

Asset Liability Management Judges, Judges II, and Legislators Actuarial Assumptions Second Reading

Finance and Administration Committee

June 17, 2026

Today's Presentation

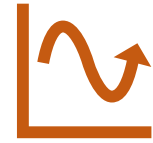
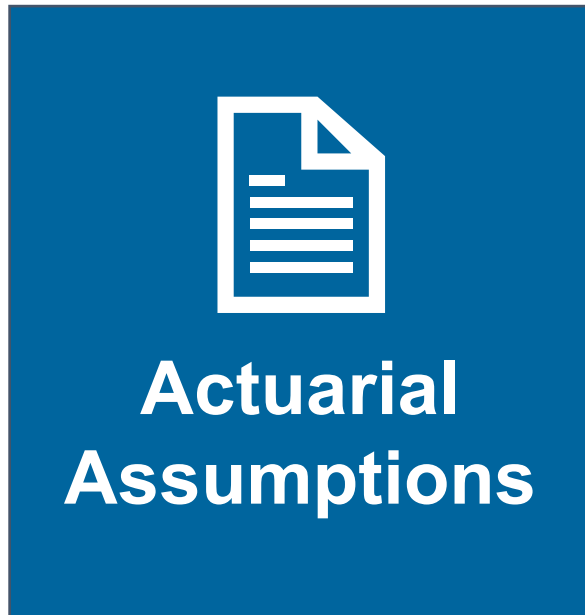
- Overview
- Discount Rate
- Inflation Review
- Mortality Review
- Other Assumptions (JRS II only)
- Cost Impacts (JRS II and LRS)
- Impact to PEPRA Member Rates (JRS II only)
- Next Steps

Overview

- Assumptions used to determine expected (not actual) costs:
 - Funded status (JRS II and LRS)
 - Required employer contributions (JRS II and LRS)
 - Member contributions (JRS II)
 - Financial reporting information
- Assumptions used to create actuarial equivalent factors for service credit purchases and optional forms (JRS members use JRS II discount rate)
- Assumptions that understate or overstate pension costs result in future funding corrections (JRS II and LRS)

Actuarial Assumptions

The discount rate assumption is studied separately



Economic Assumptions

- Long-term Investment Return
- Discount Rate
- Inflation



Non-Economic Assumptions

- Pay Increases
- Mortality
- Retirement
- Termination
- Disability
- Others

Key Findings

- Pandemic experience was excluded for several assumptions due to anomalous results
- Most assumptions do not require significant changes
- JRS II and LRS will see increased costs due to the increase in price inflation assumptions
- JRS II will see increased costs due to the increase in wage inflation assumption
- JRS will see increased projected benefits due to the increase in price inflation and wage inflation assumptions

Discount Rate

Discount Rate – JRS II & LRS

March 2026 First Reading

- Modest portfolio changes recommended for JRS II and LRS
- Recommended maintaining discount rates of 6.0% for JRS II, and 4.5% for LRS

June 2026 ALM

- Recommend to retain existing discount rates for JRS II and LRS

Discount Rate - JRS

JRS: Discount rate is not based on current portfolio

- Used to make recommendations for funding the system
- No effect on funded status
- No effect on state or member contributions
- No effect on factors for service purchases or optional forms

Inflation Review

Observations

2025 Experience Study Update - Inflation

- Bond Market Interest Rate spread – Treasuries vs. TIPS
 - Ranges between 2.2% and 2.6%
- Cleveland federal reserve publishes a 10, 20, 30-year Expected Inflation
 - Ranges between 2.2% and 2.6%
- Social Security Trustees intermediate assumption 2.4%
- The CalPERS assumption was increased from 2.3% to 2.5% in November 2025
- Recommendation is to increase the assumption to 2.5% for JRS, JRS II and LRS

Mortality Review

PERS Assumptions Changed November 2025

- Mortality experience during the years impacted by COVID provided no value in assessing the current base mortality rates or assumptions for future mortality improvement
- Prior to COVID, the CalPERS mortality rates aligned well with actual experience
- Recommend the same assumptions be used for JRS, JRS II and LRS

Other Assumptions

No other assumption changes for JRS or LRS

- JRS was closed to new entrants in 1994
 - 56 active members with an average age of 77
 - No PEPRAs members
 - Cost of service purchases and optional forms use JRS II assumptions
- LRS is closed to new entrants and only includes retirees and beneficiaries

Other Assumptions Reviewed for JRS II

- Service Retirement
- Deferred Service Retirement (no change)
- Disability Retirement (no change)
- Withdrawal with Cash Out
- Percentage Married and Age Difference (no change)

Overall Cost Impacts

Impact on Short-Term Costs (based on 2025 valuation)

JRS II

	Current	Proposed	Change
Employer NC Rate	22.18%	22.96%	0.78%
PEPRA Member Rate	16.75%	16.75%	-
Accrued Liability	\$2,739M	\$2,802M	\$63M
Funded Ratio	108.9%	106.8%	(2.5%)

LRS

	Current	Proposed	Change
Accrued Liability	\$96M	\$98M	\$2M
Funded Ratio	96.4%	94.2%	(2.2%)

Next Steps

Next Steps

- Coordinated effort to implement assumptions is underway
 - MyCalPERS
 - External calculators
 - Internal spreadsheets
- New assumptions will be used for all actuarial equivalence calculations including
 - Service credit purchase applications postmarked on or after June 18, 2026
 - Retirements payment options for retirement dates on or after June 18, 2026.

Questions?