

Pension & OPEB Costs

Long Range Financial Planning and Audit
Subcommittee
October 30, 2025

SCOTT WAGNER,
INTERIM CHIEF FINANCIAL OFFICER

Presentation Overview

- The City's Pension Plans
- Changes to Pensions/ City Actions
- Historical and Projected Costs
- The Challenge
- Potential Actions
- Update on OPEB – PEMHCA 115 trust
- Discussion/ Q&A

The City's Pension Plans

- Benefit formulas include years of service, age and final compensation to determine the annual pension due to a retiree
- Employees are legally protected from having their benefit reduced after hire

Public Safety (sworn)		
Benefit Formula	Employee Count	Hire Date
3.0% @ 50	92	Prior to 7/8/2012
3.0% @ 55	55	7/8/2012-12/31/2012
*2.7% @ 57	*173	*After 12/31/2012
Miscellaneous		
Benefit Formula	Employee Count	Hire Date
3.0% @60	283	Prior to 7/8/2012
2.5% @55	35	7/8/2012-12/31/2012
*2.0% @62	*537	*After 12/31/2012

* PEPRRA

The City's Pension Plans

Summary of Current Pension Beneficiaries

Plan	Retired Employee Count	Average Annual Benefit
Miscellaneous	1,360	\$ 38,052
Police	322	\$ 69,658
Fire	194	\$ 83,282

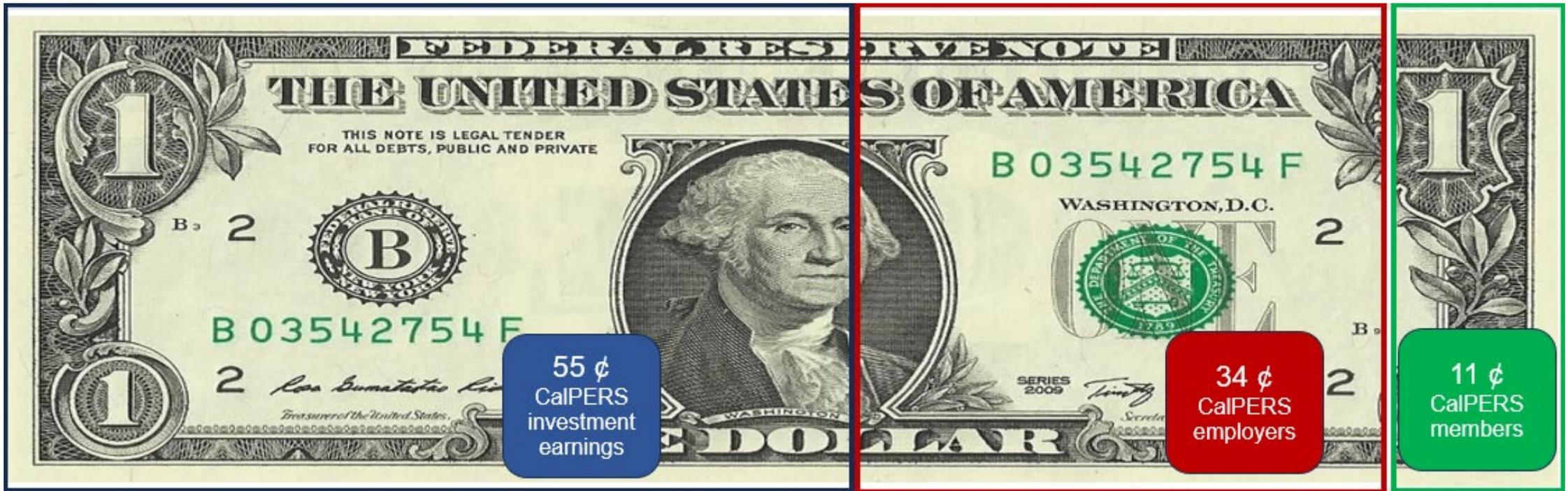
Example of how different formulas impact pension benefit

Public Safety (sworn)				
Benefit Formula	Age at Hire	Years of Service	Final Compensation	Pension Benefit
3.0% @ 50	25	25	\$ 100,000.00	\$ 75,000.00
3.0% @ 55	25	25	\$ 100,000.00	\$ 62,500.00
*2.7% @ 57	25	25	\$ 100,000.00	\$ 50,000.00
Miscellaneous				
Benefit Formula	Age at Hire	Years of Service	Final Compensation	Pension Benefit
3.0% @60	30	30	\$ 100,000.00	\$ 90,000.00
2.5% @55	30	30	\$ 100,000.00	\$ 75,000.00
*2.0% @62	30	30	\$ 100,000.00	\$ 54,000.00

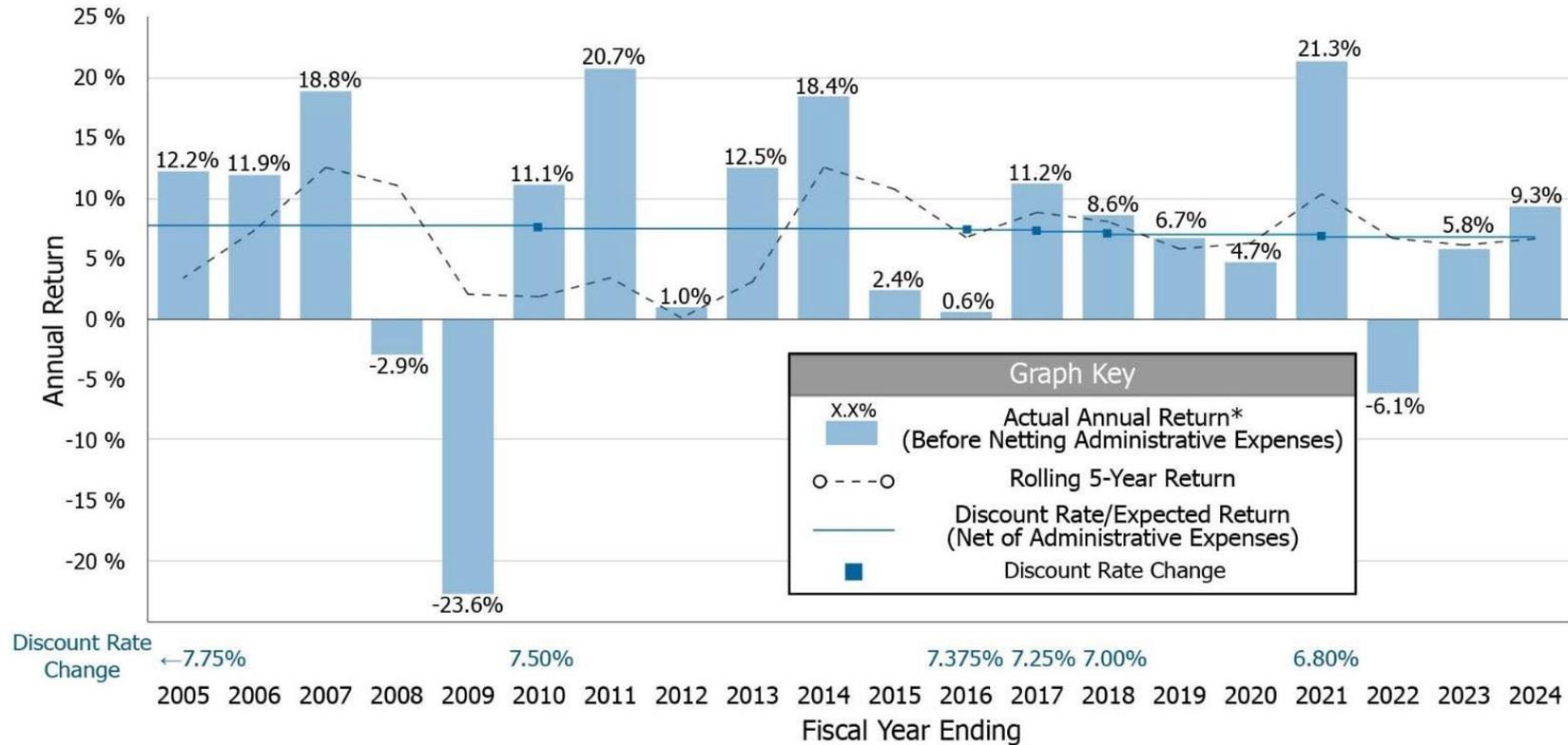
*PEPRA

The City's Pension Plans

The largest funding source of pensions is investments. This has a significant benefit, but it also carries risk which is assumed by the City.



The City's Pension Plans - CalPERS Returns



History of CalPERS Compund Annual Rates of Return and Volatilities					
	1 Year	5 Year	10 Year	20 Year	30 Year
Compund Annual Return	9.3%	6.6%	6.2%	6.7%	7.7%

The City's Pension Costs

- Employee Cost is the portion of the pension contribution paid directly by the employee out of their paycheck. It is based on % of pay.
- Employer Normal Cost is the total cost the employer pays to CalPERS for the employee's pension.

FY 2025-26 Employer Normal Cost Fire:

- Fire 18.6%
- Police 20.2%
- Misc. 11.6%

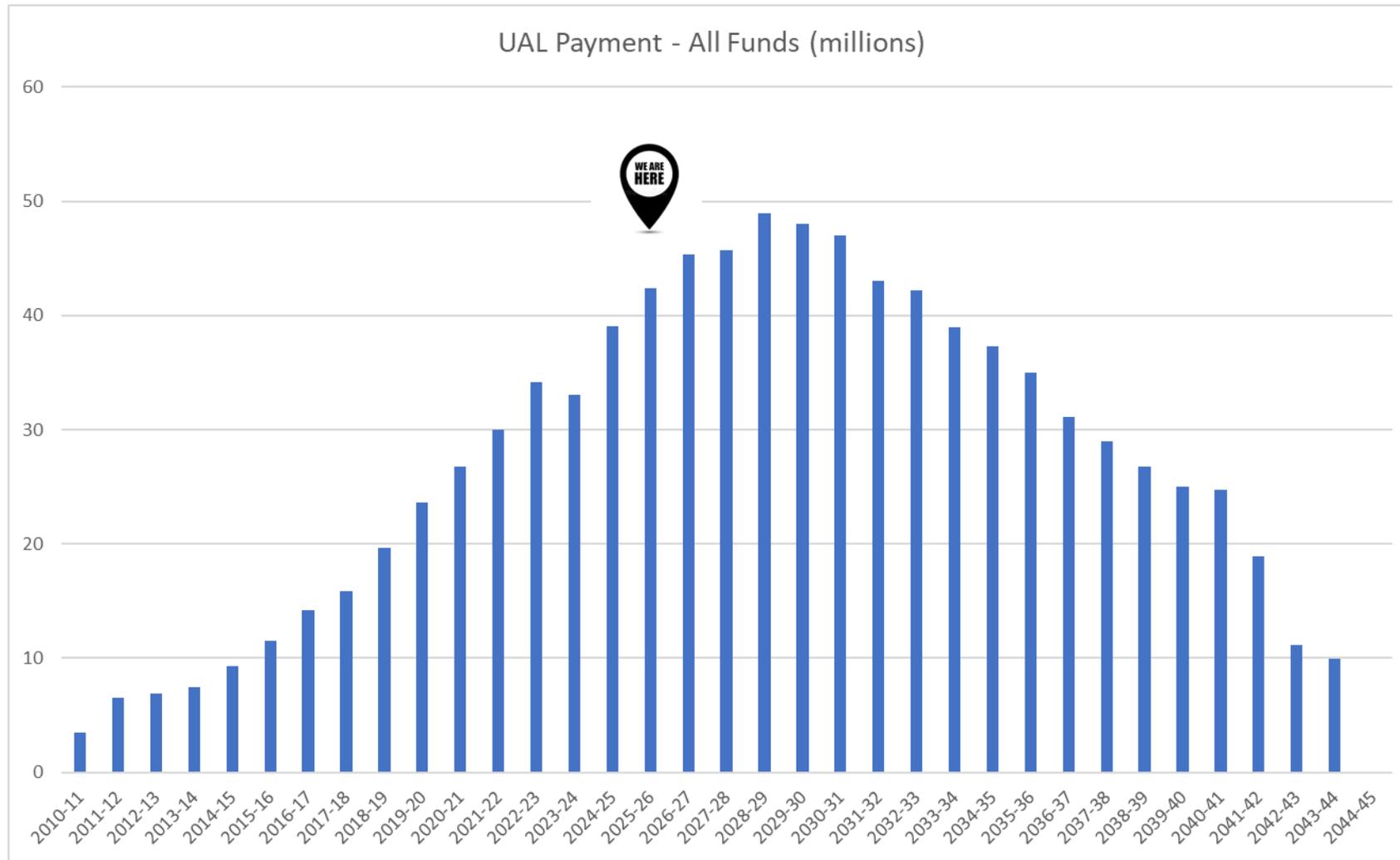
The City's Pension Costs

- UAL Cost is the amount the employer must pay CalPERS annually toward pension debt. The debt is the gap between the pension fund's obligations and the money currently in the account.

FY 2025-26 CalPERS UAL fixed payment:

- Fire \$8,135,769
- Police \$12,233,644
- Misc. \$20,649,489

The Challenge



History of UAL Payments

Estimate

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Fire - UAL Payment	1,701,801	1,877,953	2,309,006	2,619,856	3,227,896	3,381,881	3,953,420	4,606,396	4,971,922	5,540,443	6,280,434	6,286,449	7,538,518	8,135,769	8,760,432
Police - UAL Payment	1,955,750	1,992,421	2,488,496	3,185,670	3,934,038	4,010,301	4,914,195	5,927,706	6,758,162	7,943,137	9,291,232	9,385,226	11,145,917	12,233,644	12,917,209
Miscellaneous - UAL Payment	3,213,620	3,623,800	4,476,264	5,732,656	6,999,819	7,935,880	10,044,070	12,285,383	13,373,050	15,537,431	17,487,919	16,260,188	19,120,027	20,649,489	22,191,127

History of UAL Payments

Last 5 Year Payment History of UAL Payments

	Actual UAL Payment	Actuarial Amount	Difference from Prepayment Savings \$	Difference from Prepayment Savings %
FY 2025-26	41,018,902	42,390,610	1,371,708	3.34%
FY 2024-25	37,804,462	39,068,676	1,264,214	3.34%
FY 2023-24	31,931,863	32,999,692	1,067,829	3.34%
FY 2022-23	33,059,585	34,197,100	1,137,515	3.44%
FY 2021-22	29,021,011	30,019,568	998,557	3.44%

The Challenge

- CalPERS amortization schedule will continue to increase much faster than City revenues burdening City services.

General Fund	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35
Scenario - Investment return earning 6.8%									
UAL Payment (in millions)	\$34.5	\$34.9	\$37.3	\$36.7	\$36.0	\$33.3	\$32.8	\$30.4	\$29.3

The Challenge

Unfunded Accrued Liability (UAL) June 30, 2024 ALL FUNDS

	Miscellaneous	Police	Fire	Combined
Accrued Liability (AL)	\$ 934,596,567	\$ 421,924,875	\$ 313,886,433	\$ 1,670,407,875
Market Value of Assets (MVA)	\$ 699,237,703	\$ 274,132,034	\$ 214,858,894	\$ 1,188,228,631
UAL= AL-MVA	\$ 235,358,864	\$ 147,792,841	\$ 99,027,539	\$ 482,179,244
Funded Ratio	74.8%	65.0%	68.5%	71.1%

Changes to Pensions

Public Employee Pension Reform Act (PEPRA)

Reduced benefit formulas, created maximum compensation amounts and equal sharing of normal costs (increased employees contribution). *Only for employees hired after 12/31/2012.*

CalPERS Board Actions & Meeting New Accounting Standards

Discount rate/expected return has been decreased from a high of 8.5% and is now at 6.8%. A 1% change equals approximately \$200M in liability for Santa Rosa. The amortization of losses and assumption changes was changed from a rolling average methodology (50 years) to a 30-year fixed schedule. Recent actions shortened to a 20-year amortization.

Employer Normal Cost

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Fire - Employer Normal Cost	2,651,244	2,703,728	2,660,475	2,705,525	2,878,153	3,249,490	3,306,468	3,397,025	3,574,763	3,791,120	3,825,053	4,069,088	4,076,728
Police - Employer Normal Cost	3,924,314	3,693,473	3,812,642	3,956,655	4,374,297	4,911,847	5,311,657	5,078,704	4,975,796	5,245,538	5,144,908	5,211,187	5,461,284
Miscellaneous - Employer Normal Cost	7,174,441	7,082,049	7,491,082	7,556,424	7,924,703	8,634,514	8,911,464	8,778,617	8,653,285	9,141,525	8,929,703	9,280,074	9,033,458

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Fire - Employer Normal Cost	16.4%	16.3%	16.5%	16.2%	16.9%	17.7%	18.6%	18.4%	18.1%	19.5%	18.7%	18.6%	18.0%
Police - Employer Normal Cost	19.2%	18.7%	19.9%	19.4%	20.0%	21.1%	22.3%	21.4%	20.9%	22.0%	21.1%	20.2%	19.2%
Miscellaneous - Employer Normal Cost	10.8%	11.0%	11.5%	11.1%	11.3%	11.7%	12.0%	11.7%	11.2%	12.3%	12.0%	11.6%	11.1%

Savings from PEPRA

- Projected savings from PEPRA though employer normal costs have not come to fruition
- Employer normal costs higher today versus 2014/15
 - Result of lowered discount rate
- Future savings projections may or may not materialize
 - Likely offset through increased costs

Savings from PEPRA

CalPERS Actuarial Valuation - June 30, 2020
 Miscellaneous Plan of the City of Santa Rosa
 CalPERS ID: 5472028534

Projected Employer Contributions

The table below shows the required and projected employer contributions (before cost sharing) for the next six fiscal years. The projection assumes that all actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur during the projection period. Actual contribution rates during this projection period could be significantly higher or lower than the projection shown below. The projected normal cost percentages in the projections below reflect that the normal cost will continue to decline over time as new employees are hired into PEPRA or other lower cost benefit tiers.

	Required Contribution	Projected Future Employer Contributions (Assumes 7.00% Return for Fiscal Year 2020-21)				
Fiscal Year	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Normal Cost %	11.15%	10.8%	10.5%	10.2%	9.9%	9.7%
UAL Payment	\$18,089,644	\$19,414,000	\$20,831,000	\$21,207,000	\$22,084,000	\$22,632,000
<i>Total as a % of Payroll*</i>	<i>34.46%</i>	<i>35.1%</i>	<i>35.9%</i>	<i>35.4%</i>	<i>35.5%</i>	<i>35.2%</i>
<i>Projected Payroll</i>	<i>\$77,607,937</i>	<i>\$79,742,155</i>	<i>\$81,935,065</i>	<i>\$84,188,279</i>	<i>\$86,503,456</i>	<i>\$88,882,301</i>

Current 2026-27 Rate is 11.1%

City Actions

- Through collective bargaining all employee groups pay more than their required contribution to CalPERS. These additional contributions range by bargaining unit and pension benefit formula.
- In FY20, the City made an additional payment of \$4.2M to CalPERS which reduced future UAL payments.
- In FY22 the City created a section 115 trust to prefund pension obligations. City Council funded \$10M from General Fund Fiscal Stability Reserves to mitigate future pension expenses. Santa Rosa Water also funded \$4.4M from Santa Rosa Water Operating Reserves.

Potential City Actions

- Issuance of POBs
 - Would require large decrease in interest rates
- Additional Discretionary Payments
 - Would require available fund balance (reserves)
- Section 115 trust balance use
 - Under study
- Alternative shortened schedules
 - Under study

PEMHCA – 115 Trust Update

- Adopted by City Council in April of 2024
- \$13 million deposited into trust
- \$19.5 million reduction in unfunded liability
- 0% funded to 69% funded, with plan to reach fully funded status
- \$1.4 million in ongoing annual budgetary savings

PEMHCA – 115 Trust Update

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS PEMHCA PLAN (Amounts in Thousands)

<i>Fiscal Year Ended / Measurement Period</i>	2024	2023	2022
TOTAL OPEB LIABILITY:			
Service Cost	\$ 966	\$ 968	\$ 1,676
Interest on Total OPEB Liability	932	880	707
Difference Between Expected and Actual Experience	(3,519)	-	(952)
Changes of Assumptions	(4,808)	(409)	(7,888)
Benefit Payments	(780)	(733)	(667)
Net Change in Total OPEB Liability	(7,209)	706	(7,124)
Total OPEB Liability - Beginning	24,964	24,258	31,382
Total OPEB Liability - Ending	\$ 17,755	\$ 24,964	\$ 24,258
PLAN FIDUCIARY NET POSITION			
Contributions - Employer	\$ 13,069	\$ -	\$ -
Net Investment Income	7	-	-
Benefit payments	(780)	-	-
Administrative Expense	(8)	-	-
Net Change in Fiduciary Net Position	12,288	-	-
Plan Fiduciary Net Position - Beginning	-	-	-
Plan Fiduciary Net Position - Ending (b)	12,288	-	-
Plan Net OPEB Liability - (a)-(b)	\$ 5,467	\$ 24,964	\$ 24,258
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	69.21%	0.00%	0.00%

PEMHCA – 115 Trust Update

City of Santa Rosa

GL Transaction by Key and Object Summary

07/01/2024 to 06/30/2025

Subs ID:*

Fund: 1100*

GL Key:*

Object: 5226*

Exclude Object:*

Obj Type:*

Key	Object	Description	Debit	Credit	Net
060200		Fire Operations			
	5226	PEMHCA HealthPublicSafetyOnly	623,169.00	0.00	623,169.00
170601		Field Services Division			
	5226	PEMHCA HealthPublicSafetyOnly	781,287.00	0.00	781,287.00
Grand Total:			1,404,456.00	0.00	1,404,456.00

PEMHCA – 115 Trust Update

City of Santa Rosa GL Transaction by Key and Object Summary

07/01/2025 to 06/30/2026

Subs ID:*

Fund: 1100*

GL Key:*

Object: 5226*

Exclude Object:*

Obj Type:*

Key	Object	Description	Debit	Credit	Net
Grand Total:			0.00	0.00	0.00

Questions / Comments