Rancho Santa Fe Fire Protection District

Board Meeting Talking Points — Pension & Investment Update

Prepared by Burgen Havens, Finance Manager | 9/16/2026

Purpose: Two informational items — the annual GASB 68 pension report from Foster & Foster and a CalPERS investment-returns update following the 9/11/2026 webinar.

1. GASB 68 Net Pension Liability — Foster & Foster Report (6/30/2025 Measurement Date)

Headline: Net pension liability dropped sharply this year, driven mainly by strong CalPERS investment performance.

Key Figures - Slide 2

	FYE 6/30/2025 (MD 6/30/2024)	FYE 6/30/2026 (MD 6/30/2025)
Net Pension Liability	$13,972,911	$9,008,496
District's share of plan (PERF C)	0.11522%	0.08806%
Pooled plan funded % (PERF C risk pool)	78.08%	82.43%
District's covered payroll	$9,910,981	$10,492,616
NPL as % of covered payroll	161.61%	90.89%

> *NPL down ≈$5.0M (≈35%) year over year. Funded % above is the pooled CalPERS plan (PERF C), not RSFFPD's own — see Item 3 for the District's own confirmed Safety plan number.*
>
> *Covered Payroll = It's the Net Pension Liability expressed relative to the size of the District's payroll base, rather than as a standalone dollar figure. The ratio matters because a raw liability number ($9.0M vs. $14.0M) doesn't tell you much on its own — it needs context. Comparing it to payroll answers "how big is this liability relative to what we pay our workforce each year?" which is a standard way actuaries and rating agencies let you compare pension burden across agencies of different sizes, or track it over time as the District grows. last year, the liability was worth about 1.6% of the District's annual covered payroll; this year it's down to about 0.9%.*

Discount Rate & Sensitivity - Slide 3

Liability is measured at a 6.90% discount rate (unchanged). CalPERS requires showing a 1-point swing either direction:

Discount Rate	5.90% (1% Decrease)	6.90% (Current Rate)	7.90% (1% Increase)
Net Pension Liability / (Asset)	$23,128,342	$9,008,496	$(2,547,456)

> *Discount rate is just an assumption about how much our pension investments will earn each year. That growth compounds over 20-30+ years, so a small change in the assumed rate makes a huge difference. Here we can see what that difference means for our safety plan. Assuming 6.9% average growth, our liability is 9mil. If that assumption dropped, we'd need 23.1 mil because slower growing money needs more upfront. Flip it the other way, 7.9% we'd have more than enough.*

Contributions

- Paid $4,049,649 in FY 2025/26 — $738,750 above the $3,310,899 required. Second year running over the minimum (FY 2024/25: paid $4,282,574 vs. $3,037,135 required).

2. CalPERS Investment Returns Webinar (September 11, 2026)

Headline: CalPERS posted a 14.8% return for FY 2025/26 — over double the 6.8% assumed rate — on top of 12.1% the year before. System-wide funded ratio is projected to reach ~85% next year.

Key Figures - Slide 4

FY 2025/26 investment return	14.8% (vs. 6.8% assumed; 1.1 pts above 13.7% benchmark)
FY 2024/25 investment return	12.1% — already reflected in the District's GASB 68 report above
System-wide funded ratio, 6/30/2025	78.2% (pool-level — matches the 78.08% pooled figure in Item 1, not RSF-specific)
Projected system-wide funded ratio, 6/30/2026	~85%
Discount rate	6.8% Finance & Admin Committee held the rate at 6.8% on 9/15, per initial reports; full Board action still to follow

How this connects & what it means for the District

- The stronger 14.8% return isn't in the books yet — it'll first show up in next year's GASB 68 report (measurement date 6/30/2026).
- Rate relief is slow: CalPERS smooths gains over 20 years with a 5-year ramp-up, so this year's return won't reach the District's contribution rate until FY 2028/29.
- This year's return was large enough to trigger CalPERS' risk-mitigation review (the math is below) but the Finance & Admin Committee appears to have kept the rate at 6.8% (per initial reports from the 9/15 meeting), which avoids pushing the reported liability up further.

Risk mitigation policy: how a rate cut is decided

The bigger the excess return, the bigger the potential discount rate cut under consideration:

Excess Investment Return	Discount Rate Reduction	Expected Return Reduction
2.00%	0.05%	0.05%
7.00%	0.10%	0.10%
10.00%	0.15%	0.15%
13.00%	0.20%	0.20%
17.00%	0.25%	0.25%

> *CalPERS earned 14.8% this year, but they only targeted 6.8%, so they beat it by 8 percentage points over target, which falls in the 7% excess-investment-return row — pointing to a possible 0.10-point cut.*

If a cut is adopted down the road

- Wouldn't change the District's own contribution rate — but would raise what Safety PEPRA members personally pay, starting FY 2028/29. System-wide, CalPERS projects ~93% of Safety plans would see a 0.75% payroll increase to member contributions (a system-wide estimate, not confirmed for RSFFPD specifically).
- Relief phases in gradually even in a best case, that's why a great investment year isn't an instant budget windfall.

3. Foster & Foster Teams Meeting (September 10, 2026)

Headline: Drew Ballard (Foster & Foster) explained how the $9.0M NPL is calculated and confirmed the District's own Safety plan funded percentage: 88.8% as of 6/30/2025.

The math

- CalPERS doesn't issue a District-specific GASB 68 report — it reports at the risk-pool level and gives each employer "allocation factors" based on its share of the pool. Foster & Foster applies those to get RSFFPD's own numbers.
- The $9,008,496 NPL splits roughly $835,000 Miscellaneous + $8.0 million Safety.

Why NPL dropped

> *Primarily because of investment returns [CalPERS earned about 12% against the 6.9%/6.8% assumed rate]. Secondarily, because the District contributed an extra $1.2 million above what was required, which is a dollar-for-dollar reduction to the net pension liability.*

- CalPERS has already reported ~15% for FY 2025/26 (consistent with the 14.8% webinar figure) Drew expects NPL to drop again next year, framed as an expectation, not a promise.

District's own funded percentage

- Safety plan: 88.8% funded as of 6/30/2025, up from 83.3% a year earlier — a real, District-specific number, stronger than the 78.08%/82.43% pooled figures in Item 1.

Why doesn't the liability drop more?

- CalPERS spent years lowering its assumed return (7.75% → 6.8%), which worked against the District contributions — this year is the first-time strong returns and your extra payments are both pulling the same direction.

Also worth knowing

- CalPERS reviews its assumptions every four years (last: fall 2025) changes were minor: no mortality change, a small inflation/COLA bump, discount rate unchanged.
- On discretionary contributions: Drew's view (his opinion, not financial advice) is that paying extra pays off long-term, but with markets near highs, timing carries a bit more short-term risk than in a down year.