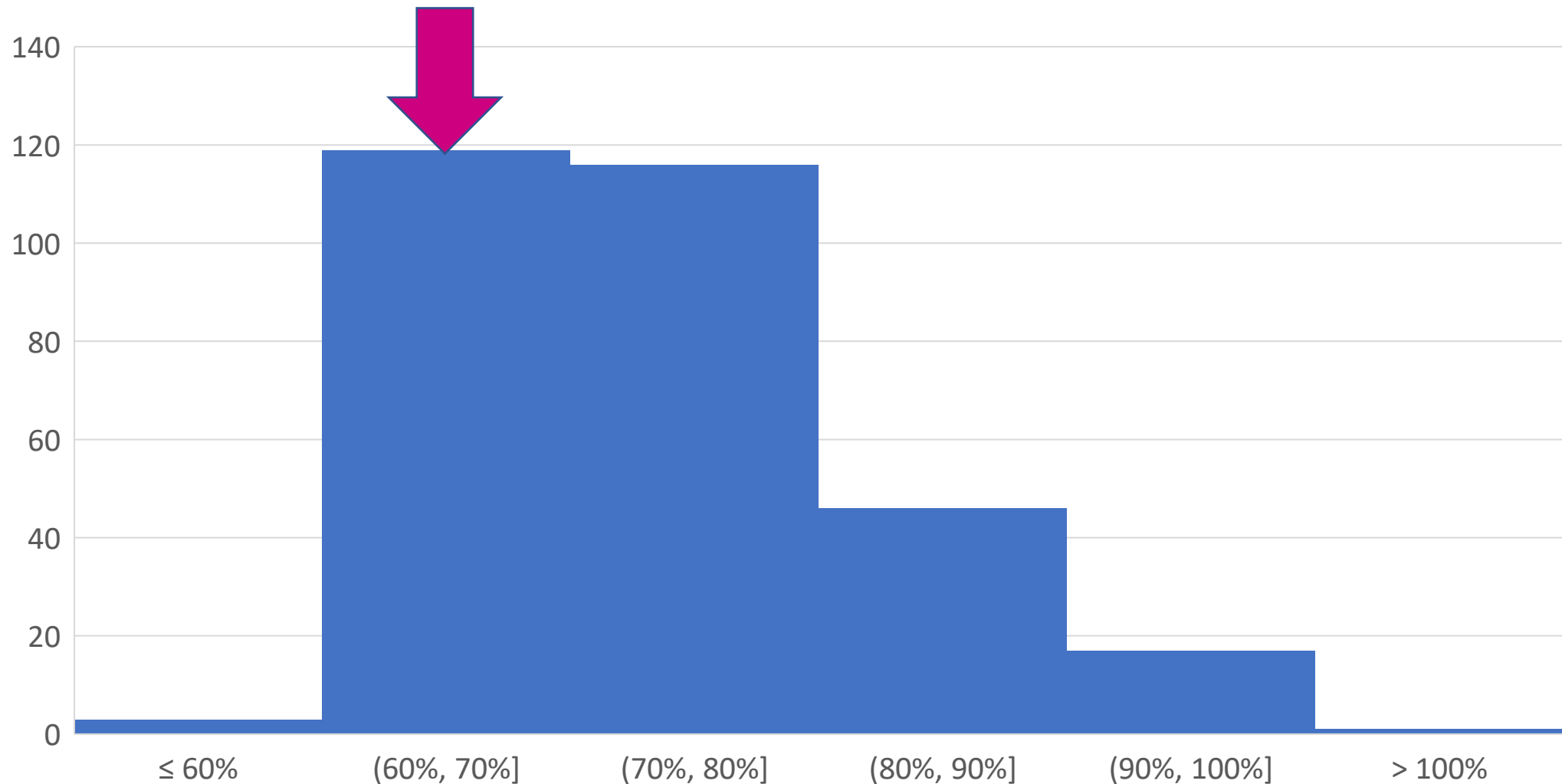
Comparison Metrics

- **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

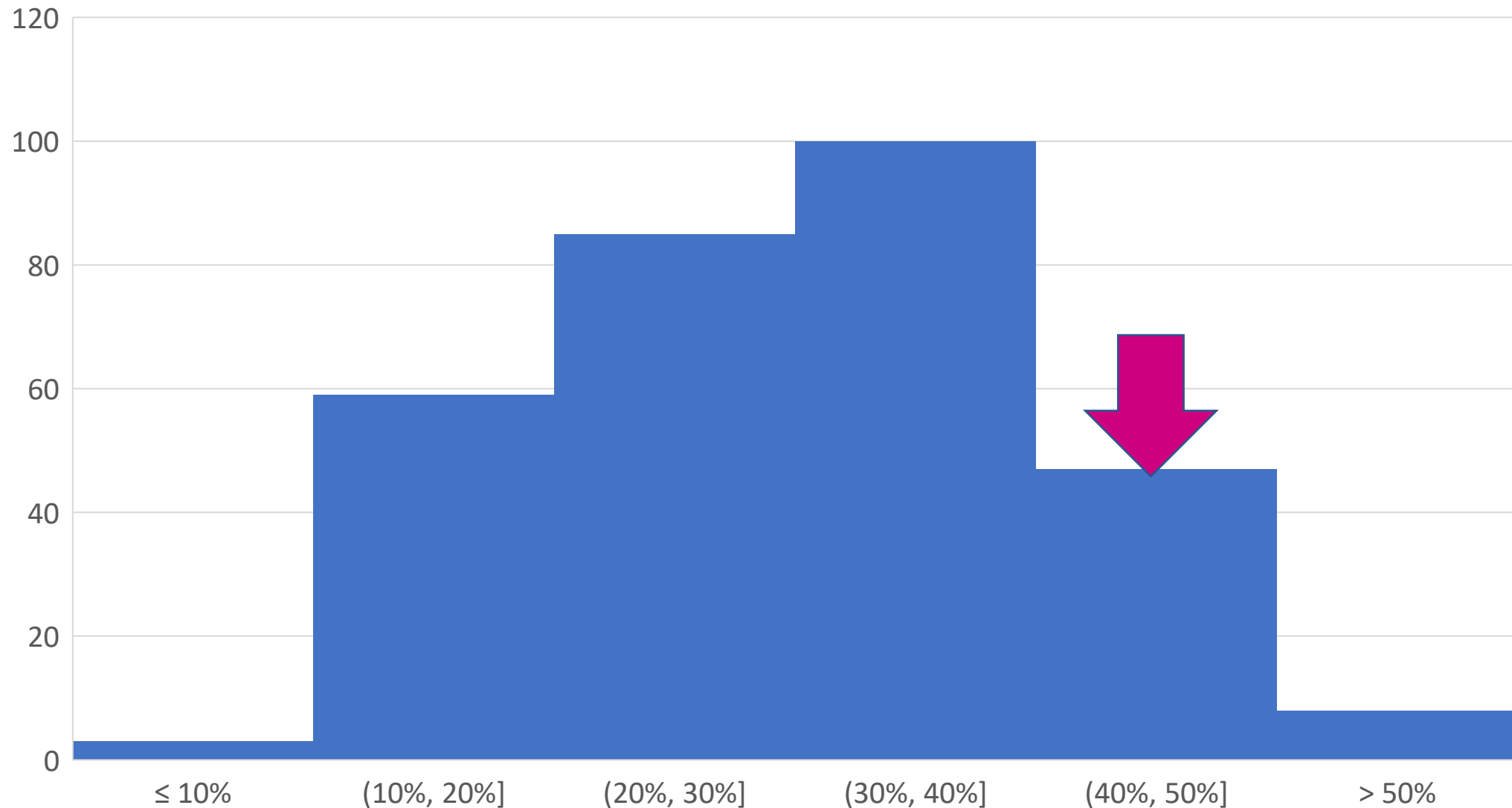
Comparison Group

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

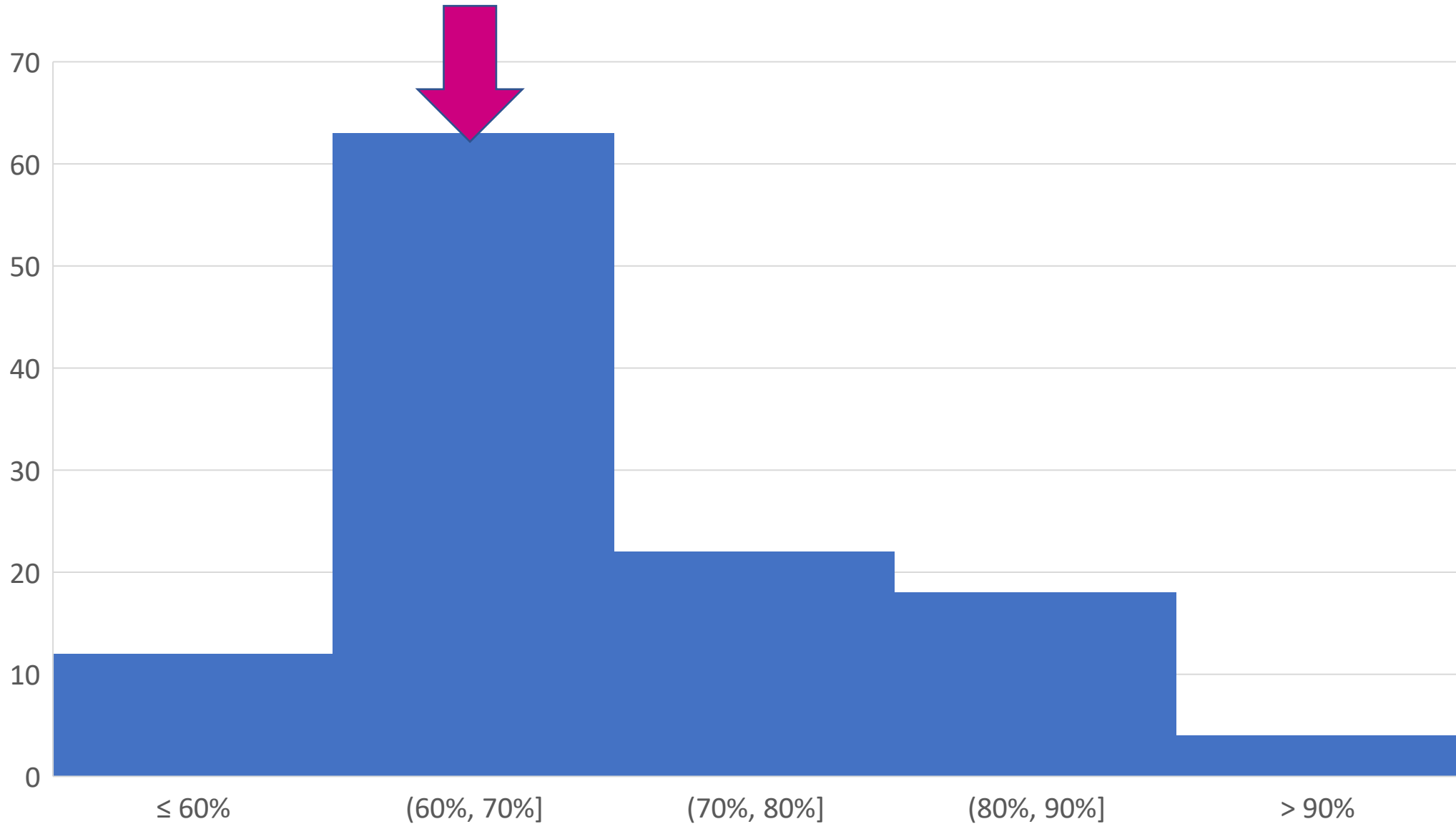
Miscellaneous Funded Percentage Comparison – 61.2%



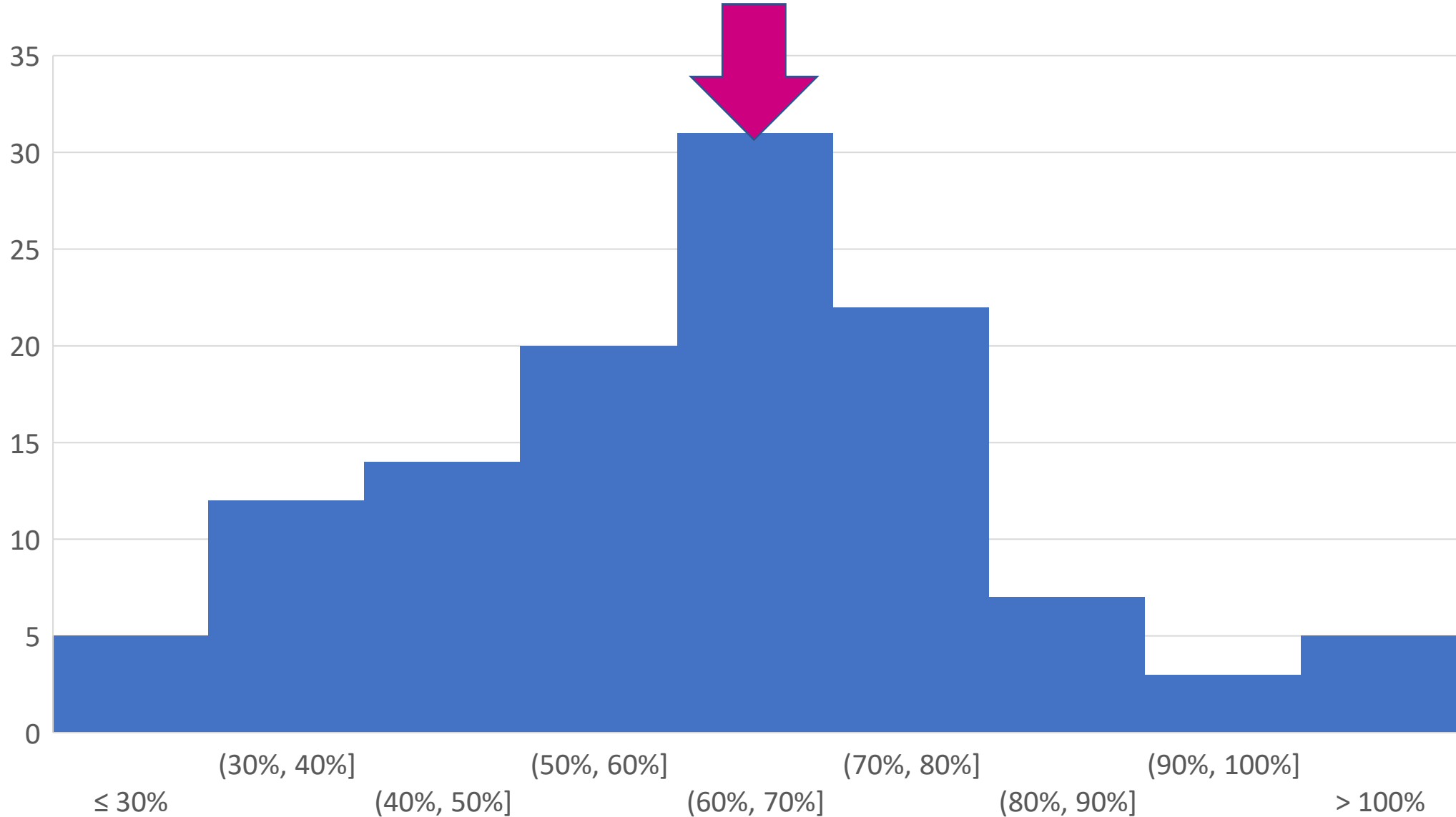
Miscellaneous Total Contribution Comparison – 40.2%



Safety Funded Percentage Comparison – 63.0%



Safety Total Contribution Comparison – 62.3%



Changes to CalPERS

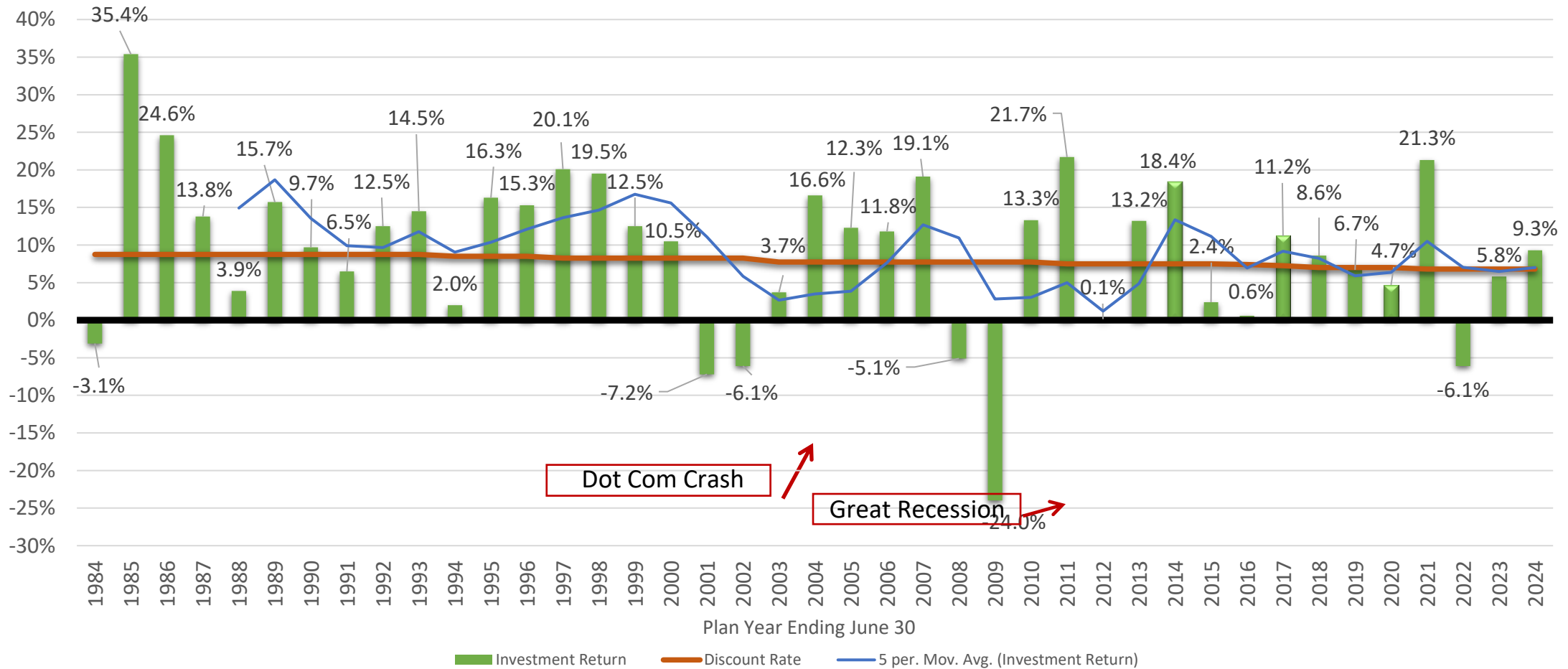
CalPERS Investment Return:

5.8% in 2022/23

9.3% in 2023/24

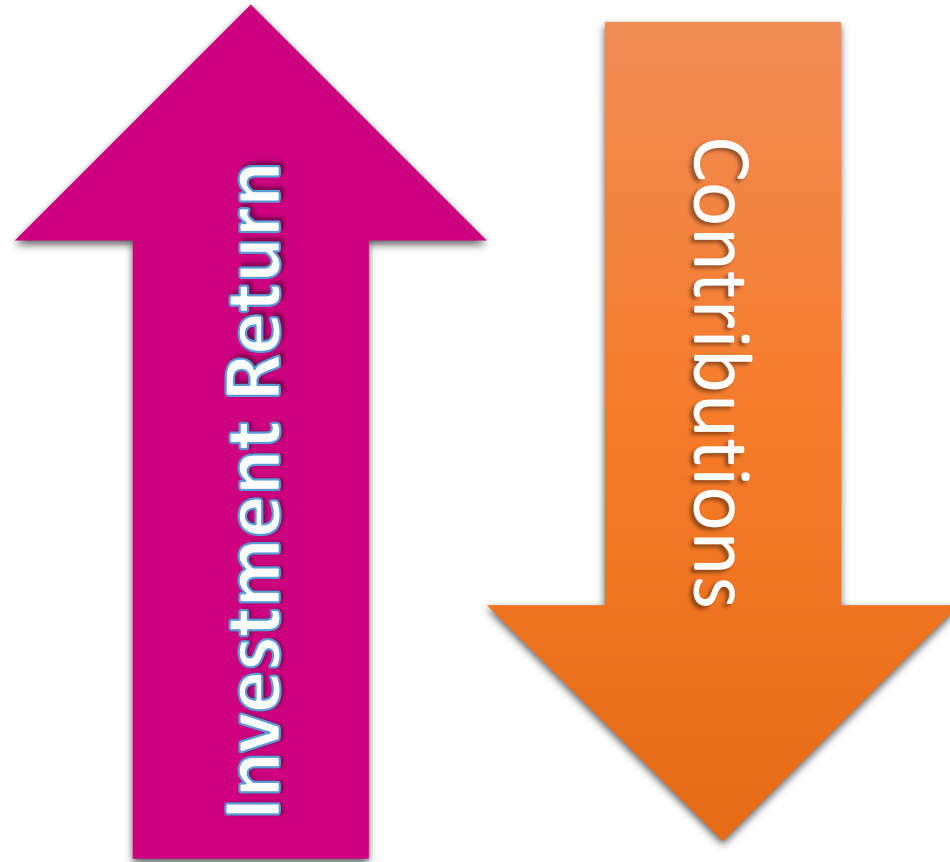
Weak return in 2022/23 followed by better return in 23/24

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

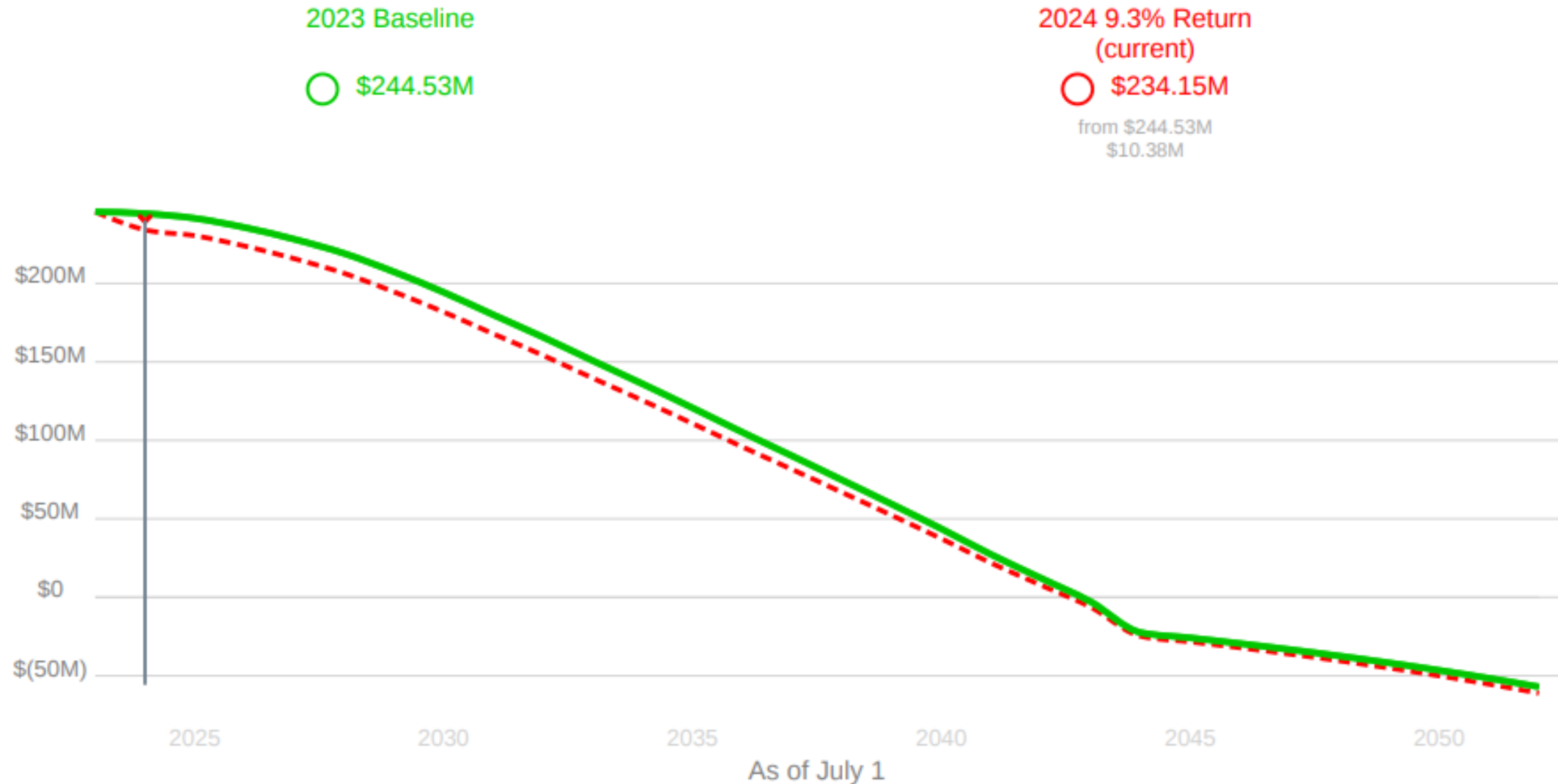


What is the Impact of those Changes?

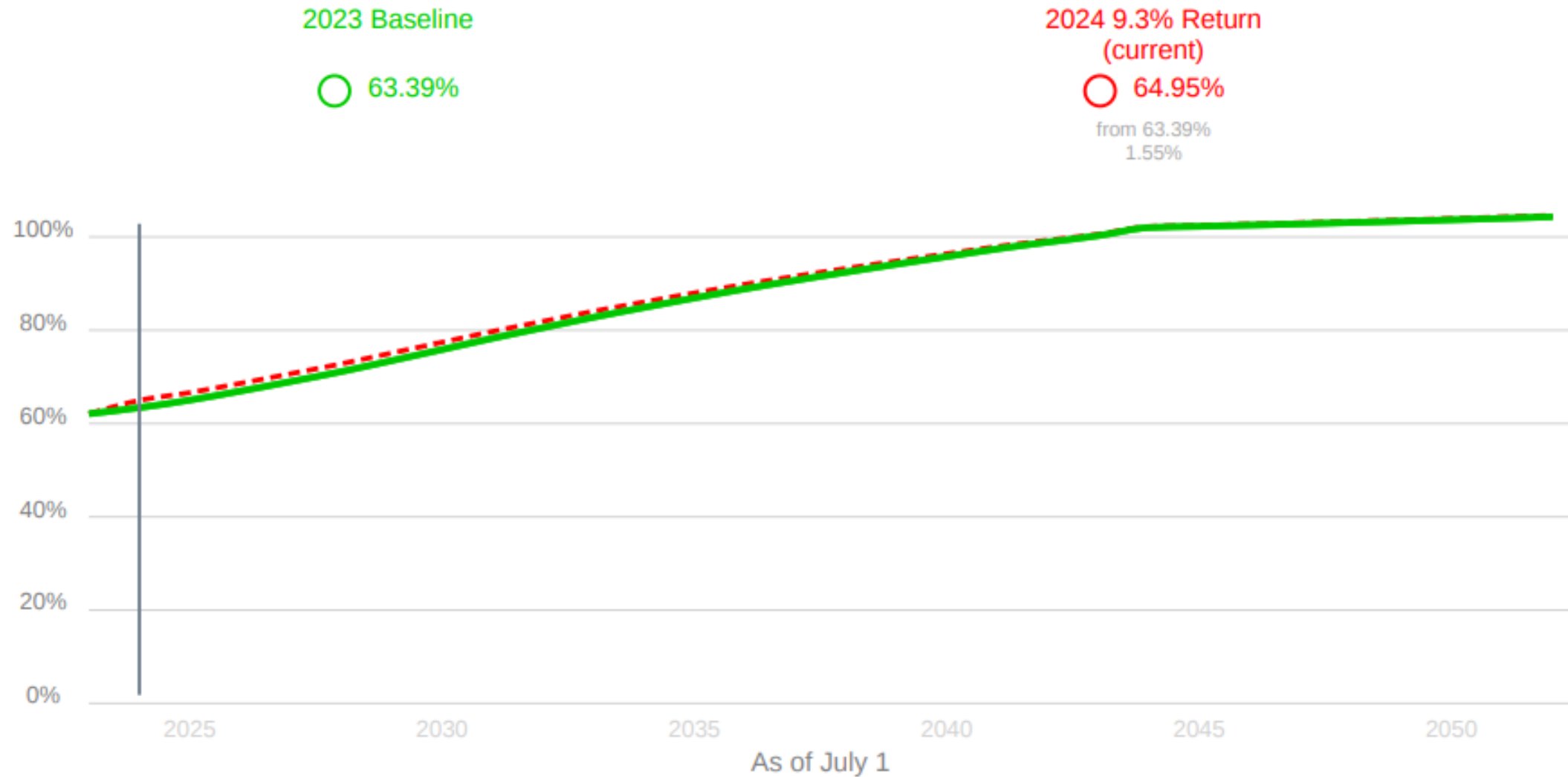
How did the above change impact Funded Percentage and Contribution? Now and in the future?

Without 115 Trust

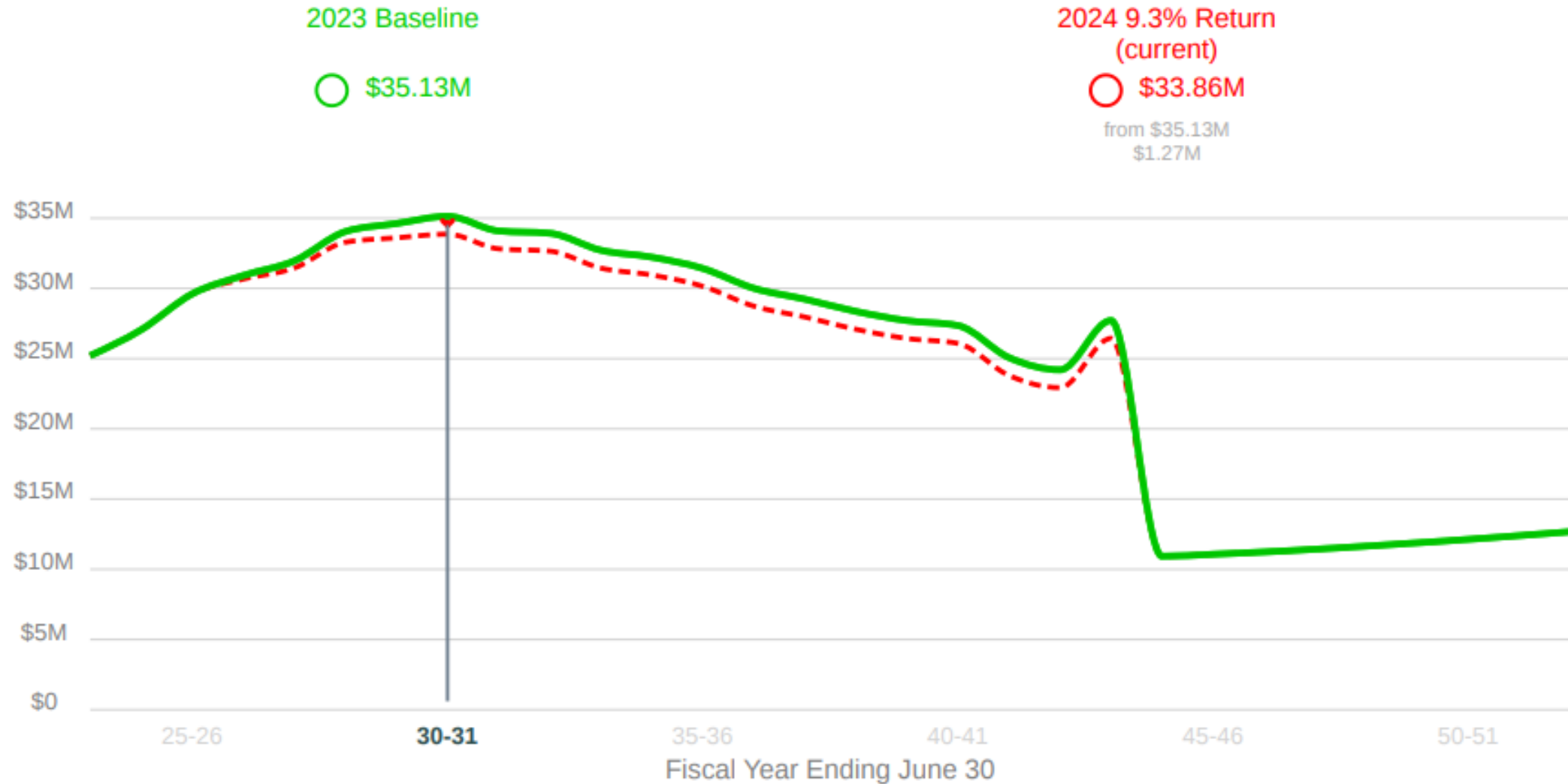
Unfunded Actuarial Liability



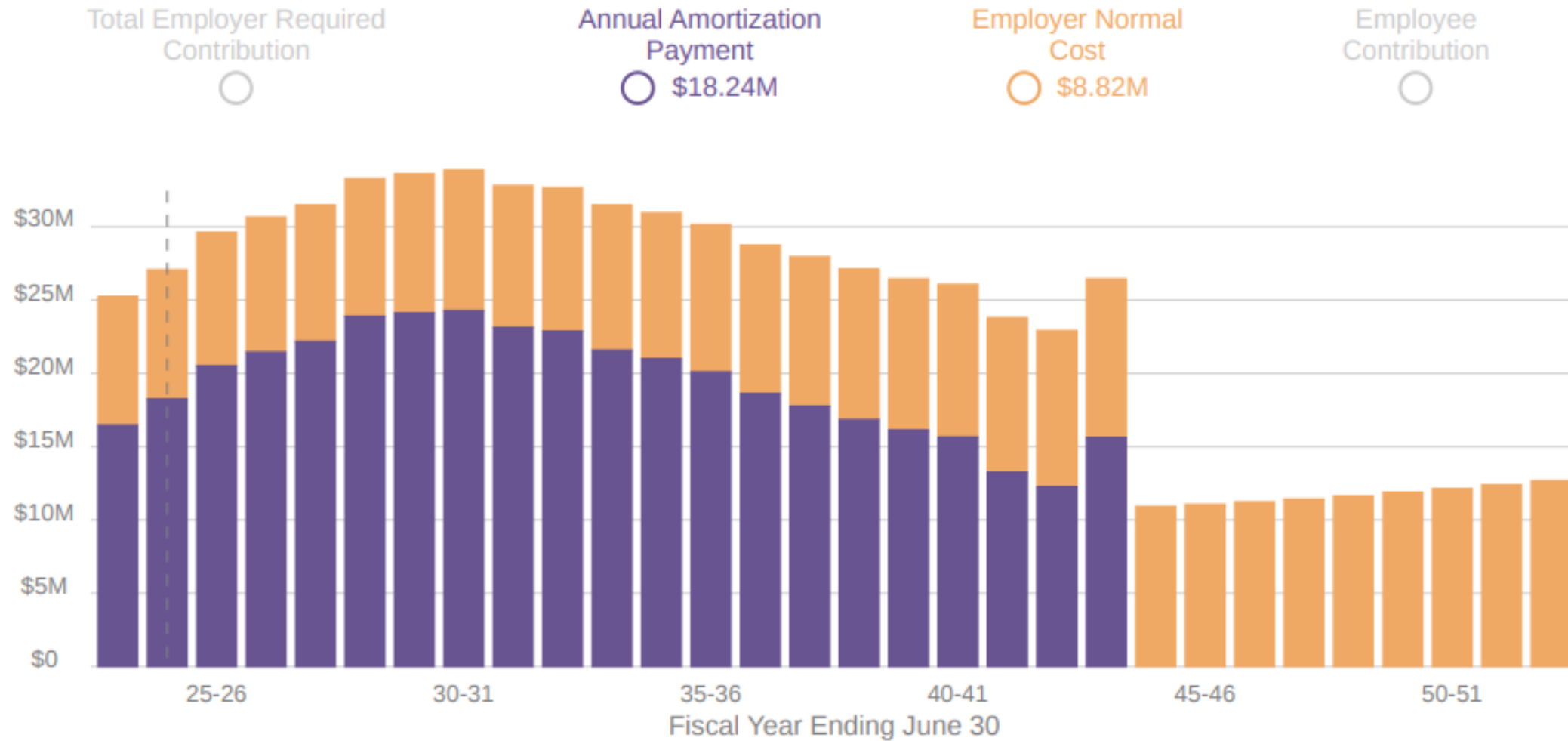
Funded Percentage



Employer Required Contributions



Employer Required Contributions



With 115 Trust

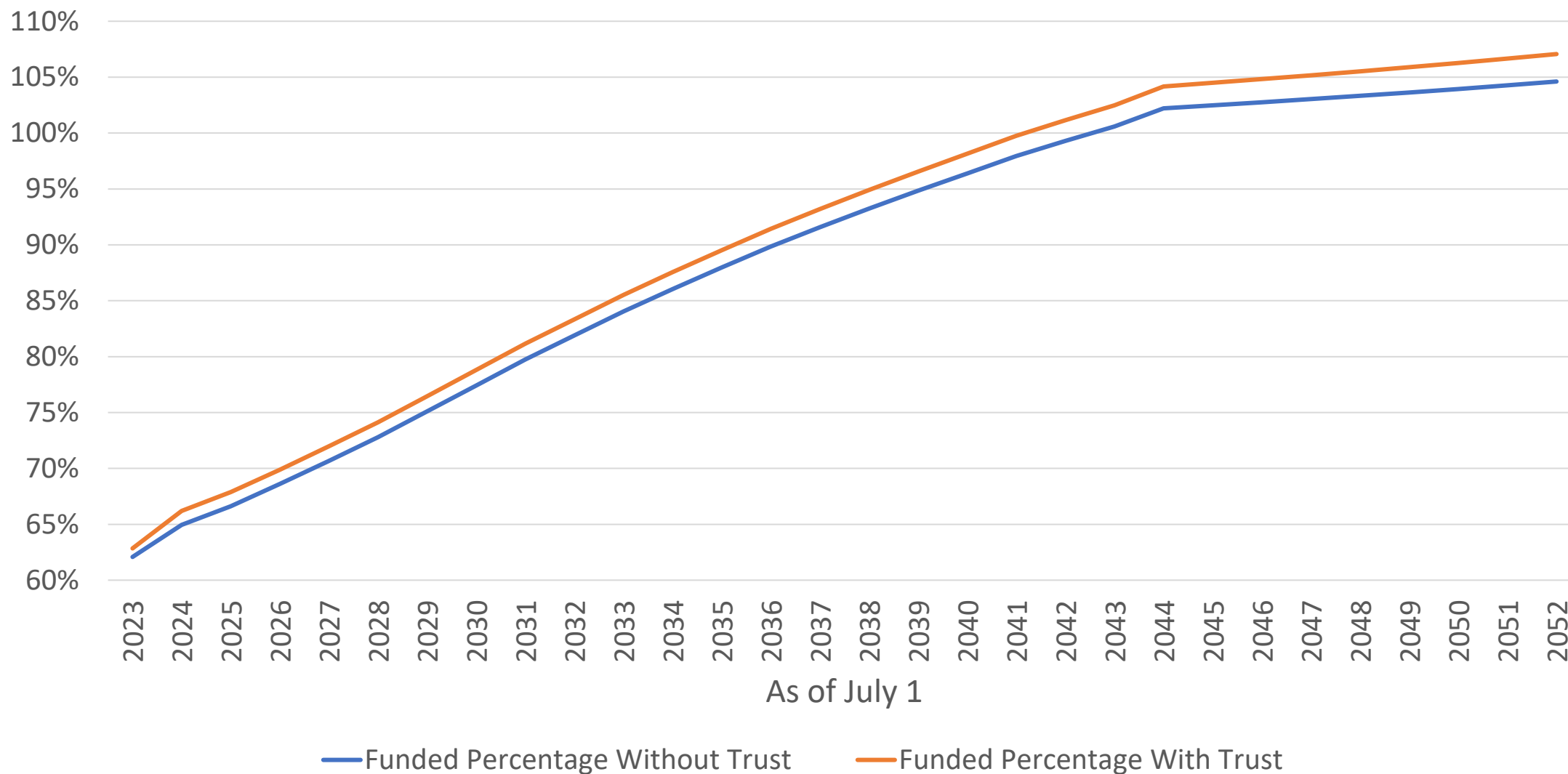
Section 115 Pension Trust

- Balance as of June 30:
 - 2023: \$4,958,363.00
 - 2024: \$8,309,663.75
- Additional Contributions:
 - June 2024: \$3,000,000

Unfunded Liability: With & Without Trust



Funded Percentage: With & Without Trust



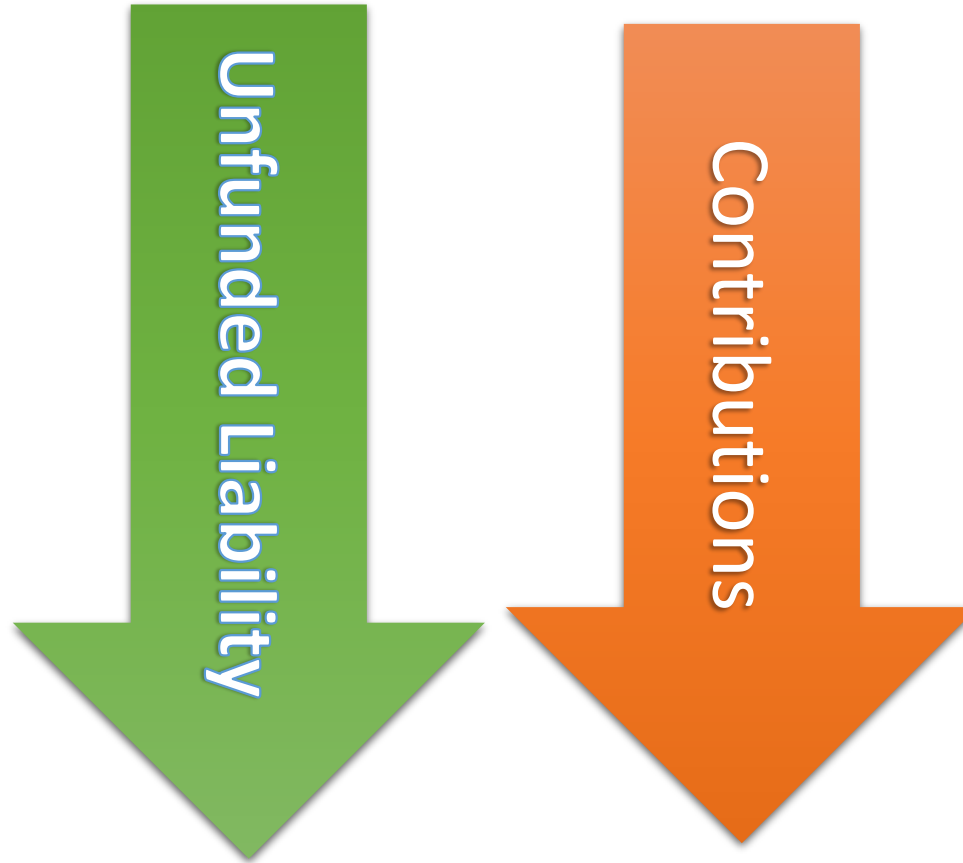
Addressing Unfunded Liability

Approaches the City can take to control future Unfunded Liability

Why Address Unfunded Liability?

- Most of current Required Contribution is due to payment toward Unfunded Actuarial Liability
- City is effectively paying interest to CalPERS for Unfunded Actuarial Liability
- Current interest rate is 6.8%

Lower Unfunded Actuarial Liability means Lower Required Contributions



Potential Approaches to Addressing UAL

- One-time Additional Contribution
- Additional Annual Contributions
 - Budgeted
 - Based on Budget Surplus or Other Savings

Where Does the Money Go?

- Direct to CalPERS
 - Which amortization bases will you pay off?
- 115 Trust
- Internal Reserve

Questions



Disclaimer

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