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

WEDNESDAY, JUNE 17, 2026

10:35 A.M.

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

APPEARANCES

COMMITTEE MEMBERS:

Lisa Middleton, Chair

David Miller, Vice Chair

Michael Detoy

Kevin Palkki

Ramon Rubalcava

Yvonne Walker

Mullissa Willette

BOARD MEMBERS:

Theresa Taylor, President

Troy Johnson

Gail Willis, PhD(Remote)

STAFF:

Marcie Frost, Chief Executive Officer

Michele Nix, Chief Financial Officer

Scott Terando, Chief Actuary

Prashant Yerramalli, General Counsel

Randy Dziubek, Deputy Chief Actuary

Kurt Schneider, Supervising Actuary

INDEX

		PAGE
1.	Call to Order and Roll Call	1
2.	Executive Report - Michele Nix	2
3.	Action Consent Items - Michele Nix	3
	a. Approval of the June 17, 2026, Finance and Administration Timed Agenda	
	b. Approval of the April 13, 2026, Finance and Administration Meeting Minutes	
4.	Information Consent Items - Michele Nix	4
	a. Annual Calendar Review	
	b. Draft Agenda for the September 15, 2026, Finance and Administration Meeting	
5.	Action Agenda Items	
	a. Asset Liability Management: Second Reading Judges, Judges II and Legislators Actuarial Assumptions - Scott Terando, Randy Dziubek, Kurt Schneider	4
6.	Information Agenda Items	
	a. Summary of Committee Direction - Michele Nix	13
	b. Public Comment	13
7.	Adjournment of Meeting	13
	Reporter's Certificate	14

PROCEEDINGS

CHAIR MIDDLETON: Good morning. I'd like to call to order the Finance and Administration Committee. And the first order of business is roll call.

BOARD CLERK LEMUS: Lisa Middleton.

CHAIR MIDDLETON: Present.

BOARD CLERK LEMUS: David Miller.

VICE CHAIR MILLER: Here.

BOARD CLERK LEMUS: Michael Detoy.

COMMITTEE MEMBER DETOY: Here.

BOARD CLERK LEMUS: Kevin Palkki.

COMMITTEE MEMBER PALKKI: Good morning.

BOARD CLERK LEMUS: Ramon Rubalcava.

COMMITTEE MEMBER RUBALCAVA: Present.

BOARD CLERK LEMUS: Yvonne Walker.

COMMITTEE MEMBER WALKER: Here.

BOARD CLERK LEMUS: Mullissa Willette.

COMMITTEE MEMBER WILLETTE: Here.

CHAIR MIDDLETON: We are not all present here, so there is an attestation that's necessary. Board members, because we are not all present in the same room and Board members are participating from remote locations that are not accessible to the public, Bagley-Keene requires the remote Board members to make certain disclosures about any other persons present with them during open session.

Accordingly, the Board members participating remotely must each attest that, one, they are alone, or two, if there are one or more persons present with them who are at least 18 years old -- of age, the nature of the Board member's relationship to each person. At this time, I would like to ask each promote Board member to verbally attest accordingly.

Dr. Willis.

BOARD MEMBER WILLIS: Yes. I do attest to the fact that I am alone. Thank you.

CHAIR MIDDLETON: All right. Thank you. Then we will move on to our next order of business, which is the executive report, Ms. Nix.

CHIEF FINANCIAL OFFICER NIX: Great. Good morning, Madam Chair and Committee members. Michele Nix, CalPERS team member.

Today we added this meeting to keep the asset liability management cycle on track. As such, you will hear the second reading of the Judges', Judges' II, and Legislators' actuarial assumptions. This is an action item that will be presented by our actuarial team.

The next Finance and Administration Committee is scheduled for September 15th, 2026. Thank you, Madam Chair. This concludes my report and I will be pleased to take questions, if you have any.

CHAIR MIDDLETON: Are there any questions from Ms. Nix?

Seeing none, we will move on to action consent items. I did not receive any requests to pull any consent items. Do we need to take a vote on this?

BOARD CLERK LEMUS: (Nods head).

CHAIR MIDDLETON: So roll call, please.

BOARD CLERK LEMUS: Would you like to ask for a first and second, Ms. Middleton.

CHAIR MIDDLETON: Okay. All in favor, please say aye?

(Ayes.)

COMMITTEE MEMBER DETOY: Hold on. You have to get a motion.

BOARD CLERK LEMUS: First and second for the motion.

VICE CHAIR MILLER: I move approval.

COMMITTEE MEMBER DETOY: Second.

CHAIR MIDDLETON: All right. All right.

Do we need a roll call vote?

BOARD CLERK LEMUS: (Nods head).

CHAIR MIDDLETON: All right. Please proceed.

BOARD CLERK LEMUS: David Miller?

VICE CHAIR MILLER: Aye.

BOARD CLERK LEMUS: Michael Detoy?

COMMITTEE MEMBER DETOY: Aye.

BOARD CLERK LEMUS: Kevin Palkki?

COMMITTEE MEMBER PALKKI: Aye.

BOARD CLERK LEMUS: Ramon Rubalcava?

COMMITTEE MEMBER RUBALCAVA: Aye.

BOARD CLERK LEMUS: Yvonne Walker?

COMMITTEE MEMBER WALKER: Aye.

BOARD CLERK LEMUS: Mullissa Willette?

COMMITTEE MEMBER WILLETTE: Yes.

CHAIR MIDDLETON: All right. Thank you. With that, we will move to information consent items. I did not receive any requests to pull anything and I observe no requests now to do so, so we will -- that will be received and filed.

We'll move on to our action agenda item, Asset Liability Management, second reading. And with that Scott, Randy, and Kurt, please take it over.

(Slide presentation).

SUPERVISING ACTUARY SCHNEIDER: Thank you. Thank you, members of the Committee. I'm Kurt Schneider, Actuarial Office. And today, we're going to talk about the actuarial assumptions for the three separate retirement systems, Judges', Judges' II and Legislators'. These are separate retirement systems from the -- from PERS, but fortunately this is going to be very brief.

This is, for one thing, the second reading, and there haven't been any changes since the first reading back in March.

[SLIDE CHANGE]

SUPERVISING ACTUARY SCHNEIDER: The other reason why this is going to be pretty brief is that one of the most -- the key assumption, the discount rate for actuarial valuations it is actually very important, and as such, it has it's own separate analysis and presentation, which was done -- which was -- the recommendation was given to the Investment Committee on Monday. So we just have to briefly mention it here.

Another reason why this is pretty brief, even though these retirement systems are separate from PERS, some assumptions like price inflation, we study kind of across the whole economy, so we don't need to do a separate study for these retirement systems. We're simply going to ask you to adopt the same assumption for inflation for these systems that you've already done for PERS.

The mortality review also, while different retirement systems are different groups of people, they could have different mortality assumptions and we've studied it and determined that they are broadly the same as PERS, and we're going to be adopting -- recommending you adopt the same mortality assumption for these systems, as you did for PERS back in November.

Other assumptions, like salaries, and withdrawal, and retirement rates. They really only affect one of these systems, JRS II. And the reason for that is that JRS and LRS are both closed retirement systems. JRS has been closed for over 30 years, closed to new entrants, I mean, which means there's very few actives left. And Legislators' system is completely down to simply retirees at this point. And the only assumptions that really affect the measure of the liabilities are the three I just mentioned, the discount rate, price inflation because of retiree COLAs and Mortality, because we need to estimate how long the benefits are going to be paid. And all that, for those two systems, is done already when we're done with the PERS and the discount rate. We'll talk about cost impacts. We'll talk about the impact of PEPRA member rates, not only because the other two systems have been closed for so long, only JRS II has active PEPRA members and -- or are ever will have, and then we'll talk about next steps.

[SLIDE CHANGE]

SUPERVISING ACTUARY SCHNEIDER: So the overview -- the other thing that is different between these three systems is that the closed JRS system, the first one is also funded on a pay-as-you-go basis, which means that contributions are only made to satisfy benefit payments. There's not -- they're not prefunded. There's no pool of assets there earning money. And because of that, there's some little differences in how assumptions work.

Before I go too much farther, it's always important to point out that assumptions -- actuarial assumptions do not change the long-term cost of the plan. The long-term cost will be determined by what benefits are paid and what investment earnings the fund actually earns. What they do affect is the short term, the required contribution. So, for example, they do affect the funded status of the plans, at least for JRS II and LRS. Now, I just said JRS, the first one is not funded. No matter what we assume it's going to be about zero percent funded. There's a small amount of assets to pay, you know, benefit payments over the next few months. But our changing assumptions won't change anything.

Required employer contributions, for the same reason, JRS is just going to contribute -- the State is going to contribute the benefits that get paid out, nothing else. Member contributions. Only JRS II is affected by assumptions, because they only -- they only deal with active PEPRA members. But all these systems it will impact their information that gets used for financial reporting, the stated liabilities, their GASB, pension costs, and so forth.

The assumptions are also used to create actuarial factors that get used for things like service purchases and optional forms of payments. But LRS, like I said, everybody is retired, and -- but it is important that we get our assumptions right, because at least for JRS II and LRS, if we are wrong about assumptions, we're either going to understate or overstate the costs, which means the employer is going to contribute more than they need to or less, and it will affect things -- contributions later on.

[SLIDE CHANGE]

SUPERVISING ACTUARY SCHNEIDER: So I'm going to go through this very quickly because you've seen it all before, but I'm happy to backtrack and go back over things, if there's questions.

[SLIDE CHANGE]

SUPERVISING ACTUARY SCHNEIDER: So the discount rate Monday the recommendation for JRS II and LRS was that there should be no change in the discount rate.

[SLIDE CHANGE]

SUPERVISING ACTUARY SCHNEIDER: For JRS, you probably don't get a lot of -- give a lot of thought to what the discount rate is, because JRS is not funned, so it doesn't depend on the Board's decisions about the asset allocation, and -- but we do have a discount rate. We do need to calculate and actual determined contribution when we do evaluation, and we're required under the State statute to, you know, recommend some sort of funding, if they, should they desire to prefund. But it doesn't have any effect on the funded status. It doesn't have any effect on the State or member contributions, and it doesn't have any effect on the factors that I used for service purchases.

You might ask, well, why not? Well, that is because when a member in JRS purchases service, we don't use the JRS discount rate. We use the JRS II discount rate. And the reason for that is that the JRS discount rate is very low, because it's not prefunded. There is no equities, or private equity, or anything to give a higher discount rate. And since the member, by purchasing service, is prefunding their benefit, we shouldn't think -- we don't think they should be punished for the fact that the State is not prefunding their benefit.

[SLIDE CHANGE]

SUPERVISING ACTUARY SCHNEIDER: Inflation review, I don't need to go again, because I went over it in March and it's just the PERS assumption.

[SLIDE CHANGE]

SUPERVISING ACTUARY SCHNEIDER: Same thing with morality.

[SLIDE CHANGE]

SUPERVISING ACTUARY SCHNEIDER: The other assumptions are for -- just for JRS II. We looked at the service retirement assumptions, disability rates, withdrawals, cash outs, percent married, all that stuff, salary scales. But the only thing that changed -- we recommend changes for are the service retirement assumption, and the termination assumption basically, or withdrawals assumption.

[SLIDE CHANGE]

SUPERVISING ACTUARY SCHNEIDER: The finale here is just an estimate or calculation of the change in the cost. So again, we're talking about the short-term cost. And these are based on the '25 valuation. Now, these are estimates, because the new assumptions won't be adopted until the '26 valuation. For JRS II, there's an increase in the employer normal cost rate of about 0.78 percent, so less than one percent of payroll. And we don't see that that would impact the change -- the member -- the PEPRA member contribution rate. That's because, the total normal cost has to increase by a full percent before there's a recalculation. So it hasn't yet triggered recalculation, at least not when we look at the assumption change alone.

The accrued liability increased by 63 million, which increases the funded ratio -- or, sorry, decreases the funded ratio by 2.5 percent. Now, the plan is still over a hundred percent funded, even with this change. So even though the liability is higher, there's no change in the required cost, because there's still a surplus, but there is an extra $63 million in liability.

For LRS, the change is -- there's no normal cost, because there's no active members. It just increases the accrued liability by $2 million. That's a decrease in the funded ratio of 2.2 percent. That one is not a hundred percent funded, so it will increase the required contribution somehow. That 200 -- $2 million has to come from somewhere.

And I think that is the end of my slides.

[SLIDE CHANGE]

SUPERVISING ACTUARY SCHNEIDER: Yes. Oh, next steps. Sorry one more thing.

So the other thing is that for service purchases and retirements, and we're talking just about JRS II -- well, no JRS I also can have service purchases. So there a new assumptions that are going to be used for that. And those new assumptions take effect assuming that this gets adopted by the Board later today, they'll be in effect tomorrow. And we've been working with IT and benefits to make sure that we'll be ready to do those calculations and there won't be any disruption in service. And with that, I will take questions.

CHAIR MIDDLETON: All right. Thank you.

Are there any questions?

This is a second reading and there were no changes.

Seeing no questions, I want to thank Kurt and everyone from the Actuarial Office for the work that went into this. And we're particularly pleased with the judges that were able to accommodate quite easily their request to expand our investment options.

So, with that, is there a motion to approve?

VICE CHAIR MILLER: So moved.

CHAIR MIDDLETON: Vice Chair Miller. And --

COMMITTEE MEMBER PALKKI: Second.

CHAIR MIDDLETON: -- second by Trustee Palkki.

Roll call, please.

BOARD CLERK LEMUS: David Miller?

VICE CHAIR MILLER: Aye.

BOARD CLERK LEMUS: Michael Detoy?

COMMITTEE MEMBER DETOY: Aye.

BOARD CLERK LEMUS: Kevin Palkki?

COMMITTEE MEMBER PALKKI: Aye.

BOARD CLERK LEMUS: Ramon Rubalcava?

COMMITTEE MEMBER RUBALCAVA: Aye.

BOARD CLERK LEMUS: Yvonne Walker?

COMMITTEE MEMBER WALKER: Aye.

BOARD CLERK LEMUS: Mullissa Willette?

COMMITTEE MEMBER WILLETTE: Yes.

CHAIR MIDDLETON: Okay. With that, we will move on to Summary of Committee Direction.

CHIEF FINANCIAL OFFICER NIX: I took no direction during this Committee meeting.

CHAIR MIDDLETON: That's correct.

Are there any public comments?

BOARD CLERK LEMUS: (Shakes head).

CHAIR MIDDLETON: With no public comments, then we will adjourn the meeting.

(Thereupon the California Public Employees' Retirement System, Board of Administration, Finance & Administration Committee meeting adjourned at 10:51 a.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 24th day of June, 2026.

JAMES F. PETERS, CSR
Certified Shorthand Reporter
License No. 10063