Pasadena Fire & Police Retirement System

AGENDA REPORT

TO: Chair Jones and Board Members of the Fire & Police Retirement System

FROM: Jill Fosselman, Administrator/Secretary to the Board

DATE: November 19, 2025

ITEM: June 30, 2025 Audited Financial Statements and Auditor's Report to the Board

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RECOMMENDATION

Upon review and discussion, the Board is requested to:

1. Review and approve the June 30, 2025 Audited Financial Statements and Auditor's Report to the Board, as submitted by System Auditor Macias Gini & O'Connell, or
2. Other action as determined by the Board.

BACKGROUND

The System's financial statements are prepared annually by staff and audited by System Auditor, Macias Gini & O'Connell ("MGO"). The report includes the Management Discussion & Analysis ("MD&A"), Basic Financial Statements, Notes to the Financial Statements, Required Supplementary Information ("RSI") and Other Supplementary Information ("OSI") for all assets held in trust by the System for pension benefits as of June 30, 2024. The custody assets were prepared using US Bank's ASC820 report, and the City's accounting staff provided the final trial balance of the System's fund for use in preparing the financial statements, including: benefits payments, administrative expenses, investment expenses, and earnings and accruals for the funds held in pooled cash with the City. In addition, staff utilized the June 30, 2025 actuarial valuation and GASB 67 report, as prepared by System Actuary Foster & Foster, for certain required disclosures and information.

Funds are accumulated to meet future obligations in the net position restricted for members' pension benefits in the Statement of Fiduciary Net Position ("FNP"). As of June 30, 2025 and 2024, the System's FNP was $107,075,040 and $98,629,595, respectively. The June 30, 2024 beginning FNP was restated for June 30, 2025 for compliance with GASB Statement No. 101, *Compensated Absences,* which affected some of the note disclosures in MD&A, Note 5 to the Financial Statements, RSI, and OSI. During the year ended June 30, 2025, the Plan's net position increased by $8,446,846. The increase in the net position was largely driven by receipt of funds from the sale of the Concord Property and earnings for the year in the portfolio (9.8% net of fees, compared to 6.6% net of fees in the prior year.)

The System received a clean audit and no findings were identified.

Condensed Statement of Fiduciary Net Position

	June 30, 2025	June 30, 2024	$ Change	% Change
	(In Thousands)			
Current Assets	$ 5,255	$ 8,811	$ (3,556)	-40.4%
Investments	106,318	98,267	8,051	8.2%
Total Assets	111,573	107,078	4,495	4.2%
Total Liabilities	4,498	8,448	(3,950)	-46.8%
Net Position Restricted for Pensions	$ 107,075	$ 98,630	$ 8,445	8.6%

Condensed Statement of Changes in Fiduciary Net Position

	June 30, 2025	June 30, 2024	$ Change
	(In Thousands)		
Amts. Collected For Distribution*	$ 11,071	$ 601	$ 10,470
Net Investment Earnings	9,519	6,220	3,299
Total Additions	20,590	6,821	13,769
Benefit Payments	11,753	12,250	(497)
Administrative Expenses	390	318	72
Total Deductions	12,143	12,568	(425)
Net Increase (Decrease)	$ 8,447	$ (5,747)	$ 14,194

Note:

** Funds received from the operation and sale of the Concord Property, and class action payments*

FISCAL IMPACT

The FY 2026 budget for the annual financial audit, report and required disclosures is $56,758. A total of $4,565 was charged in FY 2025 for work in April and June on the 6-30-2025 audit. Total remaining expenses are expected to stay within the overall contracted budget amount. The 6-30-2025 audit is the final deliverable in the original three-year contract with MGO. The Board may elect to extend auditing services with MGO for up to two (2) one-year extensions at the fixed price of $56,758 per audit.

ATTACHMENTS

1. Report to the Board of Retirement for the Fiscal Year Ended June 30, 2025
2. June 30, 2025 Independent Auditor's Report and Basic Financial Statements

PASADENA FIRE & POLICE RETIREMENT SYSTEM

Report to the Board of Retirement

For Fiscal Year Ended June 30, 2025

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November 12, 2025

Members of the Board of Retirement
of the Pasadena Fire & Police Retirement System
Pasadena, California

We are pleased to present this report related to our audit of the Pasadena Fire & Police Retirement System's (System) financial statements as of and for the year ended June 30, 2025. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the System's financial reporting process.

This report is intended solely for the information and use of the Board of Retirement, management, and others within the System, and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to the System.

Macias Gini & O'Connell LLP

Los Angeles, California

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REQUIRED COMMUNICATIONS

Auditing standards generally accepted in the United States of America (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the System's financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial and related compliance reporting process.

Our Responsibilities With Regard to the Financial Statement Audit

Our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States have been described in our engagement letter dated March 4, 2025. Our audit of the System's financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

Overview of the Planned Scope and Timing of the Financial Statement Audit

We conducted our audit consistent with the planned scope and timing in our engagement letter dated March 4, 2025, and we have issued a separate communication letter also dated March 4, 2025, regarding the planned scope and timing of our audit and identified significant risks.

Accounting Policies and Practices

Preferability of Accounting Policies and Practices

Under accounting principles generally accepted in the United States of America, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

Adoption of, or Change in, Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the System. The following is a description of significant accounting policies or their application that were either initially selected or changed during the year:

- GASB 101, *Compensated Absences*
- GASB 102, *Certain Risk Disclosures*

Significant Accounting Policies

We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Unusual Transactions

We did not identify any significant unusual transactions.

Management's Judgments and Accounting Estimates

Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates are as below.

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events, and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following summarizes the significant accounting estimates reflected in the System's June 30, 2025, financial statements.

Significant Accounting Estimates	
Valuation of investments	Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Management's estimate of the fair value of investments is based on a hierarchy of inputs. Observable inputs are developed based on market data obtained from sources independent from the System. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. Investments that do not have a readily determined fair value are valued using the net asset value (NAV) as a practical expedient, which generally represents the System's ownership interest in partnership capital. MGO evaluated the assumptions through comparative analysis with third party pricing sources, reviewing fund audited financial statements, and performing roll forward procedures of audited values to year-end values, and determined that they are reasonable.
Total pension liability	Management's estimate of the total pension liability is based on actuarial measurements performed in accordance with the parameters set forth in GASB Statement No. 67, *Financial Reporting for Pension Plans*, and actuarial standards of practice by third-party actuarial consultants. The actuarial valuation is very sensitive to the underlying assumptions, including the discount rate. MGO evaluated the methodologies and assumptions used to develop the actuarial calculations through census data testing and engaging an actuarial consultant to evaluate the System's actuarial valuation for reasonableness of assumptions and results and determined that they are reasonable.

Departure From the Auditor's Standard Report

Expected Other Matter Paragraph and Report on Prior-Year Comparative Information

The System's financial statement include partial prior-year comparative information. In light of this matter, we included an other matter paragraph and report on prior-year comparative information in the auditor's report. Below are the paragraphs included in the auditor's report:

> **Other Matter**
>
> *Prior-Year Comparative Information*
>
> The financial statements include partial prior-year comparative information. Such information does include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the System's financial statements for the year ended June 30, 2024, from which such partial information was derived.
>
> **Report on Prior-Year Comparative Information**
>
> We have previously audited the System's 2024 financial statements, and we expressed an unmodified opinion on the financial statements in our report dated November 12, 2024. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Audit Adjustments and Uncorrected Misstatements

There were no audit adjustments made to the original trial balance presented to us to begin our audit.

Observations About the Audit Process

Disagreements With Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the System's financial statements.

Consultations With Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Significant Issues Discussed With Management

No significant issues arising from the audit were discussed or were the subject of correspondence with management.

Significant Difficulties Encountered in Performing the Audit

We did not encounter any significant difficulties in dealing with management during the audit.

Difficult or Contentious Matters That Required Consultation

We did not encounter any significant and difficult or contentious matters that required consultation outside the engagement team.

Shared Responsibilities for Independence

Independence is a joint responsibility and is managed most effectively when management, audit committees (or their equivalents), and audit firms work together in considering compliance with American Institute of Certified Public Accountants (AICPA) and Government Accountability Office (GAO) independence rules. For MGO to fulfill its professional responsibility to maintain and monitor independence, management, the Board of Retirement, and MGO each play an important role.

Our Responsibilities

1. AICPA and GAO rules require independence both of mind and in appearance when providing audit and other attestation services. MGO is to ensure that the AICPA and GAO's General Requirements for performing non-attest services are adhered to and included in all letters of engagement.

2. Maintain a system of quality management over compliance with independence rules and firm policies.

The System's Responsibilities

1. Timely inform MGO, before the effective date of transactions or other business changes, of the following:

    a. New affiliates, directors, or officers.
    b. Changes in the organizational structure or the reporting entity impacting affiliates such as subsidiaries, partnerships, related entities, investments, joint ventures, component units, jointly governed organizations.

2. Provide necessary affiliate information such as new or updated structure charts, as well as financial information required to perform materiality calculations needed for making affiliate determinations.

3. Understand and conclude on the permissibility, prior to the System and its affiliates, officers, directors, or persons in a decision-making capacity, engaging in business relationships with MGO.

4. Not entering into arrangements of nonaudit services resulting in MGO being involved in making management decisions on behalf of the System.

5. Not entering into relationships resulting in close family members of MGO covered persons, temporarily or permanently acting as an officer, director, or person in an accounting, financial reporting or compliance oversight role at the System.

Internal Control Matters

We have separately issued our report on internal controls over financial reporting and compliance and other matters required by *Government Auditing Standards.* The report is attached as Exhibit A.

EXHIBIT A

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Board of Retirement of the
Pasadena Fire & Police Retirement System
Pasadena, California

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, the financial statements of the Pasadena Fire & Police Retirement System (System), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated November 12, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System'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 entity's financial statements 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 have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements 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 financial statements. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Los Angeles, California
November 12, 2025

EXHIBIT B

Recent Accounting Pronouncements

RECENT ACCOUNTING PRONOUNCEMENTS

The following accounting pronouncements have been issued as of the date of this communication but are not yet effective and may affect the future financial reporting by the System.

Pronouncement	Summary
GASB Statement No. 103, *Financial Reporting Model Improvements*	The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. Statement No. 103 is effective for the System's fiscal year ending June 30, 2026.
GASB Statement No. 104, *Disclosure of Certain Capital Assets*	The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. Statement No. 104 is effective for the System's fiscal year ending June 30, 2026.

PASADENA FIRE & POLICE RETIREMENT SYSTEM
A PENSION TRUST FUND OF THE CITY OF PASADENA, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT AND BASIC FINANCIAL STATEMENTS WITH REQUIRED SUPPLEMENTARY INFORMATION AND OTHER SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2025

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2024)

PASADENA
FIRE &
POLICE
RETIREMENT
SYSTEM

PASADENA FIRE & POLICE RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2025
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2024)

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Independent Auditor's Report

To the Board of Retirement
Pasadena Fire & Police Retirement System
Pasadena, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Pasadena Fire & Police Retirement System (System), a pension trust fund of the City of Pasadena, California, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the fiduciary net position of the System as of June 30, 2025, and the changes in its fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America

Basis for Opinion

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 Financial Statements section of our report. We are required to be independent of the System 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 opinion.

Other Matter

Prior-Year Comparative Information

The financial statements include partial prior-year comparative information. Such information does include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the System's financial statements for the year ended June 30, 2024, from which such partial information was derived.

Report on Prior-Year Comparative Information

We have previously audited the System's 2024 financial statements, and we expressed an unmodified opinion on the financial statements in our report dated November 12, 2024. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management for the Financial Statements

The System's management is responsible for the preparation and fair presentation of the financial statements 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 financial statements.

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 financial statements, 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 financial statements.
- 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 System'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in employer's net pension liability/(asset), the schedule of employer's net pension liability/(asset) and related ratios, the schedule of employer contributions, the schedule of investment returns, and the notes to required supplementary information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for

consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's basic financial statements. The schedule of additions by source and deductions by type and the comparative information from prior fiscal years: interest rate risk (other supplementary information) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2025, on our consideration of the System'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 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 System's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Los Angeles, California
November 12, 2025

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The Pasadena Fire and Police Retirement System ("System" or "Plan") is a closed, single-employer defined benefit pension plan governed by a Board of Retirement ("Board") under the provisions of the City of Pasadena ("City") Charter that provides retirement, disability, and survivor benefits for eligible sworn safety employees of the City. Its operations are reported as a Pension Trust Fund in the City's financial statements. The System was established on July 1, 1935 by a vote of the people to formalize retirement benefits for the City's Fire and Police members, and is governed by the authority in Article XV of the City Charter, and by Chapter 2.250 of the City's Municipal Code.

The System serves the City's sworn employees hired prior to July 1, 1977, except those who elected to transfer to the California Public Employees' Retirement System ("CalPERS") either when the System was closed to new members, or in June 2004. The System is governed by a Board of five members; one member of the City Council, two Pasadena residents appointed by the City Council, and two members of the System elected under the supervision of the Board. Board members are elected to terms of four years with no restriction on reappointment. Board members receive no compensation.

The discussion and analysis of the System's financial performance provides an overview of the financial activities for the fiscal year ending June 30, 2025. This discussion and analysis should be read in conjunction with and is qualified in its entirety by the accompanying audited financial statements and notes which begin following this Management's Discussion and Analysis. The financial statements, notes, and this discussion and analysis were prepared by management and are the responsibility of management.

Financial and Valuation Highlights

The Plan ended fiscal year 2025 with $107,075,040 in fiduciary net position compared to $98,629,595 in fiduciary net position as of June 30, 2024. The increase in net position by $8.4 million from the prior period was attributed to revenues (including investment earnings and the proceeds of $11.1 million from the sale of the Concord Property) exceeding benefit payments. Earnings in the portfolio were 9.8% net of fees (compared to 6.6% net of fees for the prior fiscal year) calculated on a time-weighted rate of return basis and resulted in $9.5 million in net investment earnings. Investment earnings and sales proceeds were offset by $12.1 million in overall deductions for benefits and administrative expenses. Investment earnings of 9.8% (net of fees) were generally consistent with overall market conditions and slightly below the portfolio's benchmark earnings rate of 10.1%.

A cash reserve within pooled cash at the City was maintained to meet the required monthly cost of benefits and administration. Rebalancing of investments serves as an ongoing process to maintain balance with the Board's asset allocation goals, and when necessary, to fund the Plan's benefit and administrative costs. During fiscal year 2025, a total of $11,190,000 was withdrawn from the portfolio with the custodian and transferred to the City's pooled cash account for payment of pension benefits and administration.

The June 30, 2025, actuarial valuation determined that the Actuarial Value of Assets ("AVA") increased to $104.4 million, and the Actuarial Accrued Liability ("AAL") decreased to $112.9 million. Accordingly, the AVA Funded Percentage (which is the actuarially determined funding level used to calculate the City's required minimum contribution) increased from 83.5% as of June 30, 2024 to 92.5% as of June 30, 2025. The minimum required AVA Funded Percentage on June 30, 2025, is 80.0%. Thus, there is no required contribution from the City for fiscal year 2026 (due January 1, 2026) based on the June 30, 2025, actuarial valuation and Amended and Restated Contribution Agreement No. 20,823 ("Agreement No. 20,823").

The City's Net Pension Liability ("NPL") for the Plan decreased from $16.7 million on June 30, 2024 to less than $2.0 million on June 30, 2025, due to a reduction in Total Pension Liability ("TPL") of $6.3 million from additional mortality than actuarially anticipated and an increase of $8.4 million in the plan's Fiduciary Net Position ("FNP"). The plan's FNP increased due to revenues exceeding benefit payments. As a result, the Plan's FNP as a percentage of TPL increased from 85.5% on June 30, 2024 to 98.2% on June 30, 2025.

Statement of Investment Policy and Asset Allocation

The Board reviews the asset allocation in the Statement of Investment Policy ("IPS") on an annual basis, including a 10-year return forecast (both geometric and arithmetic) analysis by asset class. The forecasts per asset class are discussed within the context of their individual standard deviation forecasts, the amount of risk each asset assumes for the forecasted returns, and the relationship of that asset/risk within the overall portfolio. Portfolio mix options are discussed given the expected returns in comparison to the current allocations, and the investment advisor provides recommendations to the Board regarding potential changes in the asset allocation mix and for prospective new managers. In addition, fund and asset benchmarks are added and/or changed in the IPS to more accurately evaluate the portfolio and each asset's performance or when a new asset is acquired.

The System's IPS has evolved since the hiring of the investment advisor, Verus Investments, in 2011. The June 2011 policy revision adjusted the strategic allocation ranges for equities and fixed income, added allocations to Treasury Inflation Protected Securities ("TIPS") and Real Estate, and deleted the allocation to Real Estate Investment Trust ("REIT"). In June 2013, the policy was revised to add an allocation for Liquid Alternative Investments through adjusting the strategic allocation ranges in equities. In May 2014 it was further revised to create a new fixed income asset class for Senior Bank Loans towards the goal of reducing risk. The IPS was revised in February 2015 to eliminate the allocation to Cash, and to move the assets held in Small/Mid Cap Domestic Equities to Small Cap Domestic Equities. In April 2016, the Board reallocated 2% from Domestic Equities (decreasing the allocation from 22% to 20%) to Domestic Core Fixed Income (increasing the allocation from 33% to 35%). During fiscal year 2017, the IPS was revised to add a new asset class for Index-Linked Investment-Grade Government Bonds to prepare for and protect the portfolio from expected inflation. In March 2024 the Board liquidated its holdings in the Risk Parity Asset Class (5%) and temporarily distributed the allocation for this class to the asset allocations for US Large Cap, International Equity, and Short-term Government/Credit.

After receiving education on Hedge Funds as an alternative investment class during the current fiscal year, the Board established a new asset class for Hedge Funds with an allocation of 5%, and then further increased the allocation to 7% by the end of the fiscal year. The evolution of the affected asset classes is detailed in the Notes to the Basic Financial Statements under Note 3, Cash and Investments, Authorized Investments.

Fiduciary Net Position and Total Pension Liability

Funds are accumulated to meet future obligations in the net position restricted for members' pension benefits in the Statement of Fiduciary Net Position ("FNP"). Total Pension Liability ("TPL") is not reported in the basic financial statements but is disclosed in Note 5 to the basic financial statements and in the required supplementary information. The TPL is determined by the actuary and is a measure of the present value of actuarial accrued liabilities estimated to be payable in the future to current retirees and beneficiaries. The Net Pension Liability is measured as the TPL less the amount of the pension plan's FNP). The System has engaged Foster & Foster Consulting Actuaries, Inc. to serve as its independent actuary and to prepare the annual actuarial valuation. The most recent actuarial valuation was prepared as of June 30, 2025, and incorporated the requirements to comply with Governmental Accounting Standards Board ("GASB") Statement No. 67.

Actuarial Valuation and City Contributions

The System's funding objective is to meet long-term benefit promises by maintaining a well-funded plan and obtaining optimum returns consistent with the assumptions of prudent risk.

Funding Valuation Summary
(In Thousands)

	Fiscal Year Ending 6/30/2025	6/30/2024
Funding Discount Rate	4.75%	4.75%
Actuarial Accrued Liability (AAL)	$ 112,852	$ 119,513
Actuarial Value of Assets (AVA)	104,373	99,755
AVA Unfunded Actuarial Accrued Liability	8,479	19,759
AVA Funded Percentage	92.5%	83.5%
Minimum Funding Percentage*	80.0%	80.0%
Contribution Due from the City at 1/1	$ -	$ -

Source is the June 30, 2025 actuarial valuation and June 30, 2024 actuarial valuation prepared by System Actuary, Foster & Foster, Inc.
** Minimum Funding Percentage is calculated in accordance with Agreements No. 20,823 and No. 16,900 between the City and System.*

The June 30, 2025, actuarial valuation determined the Actuarial Value of Assets ("AVA") Funded Percentage, calculated in accordance with Agreement No. 20,823 and Contribution Agreement No. 16,900, to be 92.5% as compared to 83.5% in the prior year. The AVA Funded Percentage increased by 9.0% from the prior year and was primarily attributed to higher investment earnings than in the previous year as well as receipt of the second tranche of funds from the sale of the Concord Property. As required by Contribution Agreement No. 16,900, if the AVA Funded Percentage was below the minimum funding percentage of 80% for fiscal year 2025, the City would have been required to reimburse the System in the following fiscal year subject to certain reimbursement limits. Based on the June 30, 2025, actuarial valuation, the funding deficiency was $0, or 0.0%, below the funding requirement of 80%. A required supplemental contribution is not owed to the System for the fiscal year ending June 30, 2025.

For funding purposes, the Plan had an approximate market value asset rate of return of 9.6% net of investment and administrative expenses for the year ended June 30, 2025, compared to 6.6% in the previous year. The actuary used the preliminary earnings rate of the portfolio of 9.7%, as provided by the investment advisor, to calculate market value asset rate of return for funding purposes. The assumed rate of return for actuarial purposes is 4.75% (discount rate). The rate of return as estimated by the actuary is different than the long-term expected rate of return used to determine the discount rate in accordance with GASB Statement No. 67.

Financial Statement Overview

This discussion and analysis serve as an introduction to the System's basic financial statements. These include the following three components:

- Statement of Fiduciary Net Position
- Statement of Changes in Fiduciary Net Position
- Notes to Basic Financial Statements

In addition to the financial statements, this report also contains required supplementary information and other supplementary information that offers comparative data on prior years.

The *Statement of Fiduciary Net Position* provides a snapshot of account balances at year-end. It also indicates the assets available for future benefit payments and administration of the Plan as well as current liabilities outstanding at year-end. The assets less liabilities give the reader a clear picture of what funds are available for future payments.

The *Statement of Changes in Fiduciary Net Position,* in contrast, provides a summary view of the additions to and the deductions from the plan net position that occurred over the course of the year.

Together these two statements report the System's plan net position – the difference between assets and liabilities – as one way to measure the System's financial situation. Over time, increases and decreases in plan net position are one indicator of whether the System's financial situation is improving or deteriorating. Additional factors, such as market conditions, also need to be considered in assessing the System's overall financial situation.

The financial statements and required disclosures are in compliance with the accounting principles and reporting guidelines set forth by the GASB, using the accrual basis of accounting. Investments are reported at fair value. Both realized and unrealized investment gains and losses are recognized using trade date accounting.

The *Notes to Basic Financial Statements* ("Notes") provide additional information and explanations that are essential to a full understanding of the data provided in the financial statements.

The *Required Supplementary Information* ("RSI") that follows the Notes shows the City's net pension liability/(asset), as well as information reflecting how much the City has contributed in relation to its annual required contributions and other information to comply with GASB Statement No. 67.

The *Other Supplementary Information* ("OSI") that follows the RSI provides additional comparative information from prior years.

GASB Statement No. 67

The System's basic financial statements, notes to the basic financial statements, required supplementary information, and notes to the required supplementary information were prepared in accordance with the reporting requirements of GASB Statement No. 67. The most recent actuarial valuation as of June 30, 2025, was used to determine TPL.

Schedule of Net Pension Liability/(Asset)
(In Thousands)

Net Pension Liability	Fiscal Year Ending 6/30/2025	6/30/2024
Total Pension Liability	$ 109,039	$ 115,342
Plan Fiduciary Net Position*	107,077	98,630
Net Pension Liability/(Asset)	$ 1,962	$ 16,712
Net Pension Liability Funded %	98.2%	85.5%

Source for pension liability is the June 30, 2025 GASB 67 plan actuarial information and June 30, 2024 GASBS 67 plan actuarial information prepared by System Actuary, Foster & Foster, Inc.
**There is a difference from the stated balance compared to the financial statements (107,075) due to implementation of GASB 101 which increases the NPL to 1,964.*

TPL for the Plan decreased by $6.3 million from $115.3 million at June 30, 2024, to $109.0 million at June 30, 2025. The plan's FNP increased by $8.4 million from $98.6 million at June 30, 2024, to $107.0 million at June 30, 2025. The changes in both TPL and FNP resulted in an overall decrease in the NPL of $14.7 million from $16.7 million at June 30, 2024 to under $2.0 million at June 30, 2025.

The Notes to Basic Financial Statements provide additional disclosures to comply with GASB Statement No. 67 Implementation, as follows:

- Plan Membership,
- Investments (allocation by asset class, expected long-term rate of return by asset class, and the annual money-weighted rate of return),
- Investments greater than 5% of the Plan's Fiduciary Net Position,
- Net Pension Liability/(Asset) (and the components of Net Pension Liability/(Asset)), and
- Significant actuarial assumptions used to measure Total Pension Liability.

The information reported in the Required Supplementary Information section is required to be reported for 10 years; additional years will be reported as they become available:

- Schedule of Changes in Employer's Net Pension Liability/(Asset),
- Schedule of Employer's Net Pension Liability/(Asset) and Related Ratios,
- Schedule of Employer Contributions,
- Schedule of Investment Returns, and
- Notes to the Required Supplementary Information, which includes additional information regarding total pension liability.

The Other Supplementary Information section includes the following two schedules:

- Additions by Source and Deductions by Type, and
- Comparative Information from Prior Fiscal Years for Interest Rate Risk.

Condensed Statement of Fiduciary Net Position

Condensed Statement of Fiduciary Net Position

	June 30, 2025	June 30, 2024	$ Change	% Change
	(In Thousands)			
Current Assets	$ 5,255	$ 8,811	$ (3,556)	-40.4%
Investments	106,318	98,267	8,051	8.2%
Total Assets	111,573	107,078	4,495	4.2%
Total Liabilities	4,498	8,448	(3,950)	-46.8%
Net Position Restricted for Pensions	$ 107,075	$ 98,630	$ 8,445	8.6%

As of June 30, 2025 and 2024, the System had $107,075,040 and $98,629,595, respectively, in net position restricted for pensions. The net position represents funds restricted for members' pension benefits. The total pension liability is not reported in the basic financial statements, but it is disclosed in the Notes and in the RSI.

Condensed Statement of Changes in Fiduciary Net Position

Compared to the previous year in which the net position decreased $5.7 million, the change in net position for the year ended June 30, 2025, increased by more than $8.4 million. The change was largely driven by receipt of Concord sales proceeds and stronger performance of the fund's portfolio. Comparatively, total additions were $13.8 million more than in the previous year, and total deductions were $0.4 million less than in the previous year. As a result, the overall net changes in fiduciary net position are more than $14.2 million for the fiscal year ended June 30, 2025, as compared to fiscal year ended June 30, 2024.

Condensed Statement of Changes in Fiduciary Net Position

	June 30, 2025	June 30, 2024	$ Change
	(In Thousands)		
Amts. Collected For Distribution*	$ 11,071	$ 601	$ 10,470
Net Investment Earnings	9,519	6,220	3,299
Total Additions	20,590	6,821	13,769
Benefit Payments	11,753	12,250	(497)
Administrative Expenses	390	318	72
Total Deductions	12,143	12,568	(425)
Net Increase (Decrease)	$ 8,447	$ (5,747)	$ 14,194

Note:
** Funds received from the sale and operation of the Concord Property, and class action payments*

Earnings for the year in the portfolio were 9.8% net of fees, compared to 6.6% net of fees in the prior year (as reported in Verus Investments' June 30, 2025 Investment Performance Review). Earnings for the year net of fees per asset class on June 30, 2025, were: Domestic Equity (12.8%), International Equity (18.5%), Domestic Fixed Income (6.8% on 42.6% of the total portfolio), Real Estate (-2.1%), and Alternatives (4.8% for the calendar year-to-date). Overall, the portfolio's earnings exceeded earnings in the prior year by $3.3 million even though the Real Estate asset class continued to experience negative returns.

Deductions from plan net position consisted of benefits payments to beneficiaries and the plan's administration costs. Total deductions decreased from $12.6 million in fiscal year 2024 to $12.1 million in fiscal year 2025 and were largely due reductions in benefit payments due to increased payee mortality.

Fiduciary Responsibilities

The System is a fiduciary for the public safety pension plan of the City of Pasadena. Accordingly, the System is responsible for ensuring that the assets reported in the statements are used for the intended purpose of paying expenses and providing retirement benefits to retirees and beneficiaries of the System.

Currently Known Facts, Conditions, or Decisions

In accordance with Amended and Restated Agreement No. 20,823, the City assigned 93% beneficial interest in any amounts received from the sale or operation of the Concord Senior Housing Project to the System. Although most of the pass-through sales proceeds were provided to the System by the end of the fiscal year, approximately $2.0-$2.5 million remain following the conversion of the construction loan to permanent financing. It's anticipated that the final payment for the sale of the property is likely to be provided

in fiscal year 2026. Future payments to the City on the carrying loan for the sale of the property will only be made if residual receipts are available from the operation of the property. In subsequent years, the City will transfer 93% of any such payments received from the operator to the System.

City Council-appointed Board member Jason Lyon provided his notice of resignation following the May 2025 Board meeting. Effective July 1, 2025, the Council appointed Councilmember Rick Cole to serve on the Board of Retirement.

Requests for Information

This financial report is designed to provide a general overview of the System's finances and to account for the money the System receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Pasadena Fire & Police Retirement System
199 S. Los Robles Avenue, Suite 580
Pasadena, CA 91101

Respectfully submitted,

Jill Fosselman
Retirement Administrator

PASADENA FIRE & POLICE RETIREMENT SYSTEM
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2025
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2024)

	2025	2024
Assets		
Cash and cash equivalents	$ 2,248,944	$ 2,480,688
Short-term investments	2,090,680	4,312,840
Prepaid charges	210	-
Receivables:		
Accounts	336	299
Interest	233,052	237,614
Receivables for security transactions	681,757	1,779,132
Total receivables	915,145	2,017,045
Investments, at fair value:		
Government and agencies	21,375,566	18,628,114
Fixed income mutual funds	10,396,443	17,074,642
Domestic corporate obligations	8,822,125	7,128,179
International corporate obligations	200,322	454,730
Partnerships/joint ventures	5,230,828	4,600,000
Real estate	8,681,387	10,754,906
Alternatives - hedge fund	7,266,947	-
Equity - domestic	27,327,947	19,971,676
Equity - international	17,016,880	19,655,059
Total investments	106,318,445	98,267,306
Total assets	111,573,424	107,077,879
Liabilities		
Accounts payable and accrued liabilities	75,620	49,702
Payable for security transactions	4,422,764	8,398,582
Total liabilities	4,498,384	8,448,284
Net position restricted for pensions	$ 107,075,040	$ 98,629,595

The notes to the basic financial statements are an integral part of this statement.

PASADENA FIRE & POLICE RETIREMENT SYSTEM
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2025
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2024)

	2025	2024
Additions:		
Amounts collected for distribution - Concord	$ 11,071,199	$ 601,463
Class action payments	140	-
Net investment earnings:		
Interest	1,303,772	1,179,106
Dividends	1,473,387	1,583,311
Net increase in fair value of investments	7,232,916	3,871,628
Total investment earnings	10,010,075	6,634,045
Less investment expenses	(491,517)	(414,485)
Net investment earnings	9,518,558	6,219,560
Total additions	20,589,897	6,821,023
Deductions:		
Benefits paid to participants	11,753,060	12,250,323
Administrative expenses	389,991	318,404
Total deductions	12,143,051	12,568,727
Net increase (decrease) in net position	8,446,846	(5,747,704)
Net position restricted for pensions:		
Beginning of year, as previously reported	98,629,595	104,377,299
Restatement for change in accounting principle - GASB 101	(1,401)	-
Beginning of year, as restated	98,628,194	104,377,299
End of year	$ 107,075,040	$ 98,629,595

The notes to the basic financial statements are an integral part of this statement.

NOTE 1 – PENSION PLAN DESCRIPTION

General

The Pasadena Fire & Police Retirement System ("System") is a single-employer defined benefit pension plan governed by a Board of Retirement ("Board") under provisions of the City of Pasadena ("City") Charter. The Board has sole and exclusive responsibility over the assets of the System and the responsibility to administer the System to assure prompt delivery of benefits and related services as provided in Article XV of the City Charter.

The System is governed by a Board of five members; one member of the City Council, two Pasadena residents appointed by the City Council, and two retired members of the System or CalPERS elected under the supervision of the Board to represent Police Department and Fire Department System members. In November 2024, the voters approved a ballot initiative to amend the City Charter to allow for Pasadena Police or Fire retired members in CalPERS to be eligible to stand for election and serve on the Board if System members were unable to serve. The change was necessitated by the aging and dwindling demographic of the System due to its closed status. Other than the City Councilmember, Board members serve four-year terms with no restriction on reappointment or election. Board members receive no compensation. The five members of the Board on June 30, 2025, were as follows:

Keith Jones, Chair (elected Police Trustee and System retiree)
Peter Boyle, Vice Chair (Mayor/Council appointee)
John H. Brinsley, Board Member (Mayor/Council appointee)
Jason Lyon, Board Member (Member of the City Council)
Harry Crusberg, Board Member (elected Fire Trustee and CalPERS retiree)

The System covers all sworn fire and police personnel who were employed by the City prior to July 1, 1977, except for those who elected to transfer to the California Public Employees' Retirement System ("CalPERS") when the System closed to new members in June 2004. In June 2004, active members were provided a one-time opportunity to transfer from the System to CalPERS as provided by an agreement with the City. CalPERS administers the retirement benefits for all fire and police members that elected to be transferred to CalPERS.

The System is included as a pension trust fund in the financial statements of the City of Pasadena, California. The System provides basic lifetime retirement, disability, and death benefits to members who meet the minimum age and length-of-service requirements.

As of June 30, 2025, System membership consisted of 160 retirees and beneficiaries who receive benefits including Domestic Relations Order (DRO) agreements. The average age was 81.6 years and the average monthly benefit was $6,187. Since June 30, 2024, the plan experienced 14 overall deaths: 12 deaths without a beneficiary, and two deaths with a beneficiary, for a net reduction of 12 participants. On June 30, 2025, total membership in the plan consisted of:

- 51 Service Retirees (average age 81.9, average monthly benefit $8,562)
- 43 Disability Retirees (average age 81.5, average monthly benefit $6,320)
- 66 Beneficiaries & DRO's (average age 81.3, average monthly benefit $4,264)

There are no longer any active employees participating in the System, and the System is closed to new entrants. Benefit provisions are established and, subject to any constitutional limitations, may be amended by the City Charter.

NOTE 1 – PENSION PLAN DESCRIPTION (Continued)

Pension Plan Benefits

Members are entitled to annual pension benefits beginning at normal retirement age (50) equal to 1/50 of final compensation, times the member's number of years of service, times an actuarial equivalent based on the actual retirement age. The System permits service retirement at age 50, provided at least 15 years of service have been rendered, or retirement after 25 years of service, regardless of age.

Disability Benefits

Generally, active members who become totally disabled receive annual disability benefits that are equal to 50% of final compensation. Members who receive a service disability retirement receive a portion of their benefit tax-free (as determined by the percent disabled at retirement), and 100% lifetime continuance of all benefits to their surviving spouse. In contrast, members who receive a non-service disability retirement receive a 60% lifetime continuance of the benefits payable to their surviving spouse, and the member does not receive tax-free benefits.

Death Benefits

In the case of a death before a member is eligible to retire, there is a refund of the employee contributions, with interest, plus six months' salary. If the member is eligible to retire, 60% of the earned benefit is payable to the eligible surviving spouse for their lifetime.

Survivor Benefits

Upon the death of a retiree, the qualified surviving spouse is entitled to receive retirement benefits equal to 60% continuance for a service retirement and 100% continuance for a service-connected disability retirement.

Cost of Living Adjustment ("COLA")

Monthly pension benefits are eligible for an annual cost of living adjustment based on the increase/decrease of the annual average in the Consumer Price Index ("CPI") for the Los Angeles-Riverside-Orange County, California area for the previous year, January to December, and the change is rounded to the nearest whole percentage. The adjustments are calculated by the actuary, adopted by the Board, and become effective on July 1 of each year. The COLA for fiscal year 2025 was an increase of 3%.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The System follows the accounting principles and reporting guidelines as set forth in Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*. The financial statements are prepared and presented using the accrual basis of accounting. Member and employer contributions are recognized in the period in which the contributions are due pursuant to legal requirements. Benefits are recognized when currently due and payable, in accordance with the terms of the System. The System adopted the provisions of GASB Statement No. 101, *Compensated Absences ("GASBS No. 101")*, for the fiscal year beginning July 1, 2024. Implementation of GASB Statement No. 101 resulted in the recognition of compensated absences liabilities totaling $1,401 as of June 30, 2024 which decreased the July 1, 2024 beginning net position. The beginning net position in the financial statements has been restated to ensure comparability.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Investments

The System's cash and short-term investments are managed by the City Treasurer and U.S. Bank (master custodian for investment securities).

Cash necessary for the System's daily operations is pooled with other City funds for short-term investment by the City Treasurer in the City's Investment Pool ("Pool"). The City is responsible for the control and safekeeping of all instruments of title and for all investments in the Pool. The Pool is an external investment pool and is not registered with the Securities and Exchange Commission. At June 30, 2025, the Pool had a weighted average maturity of 2.03 years. The Pool is not rated. For further information regarding the Pool, refer to the City's Annual Comprehensive Financial Report which can be found on the following website: https://www.cityofpasadena.net/finance/financial-statements/#comprehensive-annual-financial-report.

Investment transactions are accounted for on the date the securities are purchased or sold (trade date). Unsettled investment trades as of fiscal year-end are reported in the financial statements on an accrual basis. The corresponding proceeds due from sales are reported on the Statement of Fiduciary Net Position under receivables and labeled as pending trade sales and amounts payable for purchases are reported under liabilities and labeled as pending trade purchases. Dividend income is recorded on ex-dividend date, and interest income is accrued as earned. The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of System's investments. Changes in fair value include both realized and unrealized gains and losses on investments.

The System has designated $1,250,000 in cash reserves to be invested by the City Treasurer in the Pool. The reserve funds equal one month of benefits and administrative expenses and are reserved for use in the event of a major emergency or disaster.

Income Taxes

The Internal Revenue Service has ruled that plans such as the System qualify under Section 414(d) of the Internal Revenue Code and are not subject to tax under present income tax laws. On May 11, 2012, the Internal Revenue Service issued a favorable Tax Determination Letter to the System. Working in conjunction with the City Attorney to fulfill the conditions of the favorable determination letter, the System revised the Pasadena Municipal Code and the changes became effective December 6, 2012. Accordingly, no provision for income taxes has been made in the accompanying basic financial statements, as the System is exempt from federal and state income taxes under provisions of the Internal Revenue Code, Section 414(d), and the California Revenue and Taxation Code, Section 23701, respectively. As allowed, the System filed to renew its tax determination status on October 23, 2015. Upon completing an analysis of the Plan document relative to the current Internal Revenue Code, the IRS found the Plan is in compliance with the provisions of the Internal Revenue Code (no Plan document failures exist). The System received a favorable determination letter on September 30, 2016.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Method Used to Value Investments

Investments are reported at fair value. Fair value for investments of publicly traded stocks and bonds and issues of the U.S. Government and its agencies is based on the last reported sale price as of the fiscal year-end. Fair value of securities denominated in a foreign currency reflects exchange rates in effect at fiscal year-end. Fair value of investments in commingled funds in real estate is based on the fund share price provided by the fund manager which is based on the net asset value (NAV). The real property asset manager (Invesco) has 100% of the properties appraised on a quarterly basis by independent third-party appraisers. Fair value of investments in partnership agreements are based on the fund share price provided by the fund manager which are based on NAV.

Use of discounted cash flow models and comparable sales analysis are the primary means of valuing real estate assets with the preponderance of weight given to the discounted cash flow method. Additionally, all valuations are consistent with Uniform Standards of Professional Appraisal Practice (USPAP), the Appraisal Standards Board and the Appraisal Foundation.

Comparative Data

The financial statements include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the System's financial statements for the year ended June 30, 2024, from which the summarized information was derived.

NOTE 3 – CASH AND INVESTMENTS

Cash and Investments

Cash and investments on June 30, 2025, were held as follows:

Cash and Investments

	June 30, 2025
Unrestricted Pooled Cash	$ 215,186
Designated Pooled Cash	1,250,000
Cash with Master Custodian	783,758
Cash and Cash Equivalents	2,248,944
Short-term Investments	2,090,680
Investments	106,318,445
Total Investments	108,409,125
Total Cash and Investments	**$ 110,658,069**

NOTE 3 – CASH AND INVESTMENTS (Continued)

Authorized Investments

The City Charter, Article XV Section 1502, confers the authority and fiduciary responsibility for investing the System's funds on the Board. As set forth below, Board members are subject to carry out their duties in the manner of a prudent person familiar with such retirement and investment matters acting under similar circumstances. Investments shall be subject to the same terms, limitations, and restrictions as are imposed by the Constitution and laws of the State upon the investment of the CalPERS funds, as now enacted or hereafter amended.

The Board is required by statute to use care, skill, prudence and diligence to diversify the investments of the Plan so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly not prudent to do so. The Board also has the authority to establish an investment policy based on professional advice and counsel and allows for the delegation of investment authority to professional investment managers.

The System's statement of investment policy outlines the responsibility for the investment of the funds and the degree of risk deemed appropriate for the System's investments. Investment managers are contractually required to carry out their responsibilities in accordance with the Board's investment policy and to follow specific contractual guidelines.

The Board oversees and guides the System subject to the following basic fiduciary responsibilities:

- Solely in the interest of, and for the exclusive purpose of, providing economic benefits to participants and their beneficiaries.
- With the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character with like objectives.
- Diversify the investments of the System so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances, it is clearly prudent not to do so. Diversification is applicable to the deployment of the assets as a whole.

Pursuant to this authority, the Board may elect to invest in:

- Securities of the U.S. Government or its agencies
- Certificates of Deposit, or Time Deposits, placed with commercial banks and savings and loan associations*
- Negotiable Certificates of Deposit*
- Bankers' Acceptances*
- Commercial Paper (rated A-1/P-1 or better)*
- Medium-Term Corporate Notes
- Corporate and Municipal Bonds

*(*These asset types are allowable investments, however, they are not permitted by the IPS at June 30, 2025.)*

- Preferred Stock
- Common Stock
- Fixed-Income Funds
- Senior Bank Loans
- Foreign Stock and Corporate Bonds
- Mutual Funds
- Liquid Alternative Investments*
- Real Estate Investment Trust ("REIT")*
- Real Estate
- Risk Parity*
- Short-Term Investment-Grade Bonds
- Hedge Funds
- TIPS*

NOTE 3 – CASH AND INVESTMENTS (Continued)

Authorized Investments (Continued)

The Board exercises authority and control over the management of the System's assets by setting policy (a Statement of Investment Performance ("IPS")) in accordance with applicable local, state, and federal laws which the Board executes using external prudent experts. The long-term performance expectation of the portfolio is evaluated annually by the Board and its investment advisor. Following this review, the IPS will be revised to reflect any changes to the asset classes and asset allocation that have been approved. At the beginning of fiscal year 2025, the Board established a new asset classification for Hedge Funds (5%) and altered the remaining asset allocation to reflect long-term performance expectations, including reduced Foreign Equity (-6%), increased Domestic Equity (4%), and reduced Short-Term Investment-Grade Bonds (-3%). Following the annual evaluation in March 2025, the allocation to Hedge Funds was subsequently increased to 7% through eliminating the allocation to TIPS (5%). The remaining 3% allocation from TIPS was further distributed to Core Fixed Income (increased from 25% to 28%).

The IPS encompasses the following asset classes and asset allocation targets:

Investment Performance Statement
Asset Classes and Targets
As of June 30, 2025

Asset Class	Target Asset Allocation at June 2025	Target Asset Allocation at March 2025	Target Asset Allocation before September 2024
Domestic Equity			
Large Cap Value	5.00%	5.00%	4.25%
Large Cap Growth	5.00%	5.00%	4.25%
Large Cap Core	10.00%	10.00%	8.50%
Small Cap Core	5.00%	5.00%	4.00%
Total Domestic Equity	25.00%	25.00%	21.00%
Foreign Equity	15.00%	15.00%	21.00%
Real Estate	10.00%	10.00%	10.00%
Fixed Income			
Domestic Core Fixed Income	28.00%	25.00%	25.00%
Short-Term Investment-Grade Bonds	10.00%	10.00%	13.00%
Senior Bank Loans	5.00%	5.00%	5.00%
Treasury Inflation Protected Securities (TIPS)	0.00%	5.00%	5.00%
Total Fixed Income	43.00%	45.00%	48.00%
Alternatives			
Hedge Fund	7.00%	5.00%	0.00%
Total Portfolio	100.00%	100.00%	100.00%

The System requires approximately $1,250,000 per month to cover benefit payments and administrative costs. On a monthly basis, the Board and the investment consultant evaluate the assets against their allocation targets and determine the appropriate asset class/classes from which to withdraw for payment of benefits and administration. This process also serves as a regular rebalance process to ensure that the portfolio stays within the Board's adopted allocation ranges and targets.

NOTE 3 – CASH AND INVESTMENTS (Continued)

Fair Value and Fair Value Hierarchy of Investments

Investments are reported in the Statement of Fiduciary Net Position at fair value. The System categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets. Level 2 inputs are quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuation techniques in which all significant inputs are observable. Level 3 inputs are significant unobservable inputs. NAV inputs are equal to total assets less total liabilities and is determined as of a valuation date.

The following table presents a summary of the fair value hierarchy of the recurring fair value measurements of the System as of June 30, 2025:

		Fair Value Measurement Using			
Investments by fair value level	June 30, 2025	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)
Debt Securities					
U.S. Treasury Securities (Government Bonds)	$ 10,465,988		$ 10,465,988	$ -	$ -
Government Mortgage Backed Securities	10,076,298	-	10,076,298	-	-
Commercial Mortgage-Backed Securities	4,577,266	-	4,577,266	-	-
Gov't Issued Comm Mortgage-Backed Securities	785,024	-	785,024	-	-
Corporate Bonds	4,445,181	-	4,445,181	-	-
Municipal Bonds	48,257	-	48,257	-	-
Senior Secured Bank Loans	5,230,828	-	-	-	5,230,828
Mutual Funds Fixed Income	10,396,443	10,396,443	-	-	-
Total Debt Securities	46,025,284	10,396,443	30,398,013	-	5,230,828
Equity Securities					
Consumer Discretionary	329,768	329,768	-	-	-
Consumer Staples	416,999	416,999	-	-	-
Financial Services	779,571	779,571	-	-	-
Health Care Services	332,448	332,448	-	-	-
Industrial Services	1,304,555	1,304,555	-	-	-
Information Technology Services	1,757,925	1,757,925	-	-	-
Materials	265,175	265,175	-	-	-
Mutual Funds Equity	39,158,385	39,158,385	-	-	-
Total Equity Securities	44,344,827	44,344,827	-	-	-
Investments Measured at NAV					
Real Estate Funds	8,681,387	-	-	-	8,681,387
Alternative Investments - Hedge Fund	7,266,947	-	-	-	7,266,947
Total Measured at NAV	15,948,334	-	-	-	15,948,334
Total Investments Measured at Fair Value	$ 106,318,445	$ 54,741,270	$ 30,398,013	$ -	$ 21,179,162

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in level 2 of the fair value hierarchy are valued using a matrix pricing technique or based on quoted prices that are not in active markets. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

NOTE 3 – CASH AND INVESTMENTS (Continued)

Fair Value and Fair Value Hierarchy of Investments (Continued)

Debt investments in Senior Bank Loans are measured at NAV and are purchased through subscription agreement as a limited partner (Pacific Asset Management Bank Loan Fund, LP ("PAM")). The fair value of this investment is determined using the NAV per share (or its equivalent) of the System's ownership interest in the partners' capital. The pricing methodology used by the administrator of PAM applies the price supplied by the primary pricing source, and if unavailable, then defaults to the secondary source, and then to the tertiary source. The primary pricing source is S&P Global (Loan-Mid Price), the secondary pricing source is LSEG (Mid Price), and the tertiary pricing source is Broker Quotes (Mid Price). Alternative investments in Hedge Funds are measured at NAV and are purchased through subscription agreement as a limited partner and subscriber (Magnitude International Hedge Fund ("Magnitude")). The fair value of this investment has been determined using the NAV per share (or its equivalent) of the System's ownership interest in partners' capital. Real estate funds include investment in the Invesco Core Real Estate – U.S.A Limited Partnership ("Invesco"). The fair value of the investment in this type has been determined using the NAV per share (or its equivalent) of the System's ownership interest in partners' capital.

	Liquidity for Investments Measured at NAV			
	Investments Measured at NAV			
	Fair Value June 30, 2025	Unfunded Commitments	Redemption Frequency (If eligible)	Redemption Notice Period
Senior Secured Bank Loans	$ 5,230,828	-	Monthly	10 days
Real Estate Funds	8,681,387	-	Quarterly	45 days
Hedge Fund	7,266,947	-	Quarterly	65 days
Total NAV Investments (Perct. of Total at Fair Value)	21,179,162	20%		
Total Investments Measured at Fair Value	$ 106,318,445			

Approximately 80% or $85.1 million of the investments is considered liquid for the purpose of rebalancing the asset allocation or withdrawal to pay pension benefits. Approximately 20% or $21.2 million of the investments measured at NAV are restricted and have less liquidity due to redemption procedures for assets held in partnership vehicles. Redemption requests may be submitted monthly for some or all of the System's ownership interest in Senior Bank Loans and must be submitted 10 days in advance of the next available monthly withdrawal date. Redemption requests for Hedge Fund assets must be submitted at least 65 days in advance of the next available quarterly withdrawal date.

The System may request redemption of some or all its interest in Real Estate Funds by delivering a redemption notice at least 45 days in advance of the next redemption period. Redemption requests are honored pro-rata based on the ratio of the ownership interest held by each individual investor making a redemption request to the total ownership of interest held by all investors requesting redemptions. The Real Estate Fund portfolio manager will use best efforts to honor redemption requests as quickly as possible; however, capital availability will dictate the ultimate redemption date and amount. The Real Estate Fund portfolio manager is not required to liquidate, encumber assets, or defer investments to pay any redemption.

NOTE 3 – CASH AND INVESTMENTS (Continued)

Asset Allocation Policy and Expected Long-term Rate of Return by Asset Class

The investments of the System are allocated by the IPS as approved by the Board and noted in the following table. The long-term geometric expected real rates of return are reported by asset class and are based on CalPERS' Capital Markets Assumptions studies.

Expected Long-Term Rates of Return

	6/30/2025	
Asset Class	**Target Asset Allocation**	**Expected Geometric Real Return***
Domestic Equity - Large Cap	20%	3.77%
Domestic Equity - Small Cap	5%	4.45%
Foreign Equity	15%	4.41%
Domestic Core Fixed Income	28%	0.53%
Alternatives	7%	2.64%
Short-Term Investment-Grade Bonds	10%	0.05%
Senior Bank Loans	5%	1.64%
Real Estate	10%	3.81%
	100%	
Inflation		2.50%

Source is the June 30, 2025 GASB 67 actuarial information prepared by System Actuary, Foster & Foster, Inc.

** 10-year geometric expected real rates of return from Foster & Foster's 2021 Capital Market Assumptions study.*

Rate of Return

For the year ended June 30, 2025, the annual money-weighted rate of return on the System's investments, net of investment expenses, was 9.7%, compared to 6.6% for the year ended June 30, 2024. The money-weighted rate of return expresses investment performance, net of investment fees, adjusted for the changing amounts actually invested. Verus Investments, the System's investment advisor, provides the calculation of the money-weighted rate of return.

NOTE 3 – CASH AND INVESTMENTS (Continued)

Deposit and Investment Risks

The System follows GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment to GASB Statement No. 3* ("GASBS No. 40"). GASBS No. 40 is designed to inform financial statement users about deposit and investment risks that could affect the ability to provide services and meet obligations as they become due. The disclosures required by this statement provide information to assess common risks inherent in deposit and investment transactions.

Deposit and investment resources represent considerable assets of the System, and these resources are necessary to carry out fiduciary responsibilities. GASBS No. 40 requires the disclosure of the following specific risks that apply to the System's investments:

- Credit Risk and Fair Value of Investments
- Custodial Credit Risk – Deposits and Investments
- Concentration of Credit Risk
- Interest Rate Risk
- Highly Sensitive Investments
- Foreign Currency Risk

GASBS No. 40 also requires the disclosure of deposit or investment policies (or the lack thereof) that relate to the investment and custodial risks that are required to be disclosed. The Board has chosen to manage the investment risks described by GASB Statement No. 40 by contractually requiring each portfolio investment manager to abide by the IPS, specifically tailored to that individual manager, rather than adopting across-the-board investment policies with respect to these investment risks. The fixed income policy stipulates the strategy and investments, investment process, quality constraints, duration constraints, diversification, cash reserves, derivatives, and rate of return expectation. At June 30, 2025, the System had nine (9) external investment managers.

Credit Risk

Credit risk is the risk that the issuer of a debt security or other counterparty to an investment will not fulfill its obligations. The fixed income securities held in the System's portfolio include the following: fixed income mutual funds, government bonds, government agencies, government mortgage-backed securities, government-issued commercial mortgage-backed securities, commercial mortgage-backed securities, and domestic and international corporate bonds. The System seeks to maintain a diversified portfolio of fixed income instruments to obtain the highest total return for the fund at an acceptable level of risk within these fixed income asset classes. Individual investment guidelines for the core fixed income investment manager describe applicable restrictions on credit risk. The following chart details the credit quality ratings of investments in fixed income securities by a nationally recognized statistical rating organization, Standard and Poor's Rating Services ("S&P"), as of June 30, 2025.

NOTE 3 – CASH AND INVESTMENTS (Continued)

Credit Risk (Continued)

Credit Quality Ratings of Investments in Fixed Income Securities

Quality Ratings - S & P		Fair Value	Percentage
AAA	$	199,672	0.43%
AA		312,573	0.68%
A		1,752,610	3.81%
BBB		3,243,009	7.05%
BB		228,105	0.50%
B		34,492	0.08%
CCC		403,706	0.88%
Total Securities with S&P Ratings	$	6,174,167	13.42%
Not Rated/Quality Rating N/A*		18,983,062	41.25%
Not Rated/U.S. Government Guaranteed Securities**		10,402,067	22.60%
Not Rated/U.S. Government Bonds***		10,465,988	22.74%
Total Securities Not Rated/Quality Rating N/A	$	39,851,117	86.59%
TOTAL Fixed Income Securities	**$**	**46,025,284**	**100.00%**

** Includes Corporate MBS's rated "N/A" totaling $3,082,053. This category also includes securities held in Senior Bank Loans, TIPS, and Short-Term Investment-Grade asset classes.*

*** U.S. Government Guaranteed Securities are Government Mortgage-Backed Securities and Government-issued Commercial Mortgage-Backed Securities. These U.S. Government Guaranteed Securities issued by Government Sponsored Enterprises (GSEs) are not rated by the rating agencies, but they are implicitly guaranteed by the U.S. Government.*

**** U.S. Government Bonds, more commonly disclosed as U.S. Treasury Bonds and Notes, are assets held in Treasury Bonds and Index Linked Government Bonds. These U.S. Government Guaranteed Securities issued are not rated by the rating agencies, but they are explicitly guaranteed by the U.S. Government.*

Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that, in the event of a financial institution's failure, the System will not be able to recover the value of deposits nor be able to recover collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not insured or not collateralized. All assets held in custody with custodian U.S. Bank Institutional Trust & Custody are collateralized and held under the name of the plan so are not subject to this risk. U.S. Bank Institutional Trust & Custody assets are held at the Depository Trust Company ("DTC") for safe keeping. Assets held at DTC are not covered by FDIC insurance because DTC is not a bank. The securities held in Senior Bank Loans are held with Deutsche Bank Trust Company Americas ("Deutsche Bank") as the custodian, which is a state of New York banking corporation. The assets held in Senior Bank Loans at Deutsche Bank are collateralized in the fund's name, Pacific Asset Management Bank Loan Fund L.P. The securities held in Hedge Funds are held by Citco Global Custody (N.A.) N.V. and are collateralized under the name of Magnitude International. As of June 30, 2025, the System was not exposed to such risk as all assets held in custody were collateralized.

NOTE 3 – CASH AND INVESTMENTS (Continued)

Custodial Credit Risk – Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the System will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The individual investment guidelines for each investment manager require that managed investments be held and maintained with the master custodian in the name of the System. Investment securities are exposed to custodial credit risk if the securities are uninsured, or are not registered in the System's name, and held by the counterparty. The System's investments are not exposed to custodial credit risk if they are insured or registered in the System's name. All assets held in custody with custodian U.S. Bank Institutional Trust & Custody are collateralized and held under the name of the plan so are not subject to this risk.

Concentration of Credit Risk – Investments

Concentration of credit risk is the risk of potential loss attributed to the magnitude of the System's investment in a single issuer of securities. The Board's investment policies and guidelines permit investments in numerous specified asset classes to take advantage of professional investment management advice and a well-diversified portfolio. The active core fixed income asset manager develops and applies diversification standards as deemed prudent and is expected to maintain diversification by sector and issue. Allocations to any one issuer in fixed income (excluding issues issued by or explicitly guaranteed by the U.S. government) should not exceed 5% of the total portfolio fair market value.

As of June 30, 2025, the active core fixed income asset manager had no concentration of investments that represent or exceed 5% of the total fair value of investments. Two fixed income investments in the portfolio for senior bank loans and fixed income mutual funds represent 5% or more of the total investments or the fiduciary net position in Fixed Income securities.

Fixed Income Securities
As of June 30, 2025

Concentration of Credit Risk by Issuer

Issuer	Fair Value	% of Total Fair Value FNP	% of Total Fair Value Investments
Pacific Asset Management Bank Loan Fund	$ 5,230,828	5%	5%
Vanguard Short-Term Investment-Grade	$ 10,396,443	10%	10%
Fiduciary Net Position (FNP)	107,075,040		
Total Fair Value of Investments	106,318,445		

NOTE 3 – CASH AND INVESTMENTS (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. A segmented time distribution schedule for maturity discloses the price sensitivity of a fixed income portfolio to changes in interest rates. The longer the maturity of a portfolio, the greater its price sensitivity is to changes in interest rates.

Information regarding the sensitivity of the fair values of the System's fixed income investments to market interest rate fluctuations is provided in the table below that reports the segmented time distribution of the investments by asset type as of June 30, 2025.

Fixed Income
Interest Rate Risk by Investment Maturity
As of June 30, 2025

Investment Type	Less than 1 Year	1-5 Years	5-10 Years	More than 10 Years	Total Fair Value
Domestic corporate	$ 98,589	$ 1,387,366	$ 3,134,813	$ 4,201,357	$ 8,822,125
International corporate	-	138,352	422,407	10,500,885	11,061,644
Fixed income mutual funds	-	10,396,443	-	-	10,396,443
Government and agencies	-	6,986,250	1,079,011	2,448,983	10,514,244
Partnerships/Joint Ventures*	-	5,230,828	-	-	5,230,828
	$ 98,589	**$ 24,139,239**	**$ 4,636,231**	**$ 17,151,225**	**$ 46,025,284**

** Partnerships/Joint Ventures include collateralized assets held in Senior Bank Loans.*

While no specific ranges are required, one of the ways the System manages its exposure to interest rate risk is by requiring the active fixed income investment manager to maintain its portfolio effective duration within +/- 20% of the benchmark, the Barclays Capital U.S. Aggregate Bond Index. See Other Supplementary Information, page 45 for the active core fixed income asset manager's portfolio's historic effective duration. The effective duration is a measure, in years, of interest-rate sensitivity in debt investments. The longer the effective duration, the greater the sensitivity to interest rate changes.

NOTE 3 – CASH AND INVESTMENTS (Continued)

Highly Sensitive Investments

Highly sensitive investments are certain debt investments whose terms may cause their fair value to be highly sensitive to market interest rate changes. Terms include such information as embedded options, coupon multipliers, benchmark indexes, and reset dates. The System's asset-backed investments have embedded prepayment options that will typically cause prepayments by the obligees of the underlying investments when interest rates fall. Prepayments eliminate the stream of future interest payments and, therefore, diminish the fair value of the asset-backed investment. The table on the following page reports the fair value of the System's investments that are highly sensitive to changes in interest rates.

Highly Sensitive Investments
As of June 30, 2025

Investment Type	Fair Value
Government Mortgage Backed Securities	$ 10,076,298
Government Issued Commercial Mortgage Backed Securities	511,285
Commercial Mortgage Backed Securities	4,577,266
Total Highly Sensitive Investments	**$ 15,164,849**

** Source is US Bank June 30, 2025 ASC 820 Asset Detail*

Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment or deposit. The System's authorized investment managers are permitted to invest in approved countries or regions, as stated in their respective investment guidelines. Currency hedging will be permitted as part of a defensive strategy to protect the portfolio's underlying assets.

The System's foreign investment holdings on June 30, 2025, have no foreign currency risk as the securities trade and settle in US Dollars as domestic trades.

NOTE 4 – CONTRIBUTION INFORMATION

Contribution requirements are established by the City Charter and by contract, and, subject to any constitutional limitations, may be amended by the City Charter or further agreement between the City and the System.

NOTE 4 – CONTRIBUTION INFORMATION (Continued)

General

Historically, the City has made monthly contributions to the System based on actuarially determined employer contribution rates which, together with employee contributions, were expected to provide sufficient assets to pay funded basic benefits when due. However, the City Charter did not require actuarially determined funding for unfunded basic, 1919 benefits, and COLA benefits, which are funded under Contribution Agreement No. 16,900, dated March 18, 1999, between the City and the System. Per the terms negotiated through their respective recognized Associations, employee contributions of 9% for both Fire and Police Department personnel base earnings were made by the City on behalf of the employees and credited to their individual accounts.

Member Contributions

As a condition of participation, members were required to contribute a percentage of their annual salary to the System. Currently there are no active members in the System, and hence no further member contributions are due to the System.

The City Charter required members' contributions to be credited to the individual account of the member from whose compensation the contribution was deducted. Such contributions accrued interest at a rate determined by the Board and were either to be refunded to members or their beneficiaries upon separation from City service for reasons other than retirement or applied towards providing members' retirement or death allowances. Amendments to the City Charter cannot prevent the refund of such contributions plus accrued interest. Because there were no active members, accumulated contributions for fiscal year 2025 were $0 with no interest credited.

City Contributions

The System's funding mechanism was updated on March 18, 1999, when the System entered into Contribution Agreement No. 16,900 ("Agreement No. 16,900") with the City. As a result of this agreement, the City made a contribution of $100,000,000 to the System on August 5, 1999, and agreed to make supplemental contributions to the System when needed. Per Agreement No. 16,900, the System was considered to meet minimum funding requirements for the year ended June 30, 2001, if the funded percentage exceeded 70%. As per the agreement, the required minimum funded percentage increased by 1/2% each year until it reached 80% in the year ending June 30, 2021. Thereafter it may, but need not, be changed by the System.

On October 20, 2011, the Board approved Amended and Restated Agreement No. 20,823 ("Agreement No. 20,823"). Under this new agreement, the City's minimum funding percentage schedule and reimbursement cap in Agreement No. 16,900 carried forward, and the City agreed to provide a contribution of $46,600,000 to the System through the issuance of pension obligation bonds. Agreement No. 20,823 provided that the annual required supplemental contribution would be actuarially calculated using an interest assumption of 6% and an inflation rate of 3% beginning with the June 30, 2012 valuation. Pursuant to this agreement, future annual valuations after June 30, 2012, shall adopt an assumed interest rate and inflation assumption based on analysis performed by the System's actuary and after seeking input from the City and System's professional consultant. Agreements No. 16,900 and No. 20,823 state that if the minimum funding deficit is greater than $3,000,000 in a year, the City will pay $3,000,000 to the System. Any remaining amount necessary to reach the minimum funding percentage will be phased in over a five-year period; however, no annual supplemental payment may exceed a reimbursement cap measured by the prior year's payments for benefits other than the funded basic benefits.

NOTE 4 – CONTRIBUTION INFORMATION (Continued)

City Contributions (Continued)

As of June 30, 2025, the funded percentage of the System was 92.5%, as calculated in accordance with Agreement No. 20,823 and Agreement No. 16,900. As provided by Agreement No. 16,900, if the funded percentage is below the minimum funding percentage of 80% for fiscal year 2025, the City will reimburse the System in the following fiscal year subject to certain reimbursement limits. Based on the June 30, 2025 actuarial valuation, the funding deficiency was $0, or 0%, below the funding requirement of 80%. Thus, no required supplemental contribution is owed to the System by the City.

NOTE 5 – NET PENSION LIABILITY

Net Pension Liability

The City's Net Pension Liability ("NPL") at June 30, 2025, was just under $2.0 million and Fiduciary Net Position ("FNP") as a percentage of total pension liability was 98.2%. At June 30, 2025, the components of the NPL were as follows:

Net Pension Liability
(In Thousands)

Net Pension Liability		6/30/2025
Discount Rate		5.25%
Total Pension Liability (TPL)*	$	109,039
Fiduciary Net Position (FNP)**		107,077
Net Pension Liability/(Asset) (NPL)	$	1,962
FNP as a Percentage of TPL		98.2%

**Source for the TPL is the June 30, 2025 GASBS 67 plan actuarial information report prepared by System Actuary, Foster & Foster, Inc.*

***There is a difference from the stated balance compared to the financial statements (107,075) due to implementation of GASB 101 which increases the NPL to 1,964.*

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about mortality and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. Following the recommendation provided by the System's Actuary on May 21, 2025, the Board accepted the recommended assumptions for use in the preparation of the actuarial valuation for the fiscal year ended June 30, 2025.

NOTE 5 – NET PENSION LIABILITY (Continued)

Key Methods and Assumptions Used in Valuation of Total Pension Liability (Continued)

The Total Pension Liability ("TPL") was determined by the actuarial valuation performed as of June 30, 2025, using the following actuarial assumptions:

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Valuation Date/Measurement Date	June 30, 2025	
Expected Geometric Real Rate of Return		
	Domestic Equity - Large Cap	3.77%
	Domestic Equity - Small Cap	4.45%
	Foreign Equity	4.41%
	Domestic Core Fixed Income	0.53%
	Senior Bank Loans	1.64%
	Short-Term I-G Bonds	0.05%
	Real Estate	3.81%
	Alternatives	2.64%
Number of Participants	*Retirees & Beneficiaries	160
	Vested Terminations	-
	Actives	-
	Total Participants	160
Actuarial Assumptions	**Discount Rate: 5.25%	
	Salary Scale: No active employees	
	Inflation Rate: 2.50%	
Mortality	CalPERS 2000-2019 Experience Study, Mortality Improvement Scale 80% Scale MP-2021	

Source is the June 30, 2025 GASBS 67 plan actuarial information prepared by System Actuary, Foster & Foster, Inc.

**Alternative payee data for Domestic Relations Order ("DRO") payments provided separately from employee-retiree for first time in 6/30/22 valuation. Benefits for these alternative payees previously included in the corresponding retiree's benefits. All DRO agreements provide community property benefits to alternative payees for the lifetime of the member retiree or their surviving spouse.*

***Discount Rate reflects assumed investment expenses of 15bp.*

NOTE 5 – NET PENSION LIABILITY/(ASSET) (Continued)

Discount Rate

The discount rate of 5.25% was selected by the System actuary and approved by the Board to measure the June 30, 2025 TPL for accounting purposes. The discount rate is the expected real long-term rate of return, plus the inflation assumption of 2.50%, less assumed investment expenses of 15 basis points. The expected long-term real rate of return is compared at the 50% confidence level of capital market assumptions. Based on the assumptions, the System's Fiduciary Net Position was projected to be available to make all projected future benefit payments. The discount rate used as of June 30, 2025 is the same as the discount rate used as of June 30, 2024.

Sensitivity of the NPL to Changes in the Discount Rate

Examining the sensitivity of the NPL to changes in the discount rate by a 1% decrease, from 5.25% to 4.25%, revealed an increase in the NPL by $7.9 million to a total NPL of $9.8 million and a NPL Funded Percentage of 91.6%. Conversely, increasing the discount rate by 1%, from 5.25% to 6.25%, revealed a corresponding decrease in the NPL of $5.0 million to total NPL of -$6.9 million and a NPL Funded Percentage of 104.9% as of June 30, 2025.

Sensitivity of Net Pension Libility (NPL) to Changes in the Discount Rate
(In Thousands)

Discount Rate	-1% 4.25%	Assumption 5.25%	+1% 6.25%
Total Pension Liability	$ 116,912	$ 109,039	$ 102,079
Fiduciary Net Position*	107,077	107,077	107,077
Net Pension Liability	9,835	1,962	(4,998)
Net Increase/(Decrease) in NPL	***7,873***	***-***	***(6,960)***
NPL Funded Percentage	91.6%	98.2%	104.9%

**There is a difference from the stated balance compared to the financial statements (107,075) due to implementation of GASB 101.*

Source is the June 30, 2025 GASBS 67 plan actuarial information prepared by System Actuary,Foster & Foster.

NOTE 6 – ADMINISTRATIVE COSTS

The costs to administer the System are paid by the System. Administrative expenses were $389,991 for the year ended June 30, 2025. Administrative expenses increased by a net amount of $71,587 in fiscal year 2025, over the fiscal year 2024 amount of $318,404. The increase was largely due to full employment for the year for both the Administrator and Senior Office Assistant and one-time expenses related to the charter amendment ballot initiative.

NOTE 7 – CONCORD SENIOR HOUSING PROPERTY AGREEMENT

The City Council adopted Resolution No. 6179 at its July 18, 1989, meeting assigning a 93% beneficial interest in the Concord Senior Housing property at 275 E. Cordova, Pasadena (Concord Property), to the System, and 100% of the cash flow received by the City from the property for ground lease rent payments through 2031. The property was previously used for federally subsidized housing and was subject to federal restrictions on its use through August 2016. Resolution No. 6179 also declared the City's formal intent to continue to utilize the property for federally subsidized housing through 2031.

The System's Board reviewed and approved an amendment to Agreement No. 20,823 at its meeting on February 20, 2019, which was later approved by City Council at its meeting on March 11, 2019. The amendment memorializes the accrued rent and interest owed to the City from the operation of the Concord Property as of July 31, 2018, in the amount of $6,435,116. Further, the amendment assigned the System 100% of the past due amount and all future rents and income from operations through the term of the ground lease agreement, which was to expire on August 1, 2031, or when the City sells the Concord Property, whichever occurred first. During fiscal years 2018 and 2019, the City determined to sell the building and a portion of the land to Retirement Housing Foundation ("RHF"), the then current operator of the Concord Property. The City worked with RHF and the Department of Housing & Urban Development ("HUD") to conduct a sale using Low Income Housing Tax Credits and updated supportive rents from HUD to improve the property and deed-restrict its operation as continued affordable housing for low-income seniors.

The sale of the Concord Property closed on May 28, 2020. The initial proceeds received by the System from the sale was $23,137,382 as of June 30, 2020, which was comprised of the following:

- Past-due ground lease payments through May 27, 2020, of $3,180,180,
- Accrued interest on the past-due ground lease rent payments of $3,950,613, and
- The System's 93% beneficial interest of $16,006,589.

The Board voted to accept $3,478,000 of the initial sale proceeds to be designated as satisfying the City's actuarially-determined mandatory contribution for fiscal year 2020. The remaining initial sales proceeds that were provided to the System in the amount of $19,659,382 were reported as supplemental City contributions in the statement of changes in fiduciary net position.

Following the completion of construction and conversion of the construction loan to permanent financing, RHF provided a partial payment from the remaining construction proceeds to the City of $11,904,515 in I agree November 2024 (second installment of sale proceeds). Based on its assigned 93% beneficial interest, the System received $11,071,199 of the second installment. Remaining construction proceeds and required construction reserves are anticipated to be liquidated and available for provision to the City during fiscal year 2026 which will also be applied against the remaining note receivable. The remaining note receivable balance will be due in 2050 and bears interest at a fixed rate of 2.5% per year. Payment on this final portion of the loan is only required if there are residual receipts from the operation of the property. If and when there are payments received by the City, 93% of the payment will be transferred to the System as additional contributions in accordance with Agreement No. 20,823.

At June 30, 2025, the City recorded the outstanding note receivable that is due in 2050 as $7,740,651 from the original carrying loan of $18,350,000. Approximately $7,198,805 or 93% of the note receivable, plus interest accrued on the note receivable, will be contributed to the System upon receipt by the City from RHF.

REQUIRED SUPPLEMENTARY INFORMATION

PASADENA
FIRE &
POLICE
RETIREMENT
S Y S T E M

PASADENA FIRE & POLICE RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

SCHEDULE OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY/(ASSET)

Changes in Total Pension Liability
(In Thousands)

	Fiscal Year Ending									
	2025	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**
Discount Rate	**5.25%**	**5.25%**	**5.25%**	**5.25%**	**5.75%**	**5.75%**	**5.75%**	**5.75%**	**6.50%**	**6.50%**
Total Pension Libility (TPL):										
Service Cost	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Interest	5,746	6,133	6,316	6,947	7,335	7,600	7,781	8,832	9,272	9,644
Benefit Payments	(11,753)	(12,250)	(11,954)	(12,072)	(12,506)	(12,773)	(12,824)	(12,815)	(13,118)	(13,448)
Experience Losses (Gains)	(770)	(1,994)	482	164	(1,799)	438	1,862	1,261	(3,081)	(2,098)
Assumption Changes*	474	503	1,815	4,400	-	-	-	2,189	-	-
Benefit Changes	-	-	-	-	-	-	-	-	-	-
Net Change	(6,303)	(7,608)	(3,340)	(560)	(6,969)	(4,735)	(3,181)	(533)	(6,927)	(5,902)
Total Pension Liability at Beginning of Year	115,342	122,950	126,291	126,852	133,821	138,556	141,737	142,270	149,197	155,099
Total Pension Liability at End of Year (a)	$ 109,039	$ 115,342	$ 122,950	$ 126,291	$ 126,852	$ 133,821	$ 138,556	$ 141,737	$ 142,270	$ 149,197

Changes in Fiduciary Net Position
(In Thousands)

	Fiscal Year Ending									
	2025	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**
Fiduciary Net Position:										
Employer contributions	$ -	$ -	$ -	$ -	$ -	$ 3,478	$ -	$ -	$ -	$ -
Member Contributions	-	-	-	-	-	-	-	-	-	-
Concord Payments+	11,071	601	-	-	-	19,659	-	-	-	-
Net Investment Income	9,519	6,220	5,013	(10,612)	22,354	3,394	5,923	6,656	12,514	49
Benefit Payments	(11,753)	(12,250)	(11,954)	(12,072)	(12,506)	(12,773)	(12,824)	(12,815)	(13,118)	(13,448)
Administrative Expenses	(390)	(318)	(344)	(340)	(327)	(321)	(257)	(274)	(300)	(301)
Net Change	8,447	(5,747)	(7,285)	(23,024)	9,521	13,437	(7,158)	(6,433)	(904)	(13,700)
Fiduciary Net Position at Beginning of Year	98,628	104,377	111,662	134,733	125,211	111,774	118,932	125,365	126,269	139,969
Fiduciary Net Position at End of Year (b)**	$ 107,075	$ 98,630	$ 104,377	$ 111,709	$ 134,733	$ 125,211	$ 111,774	$ 118,932	$ 125,365	$ 126,269
Net Pension Liability/(Asset) (a) - (b)	$ 1,964	$ 16,712	$ 18,573	$ 14,582	$ (7,881)	$ 8,610	$ 26,782	$ 22,805	$ 16,905	$ 22,928

Source for pension liability is the June 30, 2025 GASBS 67 plan actuarial information prepared by System Actuary, Foster & Foster, Inc. GASB Statement No. 67 requires this information be reported for 10 years, or as many years as are available upon implementation.

** Assumption Changes for June 30, 2015, June 30, 2018 and June 30, 2022.*

*** Fiduciary Net Position (FNP) at beginning of FY 2025 differs from FNP at end of FY 2024 due to adjustments made to FNP after the 6/30/25 GASBS 67 report was performed. Similarly, FNP at beginning of FY 2023 differs from FNP at end of FY 2022 due to adjustments made to FNP after the 6/30/22 GASBS 67 report was performed.*

+ Concord Payments: A loan payment on the City's carrying loan was provided to the City in April 2024. The City transferred 93%, or $601,463, to the System per Amended Agreement No. 20,823. Additional construction proceeds were provided to the City in November 2024, and the City transferred 93% or $11,071,199 per the same Agreement No. 20,823. Concord proceeds received in FY 2020 reclassified in FY 2025 to correct recording of net Concord sale proceeds in excess of required City Contribution.

SCHEDULE OF EMPLOYER'S NET PENSION LIABILITY/(ASSET) AND RELATED RATIOS

Net Pension Liability/(Asset)
(In Thousands)

Date	Discount Rate	Total Pension Liability (TPL)	Fiduciary Net Position (FNP)*	Net Pension Liability (NPL)	FNP as a Percentage of TPL (FNP/TPL)	Covered Payroll	NPL %Pay
6/30/2025	5.25%	$ 109,039	$ 107,077	$ 1,962	98.2%	n/a	n/a
6/30/2024	5.25%	$ 115,342	$ 98,630	$ 16,712	85.5%	n/a	n/a
6/30/2023	5.25%	$ 122,950	$ 104,377	$ 18,573	84.9%	n/a	n/a
6/30/2022	5.25%	$ 126,291	$ 111,709	$ 14,582	88.5%	n/a	n/a
6/30/2021	5.75%	$ 126,852	$ 134,733	$ (7,881)	106.2%	n/a	n/a
6/30/2020	5.75%	$ 133,821	$ 125,211	$ 8,610	93.6%	n/a	n/a
6/30/2019	5.75%	$ 138,556	$ 111,774	$ 26,782	80.7%	n/a	n/a
6/30/2018	5.75%	$ 141,737	$ 118,932	$ 22,805	83.9%	n/a	n/a
6/30/2017	6.50%	$ 142,270	$ 125,365	$ 16,905	88.1%	n/a	n/a
6/30/2016	6.50%	$ 149,197	$ 126,269	$ 22,928	84.6%	n/a	n/a

Source for pension liability is the June 30, 2025 GASBS 67 plan actuarial information prepared by System Actuary, Foster & Foster, Inc. GASB Statement No. 67 requires this information be reported for 10 years or as many years as are available upon implementation.

** FNP at beginning of FY 2025 differs from FNP at the end of FY 2024 due to adjustments made to FNP in compiance with GASB 101 after the GASBS 67 report was performed. FNP at 6/30/2025 in the financial statements is $107,075.*

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Employer Contributions
(In Thousands)

Fiscal Year Ending	Contractually Required Contribution*	Actual Fiscal Year Contribution	Deficiency (Excess)	Covered Payroll	Contribution as % of Payroll
6/30/2025	$ -	$ -	$ -	n/a	n/a
6/30/2024	$ -	$ -	$ -	n/a	n/a
6/30/2023	$ -	$ -	$ -	n/a	n/a
6/30/2022	$ -	$ -	$ -	n/a	n/a
6/30/2021	$ -	$ -	$ -	n/a	n/a
6/30/2020	$ 3,478	$ 3,478	$ -	n/a	n/a
6/30/2019	$ -	$ -	$ -	n/a	n/a
6/30/2018	$ -	$ -	$ -	n/a	n/a
6/30/2017	$ -	$ -	$ -	n/a	n/a
6/30/2016	$ -	$ -	$ -	n/a	n/a

Source is the June 30, 2025 GASBS 67 plan actuarial information prepared by System Actuary, Foster & Foster, Inc. GASB Statement No. 67 requires this information be reported
**Contractually required contributions are based on Board-adopted assumptions for use in preparing the valuation, and as required by applicable Contribution Agreements with the City.*

SCHEDULE OF INVESTMENT RETURNS

Money-Weighted Rate of Return
Annual money-weighted rate of return, net of investment expense

Fiscal Year Ending	M-W RoR
6/30/2025	9.70%
6/30/2024	6.60%
6/30/2023	5.00%
6/30/2022	-8.60%
6/30/2021	19.00%
6/30/2020	2.80%
6/30/2019	5.50%
6/30/2018	5.60%
6/30/2017	10.70%
6/30/2016	0.40%
6/30/2015	3.70%

Source is the June 30, 2025 GASBS 67 plan actuarial information prepared by System Actuary, Foster & Foster, Inc.

GASB Statement No. 67 requires this information be reported for 10 years.

PASADENA FIRE & POLICE RETIREMENT SYSTEM
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

NOTE 1 – SCHEDULE OF CHANGES IN THE EMPLOYER NET PENSION LIABILITY/(ASSET)

The total pension liability contained in this section was provided by the System's actuary, Foster & Foster, Inc. The Net Pension Liability/(Asset) is measured as the Total Pension Liability less the amount of the Fiduciary Net Position of the System.

NOTE 2 – SCHEDULE OF EMPLOYER CONTRIBUTIONS

The required employer contribution and percent of those contributions actually made are presented in this section.

The System's funding mechanism was updated on March 18, 1999, when the System entered into Agreement No. 16,900 with the City. As a result of this agreement, the City made a contribution of $100,000,000 to the System on August 5, 1999 and agreed to make supplemental contributions to the System when needed. Per Agreement No. 16,900, the System was considered to meet minimum funding requirements for the year ended June 30, 2001, if the funded percentage exceeded 70%. As per the agreement, the required minimum funded percentage increased by 1/2% each year until it reached 80% in the year ending June 30, 2021. Thereafter it may, but need not, be changed by the System.

On October 20, 2011, the Board approved Agreement No. 20,823. Under this agreement, the City's minimum funding percentage schedule and reimbursement cap in Agreement No. 16,900 carried forward, and the City agreed to provide a contribution of $46,600,000 to the System through the issuance of pension obligation bonds. Agreement No. 20,823 provided that the annual required supplemental contribution would be actuarially calculated using an interest assumption of 6% and an inflation rate of 3% beginning with the June 30, 2012 valuation. Pursuant to this agreement, future annual valuations after June 30, 2012, shall adopt an assumed interest rate and inflation assumption based on analysis performed by the System's actuary and after seeking input from the City and System's professional consultant. Agreement No. 16,900 and Agreement No. 20,823 state that if the minimum funding deficit is greater than $3,000,000 in a year, the City will pay $3,000,000 to the System. Any remaining amount necessary to reach the minimum funding percentage will be phased in over a five-year period; however, no annual supplemental payment may exceed a reimbursement cap measured by the prior year's payments for benefits other than the funded basic benefits.

The June 30, 2025 actuarial valuation determined the AVA Funded Percentage, calculated in accordance with Agreement No. 20,823 and Agreement No. 16,900, was 92.5% as compared to 83.5% in the prior year. The increase of 9% in the AVA Funded Percentage is due to slight mortality gains, higher earnings than actuarially anticipated, and receipt of the Concord funds. The funding deficiency was $0, or 0.0%, below the funding requirement of 80%. Thus, a required supplemental contribution is not owed to the System for the fiscal year ending June 30, 2025. As required by Agreement No. 16,900, if the AVA Funded Percentage was below the minimum funding percentage of 80% for fiscal year 2025, the City would have been required to reimburse the System in the following fiscal year subject to certain reimbursement limits.

NOTE 3 – ACTUARIAL ASSUMPTIONS

The information presented in the required supplementary schedules was used in the June 30, 2025 actuarial valuation for purposes of determining the Actuarially Determined Contribution ("ADC"). The assumptions and methods used for the June 30, 2025, and all prior actuarial valuations were recommended by the System's actuary and adopted by the Board. Consistent with the requirements of GASB Statement No. 67, the factors impacting the ADC and any changes to the factors that significantly affect trends in the reported schedules must be disclosed for 10 years.

Actuarial Demographic Assumptions

Schedule of Changes to Actuarial Demographic Assumptions
For the Years Ended June 30, 2016 - 2025

Year Ended June 30	Mortality	Mortality Improvement
2023-2025	CalPERS 2000-2019 Experience Study	Mortality Improvement Scale 80% Scale MP-2021
2022	CalPERS 2000-2019 Experience Study	Mortality Improvement Scale 80% Scale MP-2020
2018-2021	CalPERS 1997-2015 Experience Study	Mortality Improvement Scale MP-2017
2016-2017	CalPERS 1997-2011 Experience Study	Modified MP-2014, to converge to ultimate mortality improvement rates in 2022

NOTE 3 – ACTUARIAL ASSUMPTIONS (Continued)

Actuarial Demographic Assumptions (Continued)

Schedule of Changes to Actuarial Demographic Assumptions
For the Years Ended June 30, 2016 - 2025

Year Ended June 30	Retirees & Beneficiaries					
	Service	Disability	Beneficiaries*	Subtotal Retirees & Beneficiaries	Active Members	Total Members
2025	51	43	66	*160*	-	160
2024	54	48	70	*172*	-	172
2023	59	53	71	*183*	-	183
2022	61	57	75	*193*	-	193
2021	67	63	49	*179*	-	179
2020	72	67	55	*194*	-	194
2019	74	71	59	*204*	-	204
2018	79	75	58	*212*	-	212
2017	82	79	56	*217*	-	217
2016	90	84	59	*233*	-	233

**Alternative payee data for Domestic Relations Order agreements provided separately from employee-retiree for first time in 6/30/22 valuation. Benefits for these alternative payees previously included in the corresponding retiree's benefits. All DRO agreements provide benefits to the alternative payees for the lifetime of the System's retiree.*

Actuarial Methods

Schedule of Actuarial Cost and Amortization Methods
For the Years Ended June 30, 2016 - 2025

Year Ended June 30	Actuarial Cost Method	Amortization Method	Remaining Amortization Period	Asset Valuation Method
2016-20245	Entry Age Normal Cost	Level Dollar Open Period	5-year	Investment gains and losses smoothed over 5-year fixed period

NOTE 3 – ACTUARIAL ASSUMPTIONS (Continued)

Actuarial Economic Assumptions

Schedule of Changes to Actuarial Economic Assumptions
For the Years Ended June 30, 2016 - 2025

Year Ended June 30	Discount Rate	Invest. Expenses	Admin. Expenses	Inflation	Cost of Living	Salary Increase	Employee Contrib. Rate	Notes
2025	4.75%	15 bp	50 bp	2.50%	3.00%	N/A	N/A	No changes made from 6-30-23 assumptions, with the exception of the 4% decrease (to 3%) in the cost of living adjustment.
2024	4.75%	15 bp	50 bp	2.50%	7.00%	N/A	N/A	No changes made from 6-30-23 assumptions, with the exception of the 3% increase (to 7%) in the cost of living adjustment.
2023	4.75%	15 bp	50 bp	2.50%	4.00%	N/A	N/A	No changes made from 6-30-22 assumptions, with the exception of the 2% increase (to 4%) in the cost of living adjustment.
2022	4.75%	15 bp	50 bp	2.50%	2.00%	N/A	N/A	The funding discount rate was decreased to 4.75%, investment expenses to 15 bp, inflation to 2.50%, expected rate of return to 5.25%, and 1% decrease (to 2%) in the cost of living adjustment.
2021	5.25%	40 bp	50 bp	2.75%	3.00%	N/A	N/A	No changes made from 6-30-20 assumptions, with the exception of the 1% decrease (to 3%) in the cost of living adjustment.
2020	5.25%	40 bp	50 bp	2.75%	4.00%	N/A	N/A	No changes made from 6-30-19 assumptions, with the exception of the 1% increase (to 4%) in the cost of living adjustment.
2019	5.25%	40 bp	50 bp	2.75%	3.00%	N/A	N/A	No changes made from 6-30-18 assumptions, with the exception of the 1% increase (to 3%) in the cost of living adjustment.
2018	5.25%	40 bp	50 bp	2.75%	2.00%	N/A	N/A	The funding discount rate was decreased to 5.25%, inflation to 2.75%, expected rate of return to 5.75% and 1% increase in the cost of living adjustment (to 2%). The expected return changed due to change in Capital Market Assumptions. The model predicts that the Expected Long-Term Nominal Net Rate of Return (Rate of Return before factoring in inflation but after subtracting investment fees) is only estimated to be between 5.61% and 5.83%.
2017	6.00%	40 bp	50 bp	3.00%	1.00%	N/A	N/A	No changes made from 6-30-15 assumptions.
2016	6.00%	40 bp	50 bp	3.00%	1.00%	N/A	N/A	No changes made from 6-30-15 assumptions.

Sources are the Board-approved valuations, as prepared by Bartel Associates, LLC (June 30, 2016-2021) and Foster & Foster, Inc (June 30, 2022-2025).

For the June 30, 2008 and 2009 valuations, the Discount and Inflation Rates were the averages of the '37 Act Counties.
Beginning with the June 30, 2009 valuation, all members were retired; salary increase rates and employee contribution rates were N/A.

NOTE 3 – ACTUARIAL ASSUMPTIONS (Continued)

Actuarial Economic Assumptions (Continued)

Schedule of Changes to Actuarial Economic Assumptions
Target Asset Allocation & Expected Long-Term Geometric Real Rates of Return
For the Years Ended June 30, 2016 - 2025

	Target Asset Allocation, Year Ended June 30									
Asset Class	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Domestic Equity - Large Cap	N/A	16%	16%	16%	16%	16%	16%	16%	17%	20%
Domestic Equity - Small Cap	N/A	4%	4%	4%	4%	4%	4%	4%	4%	5%
Total Domestic Equity	20%	20%	20%	20%	20%	20%	20%	20%	21%	25%
Foreign Equity	20%	20%	20%	20%	20%	20%	20%	20%	21%	15%
Fixed Income	35%	20%	20%	25%	25%	25%	25%	25%	25%	28%
TIPS	5%	5%	5%	5%	5%	5%	5%	5%	5%	N/A
Short-Term Investment-Grade Bonds	N/A	10%	10%	10%	10%	10%	10%	10%	13%	10%
Bank Loans	5%	10%	10%	5%	5%	5%	5%	5%	5%	5%
Alternative (Hedge Fund)	5%	5%	5%	5%	5%	N/A	N/A	N/A	N/A	7%
Alternative (Risk Parity)	N/A	N/A	N/A	N/A	N/A	5%	5%	5%	N/A	N/A
Real Estate	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Cash Equivalents	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Total Portfolio	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

	Expected Long-Term Geometric Real Rates of Return									
Asset Class	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Domestic Equity - Large Cap	N/A	N/A	4%	4.36%	4.36%	4.36%	3.77%	3.77%	3.77%	3.77%
Domestic Equity - Small Cap	N/A	N/A	5%	5.18%	5.18%	5.18%	4.45%	4.45%	4.45%	4.45%
Total Domestic Equity	5.00%	5.00%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Foreign Equity	5.00%	5.00%	4.60%	4.60%	4.60%	4.60%	4.41%	4.41%	4.41%	4.41%
Fixed Income	0.74%	0.74%	1.47%	1.47%	1.47%	1.47%	0.53%	0.53%	0.53%	0.53%
TIPS	0.20%	0.20%	1.29%	1.29%	1.29%	1.29%	-0.24%	-0.24%	-0.24%	-0.24%
Short-Term Investment-Grade Bonds	N/A	0.74%	1.26%	1.26%	1.26%	1.26%	0.05%	0.05%	0.05%	0.05%
Bank Loans	0.74%	0.74%	3.10%	3.10%	3.10%	3.10%	1.64%	1.64%	1.64%	1.64%
Alternative (Hedge Fund)	3.14%	3.14%	2.79%	2.79%	2.79%	N/A	N/A	N/A	N/A	2.64%
Alternative (Risk Parity)	N/A	N/A	N/A	N/A	N/A	2.79%	3.38%	3.38%	3.38%	N/A
Real Estate	4.25%	4.25%	3.04%	3.04%	3.04%	3.04%	3.81%	3.81%	3.81%	3.81%
Cash Equivalents	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Inflation	3.00%	3.00%	2.75%	2.75%	2.75%	2.75%	2.50%	2.50%	2.50%	2.50%
Discount Rate	6.50%	6.50%	5.75%	5.75%	5.75%	5.75%	5.25%	5.25%	5.25%	5.25%

Sources are the Board-approved actuarial valuations, as prepared by Bartel Associates, LLC (June 30, 2016-2021) & Foster & Foster, Inc. (June 30, 2022-2025).

For the June 30, 2016-2017 valuations, Discount Rate assumes no cash reserve and is net of investment expenses; the expected rates of return are based on CalPERS investment advisors' 2013 capital market assumptions.

For the June 30, 2018-2021 valuations, the expected rates of return are based on CalPERS investment advisors' 2017 capital market assumptions.

For the June 30, 2022-2025 valuations, the expected rates of return are based on CalPERS investment advisors' 2021 capital market assumptions.

For Domestic Equity, Bartel Associates, LLC started breaking out large and small cap for the target asset allocation in 2017 and for the expected long-term geometric real rates of return in 2018.

OTHER SUPPLEMENTARY INFORMATION

PASADENA
FIRE &
POLICE
RETIREMENT
SYSTEM

PASADENA FIRE & POLICE RETIREMENT SYSTEM
OTHER SUPPLEMENTARY INFORMATION

ADDITIONS BY SOURCE AND DEDUCTIONS BY TYPE

ADDITIONS BY SOURCE
(In Thousands)

Fiscal Year	Employer Contributions	Net Investment Income (Loss)*	Total
2025	$ -	$ 9,520	$ 9,520
2024	-	6,220	6,220
2023	-	5,013	5,013
2022	-	(10,612)	(10,612)
2021	-	22,354	22,354
2020	23,137	3,394	26,531
2019	-	5,923	5,923
2018	-	6,656	6,656
2017	-	12,514	12,514
2016	-	49	49

**There is a difference in Fiscal Year 2025 from the stated balance compared to the financial statements (9,519) due to implementation of GASB 101*

Sources are the Board-approved actuarial valuations and GASB 67 reports, as prepared by Bartel Associates, LLC (June 30, 2016-2021) & Foster & Foster, Inc. (June 30, 2022-2025).

DEDUCTIONS BY TYPE
(In Thousands)

Fiscal Year	Benefits	Administrative Expenses	Total
2025	$ 11,753	$ 390	$ 12,143
2024	12,250	318	12,568
2023	11,954	344	12,298
2022	12,072	340	12,412
2021	12,506	327	12,833
2020	12,773	321	13,094
2019	12,824	257	13,081
2018	12,815	274	13,089
2017	13,118	300	13,418
2016	13,448	301	13,749

Sources are the Board-approved actuarial valuations and GASB 67 reports, as prepared by Bartel Associates, LLC (June 30, 2016-2021) & Foster & Foster, Inc. (June 30, 2022-2025).

COMPARATIVE INFORMATION FROM PRIOR FISCAL YEARS
INTEREST RATE RISK EFFECTIVE DURATION BY ASSET MANAGER (UNAUDITED)

MetWest Fixed Income Asset Manager
Effective Duration

June 30, 2025			
Market Value	Duration	Benchmark	% Under/Over
$29,401,257	6.26 Years	5.82 Years	7.6%

June 30, 2024			
Market Value	Duration	Benchmark	% Under/Over
$23,947,298	7.04 Years	6.31 Years	11.6%

June 30, 2023			
Market Value	Duration	Benchmark	% Under/Over
$25,120,569	7.03 Years	6.31 Years	11.4%

June 30, 2022			
Market Value	Duration	Benchmark	% Under/Over
$26,646,579	6.52 Years	6.44 Years	1.2%

June 30, 2021			
Market Value	Duration	Benchmark	% Under/Over
$33,325,246	6.06 Years	6.58 Years	-7.9%

June 30, 2020			
Market Value	Duration	Benchmark	% Under/Over
$28,338,102	5.41 Years	6.04 Years	-10.4%

June 30, 2019			
Market Value	Duration	Benchmark	% Under/Over
$27,496,065	5.72 Years	5.73 Years	-0.2%

June 30, 2018			
Market Value	Duration	Benchmark	% Under/Over
$23,701,251	6.12 Years	6.01 Years	2%

June 30, 2017			
Market Value	Duration	Benchmark	% Under/Over
$24,131,769	5.62 Years	6.01 Years	-6%

June 30, 2016			
Market Value	Duration	Benchmark	% Under/Over
$43,100,920	4.82 Years	5.47 Years	-12%

Source is the June 30, 2016-2025 Investment Performance Reviews by asset manager MetWest.