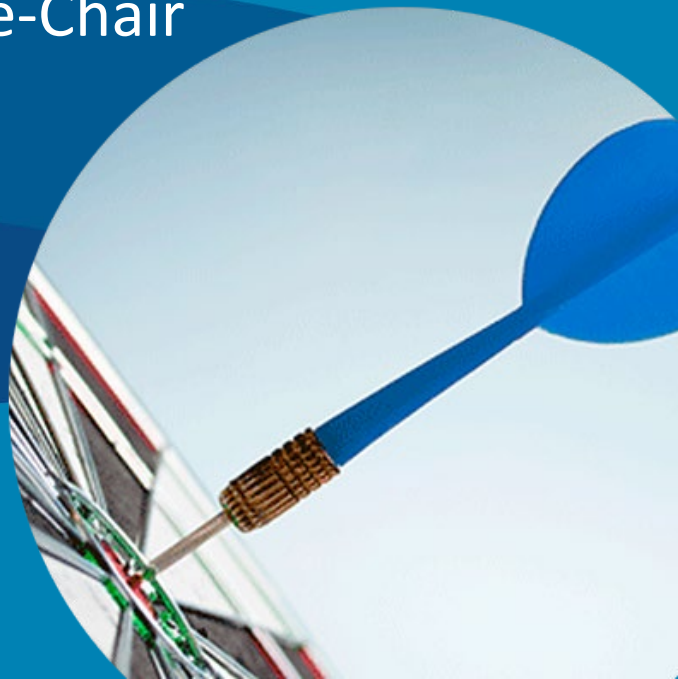
Investments and Pensions Oversight Committee

Representative Cynthia Borrego, Chair
Senator Roberto “Bobby” J. Gonzales, Vice-Chair
November 10, 2026



PERA 2026 Actuarial Valuation

Janie Shaw, ASA, EA, MAAA

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June 30, 2026 Actuarial Valuation

- Valuations are performed each year
- Member data and asset data updated as of June 30, 2026
- No changes to actuarial assumptions or methods since prior valuation
- No changes to plan provisions since the prior valuation

Results Summary for PERA Divisions

	2026 Valuation	2025 Valuation
Accrued Liability	$29.1 billion	$27.9 billion
Actuarial Value of Assets	$19.4 billion	$18.2 billion
Unfunded Liability	$9.7 billion	$9.7 billion
Funded Ratio	66.6%	65.2%
Member Contribution	13.90%	13.97%
Employer Contribution	17.34%	17.29%
Amortization Period	41 years	50 years
Actuarially Determined Contribution (25 year)	34.70%	35.91%
Contribution Shortfall	3.46%	4.65%

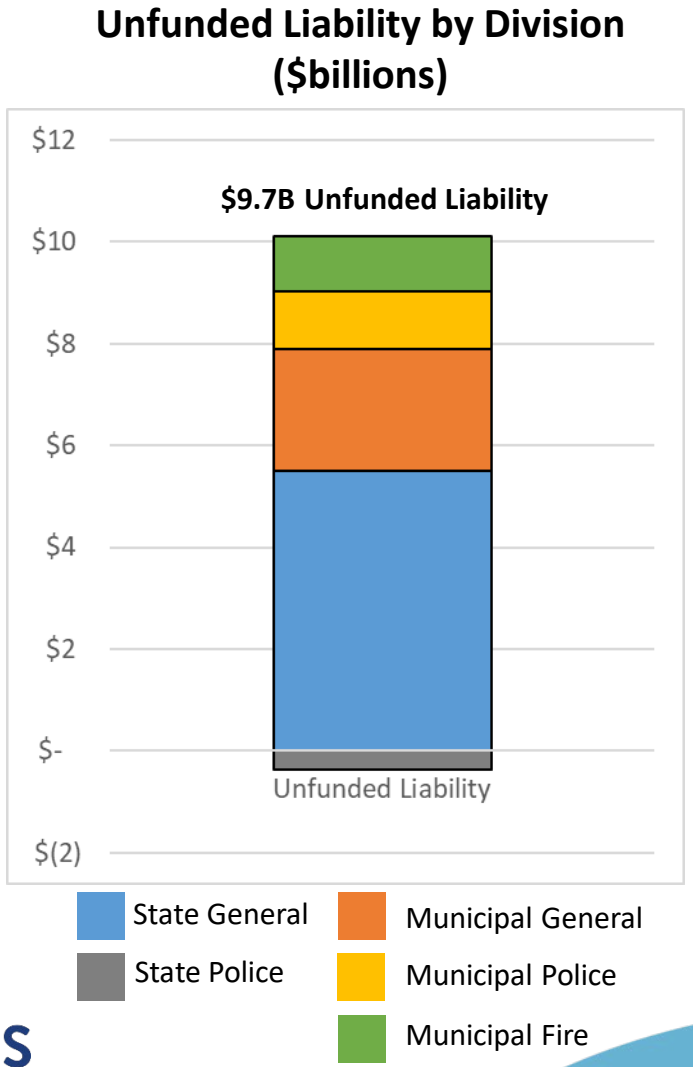
Unfunded liability increased slightly by $18M

Sources of Change in Funded Status

- Favorable investment experience: 11.9% return on the market value of asset plus deferred asset gains from 2024 and 2025
- Salary increases continue to be above the assumption but less than prior years

	UAAL (Billions)		Funded Status
June 30, 2025 Valuation	$9.7		65.2%
Expected Increase	+0.2		+0.5%
Actual Contributions	-0.1		+0.2%
Investment Returns	-0.3		+1.0%
Demographic Experience	+0.2		-0.3%
June 30, 2026 Valuation	$9.7		66.6%

June 30, 2026 Funded Status by Division



	Unfunded Liability	Funded Ratio
State General	$5.5 B	54.6%
State Police	$(0.4)B	123.8%
Municipal General	$2.4 B	74.0%
Municipal Police	$1.1 B	70.4%
Municipal Fire	$1.1 B	56.1%
All PERA Divisions	**$9.7 B**	**66.6%**

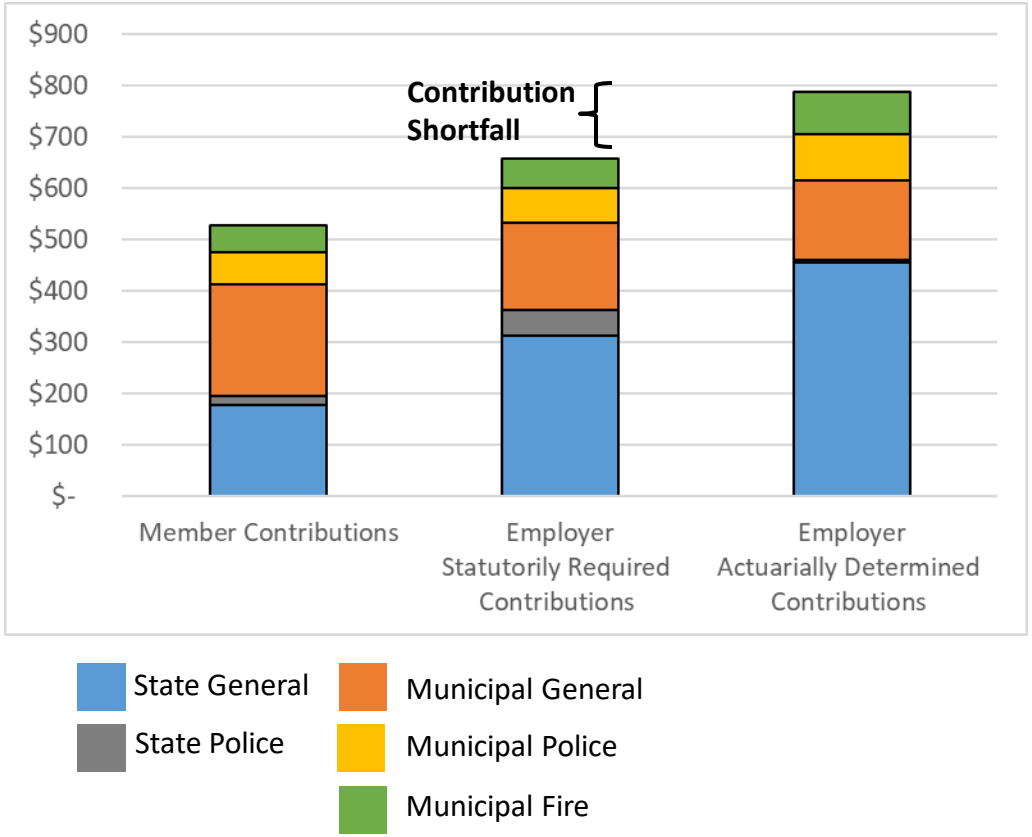
June 30, 2026 Amortization Period by Division

- Amortization Period: Years to pay off the unfunded liability, based on the current statutory contribution rates
- Board's funding policy: unfunded liability should be eliminated within 25 years
- Three divisions require additional contributions
  - Contributions to **State General** are not expected to accumulate sufficient assets in order to pay all of the currently scheduled benefits when due
  - **Municipal Police** and **Municipal Fire** outside of 25-year policy

	Unfunded Liability	Statutory Contributions	Amortization Period
State General	$5.5 B	30.16% of pay	N/A
State Police	$(0.4)B	34.65% of pay	0 years
Municipal General	$2.4 B	27.57% of pay	22 years
Municipal Police	$1.1 B	40.43% of pay	56 years
Municipal Fire	$1.1 B	44.73% of pay	79 years
All PERA Divisions	**$9.7 B**	**31.24% of pay**	**41 years**

June 30, 2026 Contribution Shortfall by Division

Actuarially Determined vs Statutorily Required Contributions by Division ($millions)

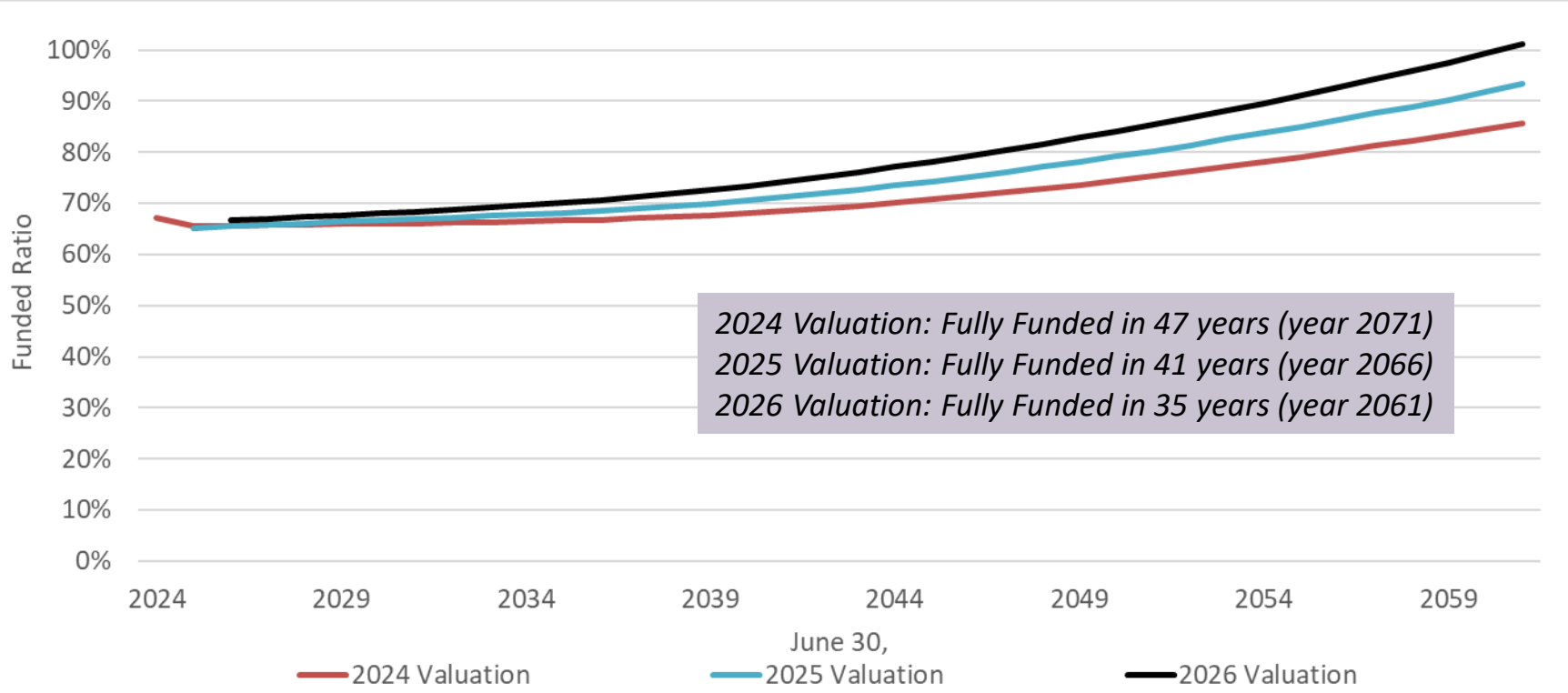


	Contribution Shortfall FY2027	
State General	8.71% of pay	$142M
State Police	-23.27% of pay	$(44)M
Municipal General	-0.92% of pay	$(12)M
Municipal Police	6.55% of pay	$21M
Municipal Fire	9.54% of pay	$24M
All PERA Divisions	**3.46% of pay**	**$131M***

**$131 million shortfall increases by 3% per year. Annual appropriations of $175 million would be needed to satisfy contribution shortfall for all divisions*

Projected Funded Ratio* for PERA Divisions

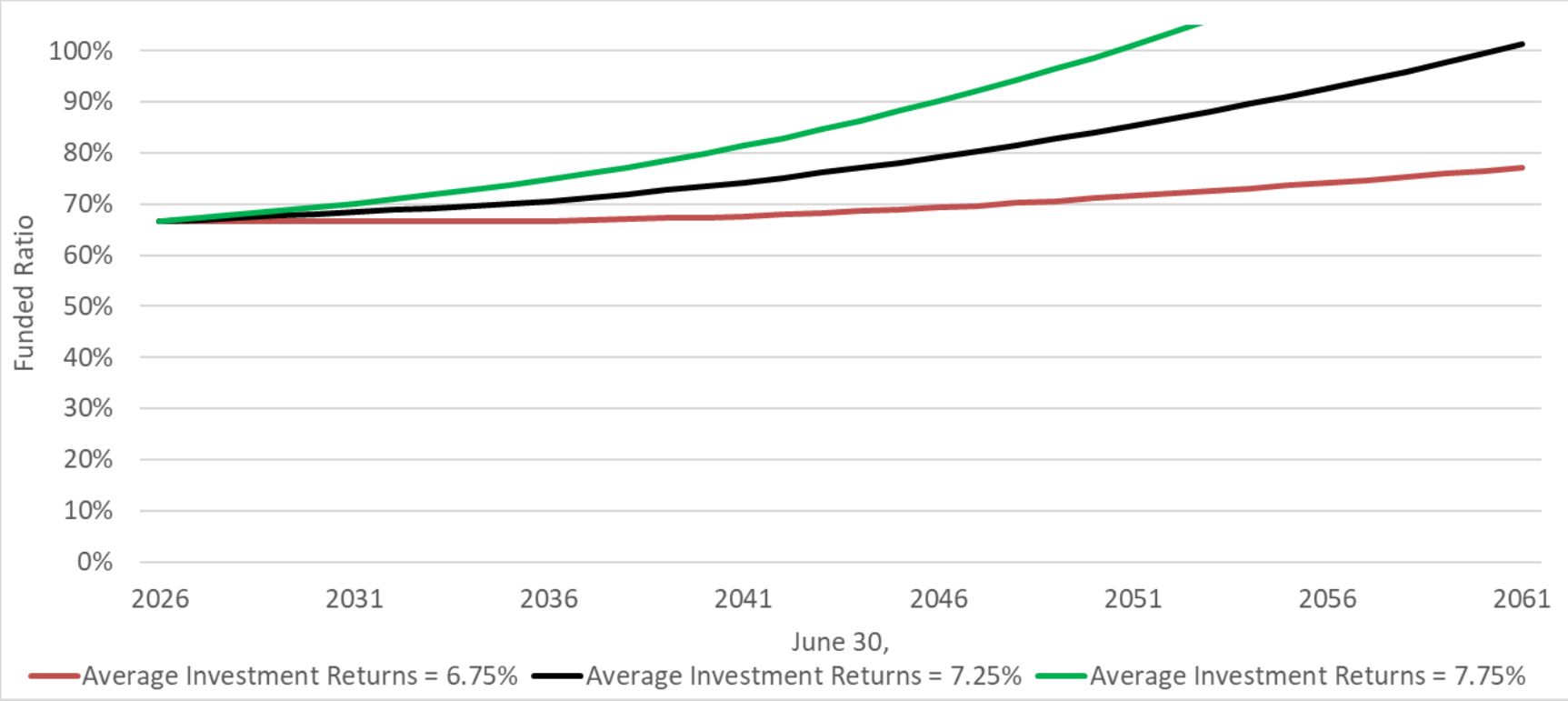
- As Tier 2 members continue to replace Tier 1 members, cost of benefits is expected to decrease and pay off the unfunded liability faster over time (absent other unfavorable experience)
- Higher projected payroll equates to higher projected contributions, which has improved the funding outlook over the past few years, along with the recent favorable investment experience



** Projected funded ratio assumes 7.25% annual investment returns and COLAs equal valuation assumption*

Projected Funded Ratio* for PERA Divisions

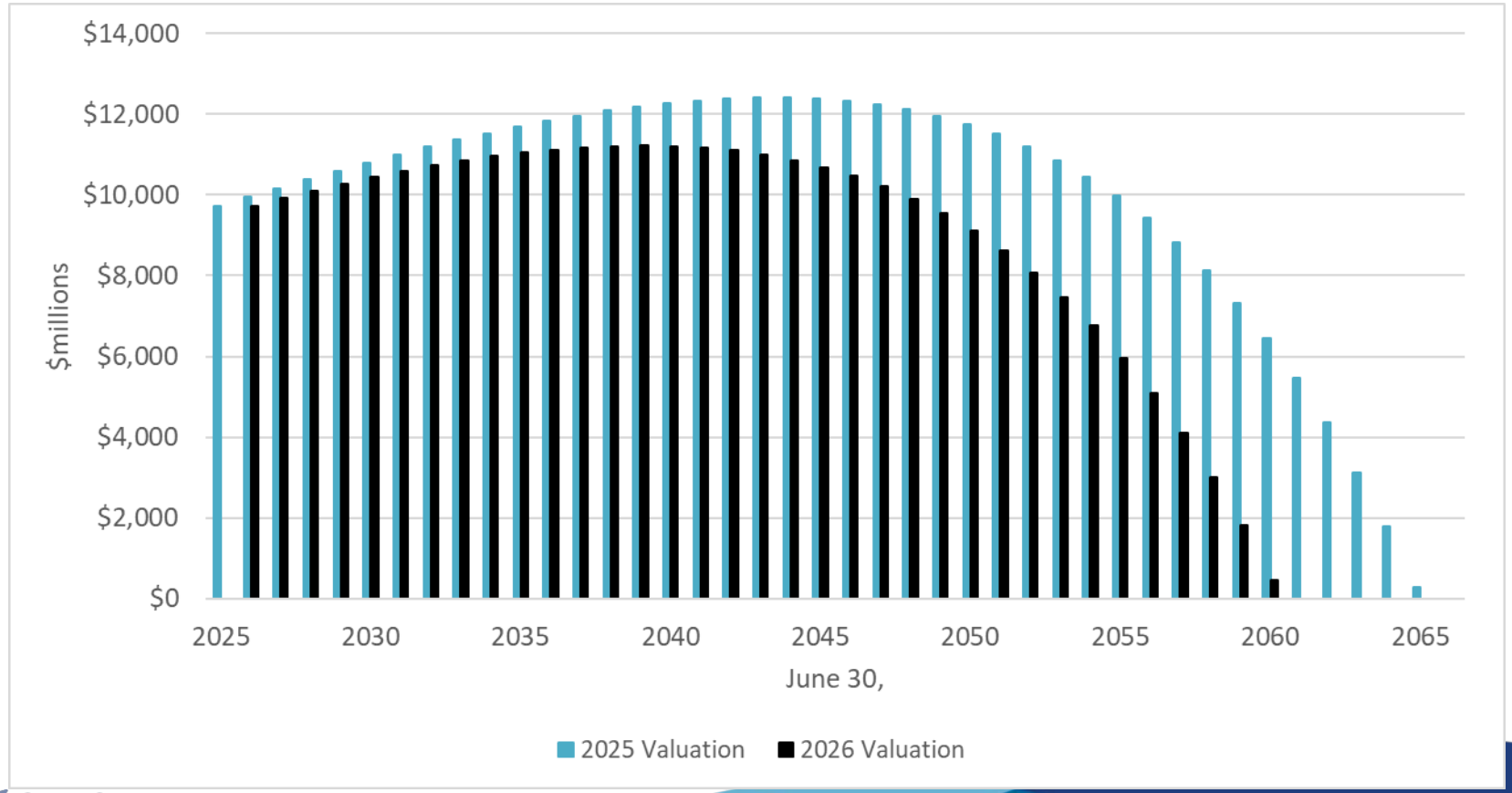
- However, actual payoff of the unfunded liability depends on future investment and demographic experience
- Without corrective contributions, the actual amortization period is likely to be between 25-65 years



** Projected funded ratio assumes COLAs equal valuation assumption*

Projected Unfunded Liability* for PERA Divisions

- Also, without additional funding to PERA, the unfunded liability is expected to continue to increase



** Projected unfunded liability assumes 7.25% annual investment returns and COLAs equal valuation assumption*

Market Value of Assets

- Fair market value increased from $18.6 billion to $20.4 billion as of June 30, 2026
- Approximate return of 11.9% on market value of assets for FY2026
  - $886 million more in assets than expected

Actuarial Value of Assets

- Actuarial (Smoothed) Value of Assets recognizes investment gains/losses over a 4 year period
  - 25% of the prior 4 years' gains/losses are recognized each year
  - Reduces volatility in actuarial calculations
- $938 million in deferred asset gains to be recognized in future valuations

Fiscal Year Ending	Recognized (Gain)/Loss	Investment Return
2023	$73 million loss	5.6%
2024	$(29) million gain	8.2%
2025	$(122) million gain	10.3%
2026	$(222) million gain	11.9%
Recognized for 2026 Valuation	**$(300) million gain**	**8.9%**

Historical Cash Flow

- Increases in payroll and contribution rates have increased contributions significantly over the past five years
- Final contribution rate increases phased in as of fiscal year 2026

Fiscal Year Ending	Change in Contributions	Contributions	Benefits & Expenses	Cash Flow	Cash Flow (% of Assets)
2022		$725	$1,441	-$716	-4.4%
2023	↑ 14.2%	$828	$1,484	-$656	-4.0%
2024	↑ 14.7%	$950	$1,514	-$564	-3.2%
2025	↑ 11.8%	$1,062	$1,571	-$509	-2.7%
2026	↑ 10.2%	$1,170	$1,627	-$457	-2.2%

* Amounts in $millions

Census – Actives

- PERA continues to see increases in active membership and payroll

	Active Headcount	Change	Annual Payroll	Change
State General	20,888	↑ 2.1%	$1,584 million	↑ 8.6%
State Police	2,449	↑ 3.6%	$187 million	↑ 9.1%
Municipal General	23,238	↑ 1.3%	$1,363 million	↑ 4.5%
Municipal Police	3,814	↓ 1.1%	$312 million	↑ 2.9%
Municipal Fire	3,036	↑ 2.7%	$238 million	↑ 7.4%
TOTAL	53,425	↑ 1.6%	$3,684 million	↑ 6.5%

Census – Annuitants

- Annuitant headcount and benefits expected to continue to increase

	Annuitant Headcount	Change	Annuitant Benefits	Change
State General	21,695	↑ 1.4%	$690 million	↑ 3.6%
State Police	1,949	↑ 3.3%	$71 million	↑ 6.1%
Municipal General	17,333	↑ 2.6%	$498 million	↑ 4.5%
Municipal Police	4,507	↑ 2.5%	$199 million	↑ 5.0%
Municipal Fire	2,460	↑ 3.5%	$116 million	↑ 6.1%
TOTAL	47,944	↑ 2.1%	$1,574 million	↑ 4.4%

Additional Valuation Results Details by Division/Fund

State General Division

	2026 Valuation	2025 Valuation
Unfunded Liability	$5.5 billion	$5.3 billion
Funded Ratio	54.6%	54.1%
Member Contribution	10.92%	10.92%
Employer Contribution	19.24%	19.24%
Amortization Period	N/A	N/A
Actuarially Determined Contribution (25 year)	38.87%	40.12%
Shortfall	8.71%	9.96%

- When considered separately from the other divisions, current statutory contributions for the general division are not expected to accumulate sufficient assets in order to pay all of the currently scheduled benefits
- Increased risk of asset depletion for this division if contribution effort is not increased
- Contributions should be increased by 8.71% of pay to satisfy the Board's funding policy of eliminating the unfunded liability in 25 years

State Police/Corrections Division

	2026 Valuation	2025 Valuation
Unfunded Liability/ (Surplus)	$(368) million	$(302) million
Funded Ratio	123.8%	120.6%
Member Contribution	9.08%	9.07%
Employer Contribution	25.57%	25.60%
Amortization Period	0 years	0 years
Actuarially Determined Contribution (25 year)	11.38%	12.92%
Shortfall/(Excess)	(23.27)%	(21.75)%

- Division is currently over 100% funded

Municipal General Division

	2026 Valuation	2025 Valuation
Unfunded Liability	$2.4 billion	$2.5 billion
Funded Ratio	74.0%	71.8%
Member Contribution	15.55%	15.57%
Employer Contribution	12.02%	12.04%
Amortization Period	22 years	26 years
Actuarially Determined Contribution (25 year)	26.65%	27.82%
Shortfall/(Excess)	(0.92)%	0.21%

- Current statutory contributions are sufficient to satisfy the Board's funding policy of eliminating the unfunded liability in 25 years

Municipal Police Division

	2026 Valuation	2025 Valuation
Unfunded Liability	$1.1 billion	$1.1 billion
Funded Ratio	70.4%	69.0%
Member Contribution	19.40%	19.36%
Employer Contribution	21.03%	21.00%
Amortization Period	56 years	71 years
Actuarially Determined Contribution (25 year)	46.98%	48.05%
Shortfall	6.55%	7.69%

- Unfunded liability decreased by $10 million
- Contributions should be increased by 6.55% of pay to satisfy the Board's funding policy of eliminating the unfunded liability in 25 years

Municipal Fire Division

	2026 Valuation	2025 Valuation
Unfunded Liability	$1.1 billion	$1.1 billion
Funded Ratio	56.1%	54.8%
Member Contribution	20.91%	20.95%
Employer Contribution	23.82%	23.83%
Amortization Period	79 years	N/A
Actuarially Determined Contribution (25 year)	54.27%	55.91%
Shortfall	9.54%	11.13%

- Unfunded liability increased by $27 million
- Contributions should be increased by 9.54% of pay to satisfy the Board's funding policy of eliminating the unfunded liability in 25 years

Judges Fund

	2026 Valuation	2025 Valuation
Unfunded Liability	$96 million	$99 million
Funded Ratio	57.2%	55.3%
Member Contribution	10.50%	10.50%
Employer Contribution	15.00%	15.00%
Annual Appropriation	$1.2 million	$1.2 million
Assumed Docket Fees	$2.1 million	$1.9 million
Amortization Period	N/A	N/A
Actuarially Determined Contribution (25 years)	42.24%	43.36%

- Currently scheduled contributions are not expected to accumulate sufficient assets in order to pay all of the currently scheduled benefits
- Increased risk of asset depletion
- Unfunded liability is expected to continue to increase each year

Magistrates Fund

	2026 Valuation	2025 Valuation
Unfunded Liability	$29 million	$31 million
Funded Ratio	55.0%	52.6%
Member Contribution	10.50%	10.50%
Employer Contribution	15.00%	15.00%
Annual Appropriation	$1.2 million	$1.2 million
Assumed Docket Fees	$250,000	$250,000
Amortization Period	37 years	42 years
Actuarially Determined Contribution (25 years)	42.84%	43.07%

- One-third of Magistrates are rehired retirees who are not earning benefits in the Magistrates fund. Employer contributions for these members pays down the unfunded liability
- Financial outlook for the fund could improve if this trend continues
- Current contribution effort should be maintained or increased given low funded ratio and significant unfunded liability

Legislative Division

	2026 Valuation	2025 Valuation
Unfunded Liability	$3.7 million	$6.7 million
Funded Ratio	93.3%	87.7%
Member Contribution	$1,000	$1,000
Actuarially Determined Contribution (25 years)	$3.5 million	$3.8 million

- Decrease in required contribution due to favorable investment experience and accrued liability being lower than expected

Volunteer Firefighters Fund

	2025 Valuation	2025 Valuation
Surplus Assets	$43 million	$38 million
Funded Ratio	183.2%	172.0%
Fire Protection Fund Contribution	$750,000	$750,000
Actuarially Determined Contribution (25 years)	$0	$0

- Surplus assets continue to increase
- $750,000 contribution still sufficient

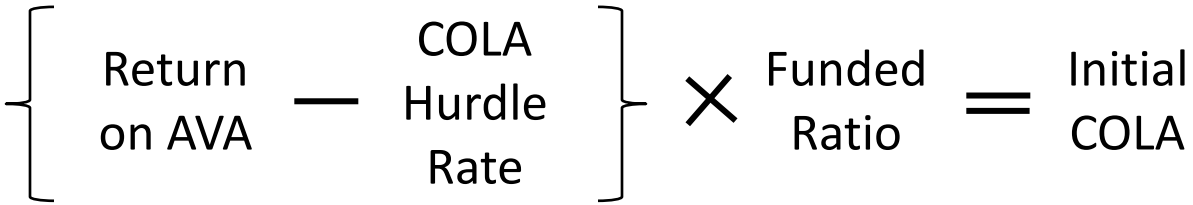
Summary

- Favorable investment experience increased funded ratios and resulted in lower unfunded liability than expected
- PERA continues to see increases in active membership and payroll
  - Higher projected payroll equates to more projected contributions, which decreased the amortization period
- Most funds need additional contributions
  - Current funding period of PERA is outside Board's 25-year funding goal

Calculation and Discussion of Profit Sharing COLA

COLA Provisions

- Initial COLA Formula
  1. Rate of return on the actuarial value of assets **minus**
  2. Cost-of-living adjustment "hurdle rate" **quantity multiplied by**
  3. Funded ratio from preceding June 30



COLA Provisions

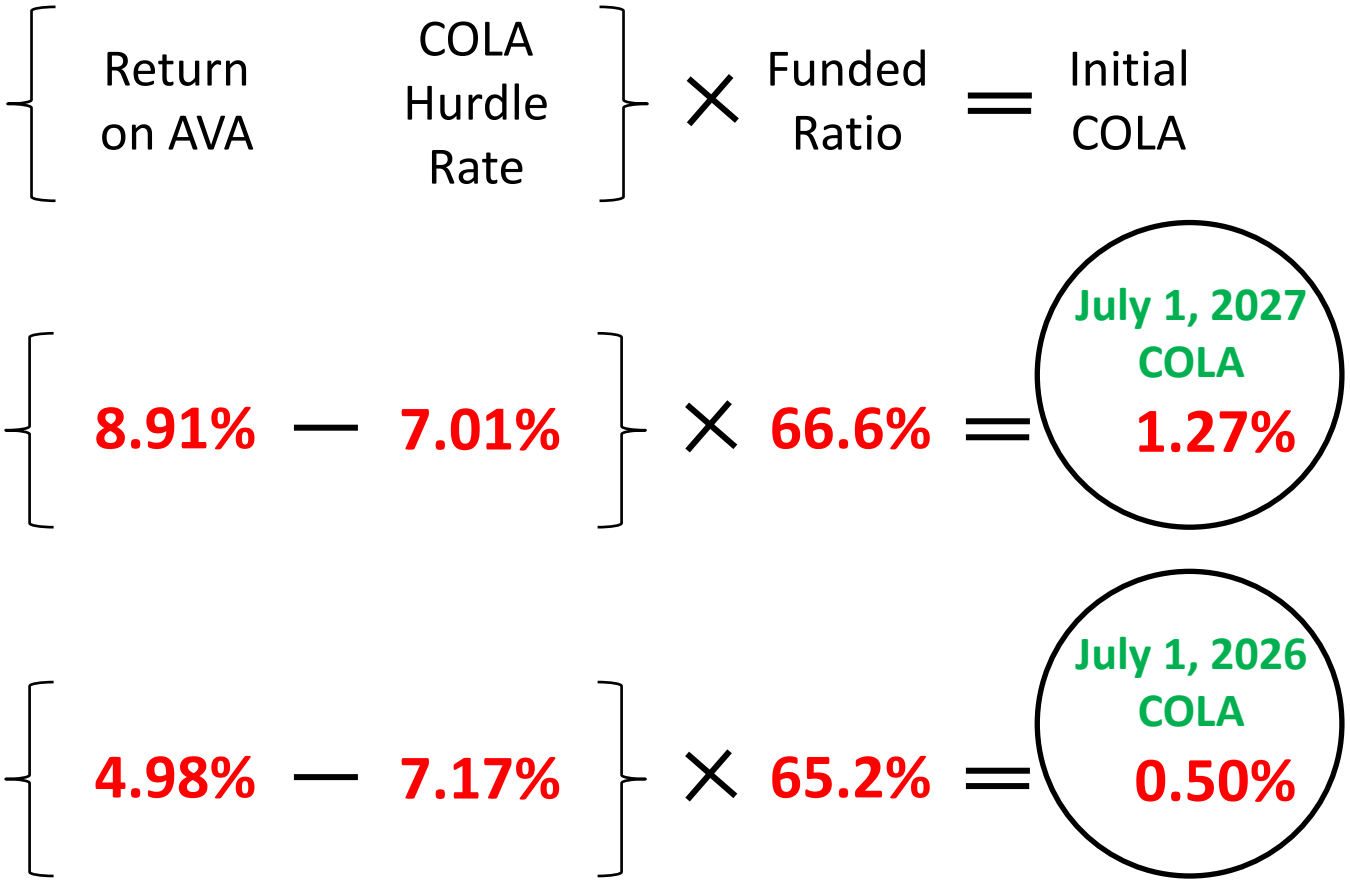
- Limits on COLA
  - Initial COLA cannot be less than 0.50%
  - Maximum COLA depends on funded ratio
    - If funded ratio < 100%, maximum COLA is 3.00%
    - If funded ratio > 100%, maximum COLA is 5.00%
- Grandfathered retirees receive 2.50% increase
  - Closed group of retirees who attained at least age 75 prior to July 1, 2020
  - Retirees who retired with at least 25 years of service (and disabled retirees regardless of service) whose annual pension is $25,000, or less

COLA Provisions

- Hurdle Rate
  - By Statute
    - “the investment rate of return required to fund a cost-of-living adjustment in excess of one-half percent, as determined by the association's actuaries”
  - Technical Translation
    - Investment return assumption that would result in an amortization period of 25 years (i.e., fall within the current funding policy) based on an annual COLA of 0.50% and the current statutory contribution rates
  - Common Sense Translation
    - What return do we need to earn on our assets in order to pay the current benefits plus a 0.50% annual COLA
  - Hurdle rate will be updated after each subsequent actuarial valuation

July 1, 2027 COLA Calculation

Based on the June 30, 2026 actuarial valuation



Historical Asset Returns and Profit Sharing COLA

Based on the June 30, 2026 actuarial valuation and current funded status, the smoothed return must be greater than 7.8% in order to pay a COLA greater than 0.50%.

Fiscal Year Ending	Investment Return	4-Year Smoothed Return	COLA Payable July 1,	Profit Sharing COLA
2019	6.3%			
2020	-1.5%			
2021	26.5%			
2022	-4.3%	6.1%	2023	0.50%
2023	5.6%	6.0%	2024	0.50%
2024	8.2%	8.1%	2025	0.63%
2025	10.3%	5.0%	2026	0.50%
2026	11.9%	8.9%	2027	1.27%

What impacts the COLA calculation?
Funded Status

COLA Formula	{	Return on AVA	--	Hurdle Rate	}	X	Funded Ratio	= COLA*

* COLA subject to a 0.50% minimum and 3.0% maximum
(5.0% maximum if at least 100% funded)

June 30, 2026 Funded Ratio	{	8.91%	--	7.01%	}	X	66.6%	= **1.27%**
What if the fund were 80% funded?	{	8.91%	--	6.50%	}	X	80.0%	= **1.93%**
What if the fund were 90% funded?	{	8.91%	--	6.00%	}	X	90.0%	= **2.62%**
What if the fund were 100% funded?	{	8.91%	--	5.50%	}	X	100.0%	= **3.41%**

What impacts the COLA calculation? Investment Returns

COLA Formula	{ Return on AVA -- Hurdle Rate } X Funded Ratio = COLA*							What if the AVA Return was 7.25%?	What if the AVA Return was 6.25%?
June 30, 2026 Funded Ratio	{	8.91%	--	7.01%	} X	66.6%	=	**1.27%**	0.50%	0.50%
What if the fund were 80% funded?	{	8.91%	--	6.50%	} X	80.0%	=	**1.93%**	0.60%	0.50%
What if the fund were 90% funded?	{	8.91%	--	6.00%	} X	90.0%	=	**2.62%**	1.13%	0.50%
What if the fund were 100% funded?	{	8.91%	--	5.50%	} X	100.0%	=	**3.41%**	1.75%	0.75%

* COLA subject to a 0.50% minimum and 3.0% maximum (5.0% maximum if at least 100% funded)