

# State of California

## Agent Multiple-Employer Defined Benefit Pension Plans

### Schedule of Pensionable Compensation and Schedule of Pension Amounts

For the Year Ended June 30, 2023



**MALIA M. COHEN**

California State Controller's Office



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# Introductory Section

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MALIA M. COHEN  
CALIFORNIA STATE CONTROLLER

August 30, 2024

To State Entities and their External Auditors:

I am pleased to submit the report on the Schedule of Pensionable Compensation by Plan and the Schedule of Pension Amounts by Plan (schedules) for the following agent multiple-employer plans of the State of California: State Miscellaneous, State Industrial, State Safety, State Peace Officers and Firefighters, and California Highway Patrol, for the fiscal year ended June 30, 2023. This report provides certain state entities and their external auditors with supporting information related to Governmental Accounting Standards Board Statement No. 68 (GASB No. 68), Accounting and Financial Reporting for Pensions, as amended.

The State Controller's Office is responsible for the preparation and fair presentation of the schedules in accordance with accounting principles generally accepted in the United States of America. The report provides users with reasonable assurance that the pension information presented in the schedules is fairly stated in accordance with GASB No. 68.

The information contained in this report is solely for the use of certain state entities and their external auditors and is not intended to be, and should not be, used by anyone other than those specified parties. However, under the Brown Act, the report is a matter of public record.

For inquiries related to this report, please contact the State Government Reporting Bureau at [SGR@sco.ca.gov](mailto:SGR@sco.ca.gov).

Sincerely,

*Original signed by*

Malia M. Cohen

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# Independent Auditor's Opinion

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## Independent Auditor's Report

To the Legislature of the State of California  
and the California State Controller's Office

### Report on the Audit of the Schedules

#### *Opinions*

We have audited the accompanying Schedule of Pensionable Compensation by Plan for the State Miscellaneous, State Industrial, State Safety, State Peace Officers and Firefighters, and California Highway Patrol plans (the plans) of the State of California (State), for the year ended June 30, 2023, and the related notes. We have also audited the net pension liability, deferred outflows of resources, deferred inflows of resources, and total pension expense included in the accompanying Schedule of Pension Amounts by Plan (Schedules) as of and for the year ended June 30, 2023, and the related notes to the schedules.

In our opinion, the accompanying schedules referred to above present fairly, in all material respects, the pensionable compensation by plan, and the net pension liability, deferred outflows of resources, deferred inflows of resources, and total pension expense of the plans as of June 30, 2023, in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Schedules section of our report. We are required to be independent of the State, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management for the Schedules*

Management is responsible for the preparation and fair presentation of the schedules in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedules that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibilities for the Audit of the Schedules***

Our objectives are to obtain reasonable assurance about whether the schedules as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the Schedules.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Schedules, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the Schedules.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the schedules.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2024 on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance.



Sacramento, California  
August 30, 2024

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# Schedules by Plan

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## Schedule of Pensionable Compensation by Plan

For the Year Ended June 30, 2023

(amounts in thousands)

<b>Plans</b>	<b>Pensionable Compensation</b>
State Miscellaneous (Tiers 1 & 2) .....	\$ 15,486,977
State Industrial .....	\$ 837,312
State Safety .....	\$ 2,637,846
State Peace Officers and Firefighters .....	\$ 4,148,789
California Highway Patrol .....	\$ 977,794

## Schedule of Pension Amounts by Plan

As of and For the Year Ended June 30, 2023

(amounts in thousands)

	Plans	
	State Miscellaneous	State Industrial
<b>Net Pension Liability, as of June 30, 2022</b> .....	\$ 37,806,070	\$ 1,173,388
<b>Net Pension Liability, as of June 30, 2023</b> .....	38,426,075	1,211,412
<b>Increase (decrease) in the Net Pension Liability</b> .....	<b>\$ 620,005</b>	<b>\$ 38,024</b>
<b>Deferred Outflows of Resources:</b> <sup>1,2</sup>		
Differences between expected and actual experience <sup>3</sup> .....	\$ 1,841,415	\$ 70,425
Changes in assumptions <sup>3</sup> .....	1,994,563	63,313
Net differences between projected and actual earnings on pension plan investments <sup>4</sup> .....	4,651,948	222,430
<b>Total Deferred Outflows of Resources</b> .....	<b>\$ 8,487,926</b>	<b>\$ 356,168</b>
<b>Deferred Inflows of Resources:</b> <sup>2</sup>		
Differences between expected and actual experience <sup>3</sup> .....	\$ (596,738)	\$ (26,942)
Changes in assumptions <sup>3</sup> .....	—	—
Net differences between projected and actual earnings on pension plan investments <sup>4</sup> .....	—	—
<b>Total Deferred Inflows of Resources</b> .....	<b>\$ (596,738)</b>	<b>\$ (26,942)</b>
<b>Total Pension Expense</b> .....	<b>\$ 6,530,543</b>	<b>\$ 277,071</b>
<b>Average Expected Remaining Service Life</b> <sup>3</sup> .....	<b>4.3</b>	<b>3.3</b>

<sup>1</sup> This schedule does not include deferred outflows of resources for employer contributions made subsequent to the measurement date.

<sup>2</sup> This schedule does not include deferred outflows and inflows of resources for changes in the employers' proportionate share based on pensionable compensation.

<sup>3</sup> Deferred outflows and inflows of resources related to differences between expected and actual experience and changes in assumptions are amortized over closed periods equal to the average expected remaining service lives for members of each plan.

<sup>4</sup> Deferred outflows and inflows of resources related to differences between projected and actual earnings on pension plan investments are netted and amortized over a closed 5-year period.



State Safety	State Peace Officers and Firefighters	California Highway Patrol
\$ 3,265,652	\$ 16,544,091	\$ 5,222,472
3,324,924	16,758,062	5,368,390
<b>\$ 59,272</b>	<b>\$ 213,971</b>	<b>\$ 145,918</b>
\$ 168,868	\$ 1,343,667	\$ 231,596
238,448	1,258,131	386,485
668,650	2,034,533	533,684
<b>\$ 1,075,966</b>	<b>\$ 4,636,331</b>	<b>\$ 1,151,765</b>
\$ (136,104)	\$ (462,464)	\$ (98,943)
—	—	—
—	—	—
<b>\$ (136,104)</b>	<b>\$ (462,464)</b>	<b>\$ (98,943)</b>
<b>\$ 785,240</b>	<b>\$ 3,216,608</b>	<b>\$ 888,340</b>
<b>4.0</b>	<b>4.7</b>	<b>4.5</b>

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# Notes to the Schedules

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# Notes to the Schedules

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Schedule of Pensionable Compensation by Plan and the Schedule of Pension Amounts by Plan (Schedules) present selected information for the agent multiple-employer defined benefit pension plans of the State of California, which include the State Miscellaneous Plan, State Industrial Plan, State Safety Plan, State Peace Officers and Firefighters Plan, and California Highway Patrol Plan (Plans). The Schedules are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Such preparation requires the California State Controller's Office to make a number of estimates and assumptions related to the reported amounts and disclosures. Due to the inherent nature of these estimates, actual results could differ.

The Schedule of Pension Amounts by Plan does not include the following entity-specific pension amounts that may need to be recognized in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68:

- (a) deferred outflows of resources for employer contributions made subsequent to the measurement date, and
- (b) deferred outflows and inflows of resources for changes in the employers' proportionate share based on pensionable compensation.

Deferred inflows previously presented as absolute values in the Schedule of Pension Amounts by Plan and in Note 6 prior to June 30, 2022, are presented as credits in this report to differentiate from deferred outflows.

## NOTE 2: PENSIONABLE COMPENSATION

The Schedule of Pensionable Compensation by Plan is prepared to provide state entities with the total pensionable compensation amounts. These amounts are used to calculate each state entity's proportionate share of pension amounts. The Schedule of Pensionable Compensation by Plan and the Schedule of Pension Amounts by Plan have the same measurement period of July 1, 2022, through June 30, 2023.

## NOTE 3: NET PENSION LIABILITY

The following table shows the components of the net pension liability for the Plans as of June 30, 2023 (amounts in thousands):

Net Pension Liability Components	State Miscellaneous	State Industrial	State Safety	State Peace Officers and Firefighters	California Highway Patrol
Total Pension Liability .....	\$ 139,507,612	\$ 6,119,522	\$ 18,204,224	\$ 62,861,062	\$ 17,054,576
Less: Fiduciary Net Position ...	(101,081,537)	(4,908,110)	(14,879,300)	(46,103,000)	(11,686,186)
<b>Net Pension Liability .....</b>	<b>\$ 38,426,075</b>	<b>\$ 1,211,412</b>	<b>\$ 3,324,924</b>	<b>\$ 16,758,062</b>	<b>\$ 5,368,390</b>

Detailed information about each plan's fiduciary net position is available in the separately issued California Public Employees' Retirement System (CalPERS) report at [www.CalPERS.ca.gov](http://www.CalPERS.ca.gov).

## NOTE 4: ACTUARIAL METHODS AND ASSUMPTIONS

For the measurement period ended June 30, 2023 (measurement date), the total pension liability was determined by rolling forward the June 30, 2022 total pension liability. The June 30, 2023 total pension liabilities for the Plans were based on the following actuarial methods and assumptions:

Valuation Date:	June 30, 2022
Actuarial Cost Method:	Entry Age Normal in accordance with the requirements of GASB Statement No. 68

### Actuarial Assumptions

Discount Rate:	6.90%
Inflation:	2.30%
Salary Increases:	Varies by Entry Age and Service
Investment Rate of Return:	6.90% Net of Pension Plan Investment Expenses, but without reduction for Administrative Expenses, includes Inflation
Mortality Rate Table:	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase:	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter

The mortality table used was developed based on CalPERS specific data. The probabilities of mortality are based on the *2021 CalPERS Experience Study and Review of Actuarial Assumptions* report (Experience Study). Mortality rates incorporate full generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the November 2021 Experience Study available at [www.CalPERS.ca.gov](http://www.CalPERS.ca.gov).

All other actuarial assumptions used in the June 30, 2022 valuation were based on the results of the Experience Study using data from the period from 2000 to 2019, including updates to salary increase, mortality, and retirement rates. The Experience Study is available at [www.CalPERS.ca.gov](http://www.CalPERS.ca.gov).

## NOTE 5: DISCOUNT RATE

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. CalPERS' approach for the cash flow projections is presented in the GASB 67 and 68 Crossover Testing Report, which may be obtained from the CalPERS' website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points.

The following table reflects expected real rate of return by asset class:

Asset Class	Assumed Asset Allocation	Real Return
Global Equity - Cap-weighted .....	30.00 %	4.54 %
Global Equity - Non-Cap-weighted .....	12.00	3.84
Private Equity .....	13.00	7.28
Treasury .....	5.00	0.27
Mortgage-backed Securities .....	5.00	0.50
Investment Grade Corporates .....	10.00	1.56
High Yield .....	5.00	2.27
Emerging Market Debt .....	5.00	2.48
Private Debt .....	5.00	3.57
Real Assets .....	15.00	3.21
Leverage .....	(5.00)	(0.59)

The Real Return on these asset classes used an expected inflation rate of 2.30% for this period. Figures are based on the 2021 Asset Liability Management study.

#### **NOTE 6: PENSION EXPENSE, DEFERRED OUTFLOWS OF RESOURCES, AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS**

The table below presents deferred outflows and inflows of resources as of June 30, 2023. Deferred outflows and inflows of resources are recognized for the difference between expected and actual experience. Deferred outflows and inflows of resources are recognized for the change in assumptions. Deferred outflows of resources due to employer contributions made subsequent to the measurement date are not presented in the table below. Net deferred outflows of resources are recognized for the aggregate difference (positive and negative) between projected and actual earnings on pension plan investments arising in different measurement periods. Deferred outflows and inflows of resources for changes in the employers' proportionate share of pensionable compensation are not presented in the table below (amounts in thousands):

Description	State Miscellaneous	State Industrial	State Safety	State Peace Officers and Firefighters	California Highway Patrol
Deferred Outflows of Resources .....	\$ 8,487,926	\$ 356,168	\$ 1,075,966	\$ 4,636,331	\$ 1,151,765
Deferred Inflows of Resources .....	\$ (596,738)	\$ (26,942)	\$ (136,104)	\$ (462,464)	\$ (98,943)

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as either a debit or a (credit) in the future as follows (amounts in thousands):

<b>Measurement Periods</b>	<b>State Miscellaneous</b>	<b>State Industrial</b>	<b>State Safety</b>	<b>State Peace Officers and Firefighters</b>	<b>California Highway Patrol</b>
Year Ended June 30,					
2024 .....	\$ 2,148,687	\$ 99,734	\$ 225,871	\$ 1,105,103	\$ 310,005
2025 .....	1,647,923	64,918	177,995	913,325	241,898
2026 .....	3,808,767	158,284	517,300	1,895,272	462,636
2027 .....	285,811	6,290	18,696	260,167	38,283
2028 .....	—	—	—	—	—
<b>Total .....</b>	<b>\$ 7,891,188</b>	<b>\$ 329,226</b>	<b>\$ 939,862</b>	<b>\$ 4,173,867</b>	<b>\$ 1,052,822</b>

For the fiscal year ended June 30, 2023, the amounts recognized as components of pension expense for each of the Plans were as follows (amounts in thousands):

<b>Description</b>	<b>State Miscellaneous</b>	<b>State Industrial</b>	<b>State Safety</b>	<b>State Peace Officers and Firefighters</b>	<b>California Highway Patrol</b>
Service Cost .....	\$ 2,566,832	\$ 151,085	\$ 559,582	\$ 1,242,191	\$ 298,021
Interest on the Total Pension Liability ....	9,166,157	398,940	1,184,611	4,112,779	1,116,842
Recognized Differences between					
Expected and Actual Experience .....	602,754	19,580	24,726	411,022	83,503
Recognized Changes of Assumptions ....	867,201	45,224	108,386	465,974	155,901
Employee Contributions .....	(1,144,462)	(70,548)	(279,174)	(490,773)	(123,075)
Net Plan to Plan Resource Movement ...	1,850	(150)	(586)	(930)	(183)
Projected Earnings on Pension Plan					
Investments .....	(6,569,186)	(316,621)	(959,911)	(2,962,321)	(759,295)
Recognized Differences between					
Projected and Actual Earnings					
on Plan Investments .....	969,221	46,199	137,437	407,387	108,526
Administrative Expense .....	70,176	3,362	10,169	31,279	8,100
Other Miscellaneous Income .....	—	—	—	—	—
<b>Total Pension Expense .....</b>	<b>\$ 6,530,543</b>	<b>\$ 277,071</b>	<b>\$ 785,240</b>	<b>\$ 3,216,608</b>	<b>\$ 888,340</b>



**NOTE 7: SENSITIVITY OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE**

The following table presents the net pension liability of the Plans as of the measurement date, calculated using the discount rate of 6.90%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90%) or 1 percentage-point higher (7.90%) than the current rate (amounts in thousands):

<b>Net Pension Liability</b>	<b>Current Rate -1%</b>	<b>Current Rate (6.90%)</b>	<b>Current Rate +1%</b>
State Miscellaneous .....	\$ 55,755,127	\$ 38,426,075	\$ 23,958,238
State Industrial .....	\$ 2,063,189	\$ 1,211,412	\$ 512,524
State Safety .....	\$ 5,758,834	\$ 3,324,924	\$ 1,318,882
State Peace Officers and Firefighters .....	\$ 25,514,357	\$ 16,758,062	\$ 9,600,291
California Highway Patrol .....	\$ 7,763,546	\$ 5,368,390	\$ 3,412,888

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# Audit Report on Internal Controls

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**Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Schedules Performed in Accordance with *Government Auditing Standards***

To the Legislature of the State of California  
and the California State Controller’s Office

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the Schedule of Pensionable Compensation by Plan for the State Miscellaneous, State Industrial, State Safety, State Peace Officers and Firefighters, and California Highway Patrol plans (the plans) of the State of California and the Schedule of Pension Amounts by Plan (schedules) of the State of California (State), as of and for the year ended June 30, 2023, and the related notes to the Schedules, and have issued our report thereon dated August 30, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the Schedules, we considered the State’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the Schedules, but not for the purpose of expressing an opinion on the effectiveness of the State’s internal control. Accordingly, we do not express an opinion on the effectiveness of the State’s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the State’s Schedules will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the State's Schedules are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the Schedules. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Sacramento, California  
August 30, 2024



## **MALIA M. COHEN**

California State Controller's Office

State Accounting and Reporting Division

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