



# Town of Los Gatos

## CalPERS Misc & Safety Plans

June 2, 2026

*Presented By:*  
*Drew Ballard, FSA, EA, MAAA*

**FOSTER & FOSTER**  
ACTUARIES AND CONSULTANTS

# Agenda

---

- Funded Status
- Contribution Projections
- Funding Strategy Overview
- Town Section 115 Trust Background

# Funded Status

## June 30, 2024 CalPERS Valuation

	Miscellaneous	Safety
Actuarial Accrued Liability	\$137.2	\$121.2
Assets	<u>\$106.0</u>	<u>\$85.2</u>
Unfunded Actuarial Liability	\$31.2	\$36.0
Funded Ratio	77.3%	70.3%
<i>Projected UAAL (6/30/2025)</i>	<i>\$24.9</i>	<i>\$31.3</i>
<i>Projected Funded Ratio (6/30/2025)</i>	<i>82%</i>	<i>75%</i>

- **Projected 6/30/2025 results reflect CalPERS 12.1% return for fiscal year 2024-25**

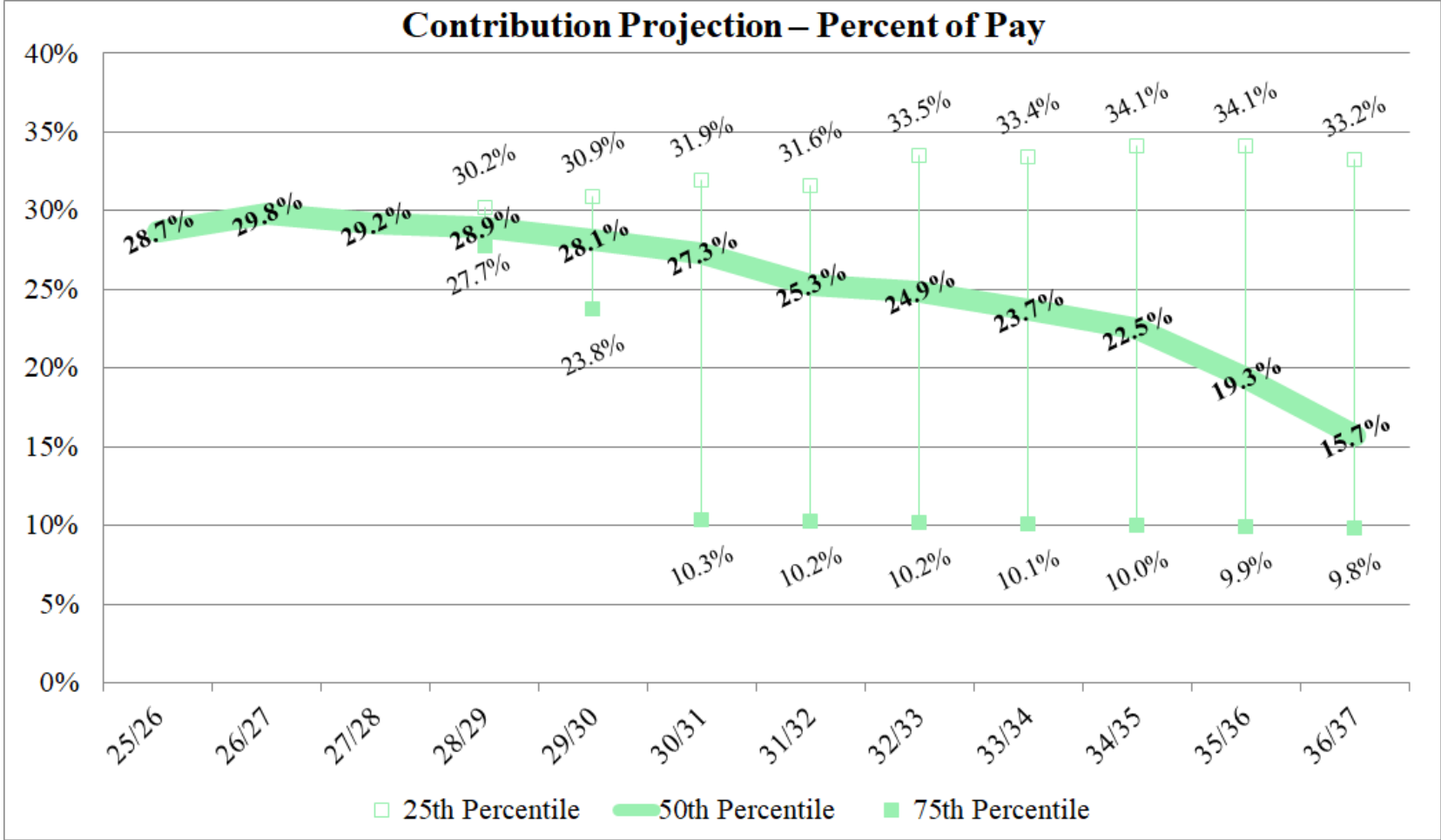
# Contribution Projections

---

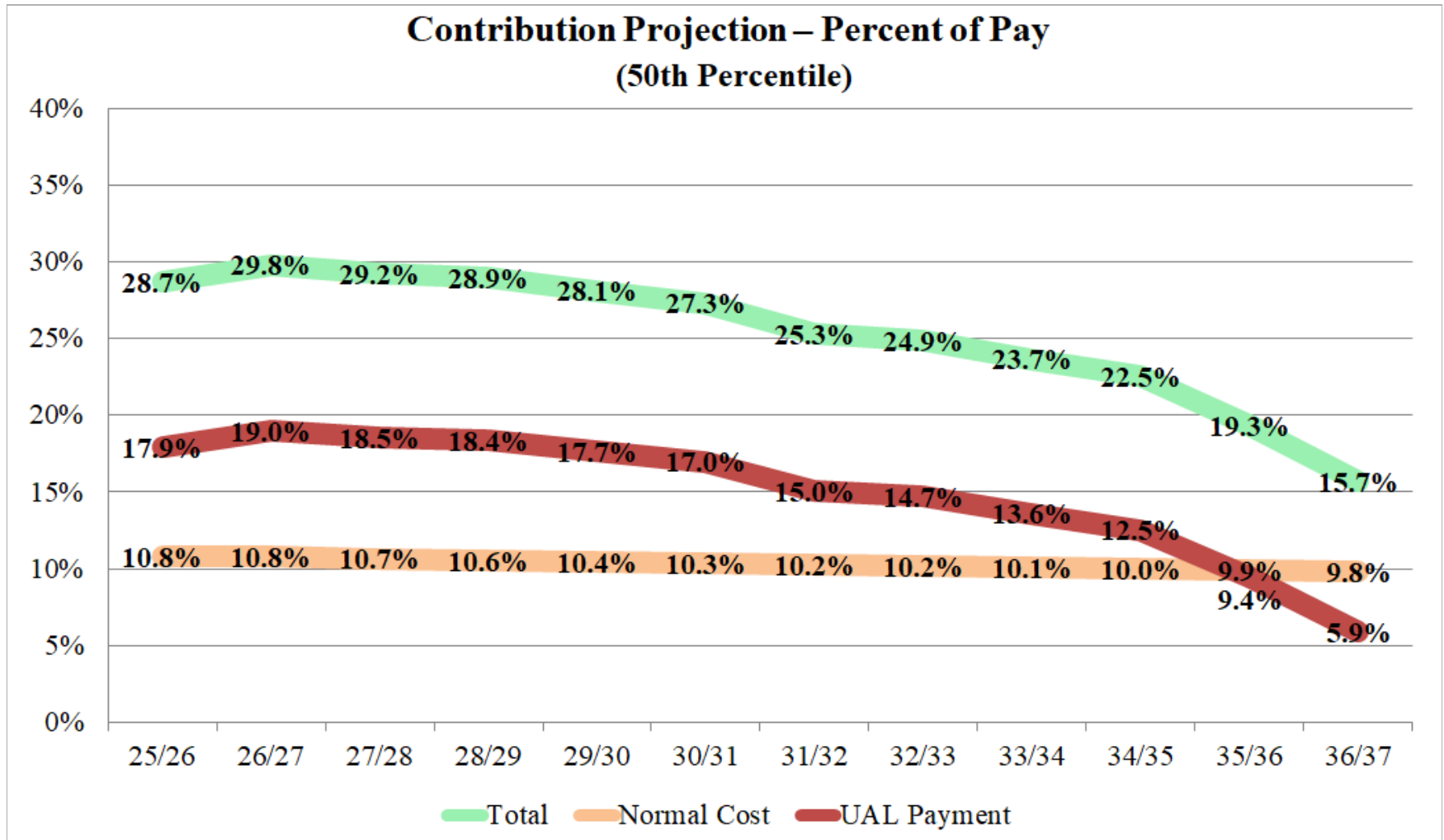
## ➤ Assumptions

- 12.1% investment return for 2024/25
- 6.8% discount rate for all years
- Town provided payroll projections by Classic/PEPRA
- Safety: 3% employee cost sharing for Classic members

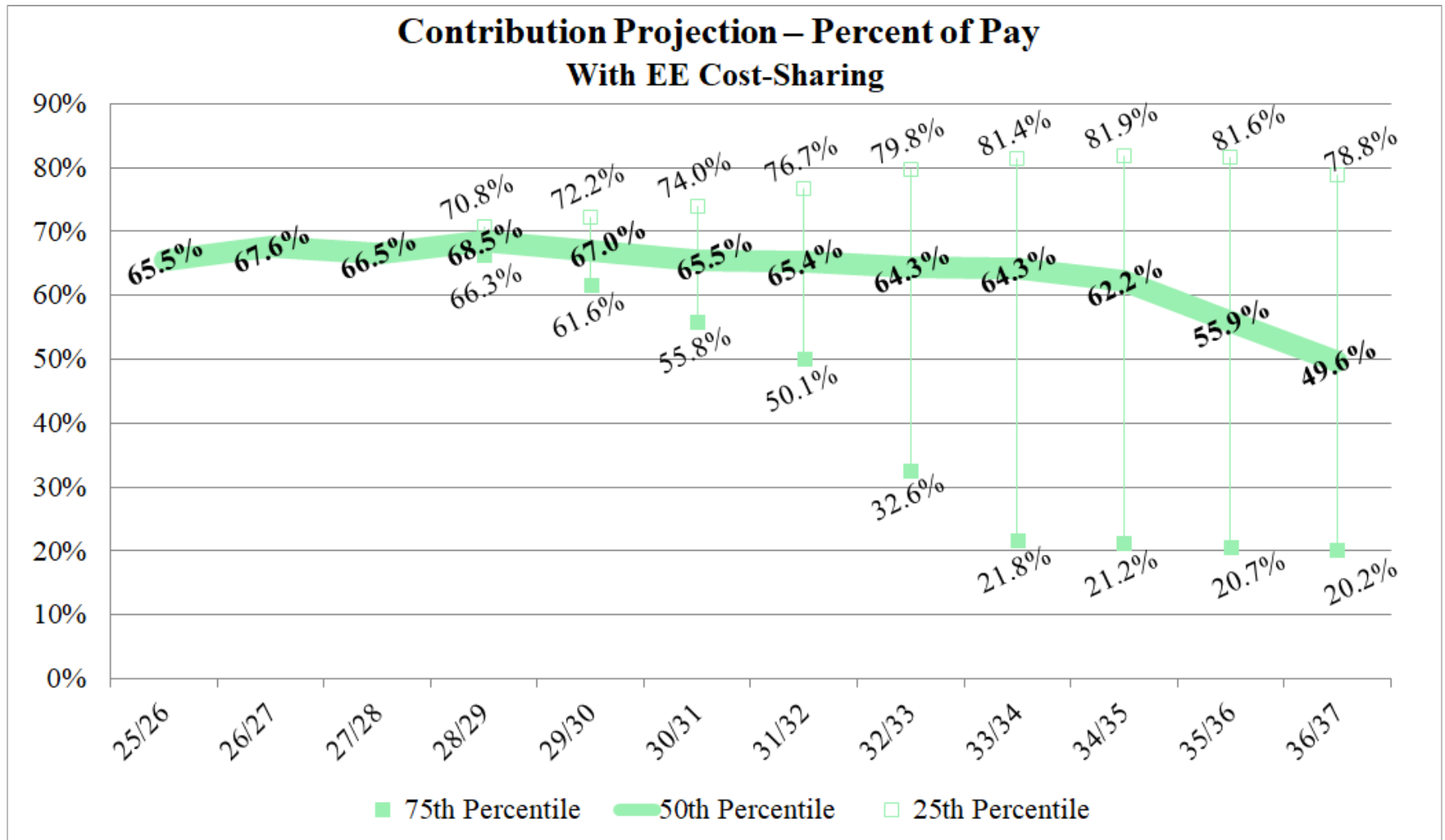
# Contribution Projections (Misc)



# Contribution Projections (Misc)

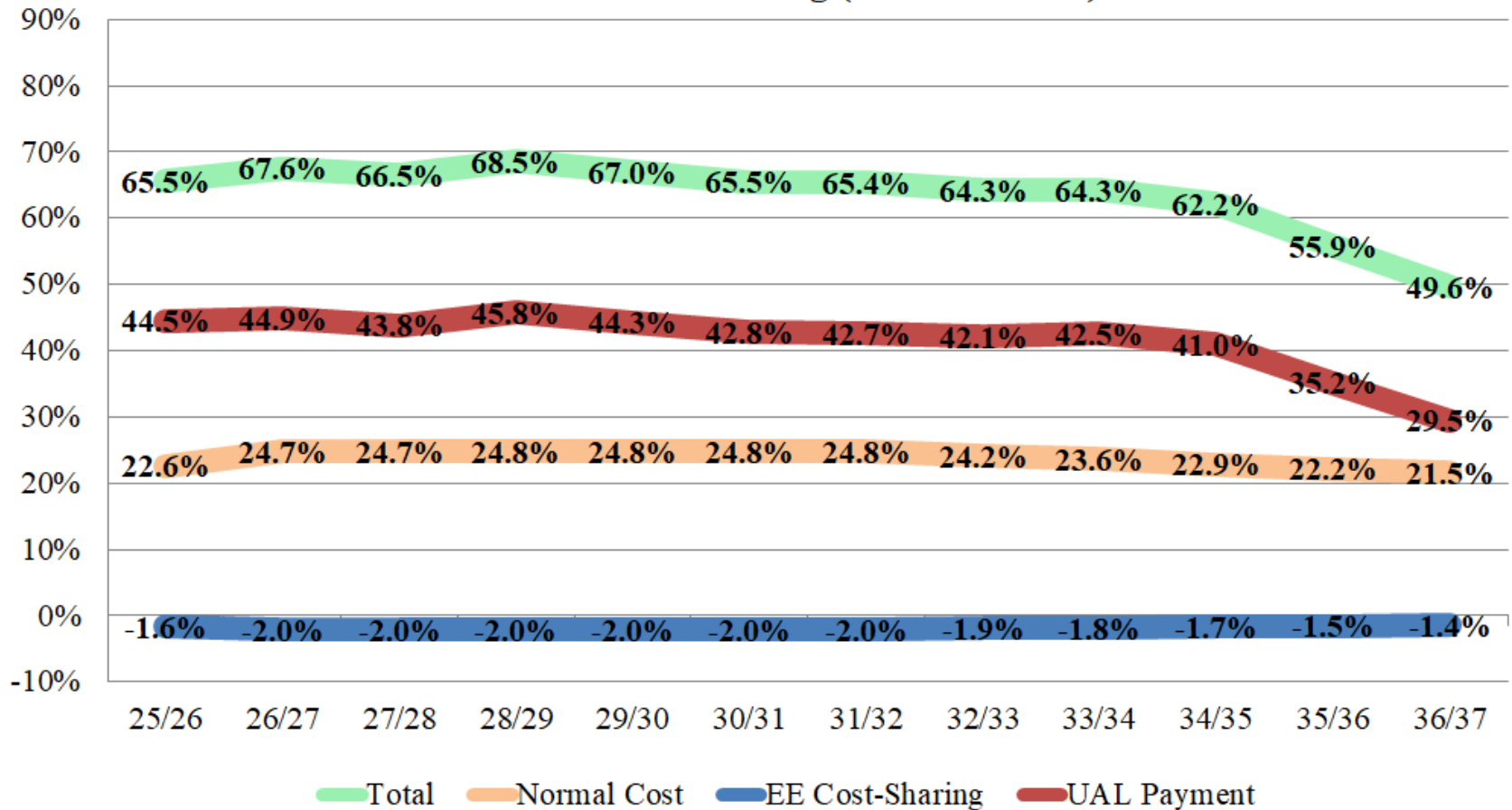


# Contribution Projections (Safety)

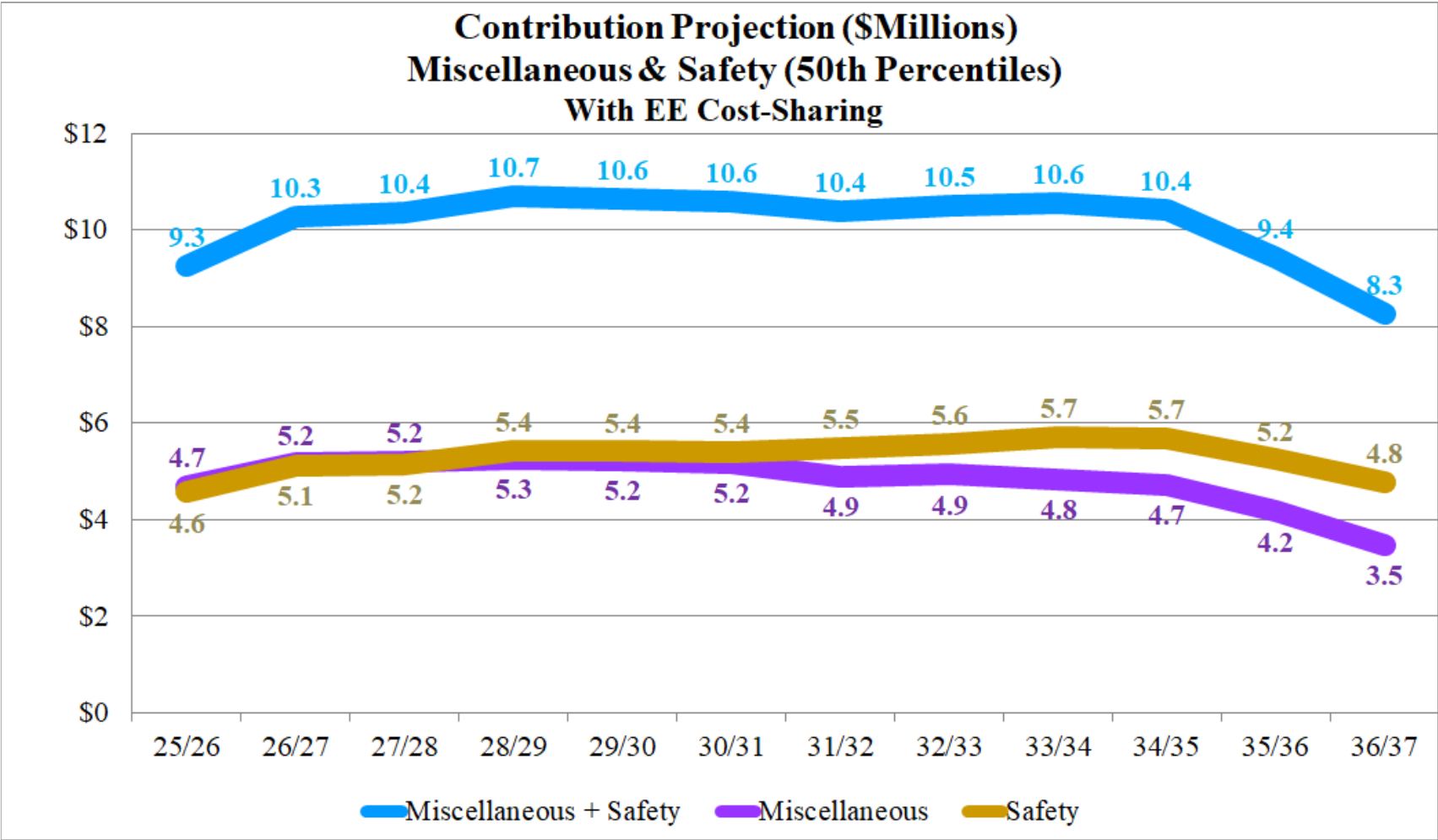


# Contribution Projections (Misc)

Contribution Projection – Percent of Pay  
With EE Cost-Sharing (50th Percentile)



# Cont. Projections (Combined)



# Funding Strategy Overview

---

- Additional Discretionary Payments
  - Paid directly to CalPERS above ADC
  - Accelerate paydown of UAAL and funded status increase
  - Irrevocable decision
  - Target specific amortization layers (long versus short)
  - Reduces GASB 68 Net Pension Liability
  
- IRS Section 115 Trust
  - Used to reimburse Town for CalPERS contributions or make payments directly to CalPERS
  - Flexible, internal control
  - Town has investment strategy choice
  - Typically used to reduce UAAL, stabilize contribution rates, or combination
  - Does not reduce GASB 68 Net Pension Liability

# CalPERS ADP Impact

- Below represents the estimated impact of transferring \$4.015 million to CalPERS Safety Plan from the Section 115 trust on June 30, 2026
  - Applied to UAAL layers with longest remaining amortization period
    - 2018 Non-Investment Loss (24 years, \$420,362)
    - 2017 Non-Investment Loss (23 years, \$70,092)
    - 2016 Investment Loss (22 years, Balance = \$5,455,708)

<b>Estimated Interest Savings</b>	<b>Contribution Impact</b>
<b>\$3,603,000</b>	<b>(\$289,000)</b>

# 115 Trust - Background

---

- Town established original 115 in 2017
  - The primary objective of the 115 Trusts investment portfolios is to satisfy the Pension Plans and OPEB Plan obligations to pay benefits to members and their beneficiaries. To do so, the 115 Trusts will seek to achieve long-term net returns in excess of the actuarial investment return assumption while maintaining a reasonable level of investment risk.
  - History of payments to CalPERS
    - 2019-20 \$4.8M (Misc)
    - 2020-21 \$5.6M (Misc)

# 115 Trust - Background

---

- Funding policy
  - \$390K annual payment
  - \$300K additional at Mid-Year based on funding availability
- Town currently in CalPERS CEPPT Strategy 2
  - 22% stocks / 78% bonds
  - \$3.2 million balance as of December 31, 2025