

City of Sacramento
Administration, Investment, & Fiscal Management
Board Report
915 I Street Sacramento, CA 95814
www.cityofsacramento.org

File ID: 2026-01004

5/21/2026

Interest Rate to Credit Member Accounts for Fiscal Year 2026/2027

File ID: 2026-01004

Location: Citywide

Recommendation: Adopt a **Resolution** establishing the interest rate to be credited to member accounts for Fiscal Year 2026/2027 in the amount of 7.50%.

Contact: Patrick Zalasky, Senior Investment Officer, (916) 808-5832,
pzalasky@cityofsacramento.org, City Treasurer's Office

Presenter: Patrick Zalasky, Senior Investment Officer, (916) 808-5832,
pzalasky@cityofsacramento.org, City Treasurer's Office

Attachments:

- 1-Description/Analysis
- 2-AIFM Staff Report
- 3-AIFM FY 2026/2027 Interest Rate Credit Resolution
- 4-Exhibit A

Description/Analysis

Issue Detail: The Board annually determines and adopts an interest rate to be used to calculate credits to Sacramento City Employees' Retirement System (the "System") member accounts.

Policy Considerations: Charter Section 387 requires that the Board determine an interest rate for purposes of crediting interest to member accounts during the next fiscal year. The rate adopted must bear a reasonable relationship to the realized, actual rate of return on investments.

Economic Impacts: None.

Environmental Considerations: None.

Sustainability: None.

Commission/Committee Action: None.

Rationale for Recommendation: In fulfillment of its responsibility under Charter Section 387, the Board established a methodology to calculate the required interest rate that bears a reasonable relationship to the actual rate of return on the investment of the System's assets. The interest rate recommended for adoption by the Board is based upon this methodology.

Financial Considerations: The Board's approved methodology for determining the required interest rate is to establish the three-year moving average net rate of return of the invested assets. This amount is then reduced by 20 basis points, and the difference is rounded down to the next quarter of a percent. This methodology is set forth in Recital B of the accompanying Board resolution as the basis for the Board's interest rate determination. Pursuant to the foregoing methodology, the recommended interest rate is 7.50%.

Local Business Enterprise (LBE): Not Applicable.



**REPORT TO
Administration, Investment and Fiscal
Management Board
City of Sacramento**

915 I Street, Sacramento, CA 95814-2604
www.CityofSacramento.org

STAFF REPORT
May 21, 2026

**Honorable Members of the
Administration, Investment, and Fiscal Management Board**

Title: Interest Rate to Credit Member Accounts for Fiscal Year 2026/2027

Recommendation: Adopt a resolution establishing the interest rate to be credited to member accounts for Fiscal Year 2026/2027 in the amount of 7.50%

Contact: Patrick Zalasky, Senior Investment Officer
City Treasurer's Office, (916) 808- 5832

Presenter(s): Patrick Zalasky

Department: City Treasurer's Office

Division: Investment and Cash Management

Organization No: 08000

Description/Analysis

Issue: The Board annually determines and adopts an interest rate to be used to calculate credits to Sacramento City Employees' Retirement System (the "System") member accounts.

Policy Considerations: Charter Section 387 requires that the Board determine an interest rate for purposes of crediting interest to member accounts during the next fiscal year. The rate adopted must bear a reasonable relationship to the realized, actual rate of return on investments.

Environmental Considerations: None

Commission/Committee Action: None

Rationale for Recommendation: In fulfillment of its responsibility under Charter Section 387, the Board established a methodology to calculate the required interest rate that bears a reasonable relationship to the actual rate of return on the investment of the System's assets. The interest rate recommended for adoption by the Board is based upon this methodology.

Financial Considerations: The Board's approved methodology for determining the required interest rate is to establish the three-year moving average net rate of return of the invested assets. This amount is then reduced by 20 basis points, and the difference is rounded down to the next quarter of a percent. This methodology is set forth in Recital B of the accompanying Board resolution as the basis for the Board's interest rate determination. Pursuant to the foregoing methodology, the recommended interest rate is 7.50%

Emerging Small Business Development (ESBD): Not applicable

Respectfully Submitted by: Patrick Zalasky 4/29/26
Patrick Zalasky, Senior Investment Officer

Approved by: John P. Colville Jr.
John Colville, City Treasurer

Recommendation Approved:

John P. Colville Jr.
John Colville, City Treasurer

Background

The interest rate for crediting to members' accounts is currently 8.00%.

For the fiscal years ending June 30, 2023, June 30, 2024, and June 30, 2025, the three-year moving average actual rate of return on investable assets was 7.796%. The relevant information required for the calculation of this rate was assembled and analyzed by the City's Finance Department and is shown on the attached Exhibit A.

Based on the Board's methodology described in the Financial Consideration section of this staff report and repeated in Recital B of the attached resolution, the computation for the revised interest rate credited to members' accounts is as follows:

Three-year average actual rate of return	7.796%
Less: 20 basis points	<u>(.200)%</u>
Subtotal	7.596%
Rounded down to next quarter of a percent	<u>7.500%</u>

The Board's methodology results in an interest rate of 7.50% (compared to the existing 8.00% interest rate). Accordingly, staff recommends that the interest rate be 7.50% and be credited for the 2026-2027 Fiscal Year.

RESOLUTION NO. 2026-003

Adopted by the Administration, Investment, and Fiscal Management Board of the Sacramento City Employees' Retirement System on May 21, 2026

A RESOLUTION APPROVING INTEREST RATE TO CREDIT MEMBER ACCOUNTS FOR FISCAL YEAR 2026/2027

BACKGROUND

- A. Charter Section 387 requires, for purposes of crediting interest to member accounts, that the Board determine an interest rate that is reasonably related to the actual rate of return on invested assets of the Sacramento City Employees' Retirement System.
- B. The Board's policy and methodology for determining the interest rate credit is to establish the three-year moving average net rate of return of the invested assets, then reduce that amount by 20 basis points, and then round the difference down to the next quarter of a percent.
- C. The three-year moving average actual rate of return is 7.796%.
- D. The computation of the interest rate pursuant to the methodology set forth in Recital B above results in an interest rate of 7.50%.
- E. Given the resulting computation of the interest rate, 7.50% should be the Interest rate to apply to member accounts.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE ADMINISTRATION, INVESTMENT, AND FISCAL MANAGEMENT BOARD RESOLVES AS FOLLOWS:

Section 1. The interest rate to be credited to member accounts shall be 7.50%, effective July 1, 2026 and thru June 30, 2027

Peter Coletto, Chair

ATTEST:

, Secretary to the Board

SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
ANALYSIS OF NET INVESTMENT INCOME
As of June 30, 2025

Description	Fiscal Year ended June 30, 2025			Fiscal Year ended June 30, 2024			Fiscal Year ended June 30, 2023		
	Investments (Amortized Cost)	Investments (Fair Value)	Investment Income	Investments (Amortized Cost)	Investments (Fair Value)	Investment Income	Investments (Amortized Cost)	Investments (Fair Value)	Investment Income
Corporate bonds	75,078,789	67,855,345	2,669,703	67,965,336	58,326,240	2,255,240	60,799,839	50,763,478	2,242,411
Equities and exchange traded funds	78,848,783	152,628,929	2,672,557	90,362,850	157,309,785	3,314,591	112,755,733	167,096,455	3,249,129
Mortgage loans	-	-	-	-	-	-	274,343	274,343	-
Investment Trust of California (CalTRUST)	-	-	-	1,643,777	1,643,777	-	-	-	-
Money market mutual funds	395,252	395,252	-	4,882,197	4,882,197	-	-	-	-
Municipal bonds	23,127,129	22,312,408	877,860	24,149,611	22,998,782	889,270	23,481,324	22,448,683	991,641
U.S. Government obligations	4,679,734	4,589,799	180,581	2,892,865	2,758,703	106,668	1,260,109	1,128,547	49,852
U.S. Treasury bonds	4,441,365	3,952,416	155,504	4,671,785	4,152,672	160,567	3,406,831	2,971,413	131,258
Subtotal	186,571,052	251,734,148	6,556,205	196,568,421	252,072,155	6,726,335	201,978,179	244,682,919	6,664,291
Cash and cash equivalents	2,626,000	2,626,000	26,197	2,547,000	2,547,000	70,830	4,414,000	4,414,000	103,178
Subtotal	189,197,052	254,360,148	6,582,403	199,115,421	254,619,155	6,797,165	206,392,179	249,096,919	6,767,469
Additional investment revenues (expenses):									
Net gain on disposition of assets			9,621,665			10,330,132			8,697,907
Annual change in unrealized gains/losses			9,734,362			13,007,995			8,827,038
Investment expenses			(1,050,050)			(1,026,180)			(989,137)
Balance per financial statements	189,197,052	254,360,148	24,888,379	199,115,421	254,619,155	29,109,111	206,392,179	249,096,919	23,293,277
Less Items not included in rate of return calculation:									
Annual change in unrealized gains/losses			(9,734,362)			(13,007,995)			(8,827,038)
Total	189,197,052	254,360,148	15,154,017	199,115,421	254,619,155	16,101,116	206,392,179	249,096,919	14,466,239
Net rate of return = I/(A+B-I)/2	8.122%			8.270%			6.998%		
3 Year average net rate of return (based on amortized cost)	7.796%			8.343%			8.751%		

I = Net investment income
A = Beginning net investable assets (at amortized cost)
B = Ending net investable assets (at amortized cost)

Objective: This workpaper calculates moving three year average rate of return on amortized cost basis for purpose of crediting interest to member contribution accounts