



# City of Burlingame CalPERS Miscellaneous and Safety Plans

June 30, 2024 Actuarial Valuation  
Analysis and Projections

March 5, 2026



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# BACKGROUND

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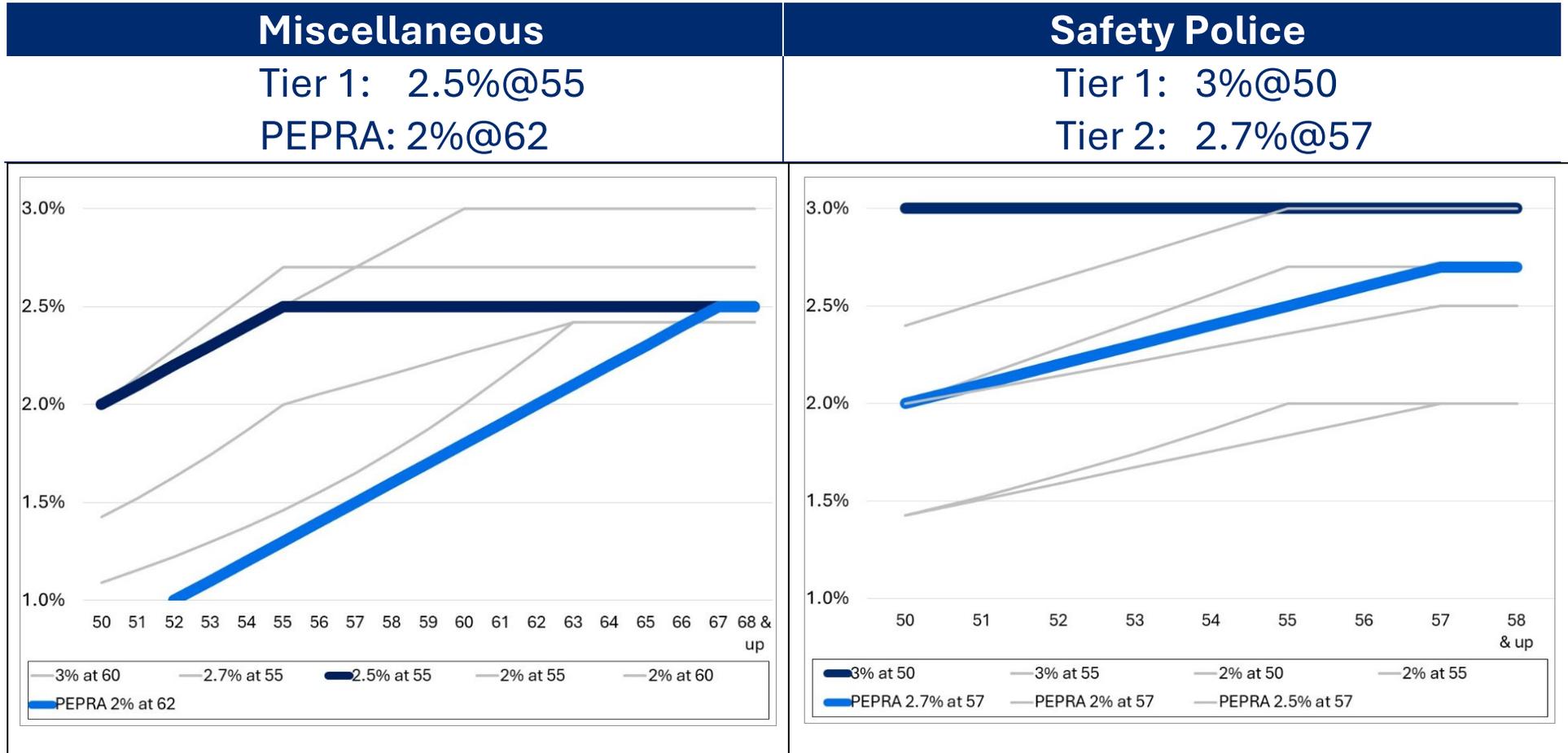
## Overview

- ▼ City Plans
  - Miscellaneous
  - Safety Police (risk pool)
- ▼ June 30, 2024 valuation
  - Plan funded status
  - 2026/27 contribution requirements
- ▼ Important changes since the report was issued
  - 2024/25 12.1% investment return
  - In November 2025:
    - New investment allocation adopted (effective 7/1/26)
    - Risk mitigation not a focus
    - New demographic assumptions (effective for 6/30/25 valuations)

# BACKGROUND

## Benefits

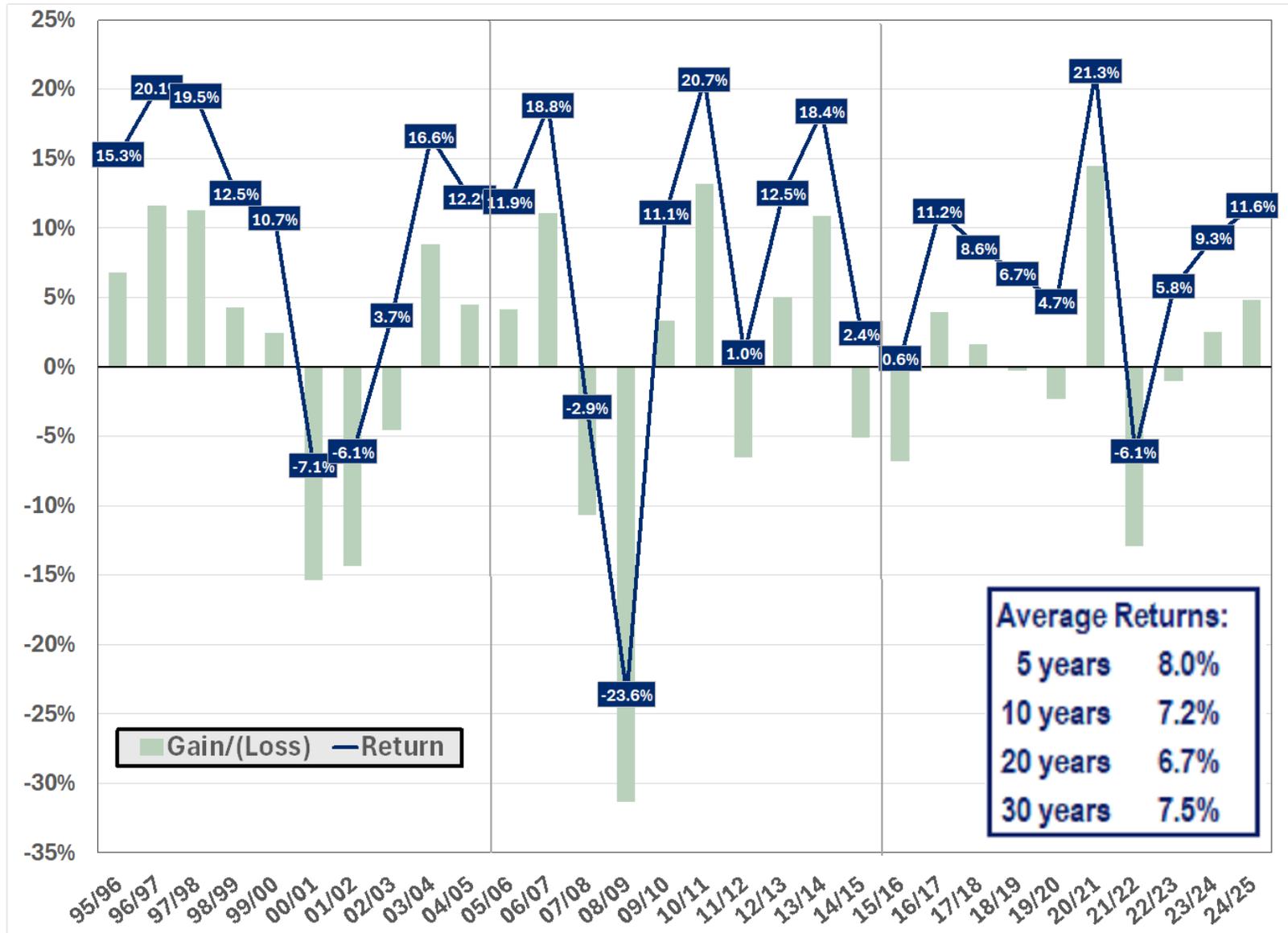
- City covers Miscellaneous and Police Safety employees under CalPERS:  
 $(\text{Benefit Factor}) \times (\text{Years of City Service}) \times (\text{Final Average Earnings})$



- Final Average Earnings (includes earnings with other agencies)
  - Tier 1 highest final average 1-year earnings;
  - PEPRA highest 3-year average (as required under PEPRA)

# BACKGROUND

## Historical Investment Returns



- ▾ Returns as announced annually by CalPERS in July and differ from money weighted returns
- ▾ Returns are net of investment but not administrative expenses (discount rate net of both)

# BACKGROUND

## Investment Policy

		Adopted Effective			
		12/19/17 7/1/18	11/17/21 7/1/22	3/20/24 7/1/24	11/18/25 7/1/26
		SAA	SAA	SAA	TPA 75%/25%
Equity	Private Equity	8%	13%	17%	
	Global Equity	50%	42%	37%	
Hybrid	Real Assets	13%	15%	15%	
Fixed Income	Private Debt	0%	5%	8%	
	EM Sov Bonds	1%	5%	5%	
	High Yield	4%	5%	5%	
	Investment Grade Corp.	6%	10%	6%	
	Mtge-backed Securities	7%	5%	5%	
	Treasury	10%	5%	7%	
	Liquidity	1%	0%	0%	
Leverage		0%	-5%	-5%	
Total		100%	100%	100%	
Standard Deviation		11.2%	12.0%	n/a	12.7%

- ▼ SAA – Strategic Asset Allocation
- ▼ TPA – Total Portfolio Approach

# BACKGROUND

## Risk Mitigation

- ▼ 2015 original policy adopted
  - Provided a path decrease portfolio standard deviation to 8%
  - Discount rate (expected investment return) decreased in future in years when returns exceeded expectations
- ▼ 2017 suspended as discount rate ramped down from 7.5% to 7%
- ▼ 2021 applied to reduce discount rate to 6.8%
  - However, portfolio standard deviation increased with new ALM study
- ▼ 2025:
  - Policy revised to remove automatic trigger
  - ALM study again increased portfolio standard deviation

# BACKGROUND

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## Pension Obligation Bond

- ▼ \$32.975M Pension Obligation Bond (POB) issued by City in 2006
- ▼ Used to pay down unfunded liability on Miscellaneous, Safety Police and Safety Fire.
- ▼ Represents arbitrage on bond interest vs. CalPERS investment earnings
- ▼ \$4.670M remaining balance 6/30/25
- ▼ Pension impact
  - Reduces unfunded liability and contributions
  - Offset by debt service
  - Debt service included in projections

# HISTORICAL INFORMATION

## Miscellaneous Participant Demographics

	June 30, 2023	June 30, 2024
<b>Actives</b>		
Counts		
▼ Classic	83	78
▼ PEPRA	<u>110</u>	<u>111</u>
▼ Total	193	189
Average		
▼ Age	44.7	45.0
▼ City Service	9.1	9.4
▼ PERSable Pay	\$ 98,000	\$ 103,800
Payroll	18,909,000	19,617,000
<b>Inactives</b>		
Counts		
▼ Transfers	131	141
▼ Separated	86	94
▼ Retirees/Beneficiaries	318	328
<b>Retirees/Beneficiaries</b>		
▼ Age	70.9	70.9
▼ Benefit	\$ 31,600	\$ 31,700

# HISTORICAL INFORMATION

## Safety Participant Demographics

	June 30, 2023	June 30, 2024
<b>Actives</b>		
Counts		
▼ Classic	14	11
▼ PEPRA	<u>20</u>	<u>20</u>
▼ Total	34	31
Average		
▼ Age	n/a	36.7
▼ City Service	n/a	8.6
▼ PERSable Pay	\$ 143,900	\$ 149,400
Payroll	4,892,000	4,633,000
<b>Inactives</b>		
Counts		
▼ Transfers	15	24
▼ Separated	15	13
▼ Retirees/Beneficiaries	94	93
<b>Retirees/Beneficiaries</b>		
▼ Age	n/a	n/a
▼ Benefit	\$ 70,400	\$ 74,000

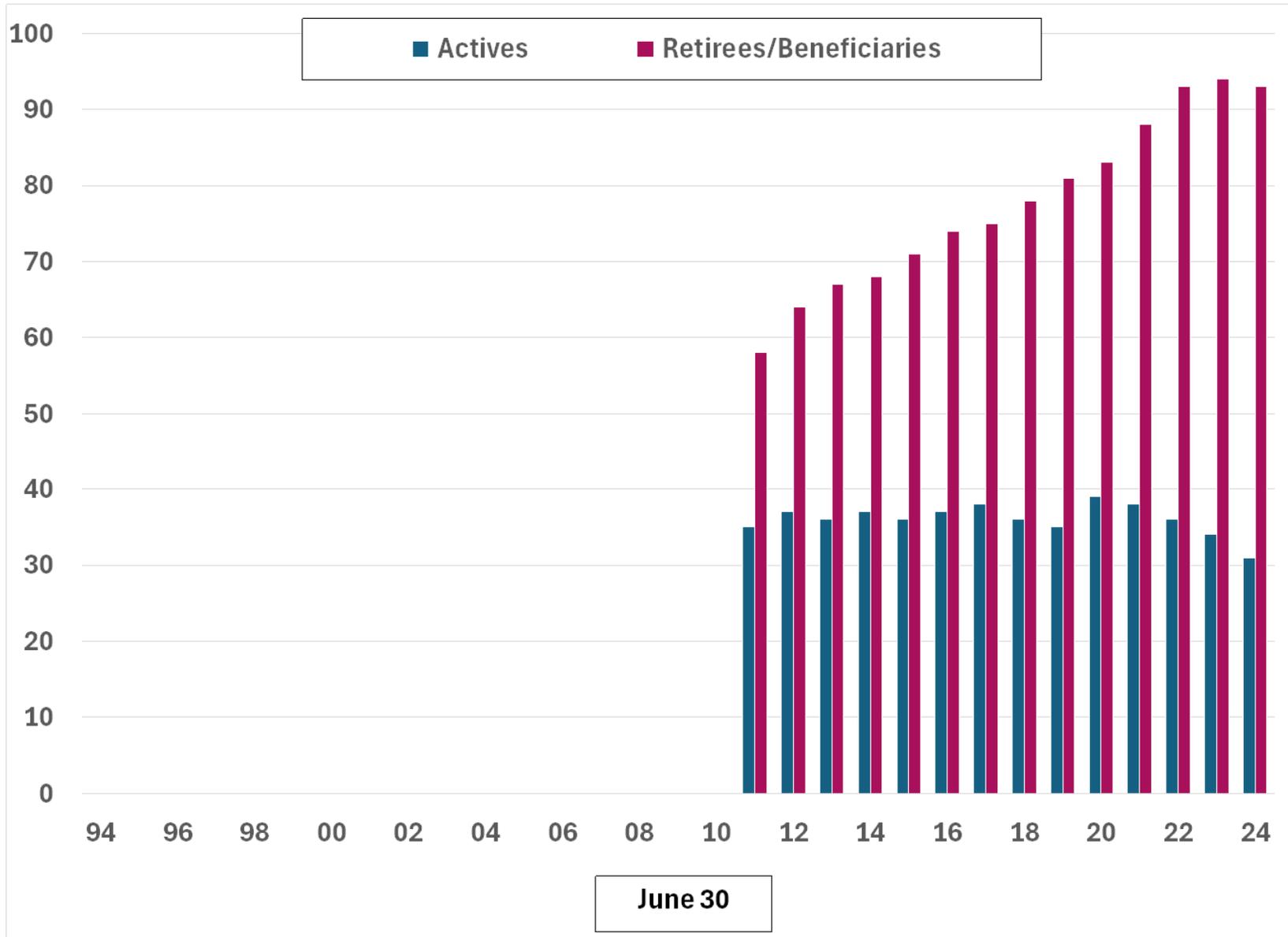
# HISTORICAL INFORMATION

## Miscellaneous Participant Counts



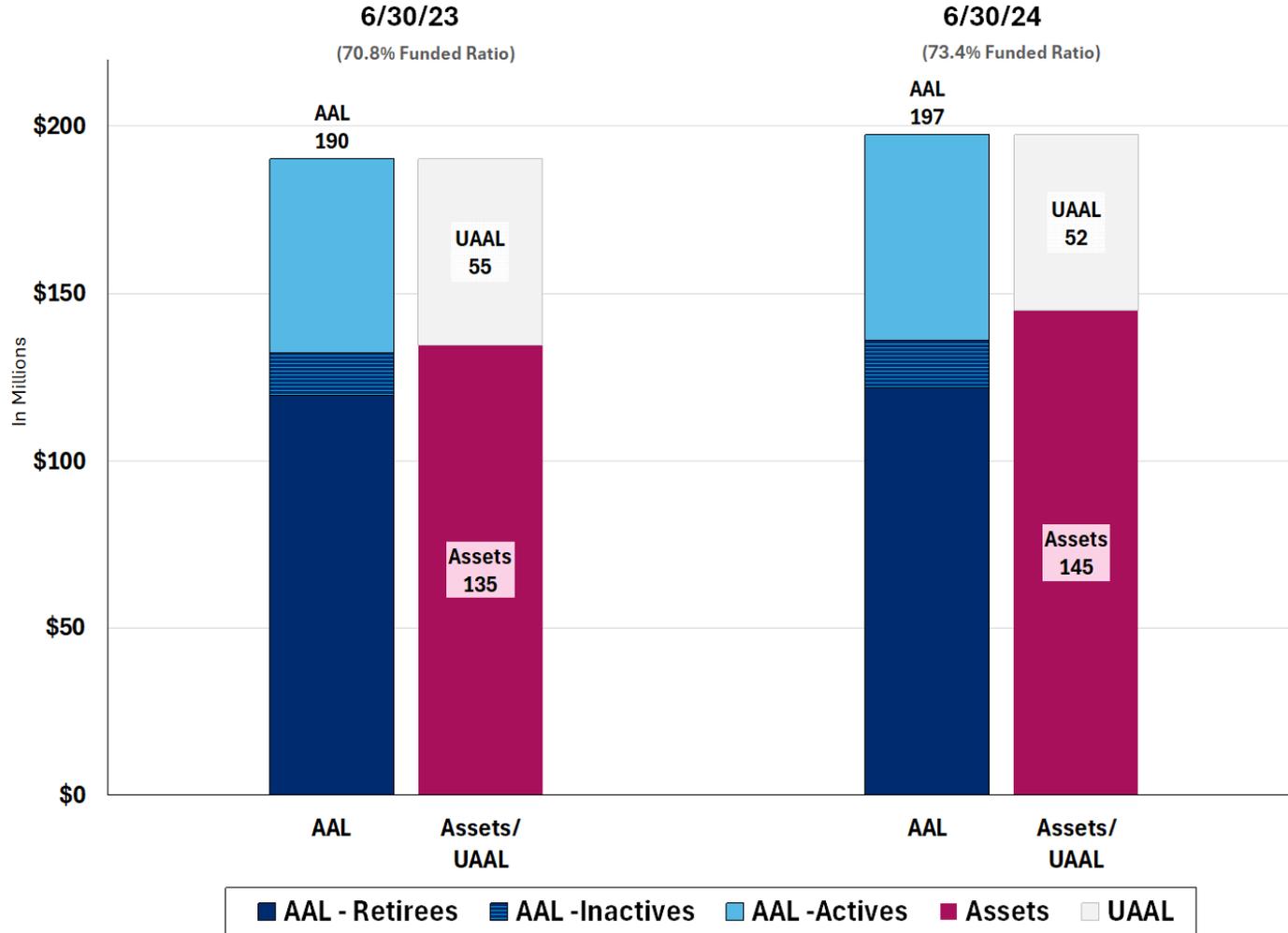
# HISTORICAL INFORMATION

## Safety Participant Counts



# HISTORICAL INFORMATION

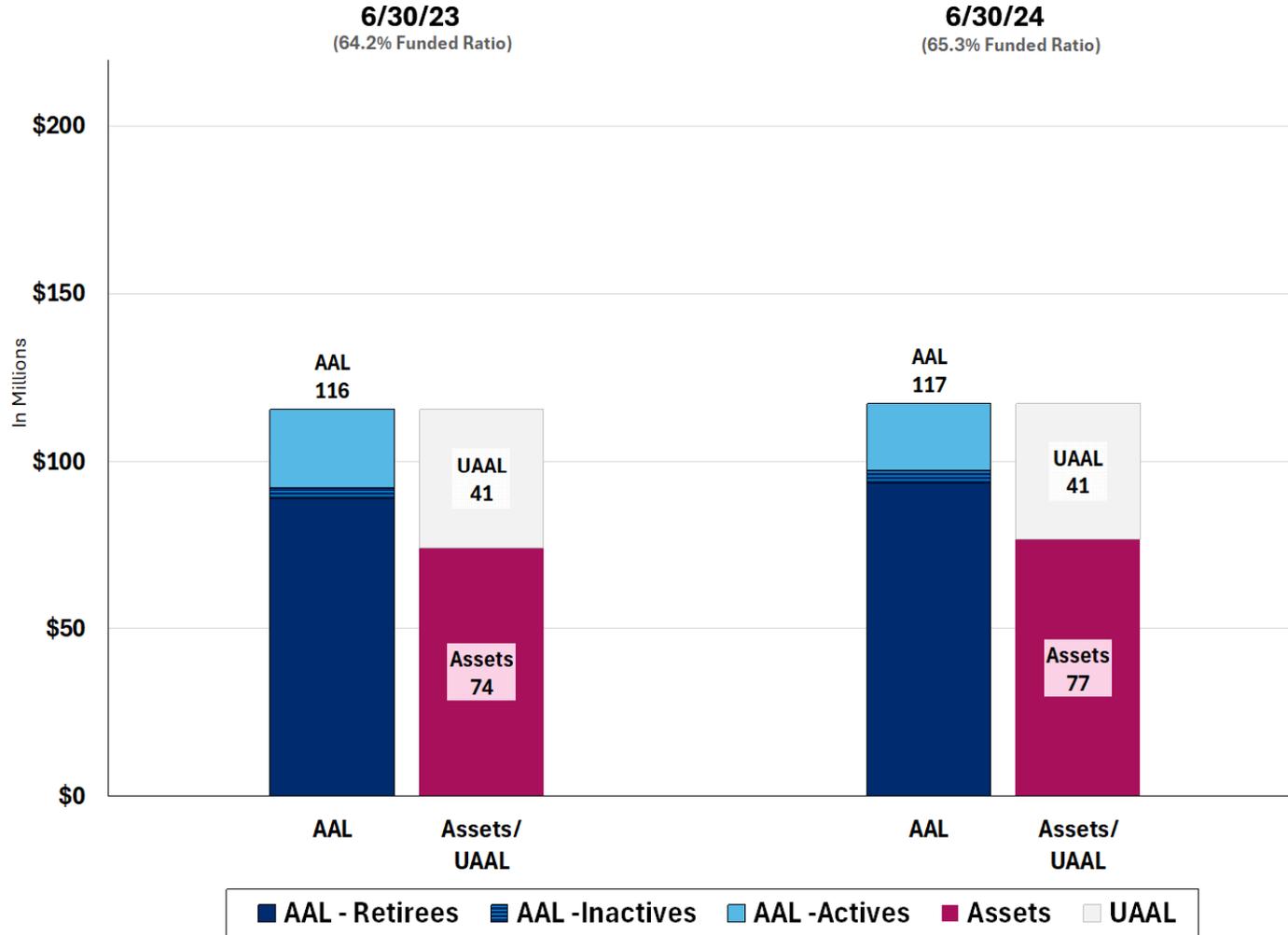
## Miscellaneous Funded Status



- ▼ Assets do not include supplemental trust (6/30/24 \$24.2M combined Misc. & Safety)
- ▼ 2023/24 changes:
  - \$3.6M investment gain (9.5% money weighted return)
  - \$0.9M experience loss

# HISTORICAL INFORMATION

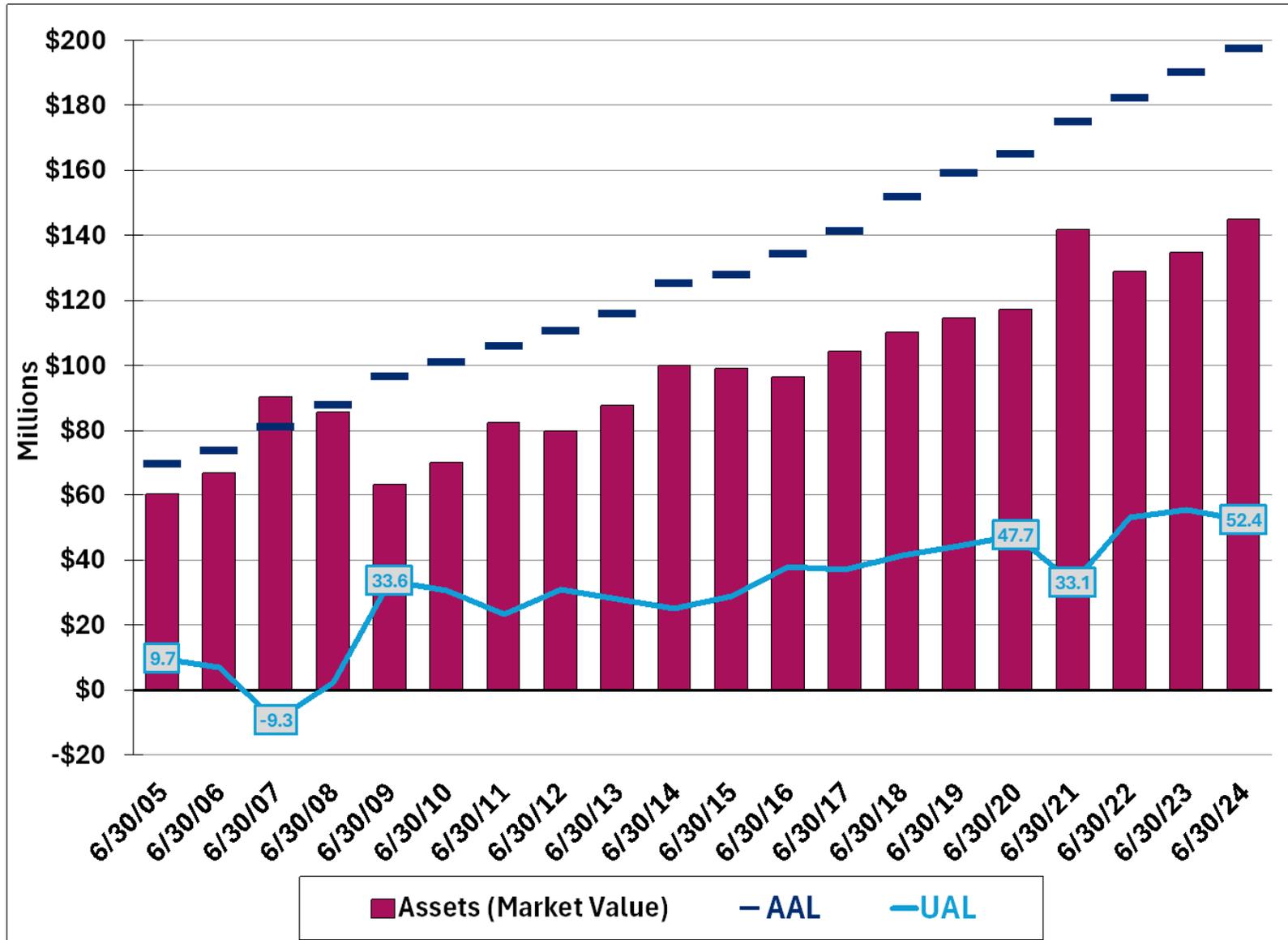
## Safety Funded Status



- ▼ Assets do not include supplemental trust (6/30/24 \$24.2M combined Misc. & Safety)
- ▼ 2023/24 changes:
  - \$1.9M investment gain (9.5% money weighted return)
  - \$1.3M experience loss

# HISTORICAL INFORMATION

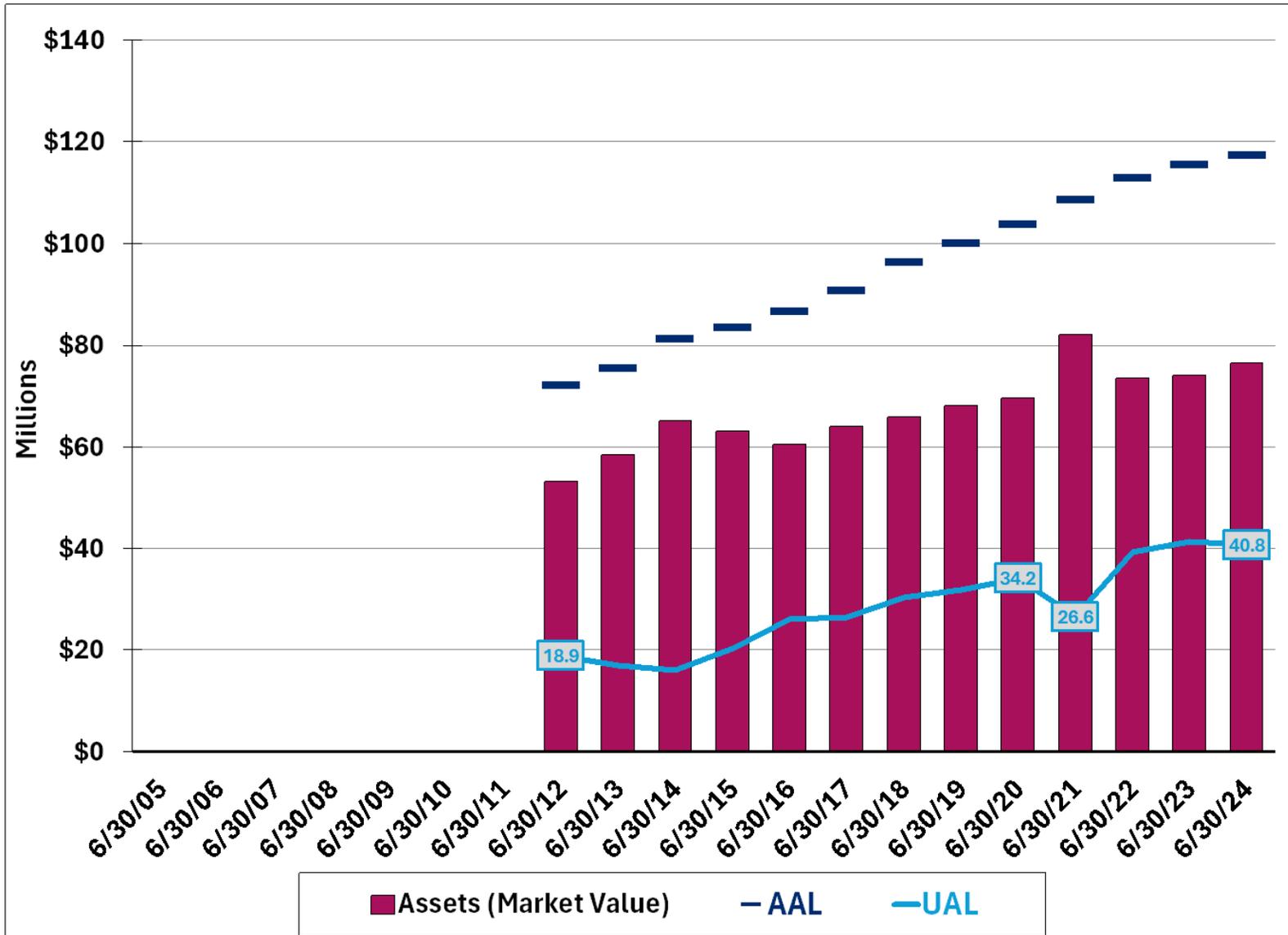
## Miscellaneous Historical Funded Status



▼ Prior to 6/30/13 smoothed actuarial value used to develop contributions

# HISTORICAL INFORMATION

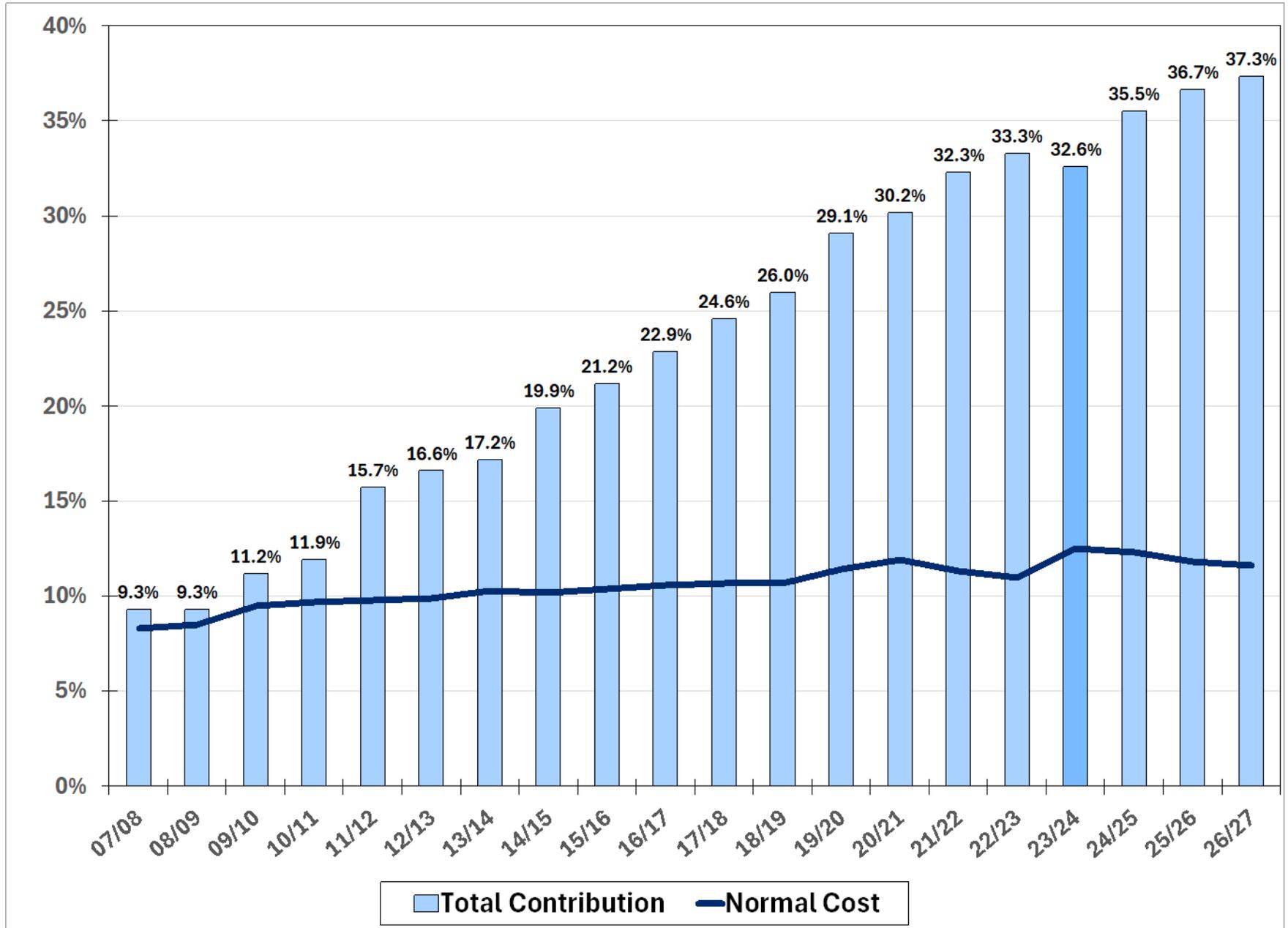
## Safety Historical Funded Status



Information prior to 6/30/13 not available for risk pool plans

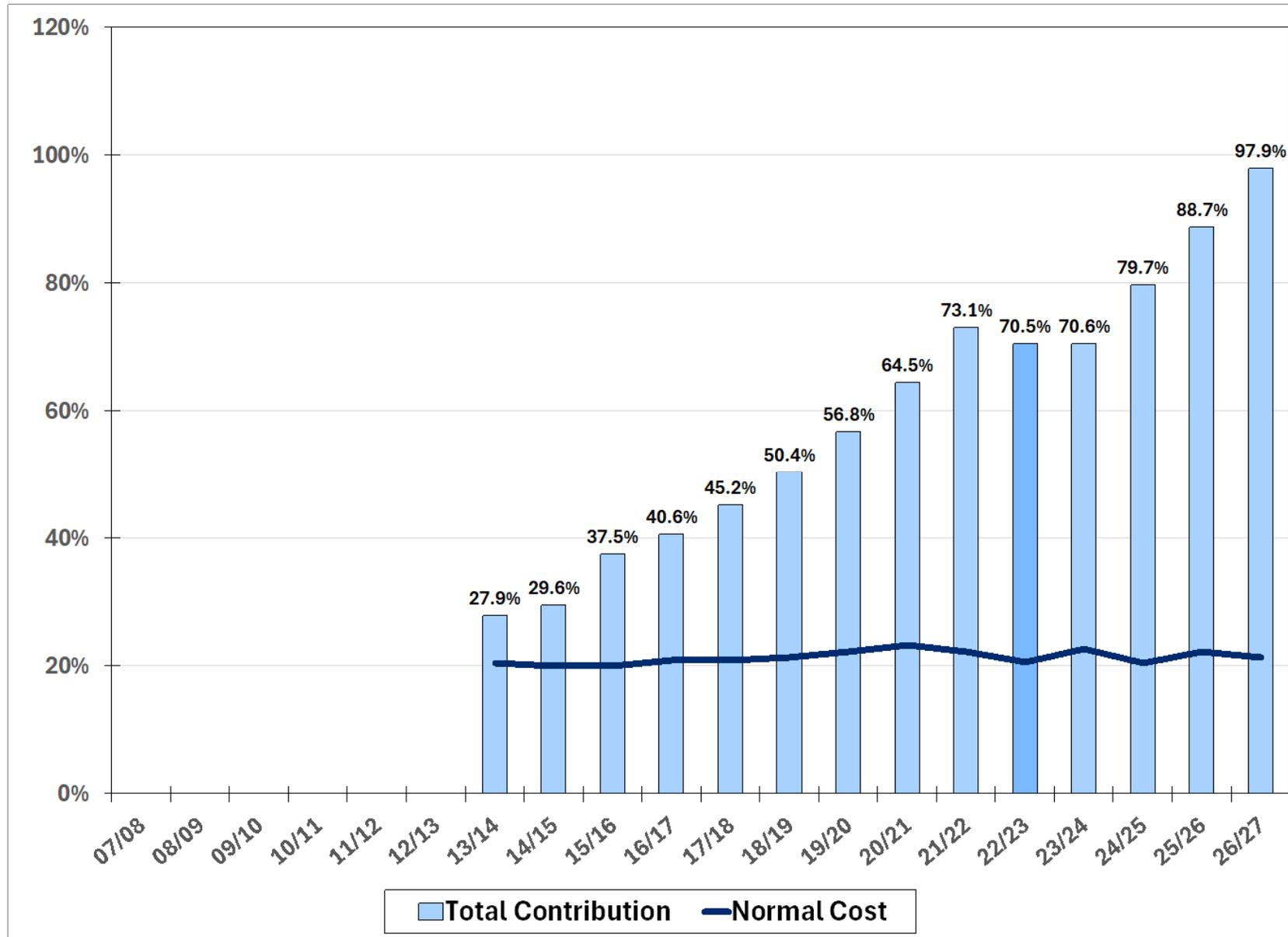
# HISTORICAL INFORMATION

## Miscellaneous Contributions



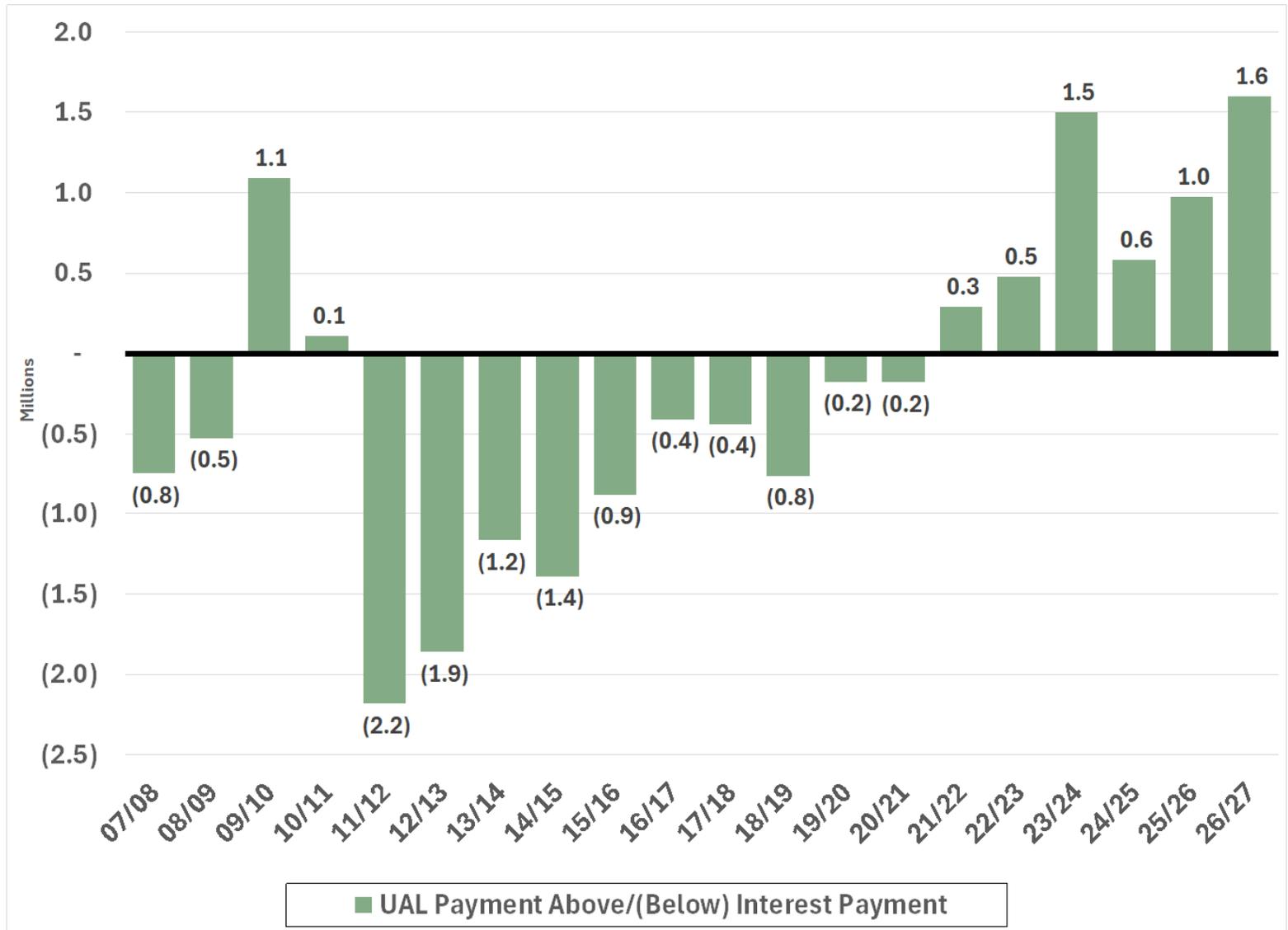
# HISTORICAL INFORMATION

## Safety Contributions



# HISTORICAL INFORMATION

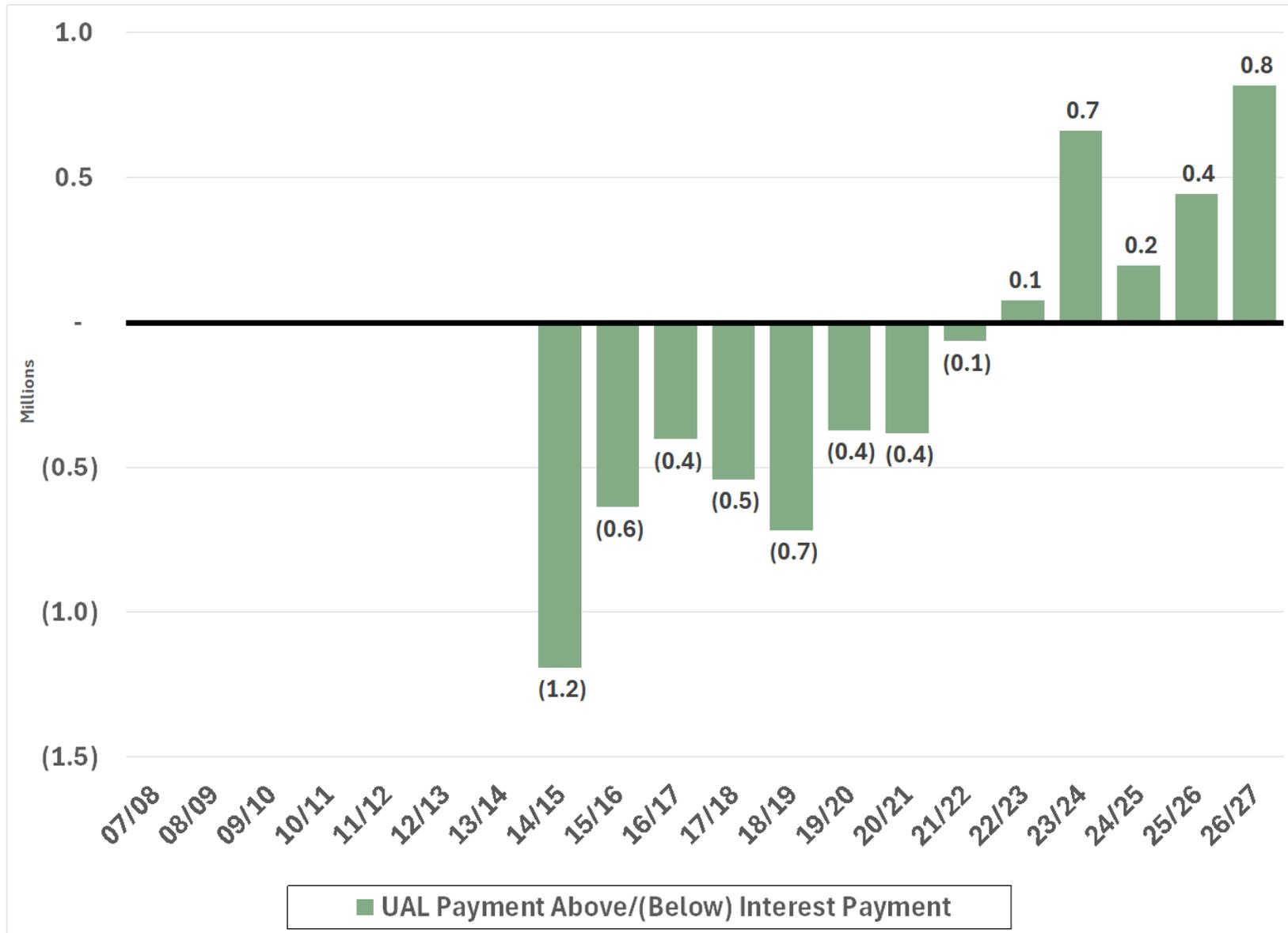
## Miscellaneous UAL Payments



▼ Amounts represent excess/(shortfall) of an interest-only payment on UAL

# HISTORICAL INFORMATION

## Safety UAL Payments



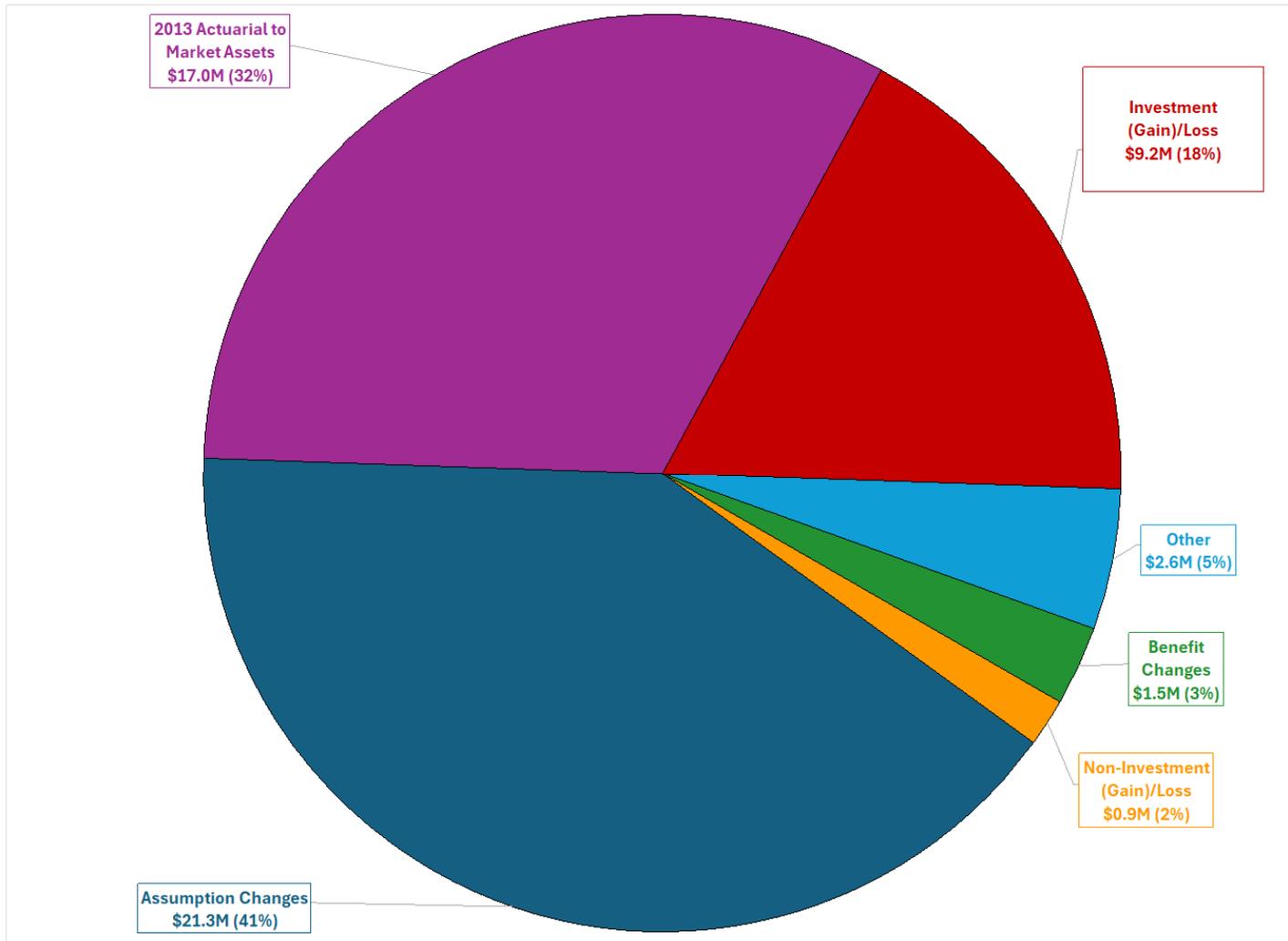
▼ Amounts represent excess/(shortfall) of an interest-only payment on UAL

# HISTORICAL INFORMATION

## Miscellaneous Funded Status

June 30, 2024

### Estimated Unfunded Liability (\$52M) Sources



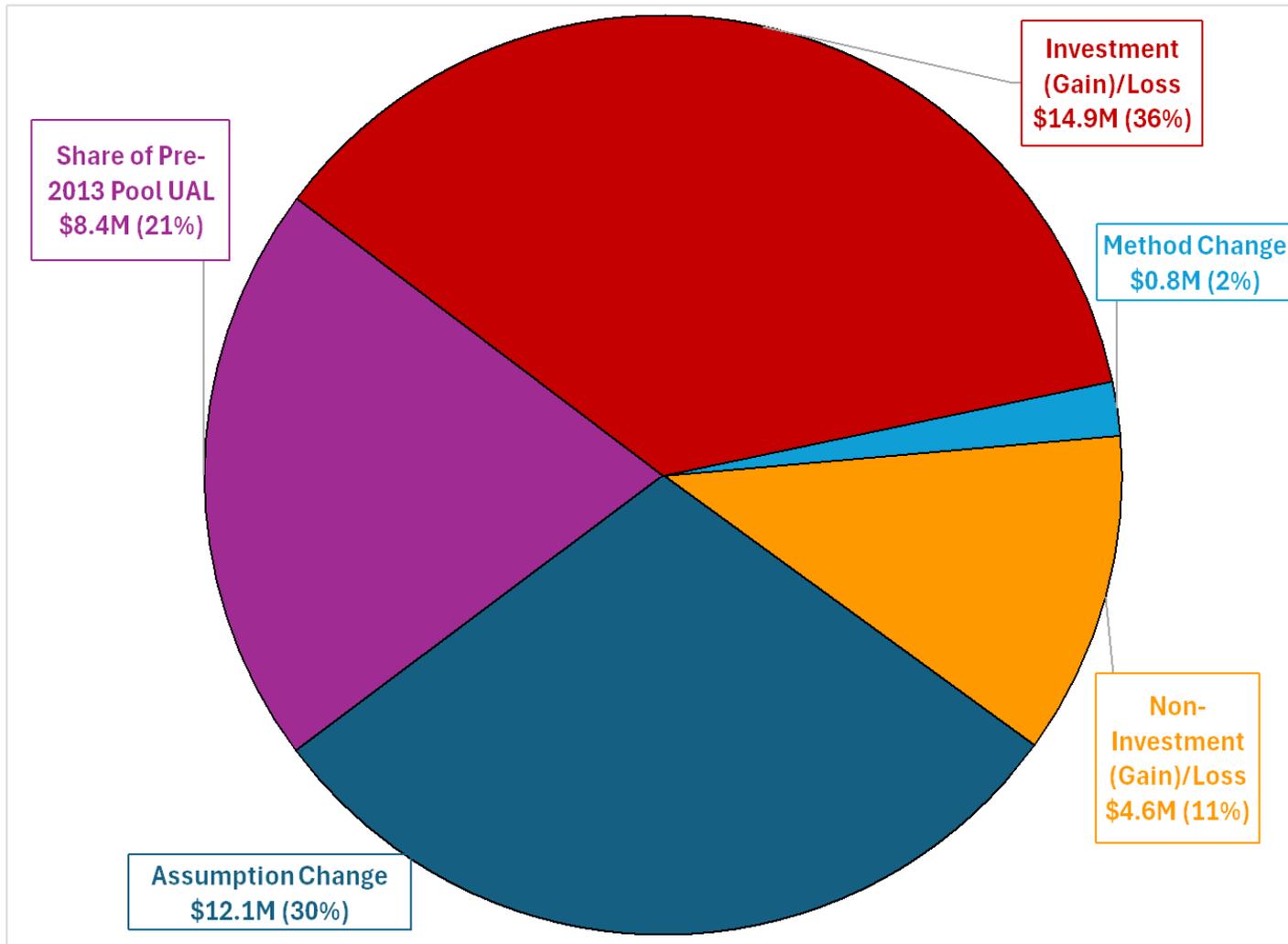
- ▶ Estimated using CalPERS reported 6/30/24 schedule of amortization bases
- ▶ Fresh start in 6/30/05 valuation; unfunded amounts included in “Other” category

# HISTORICAL INFORMATION

## Safety Funded Status

June 30, 2024

### Estimated Unfunded Liability (\$41M) Sources



- ▼ Estimated using CalPERS reported 6/30/24 schedule of amortization bases
- ▼ Bases as reported in CalPERS valuation report

# PROJECTIONS

## Assumptions

- ▼ Based on CalPERS June 30, 2024 valuation report
- ▼ Investment returns
  - 24/25 12.1% return (money weighted)
  - 25/26 forward:
    - Long term stochastic returns
    - 6.8% long-term expected return
    - Adjustment for lower returns (approximately 30 basis points) first 10 years
    - Portfolio standard deviation of 12.7%
- ▼ Fresh starts applied (at 10 years) when
  - Overfunded plan has amortization charge
  - Unfunded plan has amortization credit
  - Overall amortization period exceeds 30 years
- ▼ Cost Sharing:
  - Miscellaneous classic employees: 1.5%
  - Safety classic employees 4.0%
- ▼ POB:
  - Proceeds in unfunded
  - Corresponding debt service included in contributions (92%/8% Misc/Safety)

# PROJECTIONS

## Assumptions

- ▼ Miscellaneous new employees
  - All new employees assumed PEPRA
  - Tier 1/PEPRA composition

	Tier 1	PEPRA	Total
<b>Employees</b>			
Counts (6/30/24)	78	111	189
Payroll (23/24)	10,010,234	9,606,432	19,616,666
<b>Normal Cost (26/27)</b>			
Total	23.12%	16.05%	19.60%
Employee Paid	(8.00%)	(8.00%)	(8.00%)
City	15.12%	8.05%	11.60%
Employee Paid City Portion of City	(1.50%)	0.00%	(0.75%)
Net City	13.62%	8.05%	10.85%

# PROJECTIONS

## Assumptions

- ▼ Safety new employees
  - All new employees assumed PEPRA
  - Tier 1/PEPRA composition

	Tier 1	PEPRA	Total
<b>Employees</b>			
Counts (6/30/24)	11	20	31
Payroll (23/24)	2,102,450	2,530,467	4,632,917
<b>Normal Cost (26/27)</b>			
Total	38.37%	29.36%	33.45%
Employee Paid	<u>(8.99%)</u>	<u>(14.50%)</u>	<u>(12.00%)</u>
City	29.38%	14.86%	21.45%
Employee Paid City Portion	<u>(4.00%)</u>	<u>0.00%</u>	<u>(1.82%)</u>
Net City	25.38%	14.86%	19.63%

# PROJECTIONS

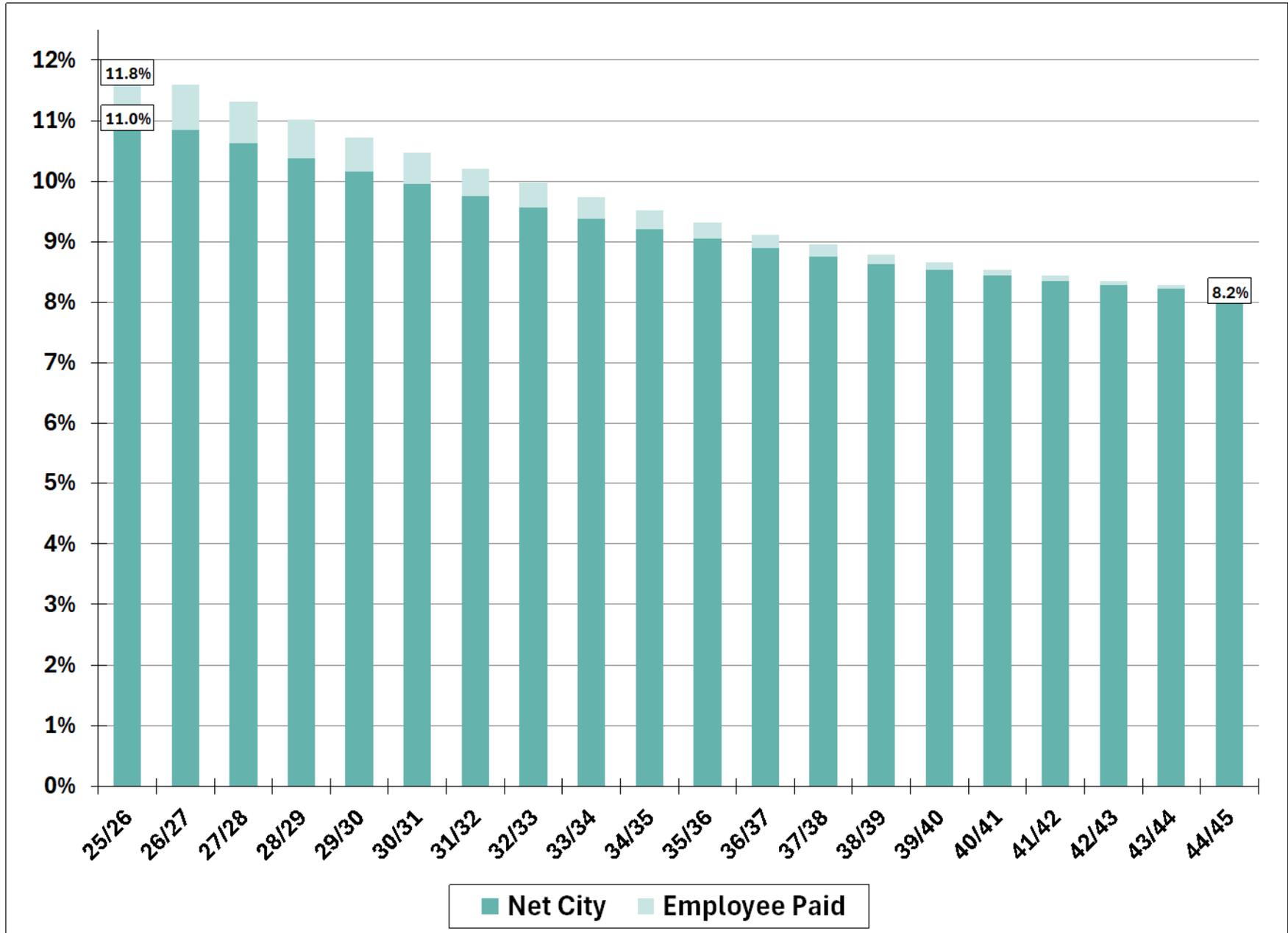
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## Methodology

- ▼ Each year, projections ranked in 3 sections:
  - Lowest 1/3 of investment returns (highest 1/3 of contributions)
  - Middle 1/3 of investment returns (mid 1/3 of contributions, including median)
  - Highest 1/3 if investment returns (lowest 1/3 of contributions)

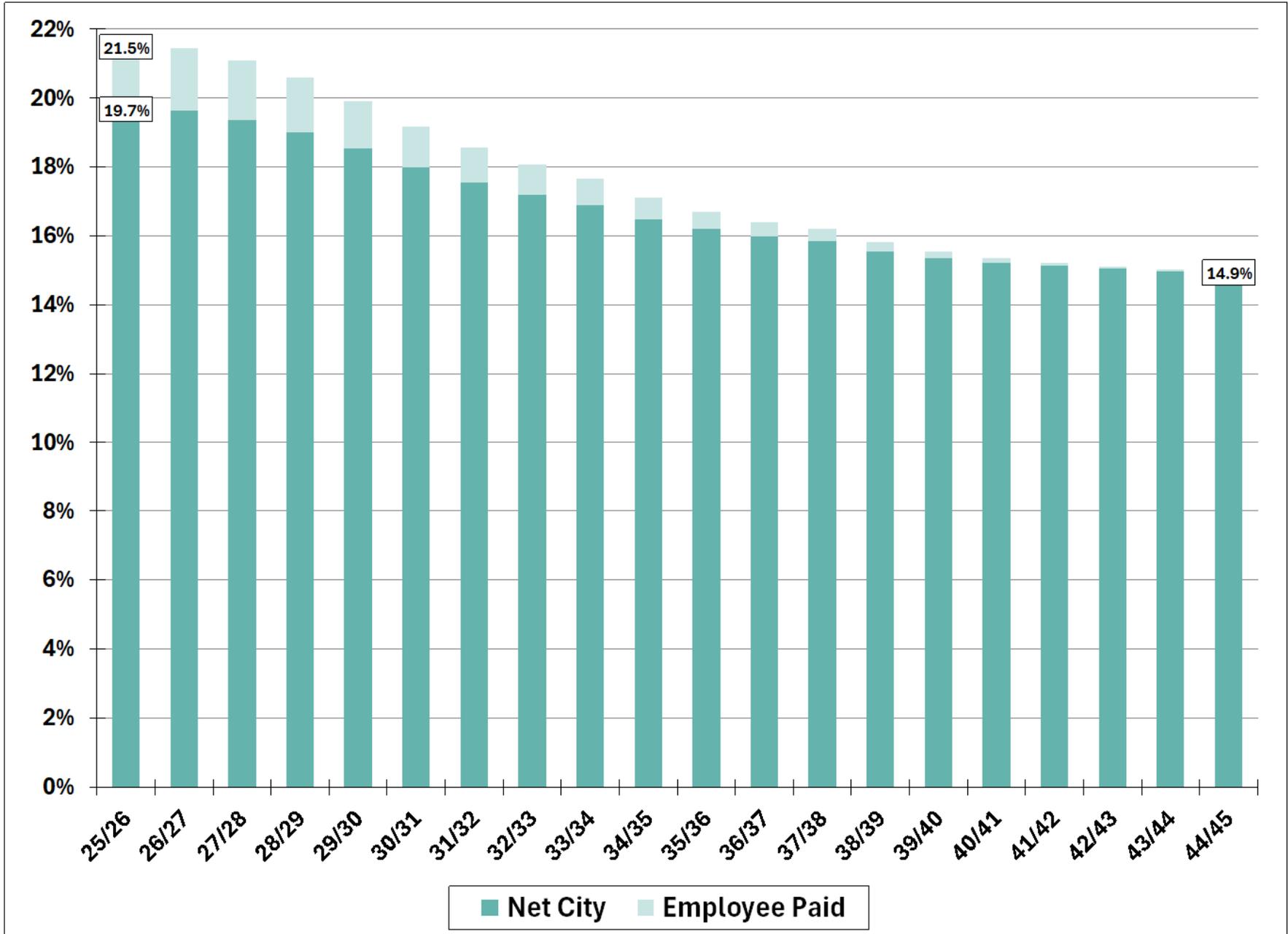
# PROJECTIONS

## Miscellaneous Normal Cost



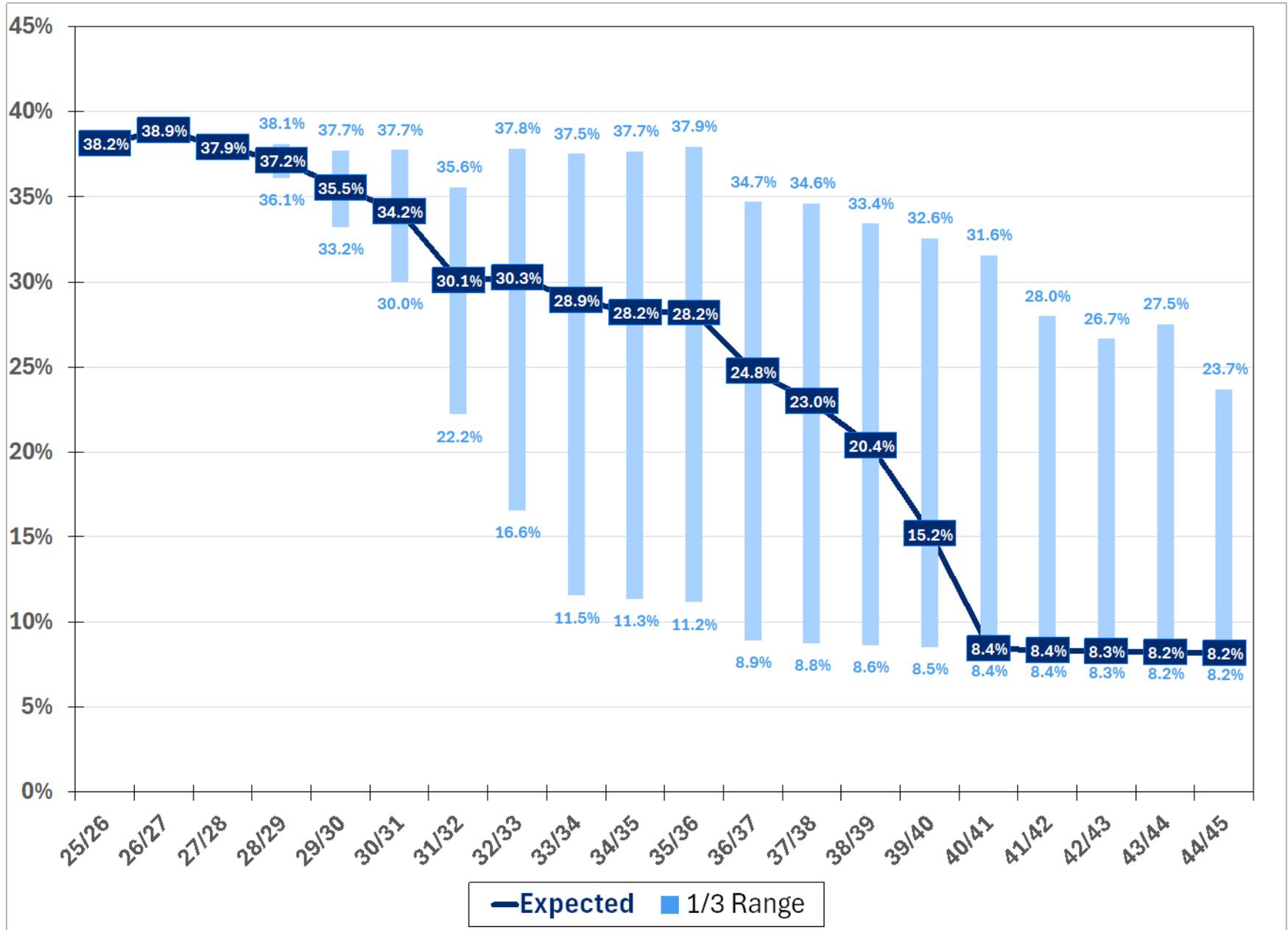
# PROJECTIONS

## Safety Normal Cost



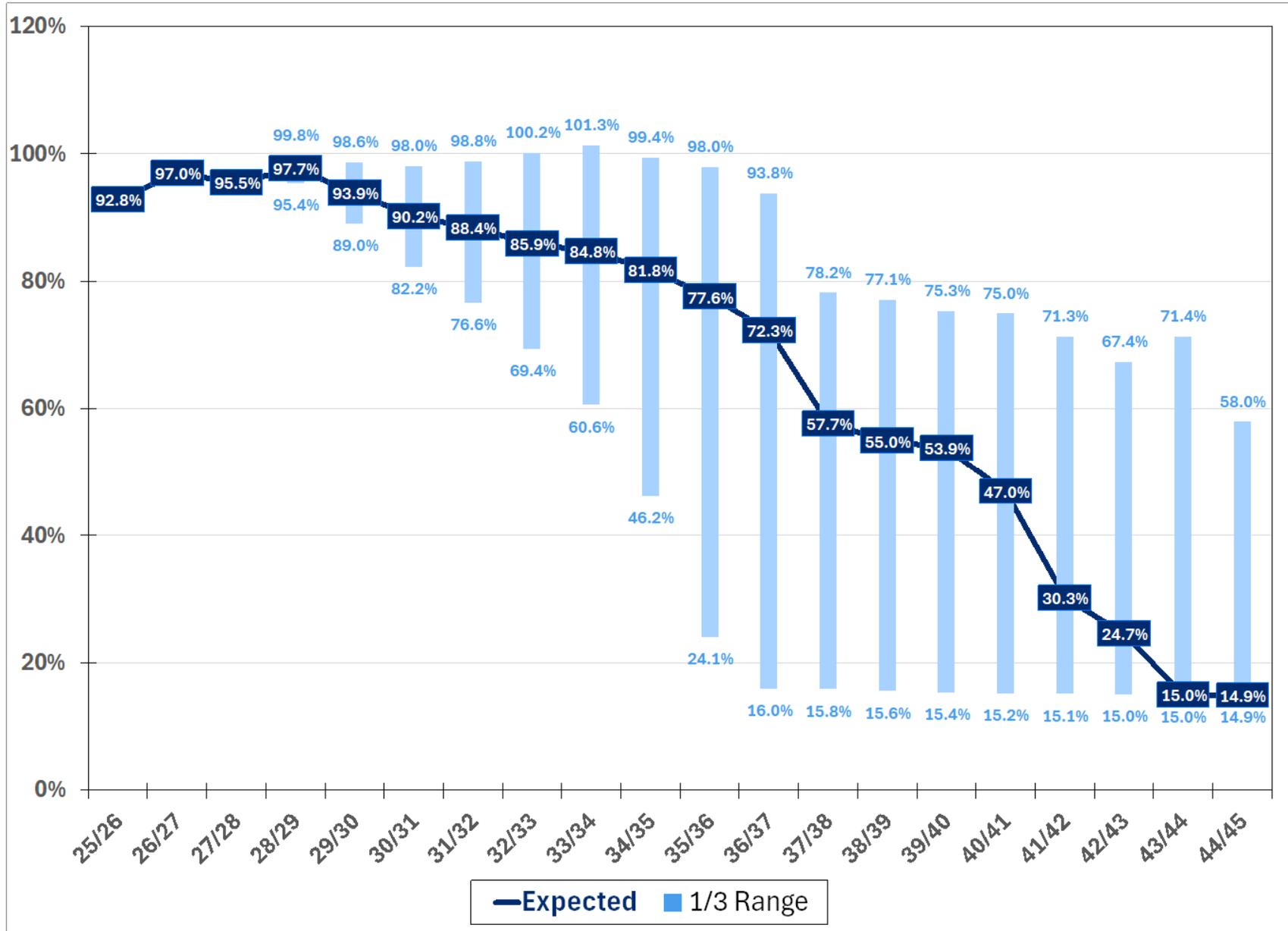
# PROJECTIONS

## Miscellaneous Contributions (percentage of payroll)



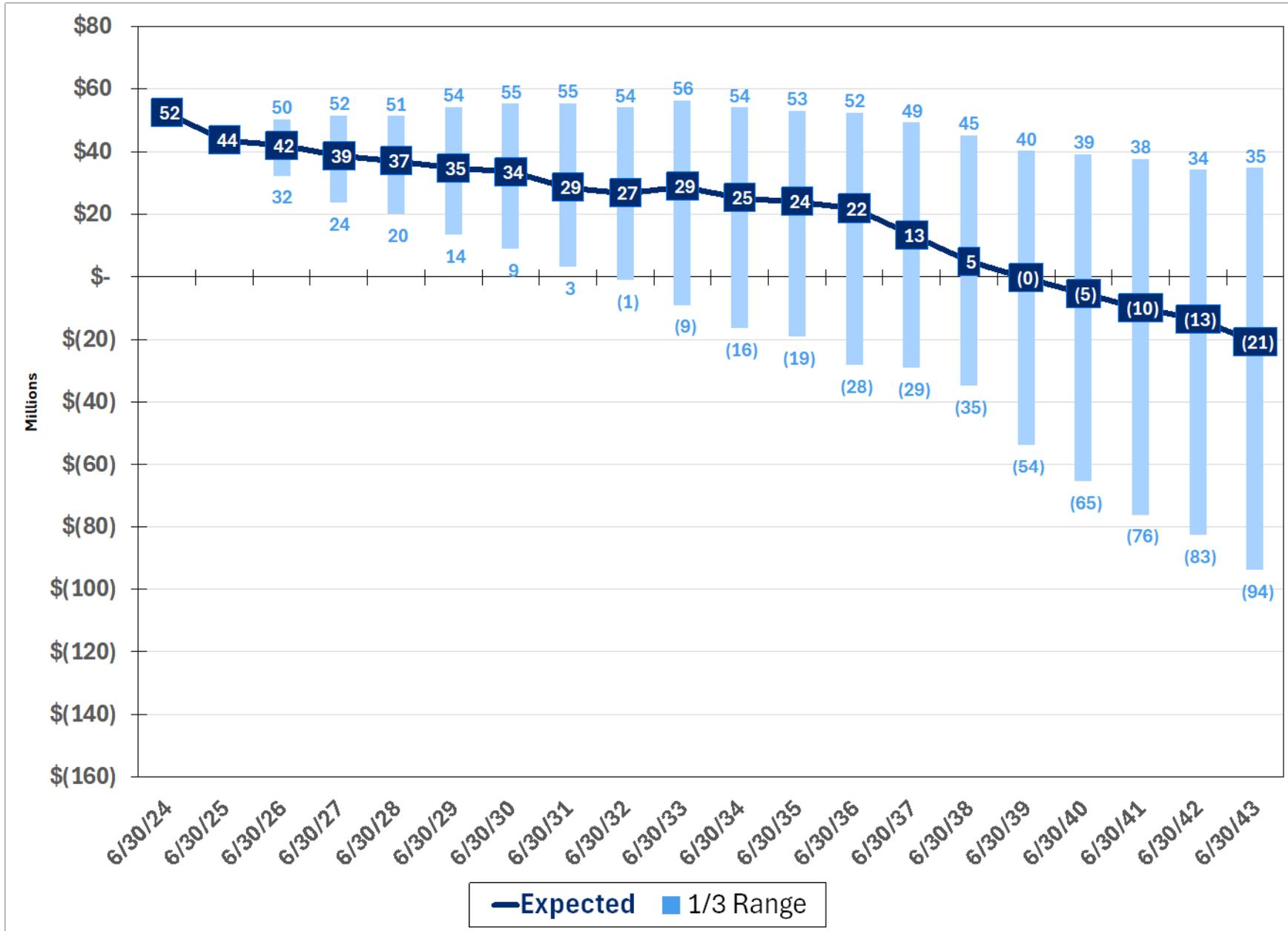
# PROJECTIONS

## Safety Contributions (percentage of payroll)



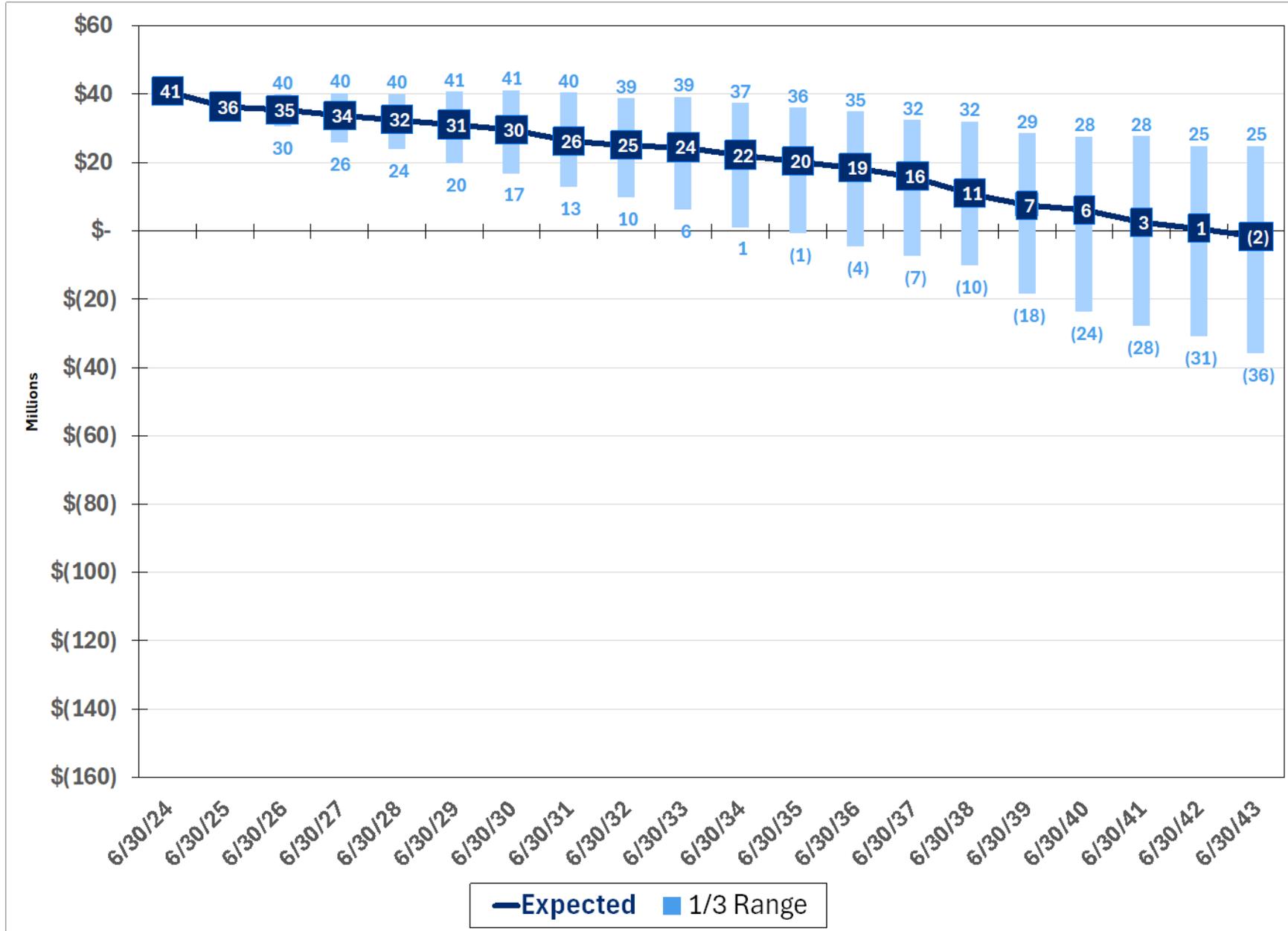
# PROJECTIONS

## Miscellaneous Unfunded Liability



# PROJECTIONS

## Safety Unfunded Liability



# SUPPLEMENTAL TRUST

## Background

- ▼ Established 10/3/17
- ▼ Funds can only be used for CalPERS payments/reimbursements
- ▼ Investment Policy

	Range		Target
	Low	High	
<b>Growth</b>			
Domestic Equity	15%	39%	30%
International Equity	1%	25%	15%
Other	0%	15%	5%
<b>Income</b>			
Fixed Income	33%	60%	48%
Other	0%	9%	0%
<b>Cash Equivalents</b>	0%	20%	2%
<b>Real Return Assets</b>	0%	10%	0%
<b>Total</b>			100%

# SUPPLEMENTAL TRUST

## Background

- ▼ \$24.2M as of 6/30/24
- ▼ \$26.6M as of 6/30/25
- ▼ No specific demarcation between Miscellaneous and Safety
- ▼ Assets allocated based on historical contributions:

	Miscellaneous	Safety	Total
<b>6/30/25 Assets</b>	16,845,000	9,767,000	26,612,000

# SUPPLEMENTAL TRUST

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## Scenarios

- ▼ Transfers assumed to commence 2026/27
- ▼ 4% future return assumed
- ▼ Transfers calculated to:
  - City net payments never increase based on expected CalPERS rates
  - exhaust trust during projection period

# SUPPLEMENTAL TRUST

## Scenarios

▼ Two scenarios projected:

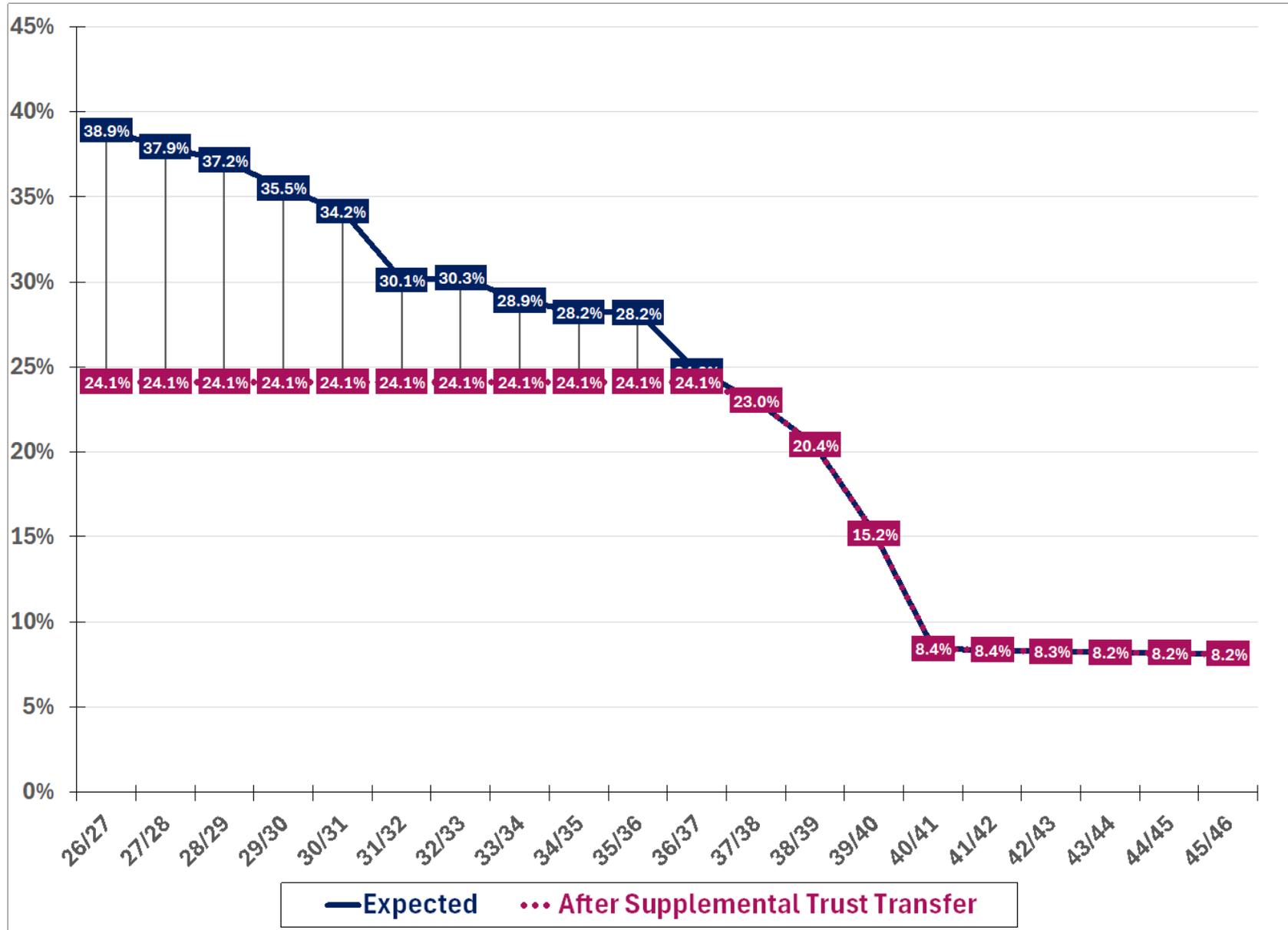
	<b>Scenario 1 (expected rates)</b>	<b>Scenario 2 (high rates)</b>
Future CalPERS Contributions	Expected (median)	High (top 1/3)
Maximum City Payment		
Miscellaneous	24.1%	24.1% through 31/32 37%+ 33/34 and later
Safety	67.8%	67.8% through 32/33 96%+ 33/34 and later
Overall Funded Ratio (Miscellaneous/Safety)		
6/30/25	87%/78%	87%/78%
6/30/35	91%/85%	80%/74%
6/30/39	100%/95%	86%/80%

▼ Each scenario also includes funded ratio projection if no funds are drawn from Supplemental trust (light blue line in funded ratio projections)

# SUPPLEMENTAL TRUST

## Miscellaneous Scenario 1

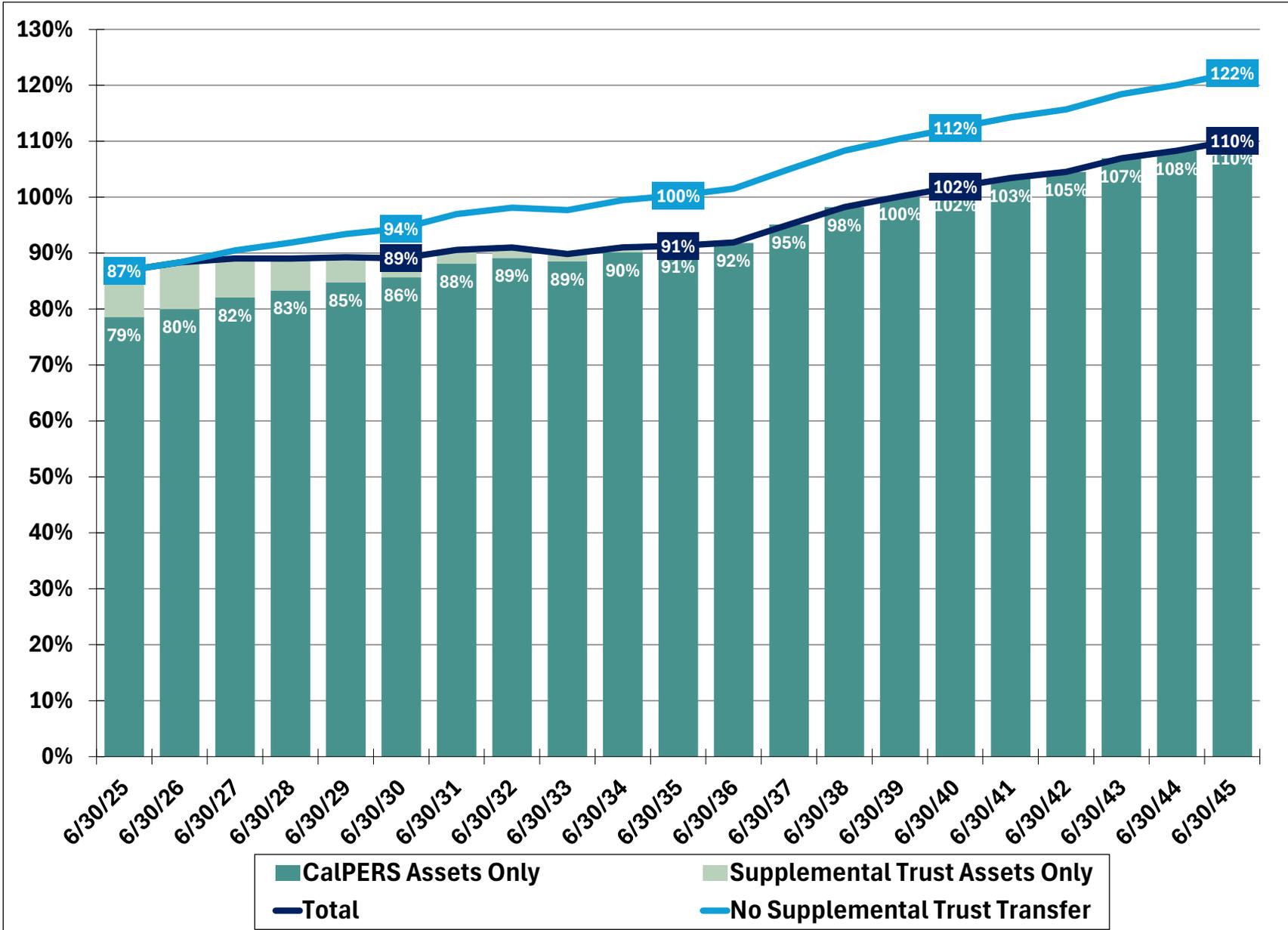
### Percentage of Payroll Contribution Projection



# SUPPLEMENTAL TRUST

## Miscellaneous Scenario 1

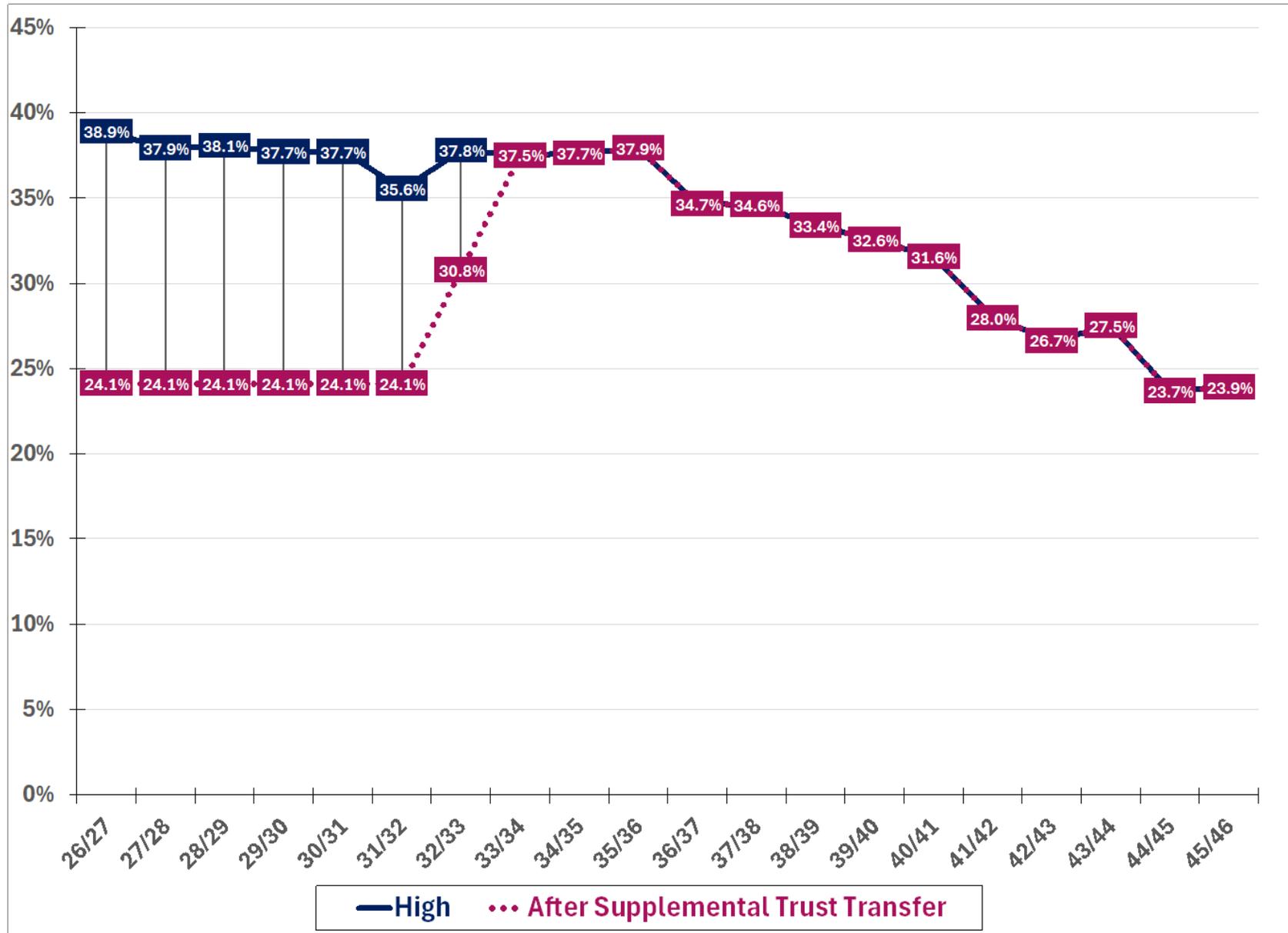
### Funded Ratio Projection



# SUPPLEMENTAL TRUST

## Miscellaneous Scenario 2

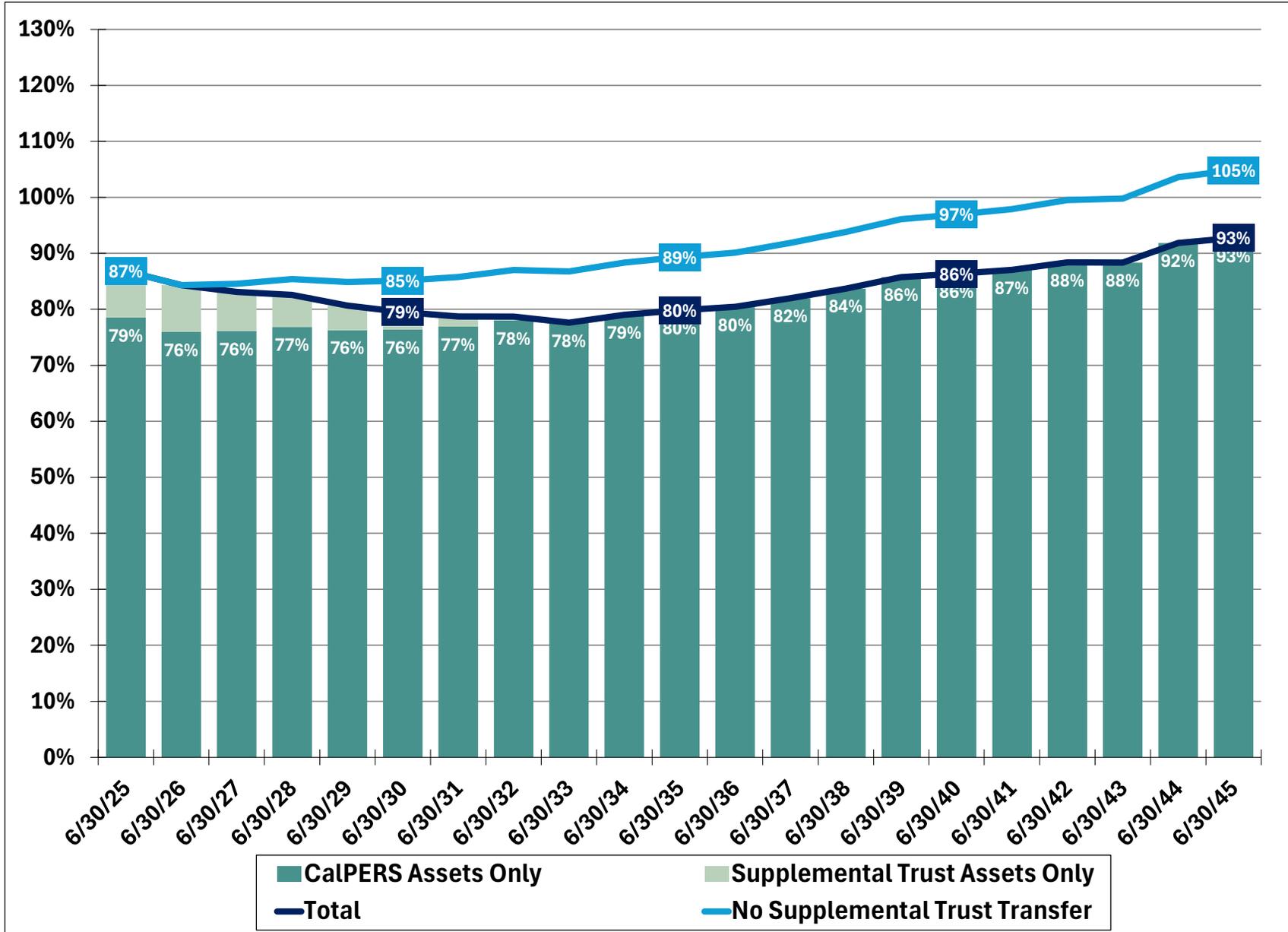
### Percentage of Payroll Contribution Projection



# SUPPLEMENTAL TRUST

## Miscellaneous Scenario 2

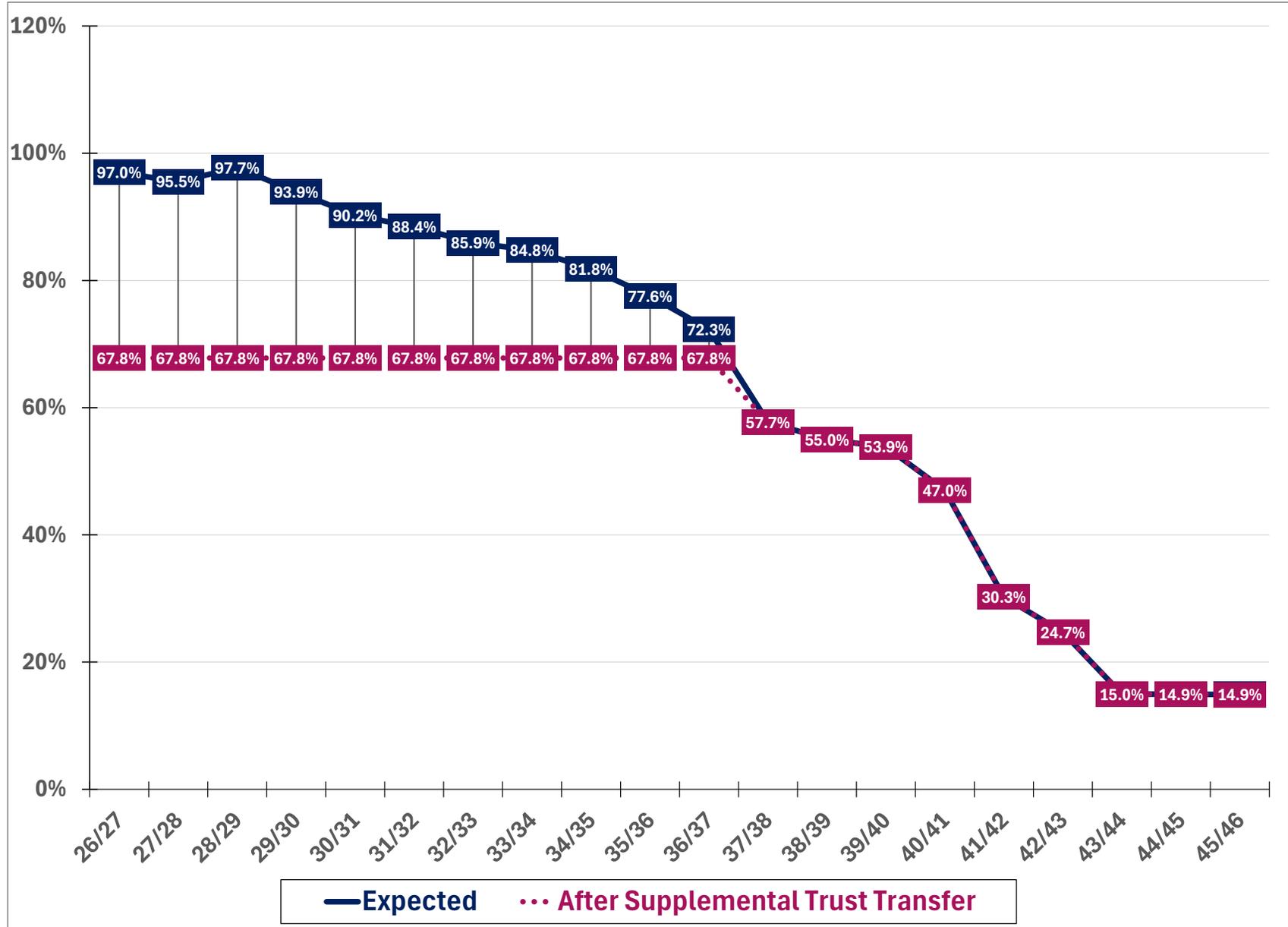
### Funded Ratio Projection



# SUPPLEMENTAL TRUST

## Safety Scenario 1

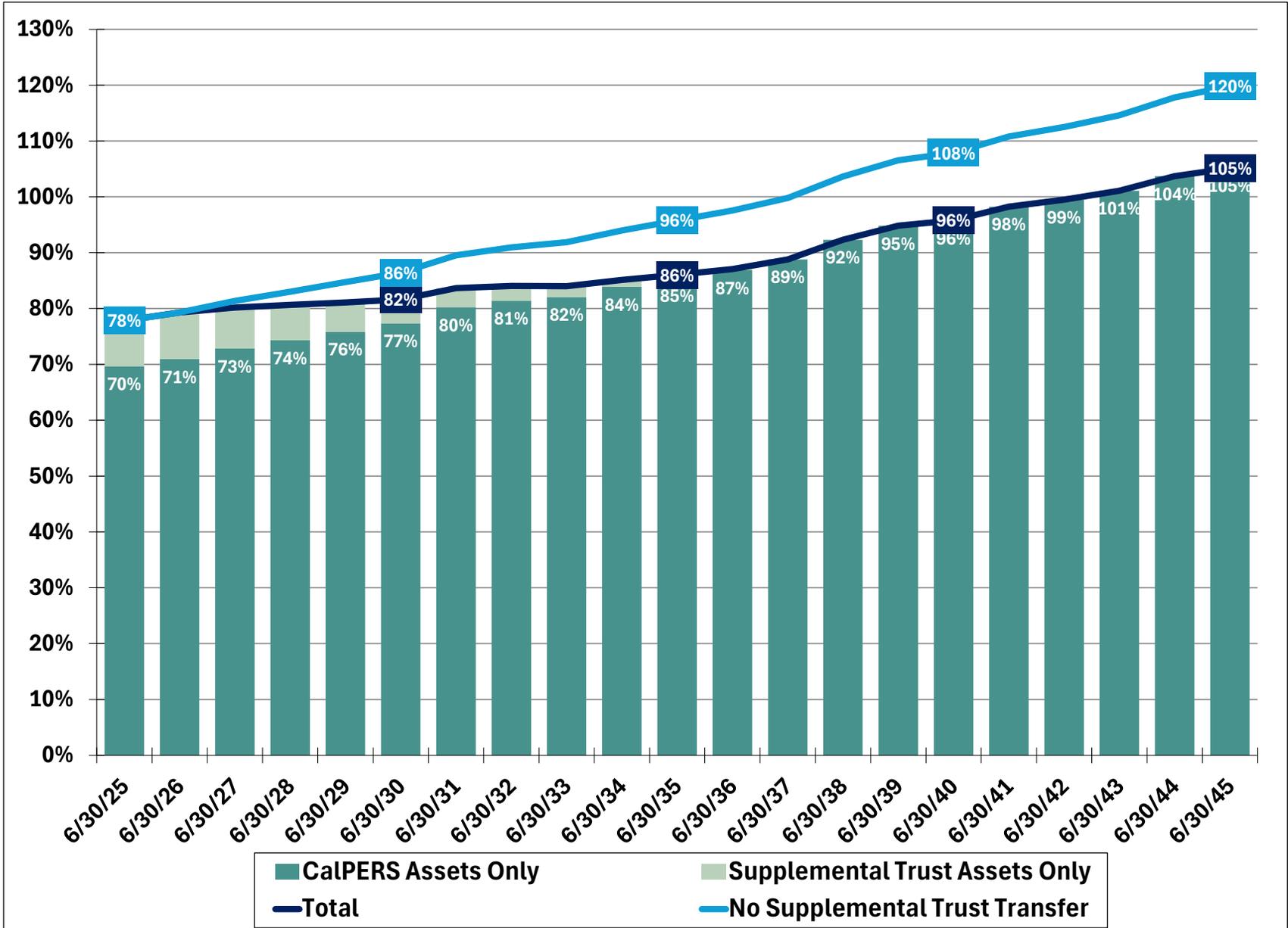
### Percentage of Payroll Contribution Projection



# SUPPLEMENTAL TRUST

## Safety Scenario 1

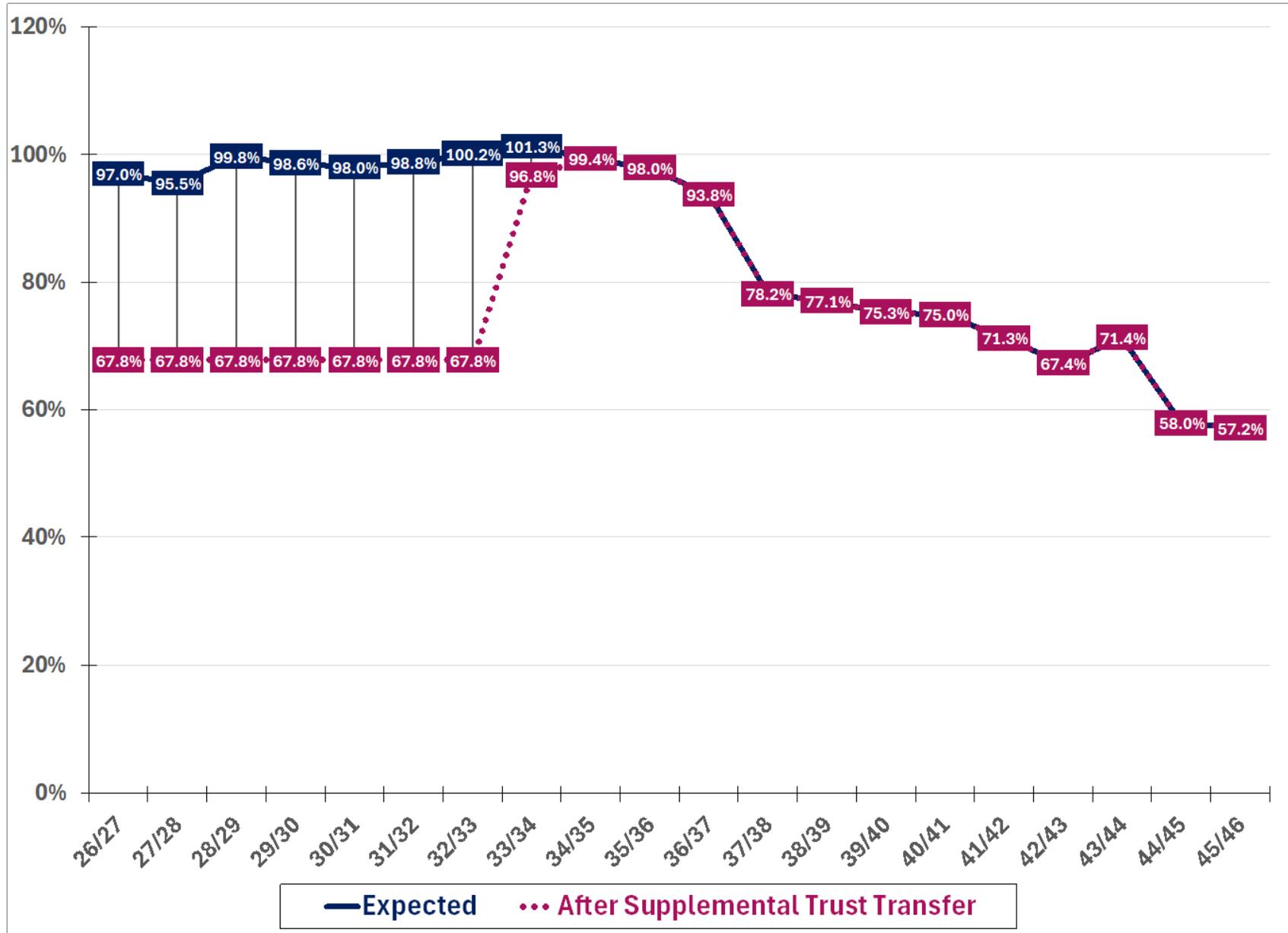
### Funded Ratio Projection



# SUPPLEMENTAL TRUST

## Safety Scenario 2

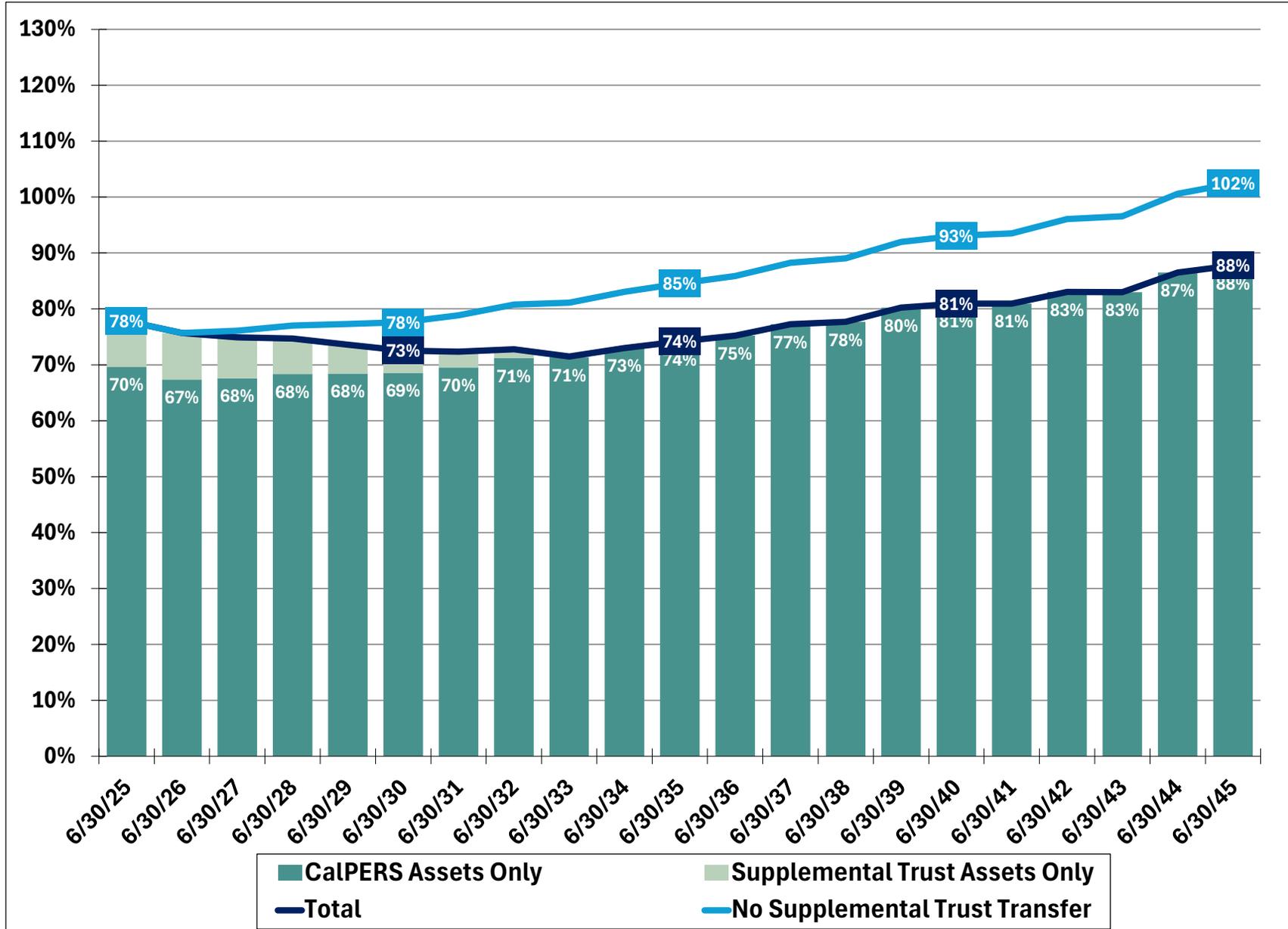
### Percentage of Payroll Contribution Projection



# SUPPLEMENTAL TRUST

## Safety Scenario 2

### Funded Ratio Projection



# Rael & Letson