



STAFF REPORT

AGENDA NO: 7a

MEETING DATE: March 16, 2026

To: Honorable Mayor and City Council

Date: March 16, 2026

From: Helen Yu-Scott, Finance Director – (650) 558-7222

Subject: Review of the City's Pension Liabilities

RECOMMENDATION

This report is for information only; no action is required.

BACKGROUND

The City provides retirement benefits for employees through its participation in the California Public Employees' Retirement System (CalPERS). This is a defined benefit pension plan funded by employee contributions set by statute and employer contributions that fluctuate from year to year based on an annual actuarial valuation performed by CalPERS.

In response to the prospect of alarmingly high future employer contribution rates, the City engaged an actuary in 2017 to model the actuarial valuations of its pension plans. Investment returns play a significant role in determining the plan's required annual contribution. The fluctuation in CalPERS' investment portfolio performance over the last few years triggered a significant swing in the City's net pension liability. As of June 30, 2025, the City's net pension liability was \$87.4 million, a \$3.0 million decrease from \$90.4 million in the prior year.

The City's Miscellaneous and Safety Plans are approximately 73.4% and 65.3% funded, respectively, based on the latest available actuarial valuation. The funded ratio for both plans is below the average funded ratio for CalPERS Public Agencies.

Staff worked with Rael & Letson Actuaries and Consultants to prepare the attached CalPERS Analysis – June 30, 2024 valuation report and update the Council on the funding status of the City's pension plans. Doug Pryor from Rael & Letson will provide the City Council with a summarized version of the presentation at the Council meeting on March 16, 2026.

FISCAL IMPACT:

There is no fiscal impact associated with this agenda item.

Exhibit:

- CalPERS Analysis - June 30, 2024 Valuation