MEETING

STATE OF CALIFORNIA

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BOARD OF ADMINISTRATION

FINANCE & ADMINISTRATION COMMITTEE

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

FECKNER AUDITORIUM

LINCOLN PLAZA NORTH

400 P STREET

SACRAMENTO, CALIFORNIA

MONDAY, APRIL 14, 2025

1:00 P.M.

JAMES F. PETERS, CSR
CERTIFIED SHORTHAND REPORTER
LICENSE NUMBER 10063

APPEARANCES

COMMITTEE MEMBERS:

Kevin Palkki, Chair

Mullissa Willette, Vice Chair

Fiona Ma, represented by Frank Ruffino

David Miller

Jose Luis Pacheco

Ramón Rubalcava

Theresa Taylor

Yvonne Walker

BOARD MEMBERS:

Theresa Taylor, President

Eraina Ortega

STAFF:

Marcie Frost, Chief Executive Officer

Stephen Gilmore, Chief Investment Officer

Michele Nix, Chief Financial Officer

Scott Terando, Chief Actuary

Fritzie Archuleta, Deputy Chief Actuary

Robert Carlin, Senior Attorney

Dave Clement, Supervising Actuary

Jennifer Hafner, Investment Manager

APPEARANCES CONTINUED

STAFF:

Rob Jarzombek, Chief Health Plan Research and Administration Division

Janie Rajasuncy, Controller

Rob Paterson, Investment Director

Nina Ramsey, Senior Actuary

Will Schaafsma, Chief, Financial Planning, Policy, and Budgeting Division

Emily Zhong, Supervising Health Actuary

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PROCEEDINGS

CHAIR PALKKI: Good afternoon. I'd like to call the Finance and Administration Committee to order. Can we start with the roll call.

BOARD CLERK ANDERSON: Kevin Palkki.

CHAIR PALKKI: Good afternoon.

BOARD CLERK ANDERSON: Mullissa Willette.

VICE CHAIR WILLETTE: Here.

BOARD CLERK ANDERSON: Frank Ruffino for Fiona Ma.

ACTING COMMITTEE MEMBER RUFFINO: Present.

BOARD CLERK ANDERSON: David Miller.

COMMITTEE MEMBER MILLER: Here.

BOARD CLERK ANDERSON: Jose Luis Pacheco.

COMMITTEE MEMBER PACHECO: Present.

BOARD CLERK ANDERSON: Ramón Rubalcava.

COMMITTEE MEMBER RUBALCAVA: Present.

BOARD CLERK ANDERSON: Yvonne Walker.

COMMITTEE MEMBER WALKER: Here.

CHAIR PALKKI: Thank you. Next on the agenda is our Executive Report, Ms. Nix.

CHIEF FINANCIAL OFFICER NIX: Good afternoon, Mr. Chair and Committee members. Michele Nix, CalPERS team member. I hope everyone enjoyed their lunch and had a good one or least a tasty sandwich.

Anyway, I'm often asked what the status of the California Employers' Pension Prefunding Trust is. So I'm going to build it into the executive report today. I'm happy to report that as of April 8th, 2025, the CalPERS Employers' Pension Prefunding Trust fund balance is 278 million with 101 contracted employers.

Last week was America's Save -- America Saves Week. Our 457 Plan encouraged participants to increase retirement competence with their finances by planning and saving. We sent emails, social media posts, and newsletters with links to resources and tools like a budget calculator and webinars on a variety of financial topics. We are helping the 457 Program participants save on administrative fees with a recent two basis points reductionWe recently signed a third-party administrator contract in February that enabled this reduction.

The action consent item before you today consists of a semiannual financial contracting prospective report and the valuation report for the 1959 Survivor Benefit Program. Additionally, the agenda has five action items seeking your direction. The Investment Data and Technology Modernization Initiative and contract extension of the total fund and capital markets platform, the 200 -- 2025-26 annual budget proposal, the annual review of the Board member employer reimbursements, state valuation and employer/employee contribution rates, and school valuation employer/employee contribution rates.

We also have three information items. Fritzie Archuleta will present the long-term care valuation report. And next will be Emily Zhong presenting the semiannual health plan financial report, and Scott Terando, along with Fritzie Archuleta, will conclude today with the 2025 Public Employees' Retirement Fund actuarial assumptions, which is part of the ALM process.

The next Finance and Administration Committee is scheduled for September 16th, 2025 and will include the following: treasury analysis and the liquidity status reports, prefunding programs annual status report, pension contracts management program report, annual contract and procurement activity report, annual actuarial valuation terminated agency pool, and the review of the Public Employees' Retirement Fund actuarial assumptions.

Thank you, Mr. Chair. That concludes my report and I'd be happy to take questions at this time.

CHAIR PALKKI: Thank you, Ms. Nix.

I do not see any questions, so we can move forward with our agenda. Next up is our action consent items. What is the pleasure of the Committee.

COMMITTEE MEMBER PACHECO: (Hand raised).

CHAIR PALKKI: I have a motion by Jose Luis

Pacheco.

COMMITTEE MEMBER MILLER: (Hand raised).

CHAIR PALKKI: And a second by David Miller.

By consensus of the Board, all those in favor say aye?

(Ayes).

CHAIR PALKKI: You had a question.

ACTING COMMITTEE MEMBER RUFFINO: I had a quick question on one of the reports.

CHAIR PALKKI: Do we -- so hold On. Before we take -- okay. So there's a motion and a second. Let's open it up for discussion on Mr. Ruffino. Oh, sorry. There you go.

ACTING COMMITTEE MEMBER RUFFINO: Yeah. Thank you, Mr. Chair. I had a quick question. I don't necessarily need to pull the item on 4c, the semiannual contracting prospective report.

CHAIR PALKKI: So let's hold off on the information consent items, because we need to take the action on 3.

ACTING COMMITTEE MEMBER RUFFINO: I'm so sorry.

CHAIR PALKKI: Okay. So back to the action consent items. I have a motion and a second. If there is no discussion on the action consent items.

CHIEF EXECUTIVE OFFICER FROST: Just a moment, Chair. Mr. Ruffino, did you -- were you referring to 3c, the semiannual contracting prospective report that you wanted to pull from action consent?

ACTING COMMITTEE MEMBER RUFFINO: No, 4c.

CHIEF EXECUTIVE OFFICER FROST: 4c. Okay.

ACTING COMMITTEE MEMBER RUFFINO: Sorry.

CHIEF EXECUTIVE OFFICER FROST: That's okay. Thank you.

CHAIR PALKKI: Yeah. So with -- back to the consent -- action consent items. If there's no other discussion, all those in favor say aye.

(Ayes.)

CHAIR PALKKI: All those opposed say nay?

Any abstentions?

Motion passes.

Information consent items. Mr. Ruffino, I have been asked to pulled 4c.

ACTING COMMITTEE MEMBER RUFFINO: Thank you, Mr. Chair. Can I ask the question on 4c?

CHAIR PALKKI: Yes.

ACTING COMMITTEE MEMBER RUFFINO: Okay. Perfect. All right. Just a quick question on 4c, which is the semiannual financial report. So on that report, we noted that the benefits payment increased by 5.4 percent due to growth in retiree and beneficiary population.

So if this rate of increase -- or is this rate of increase in line with current demographic projections or is there concern that growth may outpace planning assumptions?

CHIEF FINANCIAL OFFICER NIX: Thank you for that question. First of all, this is as of a point in time. So December -- it's through December 31st, 2024. So we often have increased retirements in the month of December. We consider an annual prospective of retirements when we go to do the valuation reports, which you'll remember are actually lagging in years. So we will see if those increased retirements will affect the valuation in the next valuation. And I think that's all I have with that. Scott, do you want to add anything or did I --

CHIEF ACTUARY TERANDO: No, you got it.

CHIEF FINANCIAL OFFICER NIX: All right. So we'll see that flow through in the next actuarial valuation.

ACTING COMMITTEE MEMBER RUFFINO: Got it. Okay. Thank you.

Thank you, Mr. Chair.

CHAIR PALKKI: Thank you.

Mr. Rubalcava.

COMMITTEE MEMBER RUBALCAVA: Thank you. I just want to thank Trustee Ruffino for asking that question. I don't feel so bad now, because I actually had the same question. So thank you. Thank everybody.

CHAIR PALKKI: Okay. All right. Okay. If there's no other questions on our information consent items, we can move to Agenda 5, action agenda items, Investment Data and Technology Modernization Initiative and contract extension of total fund and capital markets platform.

(Slide presentation).

CHIEF FINANCIAL OFFICER NIX: We're going to call Robert Paterson to the dais to present this.

INVESTMENT DIRECTOR PATERSON: Good afternoon, Committee members. Rob Paterson, CalPERS team member. If we can move on to the next side, please.

[SLIDE CHANGE]

INVESTMENT DIRECTOR PATERSON: Wonderful. When we met in November, we provided an update on the overall initiative and said that we would come back now, seeking funding and also providing an update on work that we've done since the last meeting. And today, what I'd like to do is I'd like to spend some time again giving an update in terms of the progress that we've done since the last meeting. I'd also like to share the plan for the remainder of the fiscal year, outline plans for next fiscal year, and because this is an action item, we're seeking approval today on two specific items. The first items is that of funding or budget for fiscal year '25-'26. And I'll get into additional details on that in a moment. And the second component is asking for approval for the contract term, moving from what is typically a five-year term to a seven-year term.

[SLIDE CHANGE]

INVESTMENT DIRECTOR PATERSON: Thanks for moving on the slide. So, before we get into the request, I wanted to provide some updates in terms of the approach that we're taking, making sure we're aligned there, reorient ourselves on the overall timeline, and then just remind ourselves of the governance structure that we have in place.

From an approach perspective, we've taken the overall initiative and we've broken that into four underlying projects. The first project that -- the first project is that of total fund and capital markets. And that's focused on the data and the technology to make sure that we have the necessary capabilities to manage the funds into totality as well as public equity and fixed income and isolation.

The second project is that of private markets. And that's looking private equity, private debt, real estate and infrastructure, and making sure both pre-investment in any of the due diligence tools and data that we need, as well as post-investment that we have the information, the tools, the processes to be able to support the activities within those investment segments.

The third project is that of a data platform. That's making sure that we have a centralized repository built out, common source of information related to data that's used for reporting and also analysis, and then the fourth project that you can see, grayed out at the bottom very intentionally, is that of develop applications. The intention being there in the event that the first three projects have some unmet needs, that we would go through out governance process to make sure that we evaluated the opportunities to develop those applications. But again, that would be a couple years down the road before we got into that.

From a governance standpoint, reminder that we have the overall initiative, which is co-chaired, co-sponsored by our CEO and CIO. And then within each one of the underlying projects, we have our own governance structure. That governance structure is comprised of Representatives from each of the asset classes or enterprise IT folks, partners there. And then it's led or sponsored by a senior leader within the Investment Office and is ultimately reported back into any recommendations or decisions back into the executive level steering committee.

From a timeline perspective, we initiated the first two projects this fiscal year, so that's Project 1 and Project 2. And when we look to next fiscal year, we would look to start on that data platform, Project 3. And as you look at the timeline, and similarly with the budget as we look at that later, what we're sharing with you is the best available information that we have to date. And as we continue to get new information, we'll provide that to you at the next available Board meeting.

So if we can move on to the next slide.

[SLIDE CHANGE]

INVESTMENT DIRECTOR PATERSON: So one of the reasons we're here today is to seek funding. And so we wanted to take a moment and introduce some of the initiative costs over the life of this initiative. When we look at that, we can think of the cost. We can also think of this as being the investment that we're making into the capabilities that are required to be -- be able to better manage the portfolio into the future.

As we're looking at this, we can look on the left-hand side of the chart, fiscal year '24-'25, the year that we're in. That represents the $10 million that's been approved to date. And on the next slide, I'll give you updates in terms of how we progressed that, but generally activities are on track.

As we look at fiscal year '25-'26, next fiscal year, that's the $38 million that we're seeking funding for today. Similar to the current year activities, I'll get into more detail here, but I'd summarize what we plan to do next fiscal year as related to initiative planning for Projects 1 and 2. So how are we going to go and sequence the implementation of the software vendors that we select and then beginning the implementation of those selected vendor platforms, and then initiating Project 3, which is the data platform.

As we look at that $38 million, it translates approximately current NAV of the PERF to about three-quarters of a basis point of performance impact to PERF. As we look at fiscal year '26-'27, we can see a spike, that being the greatest cash outlay in that year, the reason being all three of the efforts of the projects would be in flight. And then as we moved it to subsequent fiscal years, we see those cash outlays decrease. We believe that we'd be wrapped up with the overall initiative around early part of fiscal year '29-'30, with some additional costs being pushed into that particular year.

Again, just like on the prior slide when I was introducing some of the -- or discussing some of the timelines when we're looking at this, these are our best available estimates on all of the projects. It's informed by work that we did with McKinsey two years ago. It's informed by a lot of peer conversations we've had. And it's also informed by a lot of market research that we've done as we've worked with consulting firms, or the vendors that we're evaluating.

If we could move on to the next slide, please.

[SLIDE CHANGE]

INVESTMENT DIRECTOR PATERSON: So when I look at this slide and I look at the accomplishments, I'm quite pleased with the progress that the team has made. When I think of the progress that the team has made, that's not just the Investment Office. That's also reflective of a lot of the work that we've done with our business partners across the enterprise. And when we look at this, I think that's important to signal, because this is not just an Investment Office oriented activity. This is something that we're doing that is requiring support and partnership to progress from HR, from the Financial Office, from the Legal Office, from our procurement and contracting team to make sure that everything is done in a way that we can mutually progress and build support into the future.

What I though I would do though is highlight some of the key accomplishments since the November Board meeting. In terms of staffing, that's been a major area of focus. We want to make sure that to the greatest extent possible, we have permanent staff that are able to help build up these capabilities. And we've been working very closely with HR, so Michelle Tucker's team, to be able to stand up a process to be able to recruit at scale and to move at a fairly quickly -- quick pace, so that we can get people on board as quickly as possible.

The positions that we're hiring there, and there are several of them, are going to report directly to Jen Hafner, who is on my left or to your right. And Jen joins us. She joined us in the summer. She is now in the role of Initiative Director overseeing the totality of these projects. She reports to me and ultimately has responsibility for what we're doing here.

A little bit of context on Jen. Jen has 25 years of experience at Schwab, where she was most recently the Managing Director of their Strategic Program Office. Also oversaw their Investment Platform and Technology team, and various governance and Board relations related activities.

One of the things that she did while there was she led activities to scale their investment platforms to support the one trillion dollars in assets that they manage. To date, her contributions have been key and as we look to the future very instrumental in making sure that we manage the overall initiative well.

Some key accomplishments on Project 1. A lot of it's been focused on things like documentation, partnering with our enterprise IT folks to make sure we understand what the as-is situation. What are all the application we have, what are the key activities, what are the data flows that when we move to a future State, we're able to effectively map what is to what will be. So very important to prepare for implementation that we have coming up next year.

The second key component is we've selected the SaaS platform provider. It's going to be a Software as a Service solution provider, that will support the totality of the investment or portfolio management activities for capital markets and total fund. And a significant support that we've received from OSSD, so Dallas Stone and team, on the procurement, and then also on the contracting side from Matt Jacobs team within the Legal Office.

As we've looked to Project 2, we've been looking at all the capabilities that we need to be able to manage that portion of the portfolio. We've short-listed a set of vendors that we think we'll deliver on those capabilities and we've initiated peer reviews to make sure that our ingoing view of what we think we should be doing is validated by what some of our peers are doing.

And also, that we have a better sense of the vendors that we think that would be able to support those needs are indeed being used across the market.

As we look to next fiscal year, we're going to have a continued focus on resources, both permanent staff, getting those folks onboard and trained, as well as consultants. We'll also focus on developing a change management plan and needing to develop activities, not just in isolation of the Investment Office, but also in the context of the conversation of TPA and how we bring all of the activities together from a data technology, a portfolio management standpoint ad working with our enterprise partners.

As we look at activities for the remainder of the year on Project 1, we're going to complete our current State documentation. We'll plan to execute the contract for that software provider. We'll select a consulting firm to assist us with implementing that software platform. And then on Project 2, private markets, we'll cleat our peer reviews and then also complete a market assessment of the tools that are required to be able to run the businesses as we think we need to into the future.

So as we move to the -- to the next slide --

[SLIDE CHANGE]

INVESTMENT DIRECTOR PATERSON: -- and I began to give a sense of some of this as I was talking about what we're doing this year, some of that begins to lean into what we'll be doing next year as well. I'd also look at this slide as this is what we will deliver or plan to deliver if the budget is approved today across the initiative in the various projects.

When we look at Project 1, we're going to complete planning for the implementation. And when we look at the implementation, we think we can start that very quickly thereafter, so sometime Q2 of the fiscal year. And that would begin, what we estimate it, to be a two-year implementation schedule for that core platform for total fund and capital markets.

For Project 2, we're going to initiate the implementation planning phase. So again, we would have selected some of our vendors. We would have -- we'll begin to get a sense of what it's going to look like to implement those solutions, and then again begin working on the implementation.

Project 3, the data platform, we'll look at business requirements and begin to design that. And then when we look at the overall resourcing plan, making sure that we have the right resources to be able to progress the work.

One thing I want to acknowledge is, as I've talked about the work that we've done to date and also the work that we're planning to do into the future, that we're planning to use State staff wherever possible. And that's one of the reasons why we have Jen in her position and we're recruiting a number of positions to date. We also recognize though that there's a -- there's a number of things that we don't necessarily know yet about how to run the systems, how to configure those systems well. And so we are looking to have consulting firms assist us with the implementation of those systems. And as part of the engagement we have with those firms, we want to make sure that knowledge transfer and training back to our permanent staff is on the top of everyone's mind. And so we very much built that into all of the engagements that we have and all the plans moving forward.

If we could move on to the next slide, please.

[SLIDE CHANGE]

INVESTMENT DIRECTOR PATERSON: So moving into the second component of the action item, which is the term. As I mentioned, the standard contract term is a five-year term. We're asking for a seven-year term. There's really two key considerations there. When we look at an implementation of this scale for capital markets and total fund, we're looking at an implementation that likely will take two years. So significant investment up front to get it up and running. And so this allows us to have two years of implementation and then five years of actual use of the platform.

The second piece of it that's also and probably even more important is, as a result of moving from a five-year contract term to a seven-year contract term, we estimate cost savings in the range of five to 10 percent. So real dollars back to us in terms of lower cost.

If we could move on to the next slide, please.

[SLIDE CHANGE]

INVESTMENT DIRECTOR PATERSON: Wonderful. So as I mentioned, this is an action item. And there's two items that we're seeking approval for today. The first, as I mentioned, is the $38 million in budget. And the second is that of the seven-year contract term. We believe that both of these are important for us to be able to move forward. And I'll go ahead and pause at this point to see if there's any questions before you take this to a vote.

CHAIR PALKKI: Thank you, Mr. Patterson.

Mr. Pacheco.

COMMITTEE MEMBER PACHECO: Yes. Thank you, sir, for your -- for your elegant presentation. I have a question regarding the -- let me get back to it key -- on the key accomplishments and next steps. You mentioned that there will be a -- will there be a change management plan that follows along with the Investment Data Technology Modernization Initiative governance plans and their roles and responsibilities? I'm just wondering if that's going to be in alignment with respect to that?

INVESTMENT DIRECTOR PATERSON: So I take that maybe in two parts.

COMMITTEE MEMBER PACHECO: Yes.

INVESTMENT DIRECTOR PATERSON: From a governance standpoint, we'll look to make sure that we have clear roles and responsibilities to manage each one of those projects. From a change management standpoint, the way we're looking at addressing that is twofold. We want to make sure that we have a broad overarching plan for the initiative. That's also connected with what we're doing elsewhere with -- for example, within the total portfolio approach to make sure that those are congruent. And in practice, what we're going to do is effectuate a lot of those changes, whether it's business process redesign, whether it is communication, whether it's seeking input at the individual project level. And so one of the things we'll do by way of the implementation partner, the partner, the consulting firm that would help us with the implementation is we're asking them to help bring some change management resources, so that we have that -- we have people that have done this before and then we manage that at the local level.

COMMITTEE MEMBER PACHECO: Excellent then. And then just with respect to the contractual changes. As you're mentioning that you want to go from a five-year to a seven-year for the SaaS partner for total fund, as well as you included an optional three-year extension for greater flexibility and so forth. Just in your opinion, you know, because I'm -- my background is also IT, I find that -- I think that's a pretty -- actually a very good idea in many respects because of the -- of the issues that come with implementation and technology, and how these things are very; complicated in implementing over time. So that flexibility is a pretty prudent process. I'm just wondering is that the standard the three-year or is it -- or is there more or less?

INVESTMENT DIRECTOR PATERSON: It's an extension beyond the standard term, which is why we want to be explicit about it. The reason -- there's other options we could have taken. We could have asked for incremental one year extensions. The reason we're not asking for that, and we're going in with the three years, if at the end of seven years, we realize we wanted to switch, which again very high switching costs --

COMMITTEE MEMBER PACHECO: Right.

INVESTMENT DIRECTOR PATERSON: -- it would take two to three years to switch from one vendor to another, just like the initial implementation we're doing here. So we're just trying to provide that information out of the gate.

COMMITTEE MEMBER PACHECO: Out of the gate. Very good then. Overall I thank you very much. I do appreciate this presentation and the process that we're going through. Thank you.

CHIEF EXECUTIVE OFFICER FROST: Rob, I think it would helpful to get into the record too. So of the seven years, how much of that seven years is in project status versus just implementation operational mode?

INVESTMENT DIRECTOR PATERSON: Great. Yeah. So two years will -- of that seven will be on the project implementation. And then five years we'll be actually using it in more of a production basis, like Marcie was mentioning.

COMMITTEE MEMBER PACHECO: Thank you very much. That's a very good follow-up. Thank you.

CHAIR PALKKI: I am not seeing any other questions. So let's break this down into a couple votes here. I will entertain a motion to approve 38 million in '25-'26.

COMMITTEE MEMBER PACHECO: I'll move.

CHAIR PALKKI: -- to include the INVO's initial budget request and that will fund it through 6-30-26.

COMMITTEE MEMBER PACHECO: I'll move.

CHAIR PALKKI: I have a motion by Mr. Pacheco.

Is there a second?

VICE CHAIR WILLETTE: Second.

CHAIR PALKKI: A second from Ms. Willette.

By consensus of the committee, all those in favor say aye?

(Ayes.)

CHAIR PALKKI: All those opposed?

Any abstentions?

Motion passes.

Next motion, I will entertain an extension to the contract term for seven years for SaaS partner for total fund and capital markets portfolio management platform. What is the pleasure of the Board?

CHIEF EXECUTIVE OFFICER FROST: Mr. Palkki, could you add the plus three years?

CHAIR PALKKI: Plus three. Okay.

CHIEF EXECUTIVE OFFICER FROST: Thank you.

CHAIR PALKKI: Okay. So the extension for seven years, plus three years for SaaS partner for a total fund and capital markets portfolio management platform.

Do I have a motion?

COMMITTEE MEMBER MILLER: So moved.

CHAIR PALKKI: I have a motion by Mr. Miller.

COMMITTEE MEMBER WALKER: (Hand raised).

CHAIR PALKKI: And second by Ms. Walker.

All those in favor say aye?

(Ayes.)

CHAIR PALKKI: All those opposed?

Any abstentions?

Motion passes.

Thank you, Mr. Paterson.

Next up, annual budget proposal, '25-'26.

Ms. Nix.

CHIEF FINANCIAL OFFICER NIX: Thank you, Chair Palkki. For the next item, I'm going to call Will Schaam --

(Laughter).

CHIEF FINANCIAL OFFICER NIX: Well, I don't know -- what's your name, Schaafsma, sorry, to the -- to the dais.

(Slide presentation).

FINANCIAL PLANNING, POLICY, AND BUDGETING DIVISION CHIEF SCHAAFSMA: Thanks, Michele. Good afternoon, Mr. Chair and members of the Committee. Will Schaafsma, CalPERS team member. Today, we'll be walking you through the '25-'26 proposed budget agenda item. It is an action item. I'm going to start by updating you on our current year spending.

Next slide, please.

[SLIDE CHANGE]

FINANCIAL PLANNING, POLICY, AND BUDGETING DIVISION CHIEF SCHAAFSMA: So as of December 31st, CalPERS had expended a little more than one billion or roughly 41 percent of our current year budget. Based on current projections, we estimate that CalPERS will end the fiscal year with a little more than 75.1 million in savings.

Most of the projected savings come from administrative operating costs and are due to salary savings associated with position vacancies. Savings within the investment operating costs category are a result of lower-than-anticipated contract and consultant costs.

Third-party administrator fees have a projected savings, based on revise estimates for health and long-term care.

Next slide, please.

[SLIDE CHANGE]

FINANCIAL PLANNING, POLICY, AND BUDGETING DIVISION CHIEF SCHAAFSMA: Moving on to our '25-'26 budget. CalPERS proposes a total budget of 2.74 billion.

This is a 213.4 million, or 8.4 percent, increase over the current year budget. For point of reference, our annualized rate of growth from fiscal year '21-'22 through '25-'26 is 8.2 percent.

This year's proposed budget increases are attributable to increased external management fees for active management and increased allocation to private asset classes, full year costs of fees for new PPO administrators, the Data and Technology Modernization Initiative you just heard from, and transitioning Lincoln Plaza buildings to LED lights. Our position authority is proposed at the same level as the '24-'25 budget.

Next slide, please.

[SLIDE CHANGE]

FINANCIAL PLANNING, POLICY, AND BUDGETING DIVISION CHIEF SCHAAFSMA: The budget before you proposes 637.4 million for administrative operating costs. This is a 4.5 percent increase over the current year. Administrative operating costs include salaries and benefits that we pay to our team, as well as operating expenses and equipment, also referred to as OE&E.

Increases in personal services are due to aligning the budget for Investment Office positions with actual salaries paid and for pool positions that would be redirected to human resources to align staffing with business needs and technology needs, recruitment and succession planning. OE&E increases are due to centralized service costs, or pro rata, costs associated with Board elections, and enterprise-wide software and consulting services.

I'll note that the administrative operating cost budget within this budget, there is a redirection of 1.7 million in projected salary and OE&E savings to fund student assistance, training, software and consultants. Based on analysis of historical spending trends, savings in both personal services and OE&E will be available for redirection to new business objectives, thereby limiting budget increases. And I will discuss each of these proposals in more detail in the next slide.

Next slide.

[SLIDE CHANGE]

FINANCIAL PLANNING, POLICY, AND BUDGETING DIVISION CHIEF SCHAAFSMA: So we received several formal budget requests and are proposing to either augment the budget or redirect projected savings depending on the item.

I'd like to note that budget requests are subject to a thorough vetting process and are reviewed by both the Financial Office and the executive team for criticality and resource alignment. The following budget requests are proposed for a budget augmentation of 3.3 million, because they are partly or entirely funded from Health Care or Contingency Reserve funds where we do not anticipate the same level of projected savings to be available for redirection.

One million for a case management solution to track and process grievances and appeals related to health and retirement benefits. This augmentation will be split between health funding and enterprise fund resources. And 2.3 million for strategic project consultants to provide expertise, experience, and knowledge required for health rate development and negotiations.

The following budget requests are proposed to be funded by redirecting 1.7 million in anticipated savings from vacant positions and OE&E based on historical expenditure trends: 400,000 for student assistance in various offices to create a pipeline of future candidates for permanent employment opportunities; 23,000 for software to assist with Contact Center workload efficiencies, and maintain quality employer learning experiences 76,000 for website threat detection software to help safeguard the myCalPERS system and mitigate risk, 200,000 for parallel valuation and certification services to confirm calculations used to set rates are in compliance with professional standards; 130,000 for a call summary tool to automate the summarization of Contact Center interactions, 275,000 for a consultant to stabilize system architecture for PeopleSoft supply chain management meant functions; 113,000 for a subscription to Gartner to access advisory services that will support innovation in human resources; 250,000 for myCalPERS security system testing to mitigate risks and improve the overall safekeeping of the system; 150,000 for employee -- employer multi-factor authentication implementation to enhance security efforts and safeguard sensitive data within the myCalPERS system; and finally 100,000 for human resources travel and enterprise-wide training.

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FINANCIAL PLANNING, POLICY, AND BUDGETING DIVISION CHIEF SCHAAFSMA: Our next budget category is investment operating costs, which are costs specifically incurred for investments. The total proposed for investment operating costs in 2025-26 is 186.4 million, which is a 30.5 million, or 19.6 percent, increase compared to the 2024-25 budget. Most of this increase is attributable to this year's costs of the Data and Technology Modernization Initiative, which account for 28 million of the overall increase. And I'll just note there, we're saying 28 million here, because we're comparing to the 2024-25 budget, which already had 10 million. So you add that to the 20, and that's the 38 that ties to the presentation you just saw.

The remainder of the increase is attributable to maintenance and operations for existing systems.

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FINANCIAL PLANNING, POLICY, AND BUDGETING DIVISION CHIEF SCHAAFSMA: Our last operating cost category is this -- category is for our headquarters building. We are proposing a 9.9 million or 31.5 percent increase to this category. This augmentation will support continued replacement of fluorescent lighting with LED lighting throughout Lincoln Plaza. Increases are also proposed for a five-year power down and the replacement of backup power supplies in Lincoln Plaza West and the Emergency Operations Center.

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FINANCIAL PLANNING, POLICY, AND BUDGETING DIVISION CHIEF SCHAAFSMA: This is our external fees budget. While CalPERS estimates annual investment external management fees based on market assumptions and estimated deployment of capital, actual fees paid within a fiscal year are subject to market fluctuations. We estimate total fees to be 1.57 billion in 2025-26, which is an increase of 7.9 percent over the 2024-25 budget.

The increase in base fees corresponds to a continued drive towards active management and increased allocation to private asset classes. I'd note here that management fee increases are correlated to AUM growth, so generally speaking, when fees go up, that means assets are performing well.

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FINANCIAL PLANNING, POLICY, AND BUDGETING DIVISION CHIEF SCHAAFSMA: Third-party administrator fees is our final budget category. We are estimating a $30 million increase here, or 10.9 percent. This increase is due to recognition of a full year of expenditures for the population health management administrator and some enrollment in migration changes.

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FINANCIAL PLANNING, POLICY, AND BUDGETING DIVISION CHIEF SCHAAFSMA: So here again is our total 2025-26 budget. And I'm happy to answer any questions you may have.

Thank you.

CHAIR PALKKI: Thank you, Mr. Schaafsma. Oh, there we come. Mr. Ruffino.

ACTING COMMITTEE MEMBER RUFFINO: Thank you, Mr. Chair. And thank you for the presentation, sir. I particularly want to ask you a question about when you first started slide -- I think it was slide two. I love that slide. That's the 2024-25 current year update. So, you -- with projection, now you know why I love it. With projections showing 75 million in year-end savings. Can't do better?

(Laughter).

ACTING COMMITTEE MEMBER RUFFINO: How are those savings prioritized or redeveloped?

FINANCIAL PLANNING, POLICY, AND BUDGETING DIVISION CHIEF SCHAAFSMA: Sure. That's a question. And I -- and I think I'll mention again that those savings are mostly attributable to position vacancies. So that's definitely a number that we expect and are actively working to reduce as we fill positions going forward into future fiscal years. So things like the rapid recruitment and other hiring initiatives that we're working on should actively reduce those savings numbers as we go forward. In terms of how we take those savings projections and prioritize that, what we're seeing is really an impact in the '25-'26 budget where we're leveraging those savings to fund new initiatives within the budget for this year, so that's the redirections that I previously mentioned on the budget request.

So in terms of current year savings, we will -- you know, the Budget Office will monitor savings to the extent that there's new needs that emerge within the enterprise during that current fiscal year. The Financial Office, the executive team would go and reprioritize those savings for anything that's needed within the enterprise.

ACTING COMMITTEE MEMBER RUFFINO: Got it. Well, thank you again. Better savings than deficits.

Thank you, Mr. Chair. I'm done.

CHAIR PALKKI: Mr. Pacheco.

COMMITTEE MEMBER PACHECO: Yes. Thank you, and thank you, sir, for your comments. My first question is on -- respect to the TPA fees with respect to the health programs. And I noticed that it appeared to be associated with the population health program. Is that -- is that the Included Health program?

FINANCIAL PLANNING, POLICY, AND BUDGETING DIVISION CHIEF SCHAAFSMA: (Nods head).

COMMITTEE MEMBER PACHECO: And can you just explain the cost increase, because I had thought that we would actually be saving money instead of the other way around.

FINANCIAL PLANNING, POLICY, AND BUDGETING

DIVISION CHIEF SCHAAFSMA: So those -- there's a new PPO administrator that came on Board last year actually. And at the midyear budget proposal, we included -- I'll have to get back to you with the exact number. We included funding for a half year of those costs, so six months of the -- that third-party administrator fee. So this budget just recognizes the full year of those costs to onboard that new TPA for population health management.

COMMITTEE MEMBER PACHECO: I see.

HEALTH PLAN RESEARCH & ADMINISTRATION DIVISION CHIEF JARZOMBEK: Good afternoon. Rob Jarzombek, CalPERS team member. So we brought on Included Health to serve as the population health management vendor. And with the Board's decision to do that, we knew there was going to be an increase in cost associated with that new entity. And so we did that, because we know that the quality lags in the PPOs. We want to increase the quality scores. We also want to better support our members with navigation to the high quality Providers. So this was an investment that we wanted to make, so we can have long-term savings, or represent stay in the costs in the PPO program, and also improve the quality outcomes.

COMMITTEE MEMBER PACHECO: So we have to pay a little bit -- we have to pay a little bit more right up front in order to get the savings later.

HEALTH PLAN RESEARCH & ADMINISTRATION CHIEF JARZOMBEK: Yes.

COMMITTEE MEMBER PACHECO: Exactly. Okay. Great.

And then the next question I have is on the -- on the management debt, management fees, and so forth. I just wanted to understand, so from what I could tell, it appeared that the majority -- the primary driver was the private debt area there. And I'm just wondering how -- if there -- I -- it was my understanding that we had some co-investments in that, some, but I'm just trying to figure that out.

FINANCIAL PLANNING, POLICY, AND BUDGETING DIVISION CHIEF SCHAAFSMA: So, yes, that's correct. It's associated with private asset classes. These are base fees. They're based solely on AUM.

COMMITTEE MEMBER PACHECO: Oh, I see.

FINANCIAL PLANNING, POLICY, AND BUDGETING DIVISION CHIEF SCHAAFSMA: So that -- you know, the more asset under Management, the higher the fee is going to be for those asset classes.

COMMITTEE MEMBER PACHECO: Oh, I see, and that's why -- that's the cost. Okay. Very good. Then that's all I needed to know.

CHAIR PALKKI: I don't see any other questions.

So with that, we can take a vote. What is the pleasure of the Committee?

COMMITTEE MEMBER PACHECO: I'll move.

CHAIR PALKKI: I have a motion by Jose Luis Pacheco.

COMMITTEE MEMBER MILLER: (Hand raised).

CHAIR PALKKI: A second by David Miller.

Any other discussion?

All those in favor say aye?

(Ayes.)

CHAIR PALKKI: All those opposed?

Any abstentions?

Thank you. Great report.

Next up, we have the annual review of Board member employer reimbursements. Ms. Nix

ACTING CHIEF FINANCIAL OFFICER NIX: Thank you, Chair Palkki. This item is a short one, but we're going to have Janie Rajasuncy, the Controller, present the item.

CONTROLLER RAJASUNCY: Thank you, Michele. Good afternoon, members of the Committee. Janie Rajasuncy, CalPERS team member. This is Agenda 5c. This is an action item. We are seeking your approval of the proposed percentages of time elected Board members will dedicate to fulfilling their CalPERS Board duties. This is a standard agenda item that we bring to you for approval every year in April following the Board Committee selections in February and March. As a reminder, these percentages are used to calculate the reimbursement of salary and benefits paid to the elected Board member's employer. The reimbursement process is governed by the policy for approval of reimbursement to State school and public agency employers of elected Board members.

The policy ensures transparency, accountability, and fairness in reimbursing employers for the time Board members spend away from their regular work schedules to fulfill their CalPERS-related responsibilities. CalPERS processes the reimbursements on a quarterly basis and Board members certify the actual hours spent on their Board duties.

Table 2 in your materials outlines the proposed percentages of time for each elected Board member effective March 18th, 2025. We're seeking your approval today for those proposed percentages.

That concludes my remarks and I'm happy to answer any questions that you may have. Thank you.

CHAIR PALKKI: Thank you.

I do not see any questions from our Board. So we can move forward with the vote.

What is the pleasure of the Committee?

COMMITTEE MEMBER RUBALCAVA: Move approval.

ACTING COMMITTEE MEMBER RUFFINO: Second.

CHAIR PALKKI: I have a motion by Mr. Rubalcava, a second by Mr. Ruffino.

All those in favor say aye?

(Ayes.)

CHAIR PALKKI: All those opposed?

Any abstentions?

Motion passes. Thank you very much.

Next up is a 5d, State valuation and employer employee contribution rates. Mr. Terando.

(Slide presentation).

CHIEF ACTUARY TERANDO: Good afternoon, members of the Committee. Scott Terando, CalPERS team member.

Today, we have two items before you. The first one is the annual State valuation rates. This establishes the proposed contribution rates for the upcoming fiscal year for the five State plans.

Following that, we'll go to the schools pool, and again, review the contribution rates for the upcoming fiscal year. I'm joined today by Nina Ramsey, who will step through the presentations.

[SLIDE CHANGE]

SENIOR ACTUARY RAMSEY: Thank you, Scott. Good afternoon, Mr. Chair, members of the Committee. Nina Ramsey, CalPERS actuarial team member. Today, I'm here to present to you the results of the June 30th, 2024 annual valuation for the State plans. This valuation sets forth the employer and employee contributions for fiscal year 2025-26. The State plan consists of five member subgroups: miscellaneous, industrial, safety, peace officers and firefighters, and CHP.

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SENIOR ACTUARY RAMSEY: There have been a couple significant events since our last valuation. First, the PERF has an investment return of 9.5 percent as of fiscal year-ending 2024. Second, the State has made an additional contribution of 337 million towards their unfunded liability for the miscellaneous, industrial, safety, and POFF plans, according to their proportionate share of the State's general fund. This payment is described further on page six of the agenda item.

This payment was made after our valuation date and is therefore not included in the funded status as of June 30th, 2024. It is also not reflected in the contribution requirement for fiscal year '25-'26, as directed by the Department of Finance who chose to defer those savings to fiscal year '26-'27.

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SENIOR ACTUARY RAMSEY: On this slide, we have some key results from the June 30, 2024 valuation, along with results from our previous valuation. As of June 30, 2024, we have an accrued liability of about $260 billion, a market value of assets of $195 billion, leaving us with an unfunded accrued liability of $64 billion and a funded ratio of 75.3 percent. We expect that contributions in fiscal year '25-'26 will be $9.3 billion, which is 668 million greater than the current year.

The required contributions are increasing, primarily due to the following reasons. We have the progression of the existing amortization basis and the non-investment loss as of June 30, 2024 to which a main contributor was larger-than-expected payroll growth for all plans.

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SENIOR ACTUARY RAMSEY: This slide shows a brief history of the aggregate funded status for the State plans. You can see that the funded status has increased from 72 percent last year to 75.3 percent this year. This increase in the funded status is attributable to the investment return exceeding our discount rate in 2023-24. We have also included the aggregate market value of assets and unfunded liability for the State plans. Individual figures for each of the five plans can be found on attachment 2.

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SENIOR ACTUARY RAMSEY: Here, we have a comparison to -- a comparison of the current year rates, along with next year's rates. And in the center column, we have the projected rates that were included last year in Circular Letter 200-043-24. You can see that rates for fiscal year '25-'26 are relatively similar to the current rates for all plans, yet the dollar amounts of the contributions are increasing.

As I mentioned, one of the main reasons the contributions are increasing next year is due to larger expected payroll growth. These salary increases lead to liability losses for all plans.

You may notice that even though the contribution amount has gone up, the rate has gone down. That is because when dividing by a larger-than-expected payroll growth, you're going to get a lower rate, even though the contribution is greater.

The final rates for '25-'26, when compared to what was projected from our latest valuation, the miscellaneous, industrial, and safety plans are all lower than what was projected, again, due to those larger-than-expected payroll increases.

The UAL rate for the State plans is determined by dividing the required contribution by the expected payroll. So I just want to reiterate again that the rates are only going down because of that larger payroll growth.

For POFF, the reason the rate is higher is because they did also experience those large salary increases leading to a liability loss. However, their payroll growth was the smallest of the group, which didn't go far enough to reduce the rate. So had their payroll grown more than what it actually did, they would have likely seen a decrease in their rate as well, but that was not the case.

For CHP, the final rate is lower than what was projected, because of the large salary increases. But the main driver for CHP was an increase to the employee rate of one percent. So when the employees pay more, the employers will pay less.

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SENIOR ACTUARY RAMSEY: On this slide, we had the actuarially required contribution rates for '25-'26 listed on the left-hand side. In the center, we have included for informational purposes only, the additional statutory contribution due to Government Code 20683.2. These additional rates are for information purposes only and not something we're asking you to approve. The additional rates are subject to the state's annual budget process approval.

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SENIOR ACTUARY RAMSEY: Moving on to member contribution rates. Separate member contribution rates were established for PEPRA beginning January 1st, 2013. PEPRA member contribution were initially calculated as half of the normal cost rounded to the nearest quarter percent. The normal cost is then calculated annually to determine if the normal cost has changed by more than one percent since the last time the employee rate was set. If that threshold is met, PEPRA member contribution rates are recalculated, based on that new normal cost. This is the policy that we have in place for our public agencies.

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SENIOR ACTUARY RAMSEY: The State employee contribution rates, however, are set through collective bargaining. In 2013, the classic and PEPRA member contribution rates were scheduled to increase to reach half of the normal cost at the time for plans where the bargain contribution rate was less than half of the normal cost. If the bargained rate was already greater than half of the normal cost, it remained unchanged

Since 2013, the majority of member contribution rates for the State plans have been determined through the collective bargaining process. There are, however, a few exceptions to that rule, which are the State Legislature, California State University, and the judicial branch. These PEPRA members do adhere to the same PEPRA rules as the public agencies.

The normal cost in our latest valuation has not changed by more than one percent, since the last time the rates were changed, so these groups will not see a change in their contribution rate in fiscal year '25-'26. Plan-specific information on these changes can be found on Attachment 5.

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SENIOR ACTUARY RAMSEY: We also have a few select bargaining units who have opted to have their Classic and PEPRA members contribute half of their normal cost. These are Bargaining Units 2, 5, and 18. Each of these bargaining units has their own criteria for setting the employee rates. This year, the only change is for the CHP members that I mentioned previously. They will be going from 13 and a half percent to 14 and a half percent effective July 1st of this year. Plan-specific information on these changes can be found on Attachment 6.

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SENIOR ACTUARY RAMSEY: Lastly, we have the projected required contributions for all five plans. You can see that rates are increasing through fiscal year '27-'28. And after that, they begin to drop off. This year, the fiscal year '27-'28 is the year that the 2022 investment loss will be fully ramped in. You may notice that it is noticeably higher than the rate in '26-'27. That is because the investment gain from 2021 will be fully ramped in, in '26-'27 and no longer offsetting the loss that will reach its full ramp in '27-'28.

You may notice CHP projection. Their projection is not as smooth as the others. That is because they have three amortization bases that will be concluding within this time frame, which leads to larger dips and increases in their projections.

The projected rates you see on this slide assume an annual investment return of 6.8 percent beginning fiscal year-ending 2025 and beyond. We also assume no future demographic gains or losses. We will release updated projections for all five plans once the final investment rate as of 2025 is published. We will also be publishing our full valuation later this year. It will include our assumptions, methods, and participant data.

This concludes my presentation and I'd be happy to take any questions.

CHAIR PALKKI: Thank you for that presentation. I do have questions.

Mr. Rubalcava.

COMMITTEE MEMBER RUBALCAVA: Thank you. I appreciate the report. And it's good to see that the funded ratio has increased in general.

I had a question on the demographics and its impact on normal cost. I'm -- let me look. Generally, no more cost is due to demo -- okay. So we have more and more members coming in under PEPRA, so that's a good thing for the normal cost, because it lowers it, but I noticed in the -- you know, one of the memos, page five of 10, reasons for changes in employer contributions for the State plans.

There was also negative experience on demographics that increased the dollar contribution. So I understand how there would be a decrease in normal cost because of the PEPRA members. But why would -- what was the demographic experience that increased the given dollar amount that increased the employer contribution?

SENIOR ACTUARY RAMSEY: Are you talking about the

16.7?

COMMITTEE MEMBER RUBALCAVA: Yes.

SENIOR ACTUARY RAMSEY: Yes. So that is the piece related to the unfunded liability, which is that salary growth that I was talking about.

COMMITTEE MEMBER RUBALCAVA: Okay. Okay. So it's a mixed bag. So on the one hand, it is good that there's -- that we were off on the projected payroll growth, right, because it's more to divide, but I guess it can be -- total cost goes up, I guess, right?

SENIOR ACTUARY RAMSEY: It does. Yes.

COMMITTEE MEMBER RUBALCAVA: So it depends on how you look at it. I think it's a good thing.

SENIOR ACTUARY RAMSEY: Yes.

COMMITTEE MEMBER RUBALCAVA: Because the employer should look at the rate. I know they like to look at the total dollar amount, but they should look at the rate going down and the employer contribution rate. And we already spoke offline about -- with Scott about how the alpha liability -- there's two elements to the employer contribution rate, unfunded liability, and the normal cost, and how come, sometimes based on other variables, they flip around, or which one is bigger.

So I have one more question. So I guess I can wait -- I'll wait till the next item when we talk about the public -- when we talk about the actuarial assumptions from an expression, because it sort of relates to that better. Thank you very much. Appreciate the presentation.

SENIOR ACTUARY RAMSEY: Yes. So for the plans that are seeing the reduction in the rate, it is a bit deceptive. You know, it's not because PEPRA membership has increased buy a ton. It's just because that payroll number is so high.

COMMITTEE MEMBER RUBALCAVA: Right. And that's why I want to dwell into the demographic assumptions later, when we get to that item, as to what we can see. It relates to the question that Mr. -- Trustee Ruffino had about what -- how can you predict -- what -- how much of an opportunity for a trend? I know our experience study is coming up and that's based on four years, so I guess that's the answer, but I still want to discuss it a little bit. Thank you.

CHAIR PALKKI: Thank you. I am not seeing anymore questions. I do have a quick question myself though on the, "Projected Required Future Employer Rates." Do we see those projections dropping further if the discount rate is realized or seen in the coming years?

SENIOR ACTUARY RAMSEY: So the future contribution rates are largely dependent on what the investment return is and that discount rate.

So if we meet our discount rate, then it shouldn't -- it shouldn't be increasing. However, it really depends on the investment return. I can say that the -- these were going to play out the existing amortization basis for all the plans. So it really depends on what we see for investment next. If we have an investment loss, you'll see them go up compared to what you see right now. And then the opposite is true if we see and investment gain.

CHAIR PALKKI: Okay. Thank you. With that, I don't have any other questions. What is the pleasure of the Committee?

COMMITTEE MEMBER MILLER: Move approval.

CHAIR PALKKI: I have a motion by David Miller.
Can I get a --

COMMITTEE MEMBER PACHECO: Second.

CHAIR PALKKI: Second by Mr. Pacheco.
All those in favor say aye?
(Ayes.)

CHAIR PALKKI: All those opposed?
Any abstentions?
Motion passes.
Mr. Terando.

CHIEF ACTUARY TERANDO: We can just go ahead and go right to the presentation of this one.

(Slide presentation).

SENIOR ACTUARY RAMSEY: Yes. So I will also be presenting the schools valuation results. So the June 30th, 2024 schools valuation sets the recommended employer and employee contribution rates for fiscal year '25-'26.

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SENIOR ACTUARY RAMSEY: Unlike the State valuation, which has five separate rates. The schools pool has one rate that is the same for all school employers. The total contribution is determined as a percentage of payroll, where in comparison our public agencies have a normal cost rate and a UAL dollar amount.

Some key experience since the last valuation. As I mentioned previously, the money-weighted return for fiscal year '23-'24 is 9.5 percent. The schools pool also saw greater than expected salary increases. They saw a 9.7 percent increase for active members and a 12.6 percent increase in payroll growth overall, which includes an increase to the active population.

The last valuation saw greater than expected COLA increases, but this -- in this valuation, we've received -- we've seen a return to the average two percent COLA adjustment.

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SENIOR ACTUARY RAMSEY: Nope. I guess I spoke before the slide came up.

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SENIOR ACTUARY RAMSEY: This slide summarizes the key results. You will notice that both the accrued liability and market value of assets have grown since last year and that the UAL is nearly the same. The funded status has increased from 67.5 percent to 69.6. This improvement was expected due to the investment gain experienced in the fiscal year '23-'24. The lower portion of this slide shows the employer contribution rate for fiscal year '25-'26 as 26.81 percent, which is 24 basis points lower than the current year. The PEPRA member contribution rate will also remain at eight percent.

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SENIOR ACTUARY RAMSEY: Here, we have a comparison of the current rates with the rates for next year, along with the rates that were included in our projections in the last valuation, which were provided in Circular Letter 200-040-24.

Again, you can see the current year rate of 27.05

percent and the 26.81 percent that we are proposing for next year. We had previously projected next year's rate would be 27.4 percent. Our final Calculation is well below our projection, because firstly, the plan saw a decrease in the employer normal cost, which can be attributed to turnover in the active population from classic to PEPRA members.

And secondly, because the rate is presented as a percentage of payroll, we're having the same issue as with the State plans where that larger-than-expected payroll is reducing the unfunded liability -- the expected unfunded fund liability rate.

At the bottom of the slide, we can show that the expected contribution for next year is $5.8 billion, which 598 million greater than the current year.

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[SLIDE CHANGE]

SENIOR ACTUARY RAMSEY: Here, we have a 10 year history of the schools funded status, as well as the market value of assets and unfunded accrued liability, where again, you can see the increase in the funded status of 2.1 percent over last year to 69.6 percent.

Next slide, please.

[SLIDE CHANGE]

SENIOR ACTUARY RAMSEY: The schools valuation determines the PEPRA member contribution rate. The schools' PEPRA members are subject to the rule that they pay half of the normal cost. However, because the normal cost has not changed by on percent or more in this valuation, the PEPRA member rate will not be changing for fiscal '25-'26.

So they will remain at eight percent. The Classic member contribution rate is seven percent, and that is set by statute. For reference PEPRA members make up 67 percent of the schools pool -- I'm sorry, the schools active member headcount and 58 percent of payroll. In comparison, to last year, they were at 62 percent of the active population headcount and 54 percent of payroll.

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SENIOR ACTUARY RAMSEY: Lastly, we have projected rates. We start with the proposed rate for next year of 26.81 percent. And we have the five following years. We see the same pattern, as with most of the State plans, where they peak in fiscal year '27-'28 and then begin their slow decline. The reason is the same is that '22 investment loss will be fully ramped in in fiscal year '27-'28 and no longer offset by the investment gain from 2021, which it concludes in fiscal year '26-'27.

These projections assume no future gains or losses and an investment return of 6.8 percent annually beginning in fiscal year '24-'25. We will again release updated projections for the schools pool later this year after the final investment return is published. And we will also be publishing our full valuation report, which includes our assumptions, methods, and participant data.

This concludes the presentation for the schools Valuation and I'd be happy to take any questions.

CHAIR PALKKI: Thank you, Ms. Ramsey.

I am not seeing any questions. Great presentation.

With that, I guess we can take the vote here.

What is the --

COMMITTEE MEMBER MILLER: Move approval.

CHAIR PALKKI: I have a motion by David Miller.

COMMITTEE MEMBER PACHECO: (Hand raised).

CHAIR PALKKI: A motion -- a second by Mr. Pacheco. All those in favor say aye?

(Ayes.)

CHAIR PALKKI: All those opposed?

Any abstentions?

The motion passes. Thank you very much.

With that, we can move in to our information agenda items. Ms. Archuleta.

(Slide presentation).

DEPUTY CHIEF ACTUARY ARCHULETA: Good afternoon, Mr. Chair, members of the Committee. Item 6a is a presentation of the Long-Term Care Program.

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DEPUTY CHIEF ACTUARY ARCHULETA: This is an annual information item, which highlights the key aspects of the long-term care valuation report. All numbers are reported as of June 30th, 2024. For your convenience, the full report is attached to this agenda item.

Next slide, please.

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DEPUTY CHIEF ACTUARY ARCHULETA: As of June 30th, 2024, the margin for the Long-Term Care Program is negative 10.58 percent and the funded ratio for the program is 94 percent.

These numbers include the premium increase approved by the Board last September. As a reminder, the margin is a very important measure because it gives us a general indication of the premium adjustments needed to bring the program to fully funded.

A negative margin indicates that the program is in a deficit situation. Ideally, we would like to see a margin of zero percent or above. The funded ratio of the program is simply the ratio of the program assets to the program liabilities.

Every year, the Actuarial Office performs a reconciliation of the margin from one year to the next. The details of this reconciliation are provided in the table on the next slide.

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DEPUTY CHIEF ACTUARY ARCHULETA: So this table numerically reconciles the final margin and funded status from June 30th, 2023 to June 30th, 2024. The blue column denotes the change to the margin for that particular line item, and the second and third column display the resulting margin and funded ratio after that change has been applied. The last column displays the funding surplus or deficit in a dollar amount after the change has been applied.

So let's go over it. Last year, we reported that as of June 30th, 2023, the margin for the program was negative 19.01 percent, which corresponded to a funded ratio of 90 percent. And you can see that in the top row of this chart. During the '23-'24 fiscal year, the program's pending class action received a final court approval and was partially implemented.

The program also experienced a favorable investment return of 8.9 percent. Recall that the discount rate for this program is actually 4.75 percent, so there was a gain for this fund. And this return improved the margin by 7.97 percent. Moving forward from '23-'24 -- from 2023 to 2024, and the non-investment cash flows experienced during the fiscal year reduced the margin by 4.67 percent. And population changes in the program during the fiscal year further reduced the margin by 5.43 percent.

We then implemented actuarial assumption and modeling updates for the valuation. These reduced the margin by 5.98 percent. And finally, the approved rate increase was implemented to bridge the funding gap. The rate increases improved the margin by 21.01 percent. All these changes together bring the margin to a negative 10.58 percent and a funded ratio of 94 percent.

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DEPUTY CHIEF ACTUARY ARCHULETA: So this concludes the prepared remarks of this presentation. I can open it up to any questions.

CHAIR PALKKI: Thank you, Ms. Archuleta.

I am not seeing any questions from our Committee, so good job.

Thank you.

DEPUTY CHIEF ACTUARY ARCHULETA: Thank you.

CHAIR PALKKI: Next up is the semiannual health plan financial report, Ms. Zhong.

(Slide presentation).

SUPERVISING HEALTH ACTUARY ZHONG: Good afternoon, Mr. Chair and members of the Committee. Emily Zhong, CalPERS team member. This is Agenda Item 6b, Semiannual Health Plan Financial Report.

This report is provided to the Committee twice a year as part of the monitoring and reporting process for the Health Care Fund status. It includes health plan account balances, actuarial reserve amount, and surpluses or deficits for the health plan subaccounts.

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SUPERVISING HEALTH ACTUARY ZHONG: The semiannual health plan financial report provide the financial performance for PPO and HMO plan this time is as of the end of 2024. HMO fully insured plans, such as Kaiser and the association plan are not in the scope of this report.

In starting from 2024, Blue Shield Access+ and Trio converted from a flex-funded health plan to a fully insured model. Their premium in -- the premium are deposited -- are paid to Blue Shield in the Contingency Reserve Fund. Health Net SmartCare is not longer part of the CalPERS plan offering for 2024. So the financial status for these three plans will be reported in Health Care Fund for an additional 18 months until the end of June this year to account for the claim run-out and the reconciliation.

And also as a reminder, Health Care Fund Reserve Policy provide a framework for maintaining the appropriate actuarial reserve level and also for maintaining surpluses or deficits that accumulate in the PPO and HMO subaccount. In the funding status I'm reporting to you today are related to the fully funded reserve amount prescribed by that policy. And after I've been telling that news for several years, today I'm happy to report that there material at year-end improvement on the Health Care Fund status, on both HMO and PPO plans as what we expected.

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SUPERVISING HEALTH ACTUARY ZHONG: Here, we have the recent Health Care Fund performance for the HMO Basic and PPO Medicare and Basic plans. Starting with the HMO Basic plan, the estimated fund balance as of the end of 2024 was 245 million. The next column shows the HMO Basic estimate claim liability of 97 million with the loss column showing a surplus of 148 million. This is a 69 million improvement from the end of 2023.

On the PPO side starting with Medicare, the estimated fund balance as of the end of 2024 was five million with estimated liability and required actuarial reserve level of 157 million for a fund status of 152 million below the recommended fully reserved level.

And for the PPO Basic plan, the estimated fund balance as of the end of 2024 was 245 million after required actuarial reserve of 604 million. The funded status for PPO Basic plan was 359 million below the recommended fully reserved level. The overall PPO status improved by about 122 million in 2024.

The fund balance in actuarial reserve ratio improved from 10 percent in 2023 to now 33 percent, as of the end of 2024. I'll go through some for the Basic and Medicare PPO performance in the next couple of slides.

[SLIDE CHANGE]

SUPERVISING HEALTH ACTUARY ZHONG: And last April, we reported the Basic PPO was 558 million below the recommended reserve level as of the end of 2023. As more claim has been processed, the updated status improved by 35 million, which is 523 million below the fully reserved level.

In 2024, there was about 93 million increase in the fund balance related to the favorable medical experience. And there was a loss of 39 million for pharmacy mainly due to higher-than-expected specialty drug utilization especially for drug-related to oncology care, chronic inflammatory diseases, and the use of GLP-1 mainly for treating diabetes.

The PPO Basic premium also include a surcharge of four percent in Platinum and five percent in Gold to replenish the PPO reserves. We collected about 110 million in 2024. The overall Basic PPO funded status improved by 164 million from the end of 2023, bringing the total fund status below the fully reserve level by 355 million at the end of 2024.

[SLIDE CHANGE]

SUPERVISING HEALTH ACTUARY ZHONG: Moving on to the PPO Medicare. Last April, we reported that PPO medicare was 107 million below full reserve level as of the end of 2023. The updated fund status improved by three million, which is 110 million below the fully reserve level.

In 2024, there was about 26 million decrease in fund balance due to medical experience. And there was also 16 million reduction in fund balance for pharmacy related experience, mainly due to higher-than-expected pharmacy claim to those similar than what we see in the basic plans.

The overall, PPO Medicare fund status worsened by about 42 million in 2024, bringing the fund balance 152 million below the fully reserved level.

[SLIDE CHANGE]

SUPERVISING HEALTH ACTUARY ZHONG: The Board has approved two key rate actions to address the PPO funded status and the longer term viability of the PPO program. The first one is the four to five percent surcharge that included in the Basic PPO premium in 2025. Another important one is we address the member migration impact between HMO and PPO through the transition from the two risk pool to a single risk pool risk adjustment method. And this transition is fully implemented in the 2025 premium.

And additionally, we have implemented other way to improve the PPO program through the new five-year contract from 2-25 to 2029. We have incorporated performance guarantee in the contract to ensure Blue Shield of California and Included Health are financially responsible for keeping the cost at or below the agreed upon threshold. And we are also exploring pharmacy saving option in our new PBM contract.

That conclude my presentation. I'm happy to take any questions.

CHAIR PALKKI: Thank you for this report. I do have a question. Mr. Rubalcava.

COMMITTEE MEMBER RUBALCAVA: Yes. Thank you for the report. And I'm glad we're addressing the deficit in the PPO. I had a question on the HMO. Most of our plans are flex-funded, but we move to fully funded for the Blue Shield. How has that impacted the economics of this of our plans?

SUPERVISING HEALTH ACTUARY ZHONG: For moving Blue Shield Access+ to Tri actually is not too impacting for the Health Care Fund, because start -- this is transaction starting from 2024. So it's not impacting the increasing or decreasing the balance. So at this point is what I mentioned earlier, we still have some -- as well you can see on the report, we still have some surplus on the Blue Shield subaccount. And then we need to allow the claim run out for additional 18 months, which is the end of June of this year before we can close out the account.

COMMITTEE MEMBER RUBALCAVA: Okay. Thank you.

CHAIR PALKKI: Mr. Pacheco.

COMMITTEE MEMBER PACHECO: Yes. Thank you very much for your presentation.

With respect to the -- a couple years ago I think we had done the polling where we pulled the two -- the two risk pools together and we had one risk pool. How did that affect the estimated surplus deficit with respect to this or it may have?

Thank you.

SUPERVISING HEALTH ACTUARY ZHONG: Yes. Just a quick reminder, for 2024, because this is the entire one risk pool conversation we started from 224 premium. In 2024, we actually only implement one-third of the entire one risk pool impact. So, it did help the migration a little bit. But as what I mentioned earlier, the entire -- another two-third of the pool -- of the one risk pool the full implementation actually included in 2025 premium.

COMMITTEE MEMBER PACHECO: Very good then. That's all -- that's the questions. Thank you very much.

CHAIR PALKKI: Thank you so much. I don't have anymore questions. Thank you.

SUPERVISING HEALTH ACTUARY ZHONG: Thank you.

Next up, we have the '25 Public Employee Retirement Fund actuarial assumptions.

Ms. Archuleta or Mr. Terando.

(Slide presentation).

CHIEF ACTUARY TERANDO: Yeah. Thank you, members of the Committee. Scott Terando with Actuarial Office.

Today, we're going to have an information item kind of giving a preview of the actuarial assumptions going into the ALM. As a reminder, besides all the work that takes place on the investment side in terms of asset allocation, the Actuarial Office does a review of the actuarial assumptions and makes recommendations for any changes that we see are necessary.

Today, we're going to kind of give you a preview of where we are with that process. And this will lead to further information going forward later in September and in November.

I'll pass it to Fritzie Archuleta to step through presentation and cover the topics today.

DEPUTY CHIEF ACTUARY ARCHULETA: Hello, again. Fritzie Archuleta, CalPERS team. I'm also joined in this item by Mr. Dave Clement. He is a Supervising Actuary in our office who is also running this process for us.

So as you all know, Item 6c is the 2025 review of the Public Employees' Retirement Fund actuarial assumptions.

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DEPUTY CHIEF ACTUARY ARCHULETA: For Today's presentation, we will first give an overview of the process and how the Actuarial Office conducts this review. I'll also take the time to highlight two of the more significant assumptions that we reviewed being mortality and inflation. And finally, we will touch a little bit on the cost impacts and the next steps involved in this study.

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DEPUTY CHIEF ACTUARY ARCHULETA: The review of the actuarial assumptions is more common referred to as an experience study. The goal of this study is to review recent experience and use it to make assumptions about what our plans will experience in the future. These assumptions, once they are also set, are oftentimes adjusted for future expectations.

Actuarial guidelines suggest that we conduct these surveys every three to five years. Once the study is complete, these findings are compiled in a report and recommendations are made.

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DEPUTY CHIEF ACTUARY ARCHULETA: The actuarial office spends a lot of time reviewing this data, because it's very important to get these assumptions correct, as they set the expected cost for the system. These assumptions can have a significant impact on the funded ratio, employer contributions, and financial reporting for our employers. These assumptions are also used to determine the amounts for optional forms of benefits paid to our members and service credit purchase costs.

To the extent these assumptions do not predict the future properly, funding course corrections will be necessary, which is always something our office tries to minimize.

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DEPUTY CHIEF ACTUARY ARCHULETA: At CalPERS, the experience study runs concurrently with the ALM study and is part of the Asset Liability Management Policy. The first and second reading of this item will be presented to you later on this year in September and November. This study at CalPERS is performed every four years. And the last study was done in 2021.

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DEPUTY CHIEF ACTUARY ARCHULETA: So what sorts of assumptions do we review? Assumptions used in our valuation can be classified as both economic and non-economic. The three economic assumptions we use in the actuarial -- in the actuarial valuations are the long-term investment return, the discount rate, and inflation.

The long-term investment return and discount rate are not reviewed in the experience study. Rather, they are reviewed and set during the ALM process. This is because that assumption above all others has the most significant impact on the expected cost for the plans. Our office works very closely with the Investment Office and the Financial Office to set that assumption.

There are quite a few non-economic assumptions, that the actuarial office reviews every four years. The most significant and impactful ones are listed on this slide.

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DEPUTY CHIEF ACTUARY ARCHULETA: So while our study is nearing its completion, at this point in time, we do not have cost impacts for the system due to revising -- due to the continual revising of our assumptions. One of the biggest challenges from this study was the pandemic. This time around, we incorporated data from 2020 to 2023. While pandemic data was reviewed and incorporated, we ultimately found that we largely had to exclude that data due to anomalous results. And you'll see that a little bit in the mortality slides.

For many assumptions, significant changes were not warranted and costs will likely not change much due to those. But I would like to briefly go over more notable assumptions and our findings.

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DEPUTY CHIEF ACTUARY ARCHULETA: So the first assumption we're going to look at is mortality. It always seems to be a topic of interest when we do these studies. When I think of mortality, I think of, you know, when are people going to die, but it's as simple as --

(Laughter).

DEPUTY CHIEF ACTUARY ARCHULETA: Yeah, that's nice and happy. But it's not as simple as creating a table for people with probabilities of death. So kind of on the next slide, I'll show you kind of what we're dealing with.

[SLIDE CHANGE]

DEPUTY CHIEF ACTUARY ARCHULETA: So this slide illustrates complexities around setting mortality rates. Depending on where an individual is in their career, the likelihood of death varies. I'll just give you an example. A 50-year old who is still working today is likely to be healthier than a 50 year old that had to retire, right? And so, our members who retire also under disability are probably not expected to live as long as those who normally service retire.

So all in all, you know, we have to make different tables for kind of all those broad categories. And so all in all, we set seven different mortality rate tables. And since males and females often follow different patterns, we also have to create a male and female for each of those categories as well. So that -- this slide depicts all the many tables that we do have to create during this study.

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[SLIDE CHANGE]

DEPUTY CHIEF ACTUARY ARCHULETA: Okay. So this chart illustrates the ratio of actual deaths to expected deaths each year starting from 2025 -- I'm sorry, 2015 to 2022. You can see that the mortality experience was consistently improving from 2015 on, but until we get to the COVID pandemic. You can also see that when we hit the pandemic, you know, the mortality spiked, which means more people were dying than what we expected. But in 2022, we've kind of reverted back to normal levels, which is why we're kind of thinking that the pandemic was just a blip and not really what we're going to -- what we think we're going to see in the future.

Okay. So next slide, please.

[SLIDE CHANGE]

DEPUTY CHIEF ACTUARY ARCHULETA: So overall, we decided to exclude pandemic data, as it did not provide any value towards shaping future trends. Recall from the last slide, the actual deaths were actually -- they hovered around a hundred percent and then they reverted back after that spike in the COVID years.

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[SLIDE CHANGE]

DEPUTY CHIEF ACTUARY ARCHULETA: So our likely recommendation for the mortality assumption will be to stay the course. We will still build in the expectation that mortality will improve slowly over time and we will continue to watch for any emerging trends or breakthroughs.

[SLIDE CHANGE]

DEPUTY CHIEF ACTUARY ARCHULETA: Okay. So next big assumption is inflation.

[SLIDE CHANGE]

DEPUTY CHIEF ACTUARY ARCHULETA: So here's a history of inflation, specifically the CPI-U measure from 20 -- from 2009 to 2025. The blue line in this graph indicates the actual year-over-year inflation. The yellow line is a 20-year rolling average of inflation using CPI-U values. And the black dashed lined is the CalPERS actuarial assumption. You can see that since 2021, inflation has consistently been more than our assumption.

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DEPUTY CHIEF ACTUARY ARCHULETA: The Cleveland federal model is a tool developed by the Federal Reserve to forecast inflation trends in the United States. This is one of the tools we use to review the inflation assumption.

Just to go over what the lines represent, the blue line in this chart illustrates the 20-year expected inflation for the years and the black dashed line is once again our CalPERS actuarial assumption. You can see that in the recent history, the expectation is now exceeding our assumption consistently and this has been happening since 2022.

Next slide.

[SLIDE CHANGE]

DEPUTY CHIEF ACTUARY ARCHULETA: So both inflation itself and the inflation forecast seem to be exceeding our California inflation assumption. When looking at a few other systems around the State, including Social Security, inflation assumptions seem to range from 2.3 percent to 2.75 percent, and our CalPERS assumption is 2.3 percent.

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DEPUTY CHIEF ACTUARY ARCHULETA: Okay. So in September, we will likely recommend to increase inflation assumption anywhere from 30 -- I'm sorry, 10 to 30 basis points. This is -- this assumption can have significant impact on costs. And this is for two reasons. Okay.

Number one, expected retiree costs would go up due to increased COLA expectations. Plans that offer a COLA higher than two percent will be particularly sensitive to any increase in inflation assumption. And so I did poll -- I did a poll of how many plans actually offer higher than a two percent COLA and it's 4.75 percent of our plans.

[SLIDE CHANGE]

DEPUTY CHIEF ACTUARY ARCHULETA: So -- and then the second reason that costs go up due to inflation is that expected active costs would also go up, because the salaries usually follow the inflation increases.

Okay. Next slide, please.

[SLIDE CHANGE]

DEPUTY CHIEF ACTUARY ARCHULETA: So the biggest drivers for change to the contribution rates will be inflation and the salary scale increase this time around. If these were the only two assumptions and -- that we were recommending a change for, costs would go up for every single plan.

Since the behavior and plan provisions are different across plans, the magnitude of the rate changes will vary once all the recommended changes from this experience study are implemented.

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DEPUTY CHIEF ACTUARY ARCHULETA: Thank you.

Next steps. Our findings are being reviewed by an external actuary. And we're doing a write-up right now. And so that will be finalized by August of this year. And then we'll be back to present the cost impacts in September and November.

Next slide.

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DEPUTY CHIEF ACTUARY ARCHULETA: As a reminder, here is the ALM timeline. Earlier this month, we did conduct a stakeholder webinar. And this presentation has been the education session on the experience study. These items are boxed in in April. There's obviously still a lot more to come. And the actuarial office is committed to helping you make decisions along the way.

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DEPUTY CHIEF ACTUARY ARCHULETA: So this concludes my presentation. We'll open it up to any questions.

CHAIR PALKKI: Thank you for that presentation.

I -- okay. I knew if stalled long enough, people would start hitting their button.

Mr. Ruffino.

ACTING COMMITTEE MEMBER RUFFINO: Thank you, Mr. Chair. Just a quick question. Thank you for the presentation by the way. On the mortality rate, I want to be at the one that's the highest.

(Laughter).

ACTING COMMITTEE MEMBER RUFFINO: Just want to --

COMMITTEE MEMBER TAYLOR: Don't we all.

ACTING COMMITTEE MEMBER RUFFINO: So in your early glimpse of some of the findings, are there any -- are there emerging trends like in retirement behavior, or disability claims, or post-retirement mortality that may signal a structural shift in workforce demographics or longevity patterns?

DEPUTY CHIEF ACTUARY ARCHULETA: Yeah, so that's a really good question. Obviously, mortality over time is constantly improving. But back when we implemented our new system in 2018, we now have a way to account for that. And so, in our valuation, if your born say in 1977 versus 2007, the person born in 2007 is expected to live longer. So, that reflection is there and we do, you know, update those assumptions every four years, you know, when we look at mortality. So that's one thing.

As far as the retirements rates go, we do have a little bit of shift, but, you know, the changes to the service retirement rates themselves, you know, they're not that impactful. One of the main problems that we have is, you know, PEPRA was started in 2013. It's now 2025. So, you know, the most that a PEPRA member can have is 12 years of service. We actually probably aren't going to get pretty good data on PEPRA until we're like 20, 25 years in. So that's, you know, a couple experience studies down the road.

So right now, you know, kind of what we're seeing are the retirement patterns for the PEPRA members are pretty much following, you know, the classic members. We really don't have that much data unfortunately to set them aside. But other than that, like the changes to the service retirement rates themselves are probably not going to change the contribution rates too much.

ACTING COMMITTEE MEMBER RUFFINO: Thank you.

Don't forget my request.

(Laughter).

DEPUTY CHIEF ACTUARY ARCHULETA: You want to service retire, I think. That's what you want to be in that category.

CHAIR PALKKI: Thank you, Mr. Ruffino.

ACTING COMMITTEE MEMBER RUFFINO: Thank you, Mr. Chair.

CHAIR PALKKI: Mr. Rubalcava.

COMMITTEE MEMBER RUBALCAVA: Thank you for the report. I just want to end by saying I'm looking forward to your report in September, your experience study.

Thank you.

DEPUTY CHIEF ACTUARY ARCHULETA: Thank you.

CHAIR PALKKI: And -- oh, there we go. Mr. Pacheco.

COMMITTEE MEMBER PACHECO: Yes. Thank you very much for your report as well. I just want to ask a question about the Cleveland Federal Reserve Inflation Model. Is that -- is that just one of several models or is that the most prevailing model?

DEPUTY CHIEF ACTUARY ARCHULETA: I can let Scott answer that question.

CHIEF ACTUARY TERANDO: I mean, That's one of the primary models we look at, but we look at -- obviously, we look at the 10, the 20, the 30-year expectations on inflation. We look at, you know, as well, what's the current inflation coming out from the Fed each month and looking at trending what's happening currently.

Obviously, with the tariffs recently, it creates a bit more volatility and it creates -- you know, it makes our job a little bit easier in terms of getting a clear picture on where inflation is going.

What we do look at -- you know, these are some of the tools we would look at. Obviously, we have conversations with the Investment Office and the economists that they have working for them in terms of where expectations are for inflation. And as Fritzie also mentioned, we look at other retirement systems as well, in terms of where they are with their inflation assumption, because unlike asset allocations, inflation is pretty much uniform across the country. And so, it's one of those assumptions that are fairly consistent across most retirement systems.

COMMITTEE MEMBER PACHECO: Thank you. Thank you very much for your comment.

CHIEF ACTUARY TERANDO: Sure.

CHAIR PALKKI: Thank you. I am not seeing any more questions from the Committee. So thank you very much.

DEPUTY CHIEF ACTUARY ARCHULETA: Thank you.

CHAIR PALKKI: Next, we have summary of Committee direction. Ms. Nix.

CHIEF FINANCIAL OFFICER NIX: All right. That's easy. I did not take any Committee direction for today.

CHAIR PALKKI: I did not recognize any either, Ms. Nix

So next, we have public comment. I'm not seeing any public comment.

Other than, I do want to thank everybody for their presentations. I know that these last couple weeks have been quite interesting. But to see everybody's well thought out presentations that didn't require too much questions really shows the stability of our team. So thank you for that.

And with that, I'll adjourn the meeting.

(Thereupon the California Public Employees' Retirement System, Board of Administration, Finance & Administration Committee meeting adjourned at 2:35 p.m.)

CERTIFICATE OF REPORTER

I, JAMES F. PETERS, a Certified Shorthand Reporter of the State of California, do hereby certify:

That I am a disinterested person herein; that the foregoing California Public Employees' Retirement System, Board of Administration, Finance & Administration Committee meeting was reported in shorthand by me, James F. Peters, a Certified Shorthand Reporter of the State of California;

That the said proceedings was taken before me, in shorthand writing, and was thereafter transcribed, under my direction, by computer-assisted transcription.

I further certify that I am not of counsel or attorney for any of the parties to said meeting nor in any way interested in the outcome of said meeting.

IN WITNESS WHEREOF, I have hereunto set my hand this 23rd day of April 2025.

JAMES F. PETERS, CSR
Certified Shorthand Reporter
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