LAFCO *of Monterey County*

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

132 W. Gabilan Street, #102
Salinas, CA 93901

P. O. Box 1369
Salinas, CA 93902

Voice: 831-754-5838

www.monterey.lafco.ca.gov

AGENDA
LAFCO Budget & Finance Committee Meeting

Monday, September 18, 2023
2:00 p.m. – 4:00 p.m.

LAFCO OFFICE
132 W. Gabilan Street, Suite #102
Salinas, California

This meeting will be conducted in person at the LAFCO Office. The public may attend the meeting or participate remotely by Zoom app.

Instructions for Remote Public Participation

1. **To View or Participate in the Meeting:** Use the Zoom app on your smart phone, laptop, tablet or desktop and click on this link: https://montereycty.zoom.us/j/93817330164

   The meeting ID is: 938 1733 0164. There is no password. To make a public comment, please "Raise your Hand."

2. **To Participate by Phone**: Please call: **+1 669 900 6833**
   Enter the meeting ID: 938 1733 0164 when prompted. There is no participant code – just enter the meeting id and the pound sign # after the recording prompts you. To make a public comment by phone, please push *9 on your phone keypad.

3. **To Make Remote Public Comments Via Email**: Written comments can be emailed to the Clerk to the Commission at: malukis@monterey.lafco.ca.gov. Please include the following Subject Line: "*Public Comment – Agenda Item #__*. Written comments must be received by noon on the day of the meeting. All submitted comments will be provided to the Committee for consideration, compiled as part of the record, and may be read into the record.

PLEASE NOTE: If all Committee Members are present in person, public participation by Zoom is for convenience only and is not required by law. If the Zoom feed is lost for any reason, the meeting may be paused while a fix is attempted but the meeting may continue at the discretion of the Chairperson.

AGENDA
BUDGET & FINANCE COMMITTEE MEETING
Monday, September 18, 2023

Call to Order

Roll Call

Public Comments

Anyone may address the Committee briefly concerning items not already on the agenda.

New Business

1. Consider Draft Year-End Financial Statements for Fiscal Year Ending June 30, 2023.
   Recommended Action: Discuss draft report for information only.
   (CEQA: Not a Project under California Environmental Quality Act Guidelines Section 15378).

2. Consider Draft Balance Sheet as of August 31, 2023 and Draft Income Statement through August 31, 2023.
   Recommended Action: Discuss draft reports for information only.
   (CEQA: Not a Project under California Environmental Quality Act Guidelines Section 15378).

3. Consider Actuarial Report on Government Accounting and Financial Reporting for Post-Employment Benefits Other than Pension (OPEB) Liability, as required by Statement 75 of the Government Accounting Standards Board (GASB 75), for the Fiscal Year Ending June 30, 2023.
   Recommended Action: Discuss report for information only.
   (CEQA: Not a Project under California Environmental Quality Act Guidelines Section 15378).

4. Consider CalPERS Retirement Plan Actuarial Valuation Reports for Fiscal Year Ending June 30, 2022, dated July 2023.
   Recommended Action: Discuss reports and recommend that the full Commission authorize the pay-off of unfunded pension liabilities at its next regular LAFCO meeting, as follows:

   a. Pay-off the Classic Miscellaneous Plan unfunded pension liability balance by October 16, 2023 in the approximate amount of $139,857.48, from equity in the Unreserved Fund Balance; and

   b. Pay-off the PEPRA Miscellaneous Plan unfunded pension liability balance by October 16, 2023 in the approximate amount of $12,641.43, from equity in the Unreserved Fund Balance.

   (CEQA: Not a Project under California Environmental Quality Act Guidelines Section 15378).

5. Consider Litigation Reserve Fund Update
   Recommended Action: Discuss report for information only.
   (CEQA: Not a Project under California Environmental Quality Act Guidelines Section 15378).

6. Consider Accounting Services.
   Recommended Action: Receive report and discuss options for provision of accounting and related services.
   (CEQA: Not a Project under California Environmental Quality Act Guidelines Section 15378).

Executive Officer Announcements

The Executive Officer may provide oral or written announcements about current LAFCO activities, for information only.

Adjournment

The Political Reform Act requires that a participant in a LAFCO of Monterey County proceeding who has a financial interest in a change of organization or reorganization proposal and who has made a campaign contribution of more than $250 to any commissioner in the past year must disclose the contribution. If you are affected, please notify the Commission's staff before the meeting.

Pursuant to Government Code Section 54957.5, public records that relate to open session agenda items that are distributed to a majority of the Commission less than seventy-two (72) hours prior to the meeting will be made available to the public on the LAFCO of Monterey County website at www.monterey.lafco.ca.gov.

AMERICANS WITH DISABILITIES ACT (ADA): *All regular and special meeting agendas and associated reports are available at www.monterey.lafco.ca.gov. Any person with a disability under the ADA may receive a copy of the agenda or associated reports upon request. Any person with a disability covered under the ADA may also request a disability-related modification or accommodation, including auxiliary aids or services, to participate in a public meeting. Requests for copies of meeting documents and accommodations shall be made with LAFCO of Monterey County staff at (831) 754-5838 at least three business days prior to the respective meeting.*

AGENDA ITEM NO. 1

LAFCO *of Monterey County*

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

LOCAL AGENCY FORMATION COMMISSION
P.O. Box 1369 | 132 W. Gabilan Street, Suite 102
Salinas, CA 93902 | Salinas, CA 93901
Telephone (831) 754-5838 | www.monterey.lafco.ca.gov

KATE McKENNA, AICP
Executive Officer

DATE: September 18, 2023

TO: Chair and Members of the Budget and Finance Committee

FROM: Kate McKenna, AICP, Executive Officer

SUBJECT: Draft Financial Statements for Fiscal Year Ending June 30, 2023.

CEQA: Not a Project under California Environmental Quality Act Guidelines Section 15378.

SUMMARY OF RECOMMENDATION:

Discuss draft report for information only.

EXECUTIVE OFFICER'S REPORT:

Attached are the draft year-end financial statements dated June 30, 2023. Prepared by CliftonLarsonAllen, LLP, the information is in progress as year-end financials will be reconciled with the annual audit in coming weeks. Mr. Mike Briley, CPA, CGMA, Managing Principal of the firm, will join me in presenting the information on September 18.

Reconciled year-end financials will be presented for Committee review on November 8 and full Commission approval on December 4.

Respectfully Submitted,

Kate McKenna

Kate McKenna, AICP
Executive Officer

Attachments:
1.1 Draft Financial Statements for Fiscal Year ending June 30, 2023, prepared on August 29, 2023, CliftonLarsonAllen, LLP

Attachment 1.1

Local Agency Formation Commission of Monterey County Financial Statements June 30, 2023

LOCAL AGENCY FORMATION COMMISSION
OF MONTEREY COUNTY

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CliftonLarsonAllen LLP
CLAconnect.com

Accountant's Compilation Report

To the Chair and Commissioners
Local Agency Formation Commission
LAFCO of Monterey County
Salinas, California

Management is responsible for the financial statements of the Local Agency Formation Commission of Monterey County (LAFCO), as of and for the twelve months ended June 30, 2023, included in the accompanying prescribed form in accordance with the requirements of LAFCO. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the financial statements included in the accompanying prescribed form, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion or a conclusion, nor provide any form of assurance on the financial statements included in the accompanying prescribed form.

The financial statements included in the accompanying prescribed form are presented in accordance with the requirements of LAFCO and are not intended to be a presentation in accordance with accounting principles generally accepted in the United States of America.

This report is intended solely for the information and use of LAFCO and is not intended to be, and should not be, used by anyone other than these specified parties.

We are not independent with respect to LAFCO.

CliftonLarsonAllen LLP

August 29, 2023
Salinas, CA

LAFCO of Monterey County
Balance Sheets
June 30, 2023 and 2022

ASSETS

	ACCT #	2023	2022
CURRENT ASSETS:			
Cash Held in Bank:			
Wells Fargo Operating	1007	$ 155,787.00	$ 189,424.79
Total Cash Held in Bank		155,787.00	189,424.79
Cash Held in County Treasury:			
Cash Held for Operating Expenses	1010	605,668.67	334,959.26
Designated Cash for Reserve for Litigation	1012	135,485.74	264,588.01
Designated Cash for Accrued Leave	1013	80,419.32	68,104.13
Designated Cash for Post Retirement (GASB 75)	1014	75,064.00	85,475.00
Designated Cash for Reserve for Contingency	1015	269,914.00	258,357.00
Restricted Cash for FORA Litigation	1020	346,147.46	344,801.42
Total Cash Held in County Treasury		1,512,699.19	1,356,284.82
Petty Cash	1100	300.00	300.00
Total Cash		1,668,786.19	1,546,009.61
Other Current Assets:			
Prepaid Insurance	1400	12,283.26	11,273.41
Prepaid Expenses	1405	13,309.84	11,249.11
Total Other Current Assets		25,593.10	22,522.52
Total Current Assets		1,694,379.29	1,568,532.13
NON-CURRENT ASSETS:			
Equipment	1500	57,801.99	57,801.99
Accumulated Depreciation	1550	(53,350.69)	(49,333.74)
Total Non-Current Assets		4,451.30	8,468.25
DEFERRED OUTFLOWS OF RESOURCES (GASB 68):			
Deferred Outflows of Resources - PERS Contributions	1800	59,328.29	46,559.54
Deferred Outflows of Resources - Actuarial	1805	243,400.87	262,201.83
Total Deferred Outflows of Resources (GASB 68)		302,729.16	308,761.37
DEFERRED OUTFLOWS OF RESOURCES (GASB 75):			
Deferred Outflows of Resources - OPEB Contributions	1810	1,800.00	1,752.00
Deferred Outflows of Resources - OPEB Actuarial	1815	5,754.00	7,238.00
		7,554.00	8,990.00
		$ 2,009,113.75	$ 1,894,751.75

LIABILITIES AND EQUITY

	ACCT #	2023	2022
CURRENT LIABILITIES:			
Accounts Payable	2000	$ 54,791.08	$ 15,826.10
Deferred Fees Revenue	2010	121,282.00	-
Payroll Liabilities	2200	168.00	294.00
Accrued Leave	2220	80,419.32	68,104.13
Dissolution of FORA Legal Liability	2380	346,147.46	344,801.42
Dissolution of FORA Admin Liability	2381	54,348.50	56,022.50
Total Current Liabilities		657,156.36	485,048.15
NON-CURRENT LIABILITIES:			
Net Pension Liability/(Asset) (GASB 68)	2400	57,558.59	(262,199.19)
Net OPEB Liability/(Asset) (GASB 75)	2410	75,064.00	85,475.00
Total Non-Current Liabilities		132,622.59	(176,724.19)
DEFERRED INFLOWS OF RESOURCES (GASB 68):	2500	40,784.66	9,278.43
DEFERRED INFLOWS OF RESOURCES (GASB 75):	2505	56,930.00	52,790.00
EQUITY:			
Invested in Capital Assets	3700	4,451.30	8,468.25
Encumbered Funds	3710	70,749.02	70,749.02
Reserve for Litigation	3800	135,485.74	264,588.01
Reserve for Contingency	3810	269,914.00	258,357.00
Restricted for Pension	3825	-	262,199.19
Unreserved Fund*	3850	641,020.08	659,997.89
Total Equity		1,121,620.14	1,524,359.36
		$ 2,009,113.75	$ 1,894,751.75

*Includes revenue received in the current year to be used for operating expenses through 6/30/23

LAFCO of Monterey County
Income and Expense Budget Performance - Summary
June 30, 2023

ACCT #		June 23	June 22	% of Budget Received/ Spent June 23	July 22-June 23	July 21-June 22	Adopted 22/23 Budget	Remaining Budget Balance	% of Remaining Budget Balance
	Income:								
4000	Fees: Project	$ 8,892.00	$ 7,950.00	88.92%	$ 38,822.00	$ 179,371.62	$ 10,000.00	$ 28,822.00	288.22%
4205	County Contributions	-	-	0.00%	354,931.00	298,814.00	354,931.00	-	0.00%
4210	City Contributions	-	-	0.00%	354,930.99	298,813.00	354,931.00	(0.01)	0.00%
4220	District Contributions	-	-	0.00%	354,928.00	298,814.00	354,931.00	(3.00)	0.00%
4249	FORA Administrative Revenue	85.50	1,072.50	0.00%	1,674.00	5,362.50	-	1,674.00	0.00%
4300	Interest	17.21	1,893.20	0.35%	19,092.74	5,447.50	4,862.00	14,230.74	292.69%
	Total Income	8,994.71	10,915.70	0.83%	1,124,378.73	1,086,622.62	1,079,655.00	44,723.73	4.14%
	Expense:								
VAR	Employee Salaries	45,327.21	38,257.93	8.18%	550,033.90	442,716.22	554,169.00	4,135.10	0.75%
VAR	Employee Benefits	369,200.33	(434,548.67)	155.83%	610,375.01	(261,042.30)	236,928.00	(373,447.01)	-157.62%
7000	Postage and Shipping	974.56	479.06	25.62%	4,890.32	5,929.84	3,804.00	(1,086.32)	-28.56%
7010	Books and Periodical	-	-	0.00%	1,151.40	1,323.36	1,621.00	469.60	28.97%
7030	Copy Machine	359.48	466.09	3.11%	5,913.87	6,506.94	11,576.00	5,662.13	48.91%
7040	Outside Printers	-	-	0.00%	-	667.88	1,300.00	1,300.00	100.00%
7060	Office Supplies	141.65	789.99	2.04%	3,843.40	2,880.79	6,946.00	3,102.60	44.67%
7070	Office Equipment & Furnishings	226.14	-	11.62%	226.14	273.11	1,946.00	1,719.86	88.38%
7080	Computer Hardware/Peripherals	1,770.27	172.62	30.58%	4,581.10	3,709.08	5,789.00	1,207.90	20.87%
7085	Computer Support Svcs Fixed Costs	-	936.88	0.00%	13,613.40	10,726.79	12,155.00	(1,458.40)	-12.00%
7090	Computer Support Svcs Variable Costs	-	3,736.00	0.00%	1,565.00	4,555.00	6,948.00	5,383.00	77.48%
7100	Computer Software	-	-	0.00%	644.84	579.84	1,216.00	571.16	46.97%
7105	Meeting Broadcast Services	900.00	-	18.51%	3,998.75	-	4,863.00	864.25	17.77%
7110	Property and Gen Liability Insurance	640.63	594.16	7.36%	7,686.57	7,129.37	8,700.00	1,013.43	11.65%
7120	Office Maintenance Services	-	-	0.00%	168.00	328.00	463.00	295.00	63.71%
7140	Travel	-	-	0.00%	13,400.36	-	13,450.00	49.64	0.37%
7150	Training, Conferences & Workshops	200.00	360.00	2.43%	8,763.79	540.00	8,238.00	(525.79)	-6.38%
7160	Vehicle Mileage	238.16	-	15.12%	429.10	-	1,575.00	1,145.90	72.76%
7170	Rental of Buildings	2,397.69	2,397.69	8.33%	28,772.28	28,772.28	28,772.00	(0.28)	0.00%
7200	Telephone Communications	218.54	409.22	2.70%	4,533.84	4,045.79	8,104.00	3,570.16	44.05%
7230	Temp Help Services (Clerical)	-	-	0.00%	-	37,440.38	-	-	0.00%
7240	Outside Prof. Services: Other	-	-	0.00%	8,825.00	75,180.00	25,000.00	16,175.00	64.70%
7242	Outside Prof. Services: Accounting	5,000.00	4,800.00	8.33%	59,800.00	60,400.00	60,000.00	200.00	0.33%
7242A	Outside Prof. Services: General Admin and HR	400.00	400.00	2.70%	4,800.00	6,640.00	14,800.00	10,000.00	67.57%
7245	General and Special Legal Services	4,017.40	996.30	20.94%	21,803.40	94,043.40	19,182.00	(2,621.40)	-13.67%
7247	Outside Prof. Services: Human Resources	-	-	0.00%	-	-	5,789.00	5,789.00	100.00%
7248	Outside Prof. Services: Annual Audit	-	-	0.00%	20,000.00	14,500.00	20,000.00	-	0.00%
7250	Miscellaneous Office Expense	28.16	43.74	2.43%	681.26	525.93	1,158.00	476.74	41.17%
7260	Legal Notices	-	-	0.00%	1,663.50	4,028.97	4,863.00	3,199.50	65.79%
7270	Recruitment Advertising	-	-	0.00%	-	675.00	1,000.00	1,000.00	100.00%
7280	LAFCO Memberships	-	-	0.00%	9,137.00	8,839.01	9,300.00	163.00	1.75%
7290	Litigation Reserve	765.90	23,088.63	0.00%	129,102.27	35,448.50	-	(129,102.27)	0.00%
7300	Depreciation	332.00	364.00	0.00%	4,016.95	4,543.37	-	(4,016.95)	0.00%
	Total Expense	433,138.12	(356,256.36)	40.12%	1,524,420.45	601,906.55	1,079,655.00	(444,765.45)	-41.20%
	Net Ordinary Income (Loss)	(424,143.41)	367,172.06		(400,041.72)	484,716.07	-		
	Other Income/(Expense):								
8106	Prior Year Project Fees Returned	-	-		(2,697.50)	(218.25)	-		
8115	Encumbered Funds: Temp Professional Services	-	-		-	(3,437.50)	-		
	Total Other Income/(Expense)	-	-		(2,697.50)	(3,655.75)	-		
	Net Income (Loss)	$ (424,143.41)	$ 367,172.06		$ (402,739.22)	$ 481,060.32	$ -		

See Accountants' Compilation Report

LAFCO of Monterey County
Income and Expense Budget Performance - Detail
June 30, 2023

ACCT #		June 23	June 22	% of Budget Received/ Spent June 23	July 22-June 23	July 21-June 22	Adopted 22/23 Budget	Remaining Budget Balance	% of Remaining Budget Balance
	Income:								
4000	Fees: Project	$ 8,892.00	$ 7,950.00	88.92%	$ 38,822.00	$ 179,371.62	$ 10,000.00	$ 28,822.00	288.22%
4205	County Contributions	-	-	0.00%	354,931.00	298,814.00	354,931.00	-	0.00%
4210	City Contributions	-	-	0.00%	354,930.99	298,813.00	354,931.00	(0.01)	0.00%
4220	District Contributions	-	-	0.00%	354,928.00	298,814.00	354,931.00	(3.00)	0.00%
4249	FORA Administrative Revenue	85.50	1,072.50	0.00%	1,674.00	5,362.50	-	1,674.00	0.00%
4300	Interest	17.21	1,893.20	0.35%	19,092.74	5,447.50	4,862.00	14,230.74	292.69%
	Total Income	8,994.71	10,915.70	0.83%	1,124,378.73	1,086,622.62	1,079,655.00	44,723.73	4.14%
	Expense:								
6002	Regular Earnings	45,245.98	38,057.65		549,356.98	441,164.03			
6004	FORA Administrative Wages	81.23	200.28		676.92	1,552.19			
	Employee Salaries	45,327.21	38,257.93	8.18%	550,033.90	442,716.22	554,169.00	4,135.10	0.75%
6007	Management Expense Allowance	50.00	50.00		600.00	600.00			
6010	Accrued Leave	(3,688.40)	2,391.05		12,315.19	(15,365.07)			
6011	Car Allowance	400.00	400.00		4,800.00	4,800.00			
6013	Post Retirement Healthcare Reserve	(4,684.00)	(871.00)		(3,035.00)	732.00			
6100	Employee Benefits - Other	1,275.00	-		1,975.00	4,525.00			
6101	Payroll Expenses	685.52	581.27		9,310.54	7,920.40			
6102	Worker's Compensation Insurance	179.40	253.46		1,708.53	2,813.22			
6103	Employee Memberships	-	-		96.75	848.00			
6104	Deferred Comp Plan Contribution	2,659.54	2,372.00		33,951.24	26,898.55			
6106	PERS Retirement - GASB 68	416,624.51	(405,550.99)		416,624.51	(405,550.99)			
6110	PERS Health - Other	35.01	20.83		368.39	230.43			
6111	PERS Health - Med ER Non-Elective	604.00	596.00		7,200.00	6,418.00			
6112	PERS Health - Med ER Pre Tax	8,365.69	6,173.28		87,233.82	67,636.90			
6131	LIFE	125.20	125.20		1,502.40	1,354.90			
6132	ADD	8.21	8.21		98.52	88.85			
6133	Dental	798.30	767.90		9,245.20	8,821.11			
6134	Vision	108.60	108.60		1,303.20	1,219.58			
6135	LTD	332.40	316.26		3,988.80	3,482.19			
6139	STD	92.06	92.06		1,104.72	1,004.23			
7294	Accrued Leave Reserve	-	-		19,983.20	20,480.40			
	Employee Benefits	369,200.33	(434,548.67)	155.83%	610,375.01	(261,042.30)	236,928.00	(373,447.01)	-157.62%
7000	Postage and Shipping	974.56	479.06	25.62%	4,890.32	5,929.84	3,804.00	(1,086.32)	-28.56%
7010	Books and Periodical	-	-	0.00%	1,151.40	1,323.36	1,621.00	469.60	28.97%
7030	Copy Machine	359.48	466.09	3.11%	5,913.87	6,506.94	11,576.00	5,662.13	48.91%
7040	Outside Printers	-	-	0.00%	-	667.88	1,300.00	1,300.00	100.00%
7060	Office Supplies	141.65	789.99	2.04%	3,843.40	2,880.79	6,946.00	3,102.60	44.67%
7070	Office Equipment & Furnishings	226.14	-	11.62%	226.14	273.11	1,946.00	1,719.86	88.38%
7080	Computer Hardware/Peripherals	1,770.27	172.62	30.58%	4,581.10	3,709.08	5,789.00	1,207.90	20.87%
7085	Computer Support Svcs Fixed Costs	-	936.88	0.00%	13,613.40	10,726.79	12,155.00	(1,458.40)	-12.00%
7090	Computer Support Svcs Variable Costs	-	3,736.00	0.00%	1,565.00	4,555.00	6,948.00	5,383.00	77.48%
7100	Computer Software	-	-	0.00%	644.84	579.84	1,216.00	571.16	46.97%
7105	Meeting Broadcast Services	900.00	-	18.51%	3,998.75	-	4,863.00	864.25	17.77%
7110	Property and Gen Liability Insurance	640.63	594.16	7.36%	7,686.57	7,129.37	8,700.00	1,013.43	11.65%
7120	Office Maintenance Services	-	-	0.00%	168.00	328.00	463.00	295.00	63.71%
7140	Travel	-	-	0.00%	13,400.36	-	13,450.00	49.64	0.37%
7150	Training, Conferences & Workshops	200.00	360.00	2.43%	8,763.79	540.00	8,238.00	(525.79)	-6.38%
7160	Vehicle Mileage	238.16	-	15.12%	429.10	-	1,575.00	1,145.90	72.76%
7170	Rental of Buildings	2,397.69	2,397.69	8.33%	28,772.28	28,772.28	28,772.00	(0.28)	0.00%
7200	Telephone Communications	218.54	409.22	2.70%	4,533.84	4,045.79	8,104.00	3,570.16	44.05%
7230	Temp Help Services (Clerical)	-	-	0.00%	-	37,440.38	-	-	0.00%
7240	Outside Prof. Services: Other	-	-	0.00%	8,825.00	75,180.00	25,000.00	16,175.00	64.70%
7242	Outside Prof. Services: Accounting	5,000.00	4,800.00	8.33%	59,800.00	60,400.00	60,000.00	200.00	0.33%
7242A	Outside Prof. Services: General Admin and HR	400.00	400.00	2.70%	4,800.00	6,640.00	14,800.00	10,000.00	67.57%
7245	General and Special Legal Services	4,017.40	996.30	20.94%	21,803.40	94,043.40	19,182.00	(2,621.40)	-13.67%
7247	Outside Prof. Services: Human Resources	-	-	0.00%	-	-	5,789.00	5,789.00	100.00%
7248	Outside Prof. Services: Annual Audit	-	-	0.00%	20,000.00	14,500.00	20,000.00	-	0.00%
7250	Miscellaneous Office Expense	28.16	43.74	2.43%	681.26	525.93	1,158.00	476.74	41.17%
7260	Legal Notices	-	-	0.00%	1,663.50	4,028.97	4,863.00	3,199.50	65.79%
7270	Recruitment Advertising	-	-	0.00%	-	675.00	1,000.00	1,000.00	100.00%
7280	LAFCO Memberships	-	-	0.00%	9,137.00	8,839.01	9,300.00	163.00	1.75%
7290	Litigation Reserve	765.90	23,088.63	0.00%	129,102.27	35,448.50	-	(129,102.27)	0.00%
7300	Depreciation	332.00	364.00	0.00%	4,016.95	4,543.37	-	(4,016.95)	0.00%
	Total Expense	433,138.12	(356,256.36)	40.12%	1,524,420.45	601,906.55	1,079,655.00	(444,765.45)	-41.20%
	Net Ordinary Income (Loss)	(424,143.41)	367,172.06		(400,041.72)	484,716.07	-		
	Other Income/(Expense):								
8106	Prior Year Project Fees Returned	-	-		(2,697.50)	(218.25)	-		
8115	Encumbered Funds: Temp Professional Services	-	-		-	(3,437.50)	-		
	Total Other Income/(Expense)	-	-		(2,697.50)	(3,655.75)	-		
	Net Income (Loss)	$ (424,143.41)	$ 367,172.06		$ (402,739.22)	$ 481,060.32	$ -		

LAFCO of Monterey County
Income and Expense by Month
June 30, 2023

	July 22	Aug 22	Sept 22	Oct 22	Nov 22	Dec 22
Ordinary Income/Expense						
Income:						
4000 · Fees: Project	$ -	$ -	$ 10,330.00	$ -	$ -	$ 5,000.00
4205 · County Contributions	354,931.00	-	-	-	-	-
4210 · City Contributions	354,930.99	-	-	-	-	-
4220 · District Contributions	354,928.00	-	-	-	-	-
4249 · FORA Administrative Revenue	660.00	-	165.00	82.50	82.50	85.50
4300 · Interest	1.30	1.68	1.03	3,807.56	4.26	11.09
Total Income	1,065,451.29	1.68	10,496.03	3,890.06	86.76	5,096.59
Expense:						
6000 · Employee Salaries	40,780.28	41,937.61	62,962.63	41,937.62	41,937.61	42,331.07
6100 · Employee Benefits	21,442.51	18,863.46	25,307.53	17,839.82	18,627.19	20,461.82
7000 · Postage and Shipping	79.62	101.40	306.83	773.00	410.46	286.87
7010 · Books and Periodical	238.00	-	-	49.70	-	799.70
7030 · Copy Machine	231.12	494.78	400.68	343.75	543.43	343.75
7060 · Office Supplies	-	289.25	8.74	495.43	1,087.39	225.18
7070 · Office Equipment and Furnishings	-	-	-	-	-	-
7080 · Computer Hardware/Peripherals	-	311.26	-	-	386.79	-
7085 · Computer Support Svcs Fixed Costs	-	-	-	1,361.34	5,445.36	1,361.34
7090 · Computer Support Svcs Variable Costs	-	-	-	-	469.50	626.00
7100 · Computer Software	214.98	-	-	99.99	-	239.88
7105 · Meeting Broadcast Services	-	-	-	-	-	668.75
7110 · Property and Gen Liability Insurance	640.54	640.54	640.54	640.54	640.54	640.54
7120 · Office Maintenance Services	-	-	-	-	168.00	-
7140 · Travel	-	-	-	8,182.86	1,217.81	47.07
7150 · Training, Conferences & Workshops	-	-	-	6,795.72	550.00	(273.79)
7160 · Vehicle Mileage	-	-	112.56	-	-	78.38
7170 · Rental of Buildings	2,397.69	2,397.69	2,397.69	4,795.38	-	2,397.69
7200 · Telephone Communications	452.38	328.68	328.68	329.54	329.54	329.54
7240 · Outside Prof. Services: Other	3,225.00	2,475.00	500.00	-	-	2,625.00
7242 · Outside Prof. Services: Accounting	4,800.00	5,000.00	5,000.00	5,000.00	10,000.00	5,000.00
7242A · Outside Prof. Services: Gen Admin & HR Assistance	400.00	400.00	400.00	400.00	800.00	400.00
7245 · General and Special Legal Services	-	405.90	3,136.50	-	1,291.50	6,494.60
7248 · Outside Prof. Services: Annual Audit	-	2,000.00	-	12,000.00	-	6,000.00
7250 · Miscellaneous Office Expense	28.16	96.24	53.90	36.74	36.74	74.08
7260 · Legal Notices	551.25	-	-	-	823.50	-
7280 · LAFCO Memberships	7,503.00	-	-	-	-	-
7290 · Litigation Reserve	-	9,421.90	28,926.50	-	18,546.30	5,224.28
7300 · Depreciation	338.00	335.00	331.95	336.00	338.00	331.00
8106 · Prior Year Project Fees Returned	-	12.50	-	-	2,685.00	-
Total Expense	83,322.53	85,511.21	130,814.73	101,417.43	106,334.66	96,712.75
Net Income/(Loss)	$ 982,128.76	$ (85,509.53)	$ (120,318.70)	$ (97,527.37)	$ (106,247.90)	$ (91,616.16)

LAFCO of Monterey County
Income and Expense by Month
June 30, 2023

	Jan 23	Feb 23	Mar 23	Apr 23	May 23	June 23	Total
Ordinary Income/Expense							
Income:							
4000 · Fees: Project	$ -	$ -	$ -	$ 10,000.00	$ 4,600.00	$ 8,892.00	$ 38,822.00
4205 · County Contributions	-	-	-	-	-	-	354,931.00
4210 · City Contributions	-	-	-	-	-	-	354,930.99
4220 · District Contributions	-	-	-	-	-	-	354,928.00
4249 · FORA Administrative Revenue	85.50	-	85.50	171.00	171.00	85.50	1,674.00
4300 · Interest	6,977.66	11.17	12.09	8,235.13	12.56	17.21	19,092.74
Total Income	7,063.16	11.17	97.59	18,406.13	4,783.56	8,994.71	1,124,378.73
Expense:							
6000 · Employee Salaries	41,937.62	42,162.44	62,906.40	41,937.61	43,875.80	45,327.21	550,033.90
6100 · Employee Benefits	23,133.85	23,064.08	26,604.41	21,410.87	24,419.14	369,200.33	610,375.01
7000 · Postage and Shipping	600.61	300.08	261.47	364.59	430.83	974.56	4,890.32
7010 · Books and Periodical	-	64.00	-	-	-	-	1,151.40
7030 · Copy Machine	343.74	737.99	355.16	355.16	1,404.83	359.48	5,913.87
7060 · Office Supplies	15.24	1,434.47	97.44	-	48.61	141.65	3,843.40
7070 · Office Equipment and Furnishings	-	-	-	-	-	226.14	226.14
7080 · Computer Hardware/Peripherals	-	644.65	-	257.86	1,210.27	1,770.27	4,581.10
7085 · Computer Support Svcs Fixed Costs	1,361.34	1,361.34	-	2,722.68	-	-	13,613.40
7090 · Computer Support Svcs Variable Costs	-	-	-	469.50	-	-	1,565.00
7100 · Computer Software	-	89.99	-	-	-	-	644.84
7105 · Meeting Broadcast Services	180.00	-	-	2,250.00	-	900.00	3,998.75
7110 · Property and Gen Liability Insurance	640.54	640.54	640.54	640.54	640.54	640.63	7,686.57
7120 · Office Maintenance Services	-	-	-	-	-	-	168.00
7140 · Travel	-	-	2,203.38	1,454.45	294.79	-	13,400.36
7150 · Training, Conferences & Workshops	425.00	-	-	1,066.86	-	200.00	8,763.79
7160 · Vehicle Mileage	-	-	-	-	-	238.16	429.10
7170 · Rental of Buildings	2,397.69	2,397.69	2,397.69	2,397.69	2,397.69	2,397.69	28,772.28
7200 · Telephone Communications	329.69	359.56	428.98	295.17	803.54	218.54	4,533.84
7240 · Outside Prof. Services: Other	-	-	-	-	-	-	8,825.00
7242 · Outside Prof. Services: Accounting	-	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	59,800.00
7242A · Outside Prof. Services: Gen Admin & HR Assistance	-	400.00	400.00	400.00	400.00	400.00	4,800.00
7245 · General and Special Legal Services	-	2,915.10	1,586.70	-	1,955.70	4,017.40	21,803.40
7248 · Outside Prof. Services: Annual Audit	-	-	-	-	-	-	20,000.00
7250 · Miscellaneous Office Expense	162.78	45.32	26.58	55.82	36.74	28.16	681.26
7260 · Legal Notices	-	-	288.75	-	-	-	1,663.50
7280 · LAFCO Memberships	1,634.00	-	-	-	-	-	9,137.00
7290 · Litigation Reserve	14,670.99	7,457.40	3,643.15	-	40,445.85	765.90	129,102.27
7300 · Depreciation	329.00	339.00	333.00	336.00	338.00	332.00	4,016.95
8106 · Prior Year Project Fees Returned	-	-	-	-	-	-	2,697.50
Total Expense	88,162.09	89,413.65	107,173.65	81,414.80	123,702.33	433,138.12	1,527,117.95
Net Income/(Loss)	$ (81,098.93)	$ (89,402.48)	$ (107,076.06)	$ (63,008.67)	$ (118,918.77)	$ (424,143.41)	$ (402,739.22)

LAFCO of Monterey County
Accounts Receivable Summary
As of June 30, 2023

Accounts Receivable-For Fiscal Year Ending 6/2023:

Description	Date	Amount
All 2022-2023 City, Special District and County fees have been received.		$ -
	ACCT # 1235	**$ -**

Draft

LAFCO of Monterey County
Equipment Summary
As of June 30, 2023

Equipment and Accumulated Depreciation:

Description	Fiscal Year In Service (6/30)	Cost	Amount Depreciated
Furniture & Fixtures	2010	$ 502.51	$ 502.51
Furniture & Fixtures	2017	29,396.72	27,150.00
Furniture & Fixtures	2018	10,618.39	9,040.00
Office Equipment	2011	2,185.00	2,185.00
Office Equipment	2013	1,990.68	1,990.68
Office Equipment	2014	5,214.29	5,214.29
Office Equipment	2016	1,168.89	1,168.89
Office Equipment	2017	2,527.32	2,527.32
Office Equipment	2019	2,143.66	1,939.00
Office Equipment	2020	2,054.53	1,633.00
	ACCT # 1500	**$ 57,801.99**	
		ACCT # 1550	**$ 53,350.69**

LAFCO of Monterey County
Accounts Payable Summary
As of June 30, 2023

Accounts Payable:

Vendor	Description	Date	Inv#/Acct#	Amount
AT&T	Credit	12/10/2021		$ (42.77)
AT&T	Telephone Services	6/17/2023	317277339	218.54
Best, Best & Krieger	MPWMD Service Activation Legal Services through 5/31/23	5/31/2023	968326	37,983.10
Best, Best & Krieger	MPWMD Service Activation Legal Services through 6/30/23	6/30/2023	969813	64.80
CalPERS Fiscal Services Division	1959 Survivor Level Premium for FY22/23-Plan 27008	6/26/2023	FY22-23/Plan 27008	28.80
CalPERS Fiscal Services Division	1959 Survivor Level Premium for FY22/23-Plan 5580	6/26/2023	FY22-23/Plan 5580	86.40
CliftonLarsonAllen, LLP	Accounting Services	6/22/2023	3770087	5,400.00
County of Monterey, Information Technology	Computer Support Services through 5/2023	5/31/2023	Dept 812 P/E 5/2023	1,210.27
County of Monterey, Information Technology	Computer Support Services through 6/2023	6/30/2023	Dept 812 P/E 6/2023	2,670.27
MacLeod Watts, Inc.	OPEB 75 Report for FY22/23	6/30/2023	072123LAFCO	1,275.00
MBS Business Systems	Copy Machine/Printer Rental (Original Invoice not Received)	5/8/2023	447375	394.04
MBS Business Systems	Copy Machine/Printer Rental (Original Invoice not Received)	5/8/2023	447374	83.01
MBS Business Systems	Copy Machine/Printer Rental (Original Invoice not Received)	5/8/2023	447373	105.24
MBS Business Systems	Copy Machine/Printer Rental	6/16/2023	449367	745.56
MBS Business Systems	Copy Machine/Printer Rental	6/23/2023	450408	111.48
MBS Business Systems	Copy Machine/Printer Rental	6/29/2023	450687	70.00
Office of County Counsel-Co of Monterey	LAFCO-CNPS Legal Services through 6/30/23	6/30/2023	23-002798	147.60
Office of County Counsel-Co of Monterey	General Legal Services through 6/30/23	6/30/2023	23-002929	2,910.40
Principal Life	Insurance: LTD, ADD, STD, Life for July 2023	6/16/2023	July 2023	623.56
Sunrise Express	Board Packet Deliveries	6/30/2023	651206	380.30
Wells Fargo Bank Credit Card	Culligan Water Service $28.16; Office Supplies $297.32	6/30/2023	CCx2064	325.48
			ACCT # 2000	**$ 54,791.08**

LAFCO of Monterey County
Accrued Leave Summary
As of June 30, 2023

Executive Officer and Analyst Positions:

Employee	Title	Total Hours of Accrued Annual Leave *	Hourly Rate		Annual Leave Book Value
Kate McKenna	Executive Officer	549.26	100.76	$	55,343.44
Darren McBain	Principal Analyst	185.77	72.67		13,499.91
Jonathan Brinkmann	Senior Analyst	169.32	54.15		9,168.68
				$	78,012.03

Clerk / Administrative Secretary Position:

Employee	Accrued Sick Leave	Accrued Vacation **	Hourly Rate		Sick Leave Book Value		Vacation Book Value
Safarina Maluki	46.64	12.77	40.52	$	1,889.85	$	517.44
				$	1,889.85	$	517.44

Annual Leave	$	78,012.03
Sick Leave		1,889.85
Vacation		517.44
ACCT # 2220	**$**	**80,419.32**

Executive Officer and Senior Analyst Positions:
* Maximum of 250 or 850 hours of Annual Leave may be accrued. This is a general description of benefits only. Actual benefits are defined in individual employment agreements.

Clerk/Admin Secretary Position:
** Maximum of 260 hours of Accrued Vacation may be accrued. This is a general description of benefits only. Actual benefits are defined in employment agreement.

***Compensatory time: Overtime eligible employees can accrue compensatory time-off in lieu of overtime payments. A maximum of 80 hours of compensatory time may be accrued. The compensatory time off balances are considered current year liabilities. These benefits are a general description only.

LAFCO of Monterey County
Detail of Encumbrances
As of June 30, 2023

Encumbered Funds:

Subject	Invoice Date/ Inv. No.	Funds Received/(Paid)
Recruitment Advertising Encumbered Funds:		
13-14 Budget Carryover		$ 3,179.40
ID Concepts, LLC	7/15/14 Inv. No. LAFCO-01	(115.00)
Hardee Investigations	9/11/14 Inv. No. LAFCO-01	(460.00)
Hardee Investigations	10/3/2014 LAFCO-02	(180.00)
ID Concepts, LLC	10/10/15 Inv. No. 303013	(107.50)
The Post Box	6/15/2016	(50.00)
Hardee Investigations	6/22/16 Inv. No. LAFCO-03	(180.00)
Hardee Investigations	6/3/17 Inv No. LAFCO 17-01	(360.00)
Hardee Investigations	6/6/19 Inv No. LAFCO 19-01	(225.00)
Montereybayjobs.com	7/20/19 Inv No. mbj	(299.00)
Indeed	7/30/19 Inv. No. 24779848	(25.19)
Indeed	7/31/19 Inv. No. 24993586	(6.47)
Hardee Investigations	8/16/19 Inv No. LAFCO 19-02	(275.00)
		896.24
Human Resources Encumbered Funds:		
	Balance Forward	8,973.00
19-20 Budget Carryover		10,500.00
Hayashi Wayland-HR Services Monthly Fee	8/3/20 Inv. No. 293672	(400.00)
Hayashi Wayland-HR Services Monthly Fee	9/1/20 Inv. No. 294080	(400.00)
Hayashi Wayland-HR Services Monthly Fee	10/1/20 Inv No. 294599	(400.00)
Hayashi Wayland-HR Services Monthly Fee	11/1/20 Inv. No. 295271	(400.00)
Hayashi Wayland-HR Services Monthly Fee	12/7/20 Inv. No. 295739	(400.00)
Liebert Cassidy Whitmore, A Professional Law Corp	12/31/20 Inv. No. 1512526	(38.00)
Hayashi Wayland-HR Services Monthly Fee	1/14/21 Inv. No. 296368	(400.00)
Liebert Cassidy Whitmore, A Professional Law Corp	1/31/21 Inv. No. 1514248	(929.00)
Hayashi Wayland-HR Services Monthly Fee	2/8/21 Inv No. 296802	(400.00)
Liebert Cassidy Whitmore, A Professional Law Corp	2/28/21 Inv. No. 1515993	(3,699.50)
Hayashi Wayland-HR Services Monthly Fee	3/1/21 Inv No. 297416	(400.00)
Liebert Cassidy Whitmore, A Professional Law Corp	3/31/21 Inv. No. 1517887	(152.00)
Hayashi Wayland-HR Services Monthly Fee	4/15/21 Inv No. 298589	(400.00)
Hayashi Wayland-HR Services Monthly Fee	5/20/21 Inv No. 299239	(400.00)
Hayashi Wayland-HR Services Monthly Fee	6/8/21 Inv No. 300212	(400.00)
		10,254.50
Temp Professional Services Encumbered Funds:		
2018-2019 Resolution No. 19-01	Fire and Medical Emergency Study	75,000.00
Michael P. McMurry	9/3/19 Inv No. MON 1	(812.50)
Michael P. McMurry	9/30/19 Inv No. MON 2	(1,062.50)
Michael P. McMurry	11/1/19 Inv No. MON 3	(812.50)
Michael P. McMurry	12/1/19 Inv No. MON 4	(2,031.25)
Michael P. McMurry	1/3/20 Inv No. MON 5	(1,312.50)
Michael P. McMurry	2/1/20 Inv No. MON 6	(1,000.00)
Michael P. McMurry	4/1/20 Inv No. MON 7	(3,350.00)
Michael P. McMurry	5/1/20 Inv No. MON 8	(4,437.50)
Michael P. McMurry	5/29/20 Inv No. MON 9	(1,656.25)
Michael P. McMurry	6/23/20 Inv No. MON 10	(1,187.50)
Michael P. McMurry	11/1/20 Inv No. MON 11	(1,937.50)
Michael P. McMurry	12/1/20 Inv No. MON 12	(781.25)
Michael P. McMurry	3/2/21 Inv No. MON 13	(531.25)
Michael P. McMurry	5/3/21 Inv No. MON 14	(2,975.00)
Michael P. McMurry	6/30/21 Inv No. MON 15	(700.00)
Michael P. McMurry	7/31/21 Inv No. MON 15A	(687.50)
Michael P. McMurry	8/31/21 Inv No. MON 16	(1,312.50)
Michael P. McMurry	10/31/21 Inv No. MON 17	(750.00)
Michael P. McMurry	12/31/21 Inv No. MON 18	(687.50)
		46,975.00
Computer Support Services-Variable Encumbered Funds:		
18-19 Budget Carryover		12,623.28
		12,623.28
	ACCT # 3710	**$ 70,749.02**

See Accountants' Compilation Report

LAFCO of Monterey County
Detail of Reserve for Litigation
As of June 30, 2023

Reserve for Litigation:

Date	Vendor/Description	Invoice #		Amount
	Beginning Balance as of 7/1/13		$	300,036.51
4/12/2022	Office of County Counsel-Co. of Monterey	22-0003000		(110.70)
5/12/2022	Best, Best & Krieger	934608		(8,005.67)
5/24/2022	Office of County Counsel-Co. of Monterey	22-000420		(4,243.50)
6/10/2022	Best, Best & Krieger	937410		(16,393.23)
6/16/2022	Office of County Counsel-Co. of Monterey	22-000478		(996.30)
6/30/2022	Best, Best & Krieger	939818		(4,739.70)
6/30/2022	Office of County Counsel-Co. of Monterey	22-000557		(959.40)
8/11/2022	Best, Best & Krieger	942253		(8,905.30)
8/23/2022	Office of County Counsel-Co. of Monterey	22-000686		(516.60)
9/8/2022	Best, Best & Krieger	94461		(15,907.50)
9/12/2022	Office of County Counsel-Co. of Monterey	22-000787		(959.40)
9/30/2022	Best, Best & Krieger	947478		(11,506.10)
9/30/2022	Office of County Counsel-Co. of Monterey	22-000870		(553.50)
11/15/2022	Best, Best & Krieger	950787		(18,435.60)
11/15/2022	Office of County Counsel-Co. of Monterey	22-000892		(110.70)
12/9/2022	Best, Best & Krieger	952842		(4,523.18)
12/14/2022	Office of County Counsel-Co. of Monterey	22-000975		(221.40)
12/31/2022	Office of County Counsel-Co. of Monterey	23-000018		(479.70)
1/20/2023	Best, Best & Krieger	955804		(14,670.99)
2/21/2023	Office of County Counsel-Co. of Monterey	22-002301		(369.00)
2/24/2023	Best, Best & Krieger	958386		(7,088.40)
3/20/2023	Best, Best & Krieger	960589		(1,685.20)
3/31/2023	Best, Best & Krieger	963335		(1,404.45)
3/31/2023	Office of County Counsel-Co. of Monterey	23-002431		(553.50)
5/8/2023	Best, Best & Krieger	964642		(2,425.85)
5/19/2023	Office of County Counsel-Co. of Monterey	23-002465		(36.90)
5/31/2023	Best, Best & Krieger	968326		(37,983.10)
6/23/2023	Office of County Counsel-Co. of Monterey			(701.10)
6/30/2023	Best, Best & Krieger	969813		(64.80)
		ACCT # 3800	**$**	**135,485.74**

See Accountants' Compilation Report

LAFCO of Monterey County
Detail of Reserve for Contingency
As of June 30, 2023

Reserve for Contingency:

Date	Vendor/Description	Invoice #	Amount	
	Reserve for Contingency Balance at 6/30/22		$	258,357.00
7/1/2022	Authorized Transfer (To)/From Unreserved Funds for FY 2022-2023**			11,557.00
		ACCT # 3810	**$**	**269,914.00**

**Per Resolution 19-01, the Contingency Reserve is adjusted at the beginning of each year to account for 25% of the current year budget. See note below.

2022-2023 Budget	$	1,079,655
% of Budget		0.25
Expected Reserve for Contingency Balance at 7/1/22		269,914
Reserve for Contingency Balance at 6/30/22		258,357
Authorized Transfer (To)/From Unreserved Funds for FY 2022-2023**	$	11,557

AGENDA ITEM NO. 2

LAFCO *of Monterey County*

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

KATE McKENNA, AICP
Executive Officer

LOCAL AGENCY FORMATION COMMISSION
P.O. Box 1369
Salinas, CA 93902
Telephone (831) 754-5838
132 W. Gabilan Street, Suite 102
Salinas, CA 93901
www.monterey.lafco.ca.gov

DATE: September 18, 2023

TO: Chair and Members of the Budget and Finance Committee

FROM: Kate McKenna, AICP, Executive Officer

SUBJECT: August 2023 Draft Balance Sheet and Draft Income Statement

CEQA: Not a Project under California Environmental Quality Act Guidelines Section 15378

SUMMARY OF RECOMMENDATION:

Discuss draft reports for information only.

EXECUTIVE OFFICER'S REPORT:

Attached are the draft Balance Sheet and draft Income Statement for August 2023. These reports were prepared by CliftonLarsonAllen, LLP. Income and expenses are normal for this period. Mr. Mike Briley, CPA, Managing Principal of the firm, will join me in presenting the information.

Respectfully Submitted,

Kate McKenna

Kate McKenna, AICP
Executive Officer

Attachments:
2.1 Draft Balance Sheet as of August 31, 2023, prepared on September 12, 2023, CliftonLarsonAllen, LLP
2.2 Draft Profit & Loss Statement for July 2023 through August 31, 2023, prepared on September 12, 2023, CliftonLarsonAllen, LLP

09/12/23

Accrual Basis

LAFCO of Monterey County
Balance Sheet
As of August 31, 2023

Attachment 2.1

	Aug 31, 23
ASSETS	
Current Assets	
Checking/Savings	
1100 · Petty Cash	300.00
1007 · Wells Fargo Checking	102,256.66
1010 · Cash Co. Treasury	
1012 · Designated Cash Litigation Resv	130,119.18
1013 · Designated Cash - Accrued Leave	83,761.10
1014 · Designated Cash-Post Retirement	75,064.00
1015 · Designated Cash-Contingency	269,914.00
1020 · Resticted Cash-FORA Litigation	346,147.46
1010 · Cash Co. Treasury - Other	1,107,510.67
Total 1010 · Cash Co. Treasury	2,012,516.41
Total Checking/Savings	2,115,073.07
Accounts Receivable	
1236 · A/R Fiscal Year Ending 6/2024	320,253.77
Total Accounts Receivable	320,253.77
Other Current Assets	
1400 · Prepaid Insurance	10,488.60
1405 · Prepaid Expenses	12,398.67
Total Other Current Assets	22,887.27
Total Current Assets	2,458,214.11
Fixed Assets	
1500 · Equipment	2,185.00
1525 · Computer Equipment	15,099.37
1530 · Office Furniture	40,517.62
1550 · Accumulated Depreciation	-53,985.69
Total Fixed Assets	3,816.30
Other Assets	
1800 · Deferred Outflows-PERS Contrib.	59,328.29
1805 · Deferred Outflows-Actuarial	243,400.87
1810 · Deferred Outflows-OPEB Contrib	1,800.00
1815 · Deferred Outflow-OPEB Actuarial	5,754.00
Total Other Assets	310,283.16
TOTAL ASSETS	**2,772,313.57**
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
2000 · Accounts Payable	15,790.15
Total Accounts Payable	15,790.15
Other Current Liabilities	
2220 · Accrued Leave	83,761.10
2410 · Post Retirement (GASB 75)	75,064.00
2200 · Payroll Liabilities	168.00
2210 · Direct Deposit Liabilities	-14,120.98
2380 · Dissolution of FORA Legal Liab.	346,147.46
2381 · Dissolution of FORA Admin Liab.	54,348.50
Total Other Current Liabilities	545,368.08
Total Current Liabilities	561,158.23
Long Term Liabilities	
2400 · Net Pension Liability/(Asset)	57,558.59
2500 · Deferred Inflow-GAB68 Actuarial	40,784.66
2505 · Deferred Inflows-OPEB Actuarial	56,930.00
Total Long Term Liabilities	155,273.25
Total Liabilities	716,431.48
Equity	
3700 · Invested in Capital Assets	3,816.30
3710 · Encumbered Funds	70,749.02
3800 · Reserve for Litigation	130,119.18
3810 · Reserve for Contingency	269,914.00
3850 · Unreserved Fund	1,049,760.86
3900 · Retained Earnings	-402,739.22
Net Income	934,261.95
Total Equity	2,055,882.09
TOTAL LIABILITIES & EQUITY	**2,772,313.57**

09/12/23

Accrual Basis

LAFCO of Monterey County
Profit & Loss
July through August 2023

Attachment 2.2

	Jul - Aug 23
Ordinary Income/Expense	
Income	
4000 · Fees	
4005 · Project	12,336.54
Total 4000 · Fees	12,336.54
4205 · County Contributions	363,784.00
4210 · City Contributions	363,783.99
4220 · District Contributions	363,785.00
4300 · Interest	22.53
Total Income	1,103,712.06
Expense	
7300 · Depreciation	635.00
6000 · Employee Salaries	
6002 · Regular Earnings	86,303.19
6004 · FORA Admin Earnings	58.57
Total 6000 · Employee Salaries	86,361.76
6100 · Employee Benefits	
6013 · Post Retirement Healthcare	302.00
6010 · Accrued Leave	3,341.78
6007 · Management Expense Allowance	
6011 · Management Car Allowance	800.00
6007 · Management Expense Allowance - Other	100.00
Total 6007 · Management Expense Allowance	900.00
6102 · Worker's Compensation Insurance	398.12
6101 · Payroll Expenses	1,315.30
6103 · Employee Memberships	374.00
6104 · Deferred Comp Plan Contribution	5,354.43
6105 · PERS Retirement	9,873.38
6110 · PERS Health	
6111 · Med ER Non-Ele	1,208.00
6112 · Med ER Pre Tax	16,731.38
6110 · PERS Health - Other	68.96
Total 6110 · PERS Health	18,008.34
6130 · Insurance	
6139 · STD	184.12
6131 · LIFE	250.40
6132 · ADD	16.42
6133 · Dental	1,535.80
6134 · Vision	247.60
6135 · LTD	796.18
Total 6130 · Insurance	3,030.52
7294 · Accrued Leave Reserve	0.00
6100 · Employee Benefits - Other	700.00
Total 6100 · Employee Benefits	43,597.87
7000 · Postage and Shipping	238.73
7010 · Books and Periodical	238.00
7030 · Copy Machine	957.63
7100 · Computer Software	219.98
7110 · Property and Gen Liability Ins	1,396.54
7150 · Training, Conferences & Wrkshps	675.00
7170 · Rental of Buildings	5,370.00
7200 · Telephone Communications	821.10
7242 · Outside Prof Svc-Accounting	10,500.00
7242 A · Gen Admin Svcs & HR Assistance	800.00
7248 · Outside Prof Svc-Annual Audit	1,500.00
7245 · General Legal Services	1,385.00
7250 · Miscellaneous Office Expense	73.94
7260 · Legal Notices	1,189.00
7280 · LAFCO Memberships	8,124.00
7290 · Litigation Reserve	5,366.56
Total Expense	169,450.11
Net Ordinary Income	934,261.95
Net Income	934,261.95

AGENDA ITEM NO. 3

LAFCO *of Monterey County*

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

LOCAL AGENCY FORMATION COMMISSION
P.O. Box 1369
Salinas, CA 93902
Telephone (831) 754-5838
132 W. Gabilan Street, Suite 102
Salinas, CA 93901
www.monterey.lafco.ca.gov

KATE McKENNA, AICP
Executive Officer

DATE: September 18, 2023

TO: Chair and Members of the Budget and Finance Committee

FROM: Kate McKenna, AICP, Executive Officer

SUBJECT: **Actuarial Report of Other Post-Employment Benefits (GASB 75) for Fiscal Year Ending June 30, 2023**

CEQA: Not a Project under California Environmental Quality Act Guidelines Section 15378.

SUMMARY OF RECOMMENDATION:

This item is for information only.

EXECUTIVE OFFICER'S REPORT:

Attached is the actuarial valuation report providing financial information about LAFCO's retiree health care benefit liabilities, measured as of June 30, 2022. Prepared by MacLeod Watts in August 2023, the information is required by GASB 75 ("Accounting and Financial Reporting for Postemployment Benefits Other Than Pension") to be reported in the Commission's audited financial statements for the fiscal year ending June 30, 2023.

For reporting at the fiscal year ending June 30, 2023, the accounting impact of this liability is a net/total other post-employment benefit (OPEB) liability of $75,064. This information is summarized on Pages 3 and 8 of the attached report. The total liability will be reported in the draft audit that the Committee will consider on November 8.

LAFCO sets aside cash funds that are designated for the OPEB liability. The Commission fully finances its liability on a "pay as we go" basis as reflected in the audit and in balance sheets of year-end and quarterly financial statements.

Mike Briley, CPA, CGMA, Managing Principal, CliftonLarsonAllen, LLP, will assist me in presenting the information.

Respectfully Submitted,

Kate McKenna

Kate McKenna, AICP
Executive Officer

Attachment: LAFCO GASB 75 Actuarial Valuation Report for the FY Ending June 30, 2023, MacLeod Watts, Submitted August 23, 2023

MacLeod Watts **Attachment 3.1**

August 23, 2023

Ms. Kate McKenna
Executive Director
Local Agency Formation Commission of Monterey County
132 W. Gabilan Street, Suite 102
Salinas, CA 93901

Re: Local Agency Formation Commission of Monterey County Other Post-Employment Benefits GASB 75 Actuarial Report for the Fiscal Year Ending June 30, 2023

Dear Ms. McKenna:

We are pleased to enclose our actuarial report providing financial information about the other post-employment benefit (OPEB) liabilities of the Local Agency Formation Commission of Monterey County. The primary purpose of this report is to provide information required by GASB 75 ("Accounting and Financial Reporting for Postemployment Benefits Other Than Pension") to be reported in the Commission's financial statements for the fiscal year ending June 30, 2023. The report's text describes our analysis and assumptions in detail.

The information included in this report reflects the assumption that the Commission will continue financing its OPEB liability on a pay-as-you-go basis. The only change reflected in this report relative to the report for the prior fiscal year end is an update to the discount rate, in keeping with the change in the applicable municipal bond index on which it is based.

The exhibits are based on a roll forward of the results of the June 30, 2021, actuarial and on the employee and plan data provided to us for that valuation. The Commission also provided information on retiree benefit payments and total covered employee payroll for the current fiscal year. As with any analysis, the soundness of the report is dependent on the inputs. Please review the information shown in the report to be comfortable that it matches your records.

We appreciate the opportunity to work on this analysis and acknowledge the efforts of Commission employees who provided valuable time and information to enable us to prepare this report. Please let us know if we can be of further assistance.

Sincerely,

Catherine L. MacLeod

Catherine L. MacLeod, FSA, FCA, EA, MAAA
Principal & Consulting Actuary

Enclosure

Local Agency Formation Commission of Monterey County

GASB 75 Actuarial Report
Measured as of June 30,2022
For Fiscal Year End June 30, 2023 Financial Reporting

Submitted August 2023

MacLeod Watts

Table of Contents

A. Executive Summary

This report presents actuarial information regarding the other post-employment benefit (OPEB) program of the Local Agency Formation Commission of Monterey County (the Commission). The purpose of this valuation is to assess the OPEB liabilities and provide disclosure information as required by Statement No. 75 of the Governmental Accounting Standards Board (GASB 75) for the fiscal year ending June 30, 2023.

Important background information regarding the valuation process can be found in the Appendices. We recommend users of the report read this information to familiarize themselves with the process and context of actuarial valuations, including the requirements of GASB 75. The pages following this executive summary present various exhibits and other relevant information appropriate for disclosures under GASB 75.

An updated valuation should be prepared as of June 30, 2023. Results of that valuation will first be applied to prepare that GASB 75 report for the Commission's fiscal year ending June 30, 2024.

OPEB Obligations of the Commission

The Commission provides continuation of medical coverage to its retiring employees. This coverage may create one or more of the following types of OPEB liabilities:

- **Explicit subsidy liabilities**: An "explicit subsidy" exists when the employer contributes directly toward the cost of retiree healthcare. In this program, the Commission pays a portion of medical premiums for qualifying retirees. Details are provided in Supporting Information Section 2.
- **Implicit subsidy liabilities**: An "implicit subsidy" exists when premiums are developed using blended active and retiree claims experience. In this situation, premiums charged for retirees may not be sufficient to cover expected medical claims[1] and the premiums charged for active employees are said to "implicitly subsidize" retirees. This OPEB program includes implicit subsidy liabilities for retiree coverage prior to coverage under Medicare.
- **Other subsidy liabilities**: Pooled plans that do not blend active and retiree premiums likely generate subsidies between employers and retirees within the pool. In the CalPERS medical program, the premium rates for Medicare-covered retirees are based only on retiree claims experience of the pool. A recent actuarial practice note indicated these subsidies should be included in plan liabilities to the extent they are paid by the employer.[2] Given the level of the employer's portion of retiree medical premiums, we expect any potential subsidy between Medicare-covered retirees within the pool to be paid fully by the retirees or other employers.

We determine explicit subsidy liabilities using the expected direct payments promised by the plan toward retiree coverage. We determine the implicit and other subsidy liabilities as the projected difference between (a) retiree medical claim costs by age and (b) premiums charged for retiree coverage. See Appendices for more information on this process.

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[1] In rare situations, premiums for retiree coverage may be high enough that they subsidize active employees' claims.

[2] Exceptions exist for 1) Medicare Advantage Plans, treated as if their premiums are age-based due to the nature of the Federal subsidies paid to these plans, and 2) when employer explicit subsidies to Medicare-covered retirees are low and no part of any potential pool subsidy is expected to be paid by the employer.

Executive Summary
(Continued)

OPEB Funding Policy

The Commission's OPEB funding policy affects the calculation of liabilities by impacting the discount rate used to develop the plan liability and expense. "Prefunding" is the term used when an agency consistently contributes an amount based on an actuarially determined contribution (ADC) each year. GASB 75 allows prefunded plans to use a discount rate that reflects the expected earnings on trust assets. Pay-as-you-go, or "PAYGO", is the term used when an agency only contributes the required retiree benefits when due. When an agency finances retiree benefits on a pay-as-you-go basis, GASB 75 requires the use of a discount rate equal to a 20-year high grade municipal bond rate.

Our understanding is that the Commission is currently financing its OPEB liability on a pay-as-you-go basis. With the Commission's approval, the discount rate used in this valuation is based on the S&P Municipal Bond 20 Year High Grade Index. As of the beginning and end of the Measurement Period, use of this index results in discount rates of 2.18% as of June 30, 2021, and 4.09% as of June 30, 2022.

Actuarial Assumptions

The actuarial "demographic" assumptions (i.e., rates of retirement, death, disability or other termination of employment) used in this report were chosen, for the most part, to be the same as the actuarial demographic assumptions used for the most recent valuation of the retirement plan(s) covering Commission employees. Other assumptions, such as age-related healthcare claims, healthcare trend, retiree participation rates and spouse coverage, were selected based on demonstrated plan experience and/or our best estimate of expected future experience. All these assumptions, and more, impact expected future benefits. Please note that this valuation has been prepared on a closed group basis. This means that only employees and retirees present as of the valuation date are considered. We do not consider replacement employees for those we project to leave the current population of plan participants until the valuation date following their employment.

We emphasize that this actuarial valuation provides a projection of future results based on many assumptions. Actual results are likely to vary to some extent and we will continue to monitor these assumptions in future valuations. See Section 3 for a description of assumptions used in this valuation.

Important Dates Used in the Valuation

GASB 75 allows reporting liabilities as of any fiscal year end based on: (1) a *valuation date* no more than 30 months plus 1 day prior to the close of the fiscal year end; and (2) a *measurement date* up to one year prior to the close of the fiscal year. The following dates were used for this report:

Fiscal Year End	June 30, 2023
Measurement Date	June 30, 2022
Measurement Period	June 30, 2021 to June 30, 2022
Valuation Date	June 30, 2021

Executive Summary
(Concluded)

Updates Since the Prior Report

This report is based on a roll forward of the June 30, 2021, valuation. No benefit changes and no material changes in plan members or premium rates were reported to MacLeod Watts from those in place at the time the June 2021 valuation was prepared. No new census data was collected, and no plan experience was recognized. No assumptions were changed, other than an update to the discount rate as described above.

Impact on Statement of Net Position and OPEB Expense for Fiscal Year Ending 2023

The plan's impact to Net Position will be the sum of difference between assets and liabilities as of the measurement date plus the unrecognized net outflows and inflows of resources. Different recognition periods apply to deferred resources depending on their origin. The plan's impact on Net Position on the measurement date can be summarized as follows:

Items		For Reporting At Fiscal Year Ending June 30, 2023
Total OPEB Liability	$	75,064
Fiduciary Net Position		-
Net OPEB Liability	**$**	**75,064**
Adjustment for Deferred Resources:		
Deferred (Outflows)		(7,554)
Deferred Inflows		56,930
Impact on Statement of Net Position	**$**	**124,440**
OPEB Expense, FYE 6/30/2023	**$**	**(3,035)**

Important Notices

This report is intended to be used only to present the actuarial information relating to other postemployment benefits for the Commission's financial statements. The results of this report may not be appropriate for other purposes, where other assumptions, methodology and/or actuarial standards of practice may be required or more suitable. We note that various issues in this report may involve legal analysis of applicable law or regulations. The Commission should consult counsel on these matters; MacLeod Watts does not practice law and does not intend anything in this report to constitute legal advice. In addition, we recommend the Commission consult with their internal accounting staff or external auditor or accounting firm about the accounting treatment of OPEB liabilities.

B. Results Measured as of June 30, 2022

This Commission's OPEB liability measured as of June 30, 2022, was determined based on a "roll-forward" of the June 30, 2021, valuation. A roll-forward valuation moves the plan liability forward based on expected changes. For this type of valuation, we do not collect new plan data, and we generally do not change any actuarial assumptions. One exception is that changes in the liability discount rate reflecting changes in the municipal bond index are reflected as of the new measurement date.

GASB allows roll-forward valuations to be performed in the year following the full biennial valuation if no material changes to the plan or the plan's members have occurred. Examples of material changes would include significantly different terminations or retirements during the year than were assumed, or a change in the retirement plan provisions. No such events or plan amendments were reported by the Commission in the current measurement period.

The chart below reconciles the liability reported last year to that obtained by the roll-forward valuation as of the end of the current fiscal year.

Reconciliation of Changes During Measurement Period	Total OPEB Liability
Balance at Fiscal Year Ending 6/30/2022 *Measurement Date 6/30/2021*	$ 85,475
Expected Changes During the Period:	
Service Cost	11,219
Interest Cost	2,089
Benefit Payments	(1,752)
Total Expected Changes During the Period	11,556
Expected at Fiscal Year Ending 6/30/2023 *Measurement Date 6/30/2022*	$ 97,031
Unexpected Changes During the Period:	
Change Due to Change in Discount Rate	(21,967)
Total Unexpected Changes During the Period	(21,967)
Balance at Fiscal Year Ending 6/30/2023 *Measurement Date 6/30/2022*	$ 75,064

C. Accounting Information (GASB 75)

The following exhibits are designed to satisfy the reporting and disclosure requirements of GASB 75 for the fiscal year ending June 30, 2023. The Commission is classified for GASB 75 purposes as a single employer.

Components of Net Position and Expense

The exhibit below shows the development of Net Position and Expense as of the Measurement Date.

Plan Summary Information for FYE June 30, 2023 *Measurement Date is June 30, 2022*	**LAFCO Monterey**
Items Impacting Net Position:	
Total OPEB Liability	$ 75,064
Fiduciary Net Position	-
Net OPEB Liability (Asset)	75,064
Deferred (Outflows) Due to:	
Assumption Changes	(5,754)
Plan Experience	-
Investment Experience	-
Deferred Contributions	(1,800)
Deferred Inflows Due to:	
Assumption Changes	31,606
Plan Experience	25,324
Investment Experience	-
Impact on Statement of Net Position, FYE 6/30/2023	**$ 124,440**
Items Impacting OPEB Expense:	
Service Cost	$ 11,219
Cost of Plan Changes	-
Interest Cost	2,089
Expected Earnings on Assets	-
Recognition of Deferred Outflows:	
Assumption Changes	1,484
Plan Experience	-
Investment Experience	-
Recognition of Deferred (Inflows):	
Assumption Changes	(9,774)
Plan Experience	(8,053)
Investment Experience	-
OPEB Expense, FYE 6/30/2023	**$ (3,035)**

Accounting Information
(Continued)

Change in Net Position During the Fiscal Year

The exhibit below shows the year-to-year changes in the components of Net Position.

For Reporting at Fiscal Year End *Measurement Date*	**6/30/2022** *6/30/2021*	**6/30/2023** *6/30/2022*	**Change During Period**
Total OPEB Liability	$ 85,475	$ 75,064	$ (10,411)
Fiduciary Net Position	-	-	-
Net OPEB Liability (Asset)	85,475	75,064	(10,411)
Deferred (Outflows) Due to:			
Assumption Changes	(7,238)	(5,754)	1,484
Plan Experience	-	-	-
Investment Experience	-	-	-
Deferred Contributions	(1,752)	(1,800)	(48)
Deferred Inflows Due to:			
Assumption Changes	19,413	31,606	12,193
Plan Experience	33,377	25,324	(8,053)
Investment Experience	-	-	-
Impact on Statement of Net Position	$ 129,275	$ 124,440	$ (4,835)

Change in Net Position During the Fiscal Year	
Impact on Statement of Net Position, FYE 6/30/2022	$ 129,275
OPEB Expense (Income)	(3,035)
Employer Contributions During Fiscal Year	(1,800)
Impact on Statement of Net Position, FYE 6/30/2023	$ 124,440

OPEB Expense	
Employer Contributions During Fiscal Year	$ 1,800
Deterioration (Improvement) in Net Position	(4,835)
OPEB Expense (Income), FYE 6/30/2023	$ (3,035)

Accounting Information
(Continued)

Recognition Period for Deferred Resources

Liability changes due to plan experience which differs from what was assumed in the prior measurement period and/or from assumption changes during the period are recognized over the plan's Expected Average Remaining Service Life ("EARSL"). The EARSL of 6.87 years is the period used to recognize such changes in the OPEB Liability arising during the current measurement period.

When applicable, changes in the Fiduciary Net Position due to investment performance different from the assumed earnings rate are always recognized over 5 years.

Liability changes attributable to benefit changes occurring during the period, if any, are recognized immediately.

Deferred Resources as of Fiscal Year End and Expected Future Recognition

The exhibit below shows deferred resources as of the fiscal year end June 30, 2023.

Local Agency Formation Commission of Monterey County	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	$ 5,754	$ 31,606
Differences Between Expected and Actual Experience	-	25,324
Net Difference Between Projected and Actual Earnings on Investments	-	-
Deferred Contributions	1,800	-
Total	$ 7,554	$ 56,930

The Commission will recognize the Deferred Contributions in the next fiscal year. In addition, future recognition of these deferred resources is shown below.

For the Fiscal Year Ending June 30	Recognized Net Deferred Outflows (Inflows) of Resources
2024	$ (16,266)
2025	(15,510)
2026	(6,267)
2027	(5,302)
2028	(5,052)
Thereafter	(2,779)

Accounting Information
(Continued)

Sensitivity of Liabilities to Changes in the Discount Rate and Healthcare Cost Trend Rate

The discount rate used for accounting purposes for the fiscal year end 2023 is 4.09%. Healthcare Cost Trend Rate was assumed to start at 5.6% (increase effective January 1, 2023) and grade down to 3.9% for years 2075 and later. The impact of a 1% increase or decrease in these assumptions is shown in the chart below.

Sensitivity to:			
Change in Discount Rate	**Current - 1% 3.09%**	**Current 4.09%**	**Current + 1% 5.09%**
Net OPEB Liability (Asset)	85,524	75,064	66,439
Increase (Decrease)	10,460		(8,625)
% Increase (Decrease)	13.9%		-11.5%
Change in Healthcare Cost Trend Rate	**Current Trend - 1%**	**Current Trend**	**Current Trend + 1%**
Net OPEB Liability (Asset)	63,527	75,064	89,543
Increase (Decrease)	(11,537)		14,479
% Increase (Decrease)	-15.4%		19.3%

Accounting Information
(Continued)

Schedule of Changes in the Commission's Net OPEB Liability and Related Ratios

GASB 75 requires presentation of the 10-year history of changes in the Net OPEB Liability. Only results for years since GASB 75 was implemented (fiscal years 2018 through 2023) are shown in the table.

Fiscal Year Ending	2023	2022	2021	2020	2019	2018
Measurement Date	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Discount Rate on Measurement Date	4.09%	2.18%	2.66%	2.79%	2.98%	3.13%
Total OPEB liability						
Service Cost	$ 11,219	$ 11,231	$ 10,667	$ 21,510	$ 20,247	$ 21,380
Interest	2,089	2,646	2,450	4,198	3,598	2,668
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	-	(20,735)	-	(30,765)	-	-
Changes of assumptions	(21,967)	6,113	1,482	(34,883)	2,423	(5,992)
Benefit payments	(1,752)	(4,080)	(2,925)	(1,614)	(1,566)	(1,518)
Net change in total OPEB liability	(10,411)	(4,825)	11,674	(41,554)	24,702	16,538
Total OPEB liability - beginning	85,475	90,300	78,626	120,180	95,478	78,940
Total OPEB liability - ending (a)	$ 75,064	$ 85,475	$ 90,300	$ 78,626	$ 120,180	$ 95,478
Plan fiduciary net position - beginning	-	-	-	-	-	-
Plan fiduciary net position - ending (b)	$ -	$ -	$ -	$ -	$ -	$ -
Net OPEB liability - ending (a) - (b)	$ 75,064	$ 85,475	$ 90,300	$ 78,626	$ 120,180	$ 95,478
Covered-employee payroll	$ 468,597	$ 561,179	$ 584,706	$ 520,014	$ 501,159	$ 426,985
Net OPEB liability as a % of covered-employee payroll	16.02%	15.23%	15.44%	15.12%	23.98%	22.36%

Notes to Schedule

Valuation Date	6/30/2021	6/30/2019	6/30/2017
Actuarial cost method	Entry Age Normal Level % of Pay	Entry Age Normal Level % of Pay	Entry Age Normal Level % of Pay
Inflation	2.50%	2.50%	2.75%
Healthcare cost trend rates	5.6% in 2023 fluctuating down to 3.9% by 2075	5.4% in 2021 fluctuating down to 4.0% by 2076	7.5% in 2019 grading down to 5.0% by 2024
Annual Salary increases	3.00%	3.00%	3.25%
Retirement age	From 50 - 75	From 50 - 75	From 50 - 75
Mortality	2017 CalPERS Experience Study	2017 CalPERS Experience Study	2014 CalPERS Experience Study
Mortality Improvement	MW Scale 2022	MW Scale 2020	MW Scale 2017

Accounting Information
(Continued)

Schedule of Contributions

This schedule is not required to be provided for unfunded OPEB plans.

Accounting Information
(Continued)

Detail of Changes to Net Position

The chart below details changes to all components of Net Position.

Local Agency Formation Commission of Monterey County	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)	(d) Deferred Outflows:				(e) Deferred Inflows:			Impact on Statement of Net Position (f) = (c) - (d) + (e)
				Assumption Changes	Plan Experience	Investment Experience	Deferred Contributions	Assumption Changes	Plan Experience	Investment Experience	
Balance at Fiscal Year Ending 6/30/2022 *Measurement Date 6/30/2021*	$ 85,475	$ -	$ 85,475	$ 7,238	$ -	$ -	$ 1,752	$ 19,413	$ 33,377	$ -	$ 129,275
Changes During the Period:											
Service Cost	11,219		11,219								11,219
Interest Cost	2,089		2,089								2,089
Expected Investment Income		-	-								-
Employer Contributions		1,752	(1,752)								(1,752)
Changes of Benefit Terms	-		-								-
Benefit Payments	(1,752)	(1,752)	-								-
Assumption Changes	(21,967)		(21,967)					21,967			-
Plan Experience	-		-						-		-
Investment Experience		-	-							-	-
Recognized Deferred Resources				(1,484)	-	-	(1,752)	(9,774)	(8,053)	-	(14,591)
Contributions After Measurement Date							1,800				(1,800)
Net Changes in Fiscal Year 2022-2023	(10,411)	-	(10,411)	(1,484)	-	-	48	12,193	(8,053)	-	(4,835)
Balance at Fiscal Year Ending 6/30/2023 *Measurement Date 6/30/2022*	$ 75,064	$ -	$ 75,064	$ 5,754	$ -	$ -	$ 1,800	$ 31,606	$ 25,324	$ -	$ 124,440

Accounting Information
(Continued)

Schedule of Deferred Outflows and Inflows of Resources

A listing of all deferred resource bases used to develop the Net Position and Pension Expense is shown below. Deferred Contributions are not shown.

Measurement Date: June 30, 2022

Deferred Outflow or (Inflow)							Recognition of Deferred Outflow or Deferred (Inflow) in Measurement Period:						
Date Created	Source	Impact on Net OPEB Liability (NOL)	Initial Amount	Period (Yrs)	Annual Recognition	Balance as of Jun 30, 2022	2021-22 (FYE 2023)	2022-23 (FYE 2024)	2023-24 (FYE 2025)	2024-25 (FYE 2026)	2025-26 (FYE 2027)	2026-27 (FYE 2028)	Thereafter
6/30/2017	Assumption Changes	Decreased NOL	$ (5,992)	6.91	$ (867)	$ (790)	$ (867)	$ (790)	$ -	$ -	$ -	$ -	$ -
6/30/2018	Assumption Changes	Increased NOL	2,423	6.91	351	668	351	351	317	-	-	-	-
6/30/2019	Plan Experience	Decreased NOL	(30,765)	6.11	(5,035)	(10,625)	(5,035)	(5,035)	(5,035)	(555)	-	-	-
6/30/2019	Assumption Changes	Decreased NOL	(34,883)	6.11	(5,709)	(12,047)	(5,709)	(5,709)	(5,709)	(629)	-	-	-
6/30/2020	Assumption Changes	Increased NOL	1,482	6.11	243	753	243	243	243	243	24	-	-
6/30/2021	Plan Experience	Decreased NOL	(20,735)	6.87	(3,018)	(14,699)	(3,018)	(3,018)	(3,018)	(3,018)	(3,018)	(2,627)	-
6/30/2021	Assumption Changes	Increased NOL	6,113	6.87	890	4,333	890	890	890	890	890	773	-
6/30/2022	Assumption Changes	Decreased NOL	(21,967)	6.87	(3,198)	(18,769)	(3,198)	(3,198)	(3,198)	(3,198)	(3,198)	(3,198)	(2,779)

Accounting Information
(Continued)

Commission Contributions to the Plan

Commission contributions to the Plan occur as benefits are paid to or on behalf of retirees. Benefit payments may occur in the form of direct payments for premiums ("explicit subsidies") and/or indirect payments to retirees in the form of higher premiums for active employees ("implicit subsidies"). For details on Important Background Information, see Appendices.

The Commission's OPEB contributions paid during the measurement period (in the form of benefit payments) are shown below.

For the Measurement Period, Jul 1, 2021 thru Jun 30, 2022	**LAFCO Monterey**
Benefits Paid to Retirees	$ 1,752
Implicit Subsidy Payment	-
Total Contributions During the Measurement Period	1,752

OPEB contributions made after the measurement date but prior to the current fiscal year end are shown below.

For the Fiscal Year, Jul 1, 2022 thru Jun 30, 2023	**LAFCO Monterey**
Benefits Paid to Retirees	$ 1,800
Implicit Subsidy Payment	-
Total Contributions During the Current Fiscal Year	1,800

Accounting Information
(Continued)

Projected Benefit Payments (15-year projection)

The following is an estimate of other post-employment benefits to be paid on behalf of current retirees and current employees expected to retire from the Commission. Expected annual benefits have been projected on the basis of the actuarial assumptions outlined in Section 3.

These projections do not include any benefits expected to be paid on behalf of current active employees *prior to* retirement, nor do they include any benefits for potential *future employees* (i.e., those who might be hired in future years).

Projected Annual Benefit Payments							
Fiscal Year Ending June 30	Explicit Subsidy			Implicit Subsidy			Total
	Current Retirees	Future Retirees	Total	Current Retirees	Future Retirees	Total	
2023	1,800	-	1,800	-	-	-	1,800
2024	1,894	851	2,745	-	(129)	(129)	2,616
2025	1,965	1,005	2,970	-	(158)	(158)	2,812
2026	2,036	1,159	3,195	-	(199)	(199)	2,996
2027	2,105	1,340	3,445	-	(217)	(217)	3,228
2028	2,173	1,500	3,673	-	(168)	(168)	3,505
2029	2,236	1,653	3,889	-	(59)	(59)	3,830
2030	2,295	1,834	4,129	-	25	25	4,154
2031	2,346	2,052	4,398	-	220	220	4,618
2032	2,386	2,313	4,699	-	592	592	5,291
2033	2,414	2,593	5,007	-	1,219	1,219	6,226
2034	2,427	2,882	5,309	-	2,114	2,114	7,423
2035	2,420	3,294	5,714	-	2,996	2,996	8,710
2036	2,392	3,681	6,073	-	308	308	6,381
2037	2,338	4,037	6,375	-	860	860	7,235

The amounts shown in the Explicit Subsidy table reflect the expected payment by the Commission toward retiree medical premiums in each of the years shown. The amounts are shown separately, and in total, for those retired on the valuation date ("current retirees") and those expected to retire after the valuation date ("future retirees").

The amounts shown in the Implicit Subsidy table reflect the expected excess of retiree medical and prescription drug claims over the premiums expected to be charged during the year for retirees' coverage. These amounts are also shown separately and in total for those currently retired on the valuation date and for those expected to retire in the future.

Accounting Information
(Concluded)

Sample Journal Entries

OPEB Accounts at Beginning of Fiscal Year	By Source Debit	By Source Credit	Sources Combined Debit	Sources Combined Credit
Net OPEB Liability		85,475		85,475
Deferred Outflow:				
Assumption Changes	7,238			
Plan Experience	-			
Investment Experience	-			
Contribution Subsequent to MD	1,752			
Deferred Outflows			8,990	
Deferred Inflow:				
Assumption Changes		19,413		
Plan Experience		33,377		
Investment Experience		-		
Deferred Inflows				52,790

Record Benefits Paid to Retirees	Debit	Credit
Net OPEB Liability	1,800	
Cash		1,800

Record End of Year Updates to OPEB Accounts	By Source Debit	By Source Credit	Sources Combined Debit	Sources Combined Credit
Net OPEB Liability	8,611		8,611	
Deferred Outflow:				
Assumption Changes		1,484		
Plan Experience				
Investment Experience				
Contribution Subsequent to MD	48			
Deferred Outflows				1,436
Deferred Inflow:				
Assumption Changes		12,193		
Plan Experience	8,053			
Investment Experience	-			
Deferred Inflows				4,140
OPEB Expense		3,035		3,035

D. Funding Information

Our understanding is that the Commission is currently financing its OPEB liability on a pay-as-you-go basis. Prefunding (setting aside funds to accumulate in an irrevocable OPEB trust) has certain advantages, one of which is the ability to (potentially) use a higher discount rate in the determination of liabilities for GASB 75 reporting purposes.

Should the Commission wish to explore potential future prefunding for this plan we can prepare illustrations of various funding levels and, if appropriate, perform a formal funding valuation at that time. Results under a funding scenario may be materially different from the results presented in this report.

E. Certification

The purpose of this report is to provide actuarial information in compliance with Statement 75 of the Governmental Accounting Standards Board (GASB 75) for other postemployment benefits provided by the Local Agency Formation Commission of Monterey County (the Commission). We summarized the benefits in this report and our calculations were based on our understanding of the benefits as described herein.

In preparing this report we relied without audit on information provided by the Commission. This information includes, but is not limited to, plan provisions, census data, and financial information. We performed a limited review of this data and found the information to be reasonably consistent. The accuracy of this report is dependent on this information and if any of the information we relied on is incomplete or inaccurate, then the results reported herein will be different from any report relying on more accurate information.

We consider the actuarial assumptions and methods used in this report to be individually reasonable under the requirements imposed by GASB 75 and taking into consideration reasonable expectations of plan experience. The results provide an estimate of the plan's financial condition at one point in time. Future actuarial results may be significantly different due to a variety of reasons including, but not limited to, demographic and economic assumptions differing from future plan experience, changes in plan provisions, changes in applicable law, or changes in the value of plan benefits relative to other alternatives available to plan members.

Alternative assumptions may also be reasonable; however, demonstrating the range of potential plan results based on alternative assumptions was beyond the scope of our assignment except to the limited extent required by GASB 75. Plan results for accounting purposes may be materially different than results obtained for other purposes such as plan termination, liability settlement, or underlying economic value of the promises made by the plan.

This report is prepared solely for the use and benefit of the Commission and may not be provided to third parties without prior written consent of MacLeod Watts. Exceptions: The Commission may provide copies of this report to their professional accounting and legal advisors who are subject to a duty of confidentiality, and the Commission may provide this work to any party if required by law or court order. No part of this report should be used as the basis for any representations or warranties in any contract or agreement without the written consent of MacLeod Watts.

The undersigned actuaries are unaware of any relationship that might impair the objectivity of this work. Nothing within this report is intended to be a substitute for qualified legal or accounting counsel. The signing actuaries are members of the American Academy of Actuaries and meet the qualification standards for rendering this opinion.

Signed: August 30, 2023

Catherine L. MacLeod

Catherine L. MacLeod, FSA, FCA, EA, MAAA

Sandhya Raman, Actuarial Analyst

F. Supporting Information

Section 1 - Summary of Employee Data

Active employees: The Commission reported 3 active members in the data provided to us for the June 2021 valuation. All 3 active employees are currently enrolled in the medical program.

Distribution of Benefits-Eligible Active Employees								
	Years of Service							
Current Age	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 & Up	Total	Percent
Under 25							0	0%
25 to 29							0	0%
30 to 34							0	0%
35 to 39							0	0%
40 to 44		1					1	33%
45 to 49							0	0%
50 to 54			1				1	33%
55 to 59							0	0%
60 to 64					1		1	33%
65 to 69							0	0%
70 & Up							0	0%
Total	0	1	1	0	1	0	**3**	**100%**
Percent	0%	33%	33%	0%	33%	0%	**100%**	

Valuation	June 2019	June 2021
Average Attained Age for Actives	54.7	52.5
Average Years of Service	7.6	8.7

Retirees: There was 1 retiree receiving benefits as of the June 2021 valuation date, covered under a CalPERS Medicare Supplement plan.

Summary of Plan Member Counts: GASB 75 requires the employer to report specific plan member counts. The chart below shows these counts as of the June 30, 2021, valuation date.

Summary of Plan Member Counts	
Number of active plan members	3
Number of inactive plan members currently receiving benefits	1
Number of inactive plan members entitled to but not receiving benefits	2

Supporting Information
(Continued)

Section 2 - Summary of Retiree Benefit Provisions

OPEB provided: The Commission reported the following OPEB is provided: retiree medical coverage.

Access to coverage: Medical coverage is currently provided through CalPERS as permitted under the Public Employees' Medical and Hospital Care Act (PEMHCA). This coverage requires the employee to satisfy the requirements for retirement under CalPERS: either (a) attainment of age 50, if Classic or age 52, if PEPRA, with 5 years of State or public agency service or (b) an approved disability retirement.

The employee must begin his or her retirement (pension) benefit within 120 days of terminating employment with the Commission to be eligible to continue medical coverage through the agency and be entitled to the benefits described below. If an eligible employee is not already enrolled in the medical plan, he or she may enroll within 60 days of retirement, during any future open enrollment period or with a qualifying life event. In other words, it is the timing of initiating retirement benefits and not timing of enrollment in the medical program which determines whether or not a Commission retiree qualifies for lifetime medical coverage and any benefits defined in the PEMHCA resolution.

Once eligible, coverage may be continued at the retiree's option for his or her lifetime. A surviving spouse and other eligible dependents may also continue coverage.

PEMHCA Benefits provided: As a PEMHCA employer, the Commission is obligated to contribute toward the cost of retiree medical coverage for the retiree's lifetime or until coverage is discontinued. The Commission maintains a resolution with CalPERS defining the level of the Commission's contribution toward the cost of medical plan premiums for employees and retirees to be the PEMHCA minimum employer contribution (MEC)[3]. The MEC was $143 per month in 2021 and increased to $149 in 2022.

The chart below shows the premium rates applicable to plan members at the time the 2021 valuation was prepared.

Region 1 2022 Health Plan Rates						
	Actives and Pre-Med Retirees			Medicare Eligible Retirees		
Plan	Ee Only	Ee & 1	Ee & 2+	Ee Only	Ee & 1	Ee & 2+
PERS Platinum PPO	1,057.01	2,114.02	2,748.23	381.94	763.88	1,398.09

[3] It is our understanding that there is a pre-tax flexible benefit plan in place for active employees, providing health benefits in excess of the MEC and that PEMHCA does not require these additional payments be provided to retirees.

Supporting Information
(Continued)

Section 3 - Actuarial Methods and Assumptions

The ultimate real cost of an employee benefit plan is the value of all benefits and other expenses of the plan over its lifetime. These payments depend only on the terms of the plan and the administrative arrangements adopted. The actuarial assumptions are used to estimate the cost of these benefits; the funding method spreads the expected costs on a level basis over the life of the plan.

Important Dates

Fiscal Year End	June 30, 2023
GASB 75 Measurement Date	June 30, 2022 (last day of the prior fiscal year)
Valuation Date	June 30, 2021

Valuation Methods

Funding Method	Entry Age Normal Cost, level percent of pay.
Asset Valuation Method	Not applicable ($0; no OPEB trust has been established)
Participants Valued	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation.
Development of Age-related Medical Premiums	Actual premium rates for retirees and their spouses were adjusted to an age-related basis by applying medical claim cost factors developed from the data presented in the report, "Health Care Costs – From Birth to Death", sponsored by the Society of Actuaries. A description of the use of claims cost curves can be found in MacLeod Watts's Age Rating Methodology provided in Addendum 2 to this report. Monthly baseline premium costs were set equal to the active single premiums shown in the chart at the bottom of Section 2. Representative claims costs derived from the dataset provided by CalPERS for pre-Medicare retirees are shown in the chart on the following page. Medicare-eligible retirees are covered by plans which are rated solely on the experience of Medicare retirees with no subsidy by active employee premiums. Because the Commission's contribution is less than the lowest age adjusted premium, there is no pool subsidy to be recognized as a Commission liability. Age-based premiums were not used for Medicare retirees in this valuation.

Supporting Information
(Continued)

Section 3 - Actuarial Methods and Assumptions

Development of Age-related
Medical Premiums (concluded)

Expected Monthly Claims by Medical Plan for Selected Age						
		Male				
		Non-Medicare Retirees				
Region	Medical Plan	50	53	56	59	62
Region 1	PERS Platinum PPO	$ 705	$ 832	$ 966	$ 1,107	$ 1,259
		Female				
		Non-Medicare Retirees				
Region	Medical Plan	50	53	56	59	62
Region 1	PERS Platinum PPO	$ 874	$ 960	$ 1,033	$ 1,116	$ 1,230

Economic Assumptions

Municipal Bond Index: S&P General Obligation 20-Year High Grade Municipal Bond Index

Discount Rates: 4.09% as of June 30, 2022, and 2.18% as of June 30, 2021

General Inflation Rate: 2.5% per year

Salary Increase: 3.0% per year. Since benefits do not depend on salary, this is used to allocate the cost of benefits between service years.

Healthcare Trend: Medical plan premiums and claims costs by age are assumed to increase once each year. The increases over the prior year's levels are assumed to be effective on the dates shown below.

Effective January 1	Premium Increase	Effective January 1	Premium Increase
2022	Actual	2049-2058	4.6%
2023	5.6%	2059-2065	4.5%
2024	5.4%	2066-2067	4.4%
2025-2026	5.2%	2068-2069	4.3%
2027-2028	5.1%	2070	4.2%
2029-2037	5.0%	2071-2072	4.1%
2038	4.9%	2073-2074	4.0%
2039-2042	4.8%	2075	3.9%
2043-2048	4.7%	& later	3.9%

The healthcare trend shown above was developed using the Getzen Model 2022_b published by the Society of Actuaries using the following settings: CPI 2.5%; Real GDP Growth 1.4%; Excess Medical Growth 1.0%; Expected Health Share of GDP in 2030 20.3%; Resistance Point 20%; Year after which medical growth is limited to growth in GDP 2075.

Supporting Information
(Continued)

Section 3 - Actuarial Methods and Assumptions

Increases in PEMHCA Minimum	The required PEMHCA minimum employer contribution (MEC) is assumed to increase annually by 4.0%.

Participant Election Assumptions

Participation Rate	*Active employees*: 60% of those currently enrolled and 30% of those not currently enrolled are assumed to elect medical coverage through the Commission in retirement. *Retired participants*: Existing medical plan elections are assumed to be continued until retiree's death.
Spouse Coverage	*Active employees:* 50% of employees are assumed to be married and to elect coverage for their spouse in retirement. Surviving spouses are assumed to keep coverage until their death. Husbands are assumed to be 3 years older than their wives. *Retired participants*: Existing elections for spouse coverage are assumed to continue until the spouse's death. Actual spouse ages are used.
Medicare Eligibility	Absent contrary data, all individuals are assumed to be eligible for Medicare Parts A and B at age 65.

Demographic Assumptions

Demographic actuarial assumptions used in this valuation are based on the 2017 experience study of the California Public Employees Retirement System using data from 1997 to 2015, except for a different basis used to project future mortality improvements. The representative mortality rates were those published by CalPERS adjusted to back out 15 years of Scale MP 2016 to central year 2015, then projected as described below.

Mortality Improvement	MacLeod Watts Scale 2022 applied generationally from 2015 (see Appendices)

Service Retirement Rates

	Miscellaneous
Classic:	2.0% @ 55
PEPRA:	2.0% @ 62

For sample rates of assumed mortality, service and disability retirement and separation (termination) prior to retirement at selected ages, please refer to our June 30, 2021, valuation report and/or the CalPERS experience study referenced above.

Supporting Information
(Continued)

Section 3 - Actuarial Methods and Assumptions

Software and Models Used in the Valuation

ProVal - MacLeod Watts utilizes ProVal, a licensed actuarial valuation software product from Winklevoss Technologies (WinTech) to project future retiree benefit payments and develop the OPEB liabilities presented in this report. ProVal is widely used by the actuarial community. We review results at the plan level and for individual sample lives and find them to be reasonable and consistent with the results we expect. We are not aware of any material inconsistencies or limitations in the software that would affect this actuarial valuation.

Age-based premiums model – developed internally and reviewed by an external consultant at the time it was developed. See discussion on Development of Age-Related Medical Premiums and the Appendices.

Getzen model – published by the Society of Actuaries; used to derive medical trend assumptions described earlier in this section.

Changes in assumptions or methods as of the Measurement Date

Discount Rates	Changed from a rate of 2.18% on June 30, 2021, to a rate of 4.09% on June 30, 2022, based on the published change in return for the applicable municipal bond index.

Appendix 1: Important Background Information

General Types of Other Post-Employment Benefits (OPEB)

Post-employment benefits other than pensions (OPEB) comprise a part of compensation that employers offer for services received. The most common OPEB are medical, prescription drug, dental, vision, and/or life insurance coverage. Other OPEB may include outside group legal, long-term care, or disability benefits outside of a pension plan. OPEB does not generally include COBRA, vacation, sick leave (unless converted to defined benefit OPEB), or other direct retiree payments.

A direct employer payment toward the cost of OPEB benefits is referred to as an "explicit subsidy". In addition, if claims experience of employees and retirees are pooled when determining premiums, retiree premiums are based on a pool of members which, on average, are younger and healthier. For certain types of coverage such as medical insurance, this results in an "implicit subsidy" of retiree premiums by active employee premiums since the retiree premiums are lower than they would have been if retirees were insured separately. GASB 75 and Actuarial Standards of Practice generally require that an implicit subsidy of retiree premium rates be valued as an OPEB liability.

<table>
<tr><td colspan="3">Expected retiree claims</td></tr>
<tr><td colspan="2">Premium charged for retiree coverage</td><td>Covered by higher active premiums</td></tr>
<tr><td>Retiree portion of premium</td><td>Agency portion of premium
Explicit subsidy</td><td>Implicit subsidy</td></tr>
</table>

This chart shows the sources of funds needed to cover expected medical claims for pre-Medicare retirees. The portion of the premium paid by the Agency does not impact the amount of the implicit subsidy.

Under GASB 45, for actuarial valuations dated prior to March 31, 2015, an exception allowed plan employers with a very small membership in a large "community-rated" healthcare program to avoid reporting of implicit subsidy liability. Following a change in Actuarial Standards of Practice and in accordance with GASB 75 requirements, this exception is no longer available.

Valuation Process

The valuation was based on employee census data and benefits provided by the Commission. A summary of the employee data is provided in Table 1 and a summary of the benefits provided under the Plan is provided in Section 2. While individual employee records were reviewed to verify that they are reasonable in various respects, the data has not been audited and we have otherwise relied on the Commission as to its accuracy. The valuation was based on the actuarial methods and assumptions described in Section 3.

In developing the projected benefit values and liabilities, we first determine an expected premium or benefit stream over the employee's future retirement. Benefits may include both direct employer payments (explicit subsidies) and/or an implicit subsidy, arising when retiree premiums are expected to be subsidized by active employee premiums. The projected benefit streams reflect assumed trends

Important Background Information
(Continued)

in the cost of those benefits and assumptions as to the expected date(s) when benefits will end. We then apply assumptions regarding:

- The probability that each individual employee will or will not continue in service to receive benefits.
- The probability of when such retirement will occur for each retiree, based on current age, service and employee type; and
- The likelihood that future retirees will or will not elect retiree coverage (and benefits) for themselves and/or their dependents.

We then calculate a present value of these benefits by discounting the value of each future expected benefit payment, multiplied by the assumed expectation that it will be paid, back to the valuation date using the discount rate. These benefit projections and liabilities have a very long time horizon. The final payments for currently active employees may not be made for many decades.

The resulting present value for each employee is allocated as a level percent of payroll each year over the employee's career using the entry age normal cost method and the amounts for each individual are then summed to get the results for the entire plan. This creates a cost expected to increase each year as payroll increases. Amounts attributed to prior fiscal years form the "Total OPEB Liability". The OPEB cost allocated for active employees in the current year is referred to as "Service Cost".

Where contributions have been made to an irrevocable OPEB trust, the accumulated value of trust assets ("Fiduciary Net Position") is applied to offset the "Total OPEB Liability", resulting in the "Net OPEB Liability". If a plan is not being funded, then the Net OPEB Liability is equal to the Total OPEB Liability.

It is important to remember that an actuarial valuation is, by its nature, a projection of one possible future outcome based on many assumptions. To the extent that actual experience is not what we assumed, future results will differ. Some possible sources of future differences may include:

- A significant change in the number of covered or eligible plan members;
- A significant increase or decrease in the future premium rates;
- A change in the subsidy provided by the Agency toward retiree premiums;
- Longer life expectancies of retirees;
- Significant changes in expected retiree healthcare claims by age, relative to healthcare claims for active employees and their dependents;
- Higher or lower returns on plan assets or contribution levels other than were assumed; and/or
- Changes in the discount rate used to value the OPEB liability

Important Background Information
(Continued)

Requirements of GASB 75

The Governmental Accounting Standards Board (GASB) issued GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition, and disclosure of OPEB expense and related liabilities (assets), note disclosures, and required supplementary information (RSI) in the financial reports of state and local governmental employers.

Important Dates

GASB 75 requires that the information used for financial reporting falls within prescribed timeframes. Actuarial valuations of the total OPEB liability are generally required at least every two years. If a valuation is not performed as of the Measurement Date, then liabilities are required to be based on roll forward procedures from a prior valuation performed no more than 30 months and 1 day prior to the most recent year-end. In addition, the net OPEB liability is required to be measured as of a date no earlier than the end of the prior fiscal year (the "Measurement Date").

Recognition of Plan Changes and Gains and Losses

Under GASB 75, gains and losses related to changes in Total OPEB Liability and Fiduciary Net Position are recognized in OPEB expense systematically over time.

- *Timing of recognition*: Changes in the Total OPEB Liability relating to changes in plan benefits are recognized immediately (fully expensed) in the year in which the change occurs. Gains and Losses are amortized, with the applicable period based on the type of gain or loss. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

- *Deferred recognition periods:* These periods differ depending on the source of the gain or loss.

Difference between projected and actual trust earnings:	5-year straight-line recognition
All other amounts:	Straight-line recognition over the expected average remaining service lifetime (EARSL) of all members that are provided with benefits, determined as of the beginning of the Measurement Period. In determining the EARSL, all active, retired and inactive (vested) members are counted, with the latter two groups having 0 remaining service years.

Important Background Information
(Continued)

Implicit Subsidy Plan Contributions

An implicit subsidy occurs when expected retiree claims exceed the premiums charged for retiree coverage. When this occurs, we expect part of the premiums paid for active employees to cover a portion of retiree claims. This transfer represents the current year's "implicit subsidy". Because GASB 75 treats payments to an irrevocable trust *or directly to the insurer* as employer contributions, each year's implicit subsidy is treated as a contribution toward the payment of retiree benefits.

The following hypothetical example illustrates this treatment:

Hypothetical Illustration of Implicit Subsidy Recognition	For Active Employees	For Retired Employees
Prior to Implicit Subsidy Adjustment		
Premiums Paid by Agency During Fiscal Year	$ 411,000	$ 48,000
Accounting Treatment	Compensation Cost for Active Employees	Contribution to Plan & Benefits Paid from Plan
After Implicit Subsidy Adjustment		
Premiums Paid by Agency During Fiscal Year	$ 411,000	$ 48,000
Implicit Subsidy Adjustment	(23,000)	23,000
Accounting Cost of Premiums Paid	$ 388,000	$ 71,000
Accounting Treatment Impact	Reduces Compensation Cost for Active Employees	Increases Contributions to Plan & Benefits Paid from Plan

The example above shows that total payments toward active and retired employee healthcare premiums is the same, but for accounting purposes part of the total is shifted from actives to retirees. This shifted amount is recognized as an OPEB contribution and reduces the current year's premium expense for active employees.

Discount Rate

When the financing of OPEB liabilities is on a pay-as-you-go basis, GASB 75 requires that the discount rate used for valuing liabilities be based on the yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). When a plan sponsor makes regular, sufficient contributions to a trust in order to prefund the OPEB liabilities, GASB 75 allows use of a rate up to the expected rate of return of the trust. Therefore, prefunding has an advantage of potentially being able to report overall lower liabilities due to future expected benefits being discounted at a higher rate.

Important Background Information
(Continued)

Actuarial Funding Method and Assumptions

The "ultimate real cost" of an employee benefit plan is the value of all benefits and other expenses of the plan over its lifetime. These expenditures are dependent only on the terms of the plan and the administrative arrangements adopted, and as such are not affected by the actuarial funding method.

The actuarial funding method attempts to spread recognition of these expected costs on a level basis over the life of the plan, and as such sets the "incidence of cost". GASB 75 specifically requires that the actuarial present value of projected benefit payments be attributed to periods of employee service using the Entry Age Actuarial Cost Method, with each period's service cost determined as a level percentage of pay.

The results of this report may not be appropriate for other purposes, where other assumptions, methodology and/or actuarial standards of practice may be required or more suitable.

Appendix 2: MacLeod Watts Age Rating Methodology

Both accounting standards (e.g., GASB 75) and actuarial standards (e.g., ASOP 6) require that expected retiree claims, not just premiums paid, be reflected in most situations where an actuary is calculating retiree healthcare liabilities. Unfortunately, the actuary is often required to perform these calculations without any underlying claims information. In most situations, the information is not available, but even when available, the information may not be credible due to the size of the group being considered.

Actuaries have developed methodologies to approximate healthcare claims from the premiums being paid by the plan sponsor. Any methodology requires adopting certain assumptions and using general studies of healthcare costs as substitutes when there is a lack of credible claims information for the specific plan being reviewed.

Premiums paid by sponsors are often uniform for all employee and retiree ages and genders, with a drop in premiums for those participants who are Medicare-eligible. While the total premiums are expected to pay for the total claims for the insured group, on average, the premiums charged would not be sufficient to pay for the claims of older insureds and would be expected to exceed the expected claims of younger insureds. An age-rating methodology takes the typically uniform premiums paid by plan sponsors and spreads the total premium dollars to each age and gender intended to better approximate what the insurer might be expecting in actual claims costs at each age and gender.

The process of translating premiums into expected claims by age and gender generally follows the steps below.

1. *Obtain or Develop Relative Medical Claims Costs by Age, Gender, or other categories that are deemed significant.* For example, a claims cost curve might show that, if a 50-year-old male has $1 in claims, then on average a 50-year-old female has claims of $1.25, a 30-year male has claims of $0.40, and an 8-year-old female has claims of $0.20. The claims cost curve provides such relative costs for each age, gender, or any other significant factor the curve might have been developed to reflect. Section 3 provides the source of information used to develop such a curve and shows sample relative claims costs developed for the plan under consideration.
2. *Obtain a census of participants, their chosen medical coverage, and the premium charged for their coverage.* An attempt is made to find the group of participants that the insurer considered in setting the premiums they charge for coverage. That group includes the participant and any covered spouses and children. When information about dependents is unavailable, assumptions must be made about spouse age and the number and age of children represented in the population. These assumptions are provided in Section 3.
3. *Spread the total premium paid by the group to each covered participant or dependent based on expected claims.* The medical claims cost curve is used to spread the total premium dollars paid by the group to each participant reflecting their age, gender, or other relevant category. After this step, the actuary has a schedule of expected claims costs for each age and gender for the current premium year. It is these claims costs that are projected into the future by medical cost inflation assumptions when valuing expected future retiree claims.

The methodology described above is dependent on the data and methodologies used in whatever study might be used to develop claims cost curves for any given plan sponsor. These methodologies and assumptions can be found in the referenced paper cited as a source in the valuation report.

Appendix 3: MacLeod Watts Mortality Projection Methodology

Actuarial standards of practice (e.g., ASOP 35, Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations, and ASOP 6, Measuring Retiree Group Benefits Obligations) indicate that the actuary should reflect the effect of mortality improvement (i.e., longer life expectancies in the future), both before and after the measurement date. The development of credible mortality improvement rates requires the analysis of large quantities of data over long periods of time. Because it would be extremely difficult for an individual actuary or firm to acquire and process such extensive amounts of data, actuaries typically rely on large studies published periodically by organizations such as the Society of Actuaries or Social Security Administration.

As noted in a recent actuarial study on mortality improvement, key principles in developing a credible mortality improvement model would include the following:

(1) Short-term mortality improvement rates should be based on recent experience.
(2) Long-term mortality improvement rates should be based on expert opinion.
(3) Short-term mortality improvement rates should blend smoothly into the assumed long-term rates over an appropriate transition period.

The **MacLeod Watts Scale 2022** was developed from a blending of data and methodologies found in two published sources: (1) the Society of Actuaries Mortality Improvement Scale MP-2021 Report, published in October 2021 and (2) the demographic assumptions used in the 2021 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, published August 2021.

MacLeod Watts Scale 2022 is a two-dimensional mortality improvement scale reflecting both age and year of mortality improvement. The underlying base scale is Scale MP-2021 which has two segments – (1) historical improvement rates for the period 1951-2017 and (2) an estimate of future mortality improvement for years 2018-2020 using the Scale MP-2021 methodology but utilizing the assumptions used in generating Scale MP-2015. The MacLeod Watts scale then transitions from the 2020 improvement rate to the Social Security Administration (SSA) Intermediate Scale linearly over the 10-year period 2021-2030. After this transition period, the MacLeod Watts Scale uses the constant mortality improvement rate from the SSA Intermediate Scale from 2030-2044. The SSA's Intermediate Scale has a final step in 2045 which is reflected in the MacLeod Watts scale for years 2045 and thereafter. Over the ages 95 to 117, the age 95 improvement rate is graded to zero.

Scale MP-2021 can be found at the SOA website and the projection scales used in the 2021 Social Security Administrations Trustees Report at the Social Security Administration website.

Glossary

Actuarial Funding Method – A procedure which calculates the actuarial present value of plan benefits and expenses, and allocates these expenses to time periods, typically as a normal cost and an actuarial accrued liability

Actuarial Present Value of Projected Benefits (APVPB) – The amount presently required to fund all projected plan benefits in the future. This value is determined by discounting the future payments by an appropriate interest rate and the probability of nonpayment.

CalPERS – Many state governments maintain a public employee retirement system; CalPERS is the California program, covering all eligible state government employees as well as other employees of other governments within California who have elected to join the system

Defined Benefit (DB) – A pension or OPEB plan which defines the monthly income or other benefit which the plan member receives at or after separation from employment

Defined Contribution (DC) – A pension or OPEB plan which establishes an individual account for each member and specifies how contributions to each active member's account are determined and the terms of distribution of the account after separation from employment

Discount Rate - Interest rate used to discount future potential benefit payments to the valuation date. Under GASB 75, if a plan is prefunded, then the discount rate is equal to the expected trust return. If a plan is not prefunded (pay-as-you-go), then the rate of return is based on a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Expected Average Remaining Service Lifetime (EARSL) – Average of the expected remaining service lives of all employees that are provided with benefits through the OPEB plan (active employees and inactive employees), beginning in the current period

Entry Age Actuarial Cost Method – An actuarial funding method where, for each individual, the actuarial present value of benefits is levelly spread over the individual's projected earnings or service from entry age to the last age at which benefits can be paid

Excise Tax – The Affordable Care Act created an excise tax on the value of employer sponsored coverage which exceeds certain thresholds ("Cadillac Plans"). The tax was repealed in December 2019.

Explicit Subsidy – The projected dollar value of future retiree healthcare costs expected to be paid directly by the Employer, e.g., the Employer's payment of all or a portion of the monthly retiree premium billed by the insurer for the retiree's coverage

Fiduciary Net Position –The value of trust assets used to offset the Total OPEB Liability to determine the Net OPEB Liability.

Government Accounting Standards Board (GASB) – A private, not-for-profit organization which develops generally accepted accounting principles (GAAP) for U.S. state and local governments; like FASB, it is part of the Financial Accounting Foundation (FAF), which funds each organization and selects the members of each board

Health Care Trend – The assumed rate(s) of increase in future dollar values of premiums or healthcare claims, attributable to increases in the cost of healthcare; contributing factors include medical inflation, frequency or extent of utilization of services and technological developments.

Glossary
(Continued)

Implicit Subsidy – The projected difference between future retiree claims and the premiums to be charged for retiree coverage; this difference results when the claims experience of active and retired employees are pooled together, and a 'blended' group premium rate is charged for both actives and retirees; a portion of the active employee premiums subsidizes the retiree premiums.

Net OPEB Liability (NOL) – The liability to employees for benefits provided through a defined benefit OPEB. Only assets administered through a trust that meet certain criteria may be used to reduce the Total OPEB Liability.

Net Position – The Impact on Statement of Net Position is the Net OPEB Liability adjusted for deferred resource items

OPEB Expense – The OPEB expense reported in the Agency's financial statement. OPEB expense is the annual cost of the plan recognized in the financial statements.

Other Post-Employment Benefits (OPEB) – Post-employment benefits other than pension benefits, most commonly healthcare benefits but also including life insurance if provided separately from a pension plan

Pay-As-You-Go (PAYGO) – Contributions to the plan are made at about the same time and in about the same amount as benefit payments and expenses coming due

PEMHCA – The Public Employees' Medical and Hospital Care Act, established by the California legislature in 1961, provides community-rated medical benefits to participating public employers. Among its extensive regulations are the requirements that a contracting Agency contribute toward medical insurance premiums for retired annuitants and that a contracting Agency file a resolution, adopted by its governing body, with the CalPERS Board establishing any new contribution.

Plan Assets – The value of cash and investments considered as 'belonging' to the plan and permitted to be used to offset the AAL for valuation purposes. To be considered a plan asset, GASB 75 requires (a) contributions to the OPEB plan be irrevocable, (b) OPEB assets to dedicated to providing OPEB benefit to plan members in accordance with the benefit terms of the plan, and (c) plan assets be legally protected from creditors, the OPEB plan administrator and the plan members.

Public Agency Miscellaneous (PAM) – Non-safety public employees.

Select and Ultimate – Actuarial assumptions which contemplate rates which differ by year initially (the select period) and then stabilize at a constant long-term rate (the ultimate rate)

Service Cost – Total dollar value of benefits expected to be earned by plan members in the current year, as assigned by the actuarial funding method; also called normal cost

Total OPEB Liability (TOL) – Total dollars required to fund all plan benefits attributable to service rendered as of the valuation date for current plan members and vested prior plan members; a subset of "Actuarial Present Value"

Vesting – As defined by the plan, requirements which when met make a plan benefit nonforfeitable on separation of service before retirement eligibility

AGENDA ITEM NO. 4

LAFCO *of Monterey County*

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

LOCAL AGENCY FORMATION COMMISSION

P.O. Box 1369 | 132 W. Gabilan Street, Suite 102

Salinas, CA 93902 | Salinas, CA 93901

Telephone (831) 754-5838 | www.monterey.lafco.ca.gov

KATE McKENNA, AICP

Executive Officer

DATE: September 18, 2023

TO: Chair and Members of the Budget and Finance Committee

FROM: Kate McKenna, AICP, Executive Officer

PREPARED BY: Jonathan Brinkmann, Senior Analyst

SUBJECT: CalPERS Retirement Plan Actuarial Valuation Reports as of June 30, 2022, dated July 2023

CEQA: Not a Project under California Environmental Quality Act Guidelines Section 15378.

SUMMARY OF RECOMMENDATIONS:

Recommend that the full Commission authorize the pay-off of unfunded pension liabilities at its next regular LAFCO meeting, as follows:

a. Pay-off the Classic Miscellaneous Plan unfunded pension liability balance by October 16, 2023 in the approximate amount of $139,857.48 from equity in the Unreserved Fund Balance, and

b. Pay-off the PEPRA Miscellaneous Plan unfunded pension liability balance by October 16, 2023 in the approximate amount of $12,641.43 from equity in the Unreserved Fund Balance.

EXECUTIVE OFFICER'S REPORT:

Attached are actuarial valuation reports for LAFCO's two CalPERS Retirement Plans measured as of the fiscal year that ended on June 30, 2022. The "Classic Miscellaneous Plan" is for classic members enrolled before January 1, 2013. The "PEPRA Miscellaneous Plan" is for new members enrolled since 2013. Both plans are part of risk pools. Prepared by CalPERS in July 2023, the reports provide information about LAFCO's future employer contribution rates and current unfunded pension liability balances. Also attached is supplemental information from CalPERS based on an assumed payment by October 16, 2023.

Contribution Rates

Each report sets the required employer contribution rates for fiscal year 2024-2025: 12.52% for the Classic Miscellaneous Plan and 7.87% for the PEPRA Miscellaneous Plan. This information is presented in each cover letter and on Page 4 of each report. Employee contributions are in addition to these results.

Pension Funding Information

Both reports also present the unfunded pension liability balances for LAFCO as of June 30, 2022: $123,201 for the Classic Miscellaneous Plan and $12,813 for the PEPRA Miscellaneous Plan. This information is shown on Page 6 of each report. Upon request by LAFCO's accounting consultant CliftonLarsonAllen, LLP, CalPERS provided supplemental information based on full payment of pension liability balances by October 16, 2023. These pay-off amounts are $139,857.48 and $12,641.43 for the unfunded pension liability balances for LAFCO's Classic and PEPRA Miscellaneous Plans, respectively. The Commission's practice has been to pay off these unfunded liabilities on an annual or bi-annual "pay as we go" basis.

CalPERS' net performance for fiscal year 2021-2022 (-7.5%) is reflected in the June 30, 2022 valuation reports. In July 2023, CalPERS also reported a preliminary net return of 5.8% on its investments for Fiscal Year 2022-2023. Next year's June 30, 2023 valuation reports will incorporate fiscal year 2022-2023 investment performance and set the required employer contributions for fiscal year 2025-2026. CalPERS' target is a 6.8% return each year on its investments.

Mr. Mike Briley, CPA, CGMA, Managing Principal, CliftonLarsonAllen, LLP has reviewed the unfunded pension liability pay-off information and will assist staff in presenting this agenda item.

Fiscal Impact

Funds are available in the Unreserved Fund Balance for paying-off LAFCO's unfunded pension liabilities, and the remaining fund balance will still be in healthy condition. LAFCO of Monterey County is one of a handful of public agencies in California that is able to pay-off its retirement plan liabilities.

Respectfully Submitted,

Kate McKenna

Kate McKenna, AICP
Executive Officer

Attachments:

1. CalPERS Classic Miscellaneous Plan of LAFCO, Annual Actuarial Report as of June 30, 2022, dated July 2023.
2. CalPERS PEPRA Miscellaneous Plan of LAFCO, Annual Actuarial Report as of June 30, 2022, dated July 2023.
3. CalPERS provided lump sum payment information by October 16, 2023 for CalPERS Classic Miscellaneous Plan of LAFCO.
4. CalPERS provided lump sum payment information by October 16, 2023 for CalPERS PEPRA Miscellaneous Plan of LAFCO.

ATTACHMENT 4.1

ACCOUNTING VALUATION REPORT

CalPERS Retirement

Miscellaneous Plan

California Public Employees' Retirement System
Actuarial Office
400 Q Street, Sacramento, CA 95811 | Phone: (916) 795-3000 | Fax: (916) 795-2744
888 CalPERS (or **888**-225-7377) | TTY: (877) 249-7442 | **www.calpers.ca.gov**

July 2023

Miscellaneous Plan of the Local Agency Formation Commission of Monterey County (CalPERS ID: 7449296272)
Annual Valuation Report as of June 30, 2022

Dear Employer,

Attached to this letter is the June 30, 2022 actuarial valuation report for the rate plan noted above. **Provided in this report is the determination of the minimum required employer contributions for fiscal year (FY) 2024-25**. In addition, the report contains important information regarding the current financial status of the plan as well as projections and risk measures to aid in planning for the future.

Because this plan is in a risk pool, the following valuation report has been separated into two sections:

- Section 1 contains specific information for the plan including the development of the current and projected employer contributions, and
- Section 2 contains the Risk Pool Actuarial Valuation appropriate to the plan as of June 30, 2022.

Section 2 can be found on the CalPERS website (www.calpers.ca.gov). From the home page, go to *"Forms & Publications*" and select *"View All*". In the search box, enter *"Risk Pool*" and from the results list download the Miscellaneous Risk Pool Actuarial Valuation Report for June 30, 2022.

Actuarial valuations are based on assumptions regarding future plan experience including investment return and payroll growth, eligibility for the types of benefits provided, and longevity among retirees. The CalPERS Board of Administration (board) adopts these assumptions after considering the advice of CalPERS actuarial and investment teams and other professionals. Each actuarial valuation reflects all prior differences between actual and assumed experience and adjusts the contribution requirements as needed. This valuation is based on an investment return assumption of 6.8%, which was adopted by the board in November 2021. Other assumptions used in this report are those recommended in the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021.

Required Contributions

The table below shows the minimum required employer contributions for FY 2024-25 along with estimates of the required contributions for FY 2025-26. Employee contributions other than cost sharing (whether paid by the employer or the employee) are in addition to the results shown below. **The required employer contributions in this report do not reflect any cost sharing arrangement between the agency and the employees.**

Fiscal Year	Employer Normal Cost Rate	Employer Amortization of Unfunded Accrued Liability
2024-25	12.52%	$5,047
Projected Results		
2025-26	*12.5%*	*$7,600*

The actual investment return for FY 2022-23 was not known at the time this report was prepared. The projections above assume the investment return for that year would be 6.8%. ***To the extent the actual investment return for FY 2022-23 differs from 6.8%, the actual contribution requirements for FY 2025-26 will differ from those shown above.*** For additional details regarding the assumptions and methods used for these projections, please refer to the "Projected Employer Contributions" in the "Highlights and Executive Summary" section. This section also contains projected required contributions through FY 2029-30.

Changes from Previous Year's Valuations

There are no significant changes in actuarial assumptions or policies in the 2022 actuarial valuation. There may be changes specific to the plan such as contract amendments and funding changes.

Further descriptions of general changes are included in "Highlights and Executive Summary" and in Appendix A of the Section 2 report in "Actuarial Methods and Assumptions." The effects of any changes on the required contributions are included in "Reconciliation of Required Employer Contributions," also in the Section 2 report.

Questions

A CalPERS actuary is available to answer questions about this report. Other questions may be directed to the Customer Contact Center at (888)-CalPERS or (**888-225-7377**).

Sincerely,

SCOTT TERANDO, ASA, EA, MAAA, FCA, CFA
Chief Actuary, CalPERS

RANDALL DZIUBEK, ASA, MAAA
Deputy Chief Actuary, Valuation Services, CalPERS

Actuarial Valuation
as of June 30, 2022

for the
Miscellaneous Plan
of the
Local Agency Formation Commission of Monterey County

(CalPERS ID: 7449296272)

Required Contributions
for Fiscal Year
July 1, 2024 - June 30, 2025

Table of Contents

Section 1

Plan Specific Information for the Miscellaneous Plan of the Local Agency Formation Commission of Monterey County

(CalPERS ID: 7449296272)
(Rate Plan ID: 5580)

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Actuarial Certification

To the best of our knowledge, this report, comprised of Sections 1 and 2, is complete and accurate and contains sufficient information to disclose, fully and fairly, the funded condition of the Miscellaneous Plan of the Local Agency Formation Commission of Monterey County and satisfies the actuarial valuation requirements of Government Code section 7504. This valuation is based on the member and financial data as of June 30, 2022 provided by the various CalPERS databases and the benefits under this plan with CalPERS as of the date this report was produced. Section 1 of this report is based on the member and financial data for Local Agency Formation Commission of Monterey County, while Section 2 is based on the corresponding information for all agencies participating in the Miscellaneous Risk Pool to which the plan belongs.

As set forth in Section 2 of this report, the pool actuaries have certified that, in their opinion, the valuation of the Miscellaneous Risk Pool has been performed in accordance with generally accepted actuarial principles, in accordance with standards of practice prescribed by the Actuarial Standards Board, and that the assumptions and methods are internally consistent and reasonable for the risk pool as of the date of this valuation and as prescribed by the CalPERS Board of Administration according to provisions set forth in the California Public Employees' Retirement Law.

Having relied upon the information set forth in Section 2 of this report and based on the census and benefit provision information for the rate plan, it is my opinion as the plan actuary that the Unfunded Accrued Liability amortization bases as of June 30, 2022 and employer contribution as of July 1, 2024 have been properly and accurately determined in accordance with the principles and standards stated above.

The undersigned is an actuary who satisfies the *Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States* with regard to pensions.

ALEX GRUNDER, ASA, MAAA
Actuary, CalPERS

Highlights and Executive Summary

- **Introduction**
- **Purpose of Section 1**
- **Required Contributions**
- **Additional Discretionary Employer Contributions**
- **Funded Status – Funding Policy Basis**
- **Projected Employer Contributions**
- **Other Pooled Miscellaneous Risk Pool Rate Plans**
- **Cost**
- **Changes Since the Prior Year’s Valuation**
- **Subsequent Events**

Introduction

This report presents the results of the June 30, 2022 actuarial valuation of the Miscellaneous Plan of the Local Agency Formation Commission of Monterey County of the California Public Employees' Retirement System (CalPERS). This actuarial valuation sets the minimum required contributions for fiscal year (FY) 2024-25.

Purpose of Section 1

This Section 1 report for the Miscellaneous Plan of the Local Agency Formation Commission of Monterey County of CalPERS was prepared by the Actuarial Office using data as of June 30, 2022. The purpose of the valuation is to:

- Set forth the assets and accrued liabilities of this rate plan as of June 30, 2022;
- Determine the minimum required employer contributions for this rate plan for FY July 1, 2024 through June 30, 2025;
- Determine the required member contribution rate for FY July 1, 2024 through June 30, 2025 for employees subject to the California Public Employees' Pension Reform Act of 2013 (PEPRA); and
- Provide actuarial information as of June 30, 2022 to the CalPERS Board of Administration (board) and other interested parties.

The pension funding information presented in this report should not be used in financial reports subject to Governmental Accounting Standards Board (GASB) Statement No. 68 for a Cost Sharing Employer Defined Benefit Pension Plan. A separate accounting valuation report for such purposes is available on the CalPERS website (www.calpers.ca.gov).

The measurements shown in this actuarial valuation may not be applicable for other purposes. The agency should contact the plan actuary before disseminating any portion of this report for any reason that is not explicitly described above.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; changes in actuarial policies; changes in plan provisions or applicable law; and differences between the required contributions determined by the valuation and the actual contributions made by the agency.

Assessment and Disclosure of Risk

This report includes the following risk disclosures consistent with the guidance of Actuarial Standard of Practice No. 51 and recommended by the California Actuarial Advisory Panel (CAAP) in the Model Disclosure Elements document:

- A "Scenario Test," projecting future results under different investment income returns.
- A "Sensitivity Analysis," showing the impact on current valuation results using alternative discount rates of 5.8% and 7.8%.
- A "Sensitivity Analysis," showing the impact on current valuation results assuming rates of mortality are 10% lower or 10% higher than our current post-retirement mortality assumptions adopted in 2021.
- Plan maturity measures indicating how sensitive a plan may be to the risks noted above.

Required Contributions

Required Employer Contributions	Fiscal Year 2024-25
Employer Normal Cost Rate	**12.52%**
Plus	
Required Payment on Amortization Bases[1]	**$5,047**
Paid either as	
1) Monthly Payment	**$420.58**
Or	
2) Annual Prepayment Option*	**$4,884**

The total minimum required employer contribution is the sum of the Plan's Employer Normal Cost Rate (expressed as a percentage of payroll and paid as payroll is reported) plus the Employer Unfunded Accrued Liability (UAL) Contribution Amount (billed monthly (1) or prepaid annually (2) in dollars).

** Only the UAL portion of the employer contribution can be prepaid* ***(which must be received in full no later than July 31)***.

Development of Normal Cost as a Percentage of Payroll	Fiscal Year 2023-24	Fiscal Year 2024-25
Base Total Normal Cost for Formula	18.76%	18.81%
Surcharge for Class 1 Benefits[2]		
a) FAC 1	0.63%	0.64%
Phase out of Normal Cost Difference[3]	0.00%	0.00%
Plan's Total Normal Cost	19.39%	19.45%
Offset Due to Employee Contributions	6.92%	6.93%
Employer Normal Cost Rate	12.47%	12.52%

[1] The required payment on amortization bases does not take into account any additional discretionary payment made after April 28, 2023.

[2] Section 2 of this report contains a list of Class 1 benefits and corresponding surcharges.

[3] When a rate plan joins the pool, the difference in normal cost between the pool and the rate plan is phased out over a five-year period in accordance with the CalPERS contribution allocation policy.

Additional Discretionary Employer Contributions

The minimum required employer contribution towards the Unfunded Accrued Liability (UAL) for this rate plan for FY 2024-25 is $5,047. CalPERS allows agencies to make additional discretionary payments (ADPs) at any time and in any amount. These optional payments serve to reduce the UAL and future required contributions and can result in significant long-term savings. Agencies can also use ADPs to stabilize annual contributions as a fixed dollar amount, percent of payroll or percent of revenue.

Provided below are select ADP options for consideration. Making such an ADP during FY 2024-25 does not require an ADP be made in any future year, nor does it change the remaining amortization period of any portion of unfunded liability. For information on permanent changes to amortization periods, see the "Amortization Schedule and Alternatives" section of the report.

Agencies considering making an ADP should contact CalPERS for additional information.

Minimum Required Employer Contribution for Fiscal Year 2024-25

Estimated Normal Cost	Minimum UAL Payment	ADP	Total UAL Contribution	Estimated Total Contribution
$36,841	$5,047	$0	$5,047	$41,888

The minimum required contribution above is less than interest on the UAL. With no ADP the UAL is projected to increase over the following year. If the minimum UAL payment were split between interest and principal, the principal portion would be negative. This situation is referred to as **negative amortization**. If only the minimum required contribution is made, contributions are not expected to exceed interest on the UAL until FY **2026-27**, as shown in the "Amortization Schedule and Alternatives" section of the report (see columns labeled "Current Amortization Schedule").

Fiscal Year 2024-25 Employer Contribution Necessary to Avoid Negative Amortization

Estimated Normal Cost	Minimum UAL Payment	ADP[1]	Total UAL Contribution	Estimated Total Contribution
$36,841	$5,047	$4,593	$9,640	$46,481

Alternative Fiscal Year 2024-25 Employer Contributions for Greater UAL Reduction

Funding Horizon	Estimated Normal Cost	Minimum UAL Payment	ADP[1]	Total UAL Contribution	Estimated Total Contribution
20 years	$36,841	$5,047	$8,128	$13,175	$50,016
15 years	$36,841	$5,047	$10,322	$15,369	$52,210
10 years	$36,841	$5,047	$14,952	$19,999	$56,840
5 years	$36,841	$5,047	$29,344	$34,391	$71,232

[1] The ADP amounts are assumed to be made in the middle of the fiscal year. A payment made earlier or later in the fiscal year would have to be less or more than the amount shown to have the same effect on the UAL amortization.

Note that the calculations above are based on the projected UAL as of June 30, 2024 as determined in the June 30, 2022 actuarial valuation. New unfunded liabilities can emerge in future years due to assumption or method changes, changes in plan provisions, and actuarial experience different than assumed. Making an ADP illustrated above for the indicated number of years will not result in a plan that is exactly 100% funded in the indicated number of years. Valuation results will vary from one year to the next and can diverge significantly from projections over a period of several years.

Funded Status – Funding Policy Basis

The table below provides information on the current funded status of the plan under the funding policy. The funded status for this purpose is based on the market value of assets relative to the funding target produced by the entry age actuarial cost method and actuarial assumptions adopted by the board. The actuarial cost method allocates the total expected cost of a member's projected benefit (**Present Value of Benefits**) to individual years of service (the **Normal Cost**). The value of the projected benefit that is not allocated to future service is referred to as the **Accrued Liability** and is the plan's funding target on the valuation date. The **Unfunded Accrued Liability** (UAL) equals the funding target minus the assets. The UAL is an absolute measure of funded status and can be viewed as employer debt. The **funded ratio** equals the assets divided by the funding target. The funded ratio is a relative measure of the funded status and allows for comparisons between plans of different sizes.

	June 30, 2021	June 30, 2022
1. Present Value of Benefits	$2,270,746	$2,309,605
2. Entry Age Accrued Liability	1,614,247	1,730,336
3. Market Value of Assets (MVA)	1,763,553	1,607,135
4. Unfunded Accrued Liability (UAL) [(2) – (3)]	($149,306)	$123,201
5. Funded Ratio [(3) / (2)]	109.2%	92.9%

A funded ratio of 100% (UAL of $0) implies that the funding of the plan is on target and that future contributions equal to the normal cost of the active plan members will be sufficient to fully fund all retirement benefits if future experience matches the actuarial assumptions. A funded ratio of less than 100% (positive UAL) implies that in addition to normal costs, payments toward the UAL will be required. Plans with a funded ratio greater than 100% have a negative UAL (or surplus) but are required under current law to continue contributing the normal cost in most cases, preserving the surplus for future contingencies.

Calculations for the funding target reflect the expected long-term investment return of 6.8%. If it were known on the valuation date that future investment returns will average something greater/less than the expected return, calculated normal costs and accrued liabilities provided in this report would be less/greater than the results shown. Therefore, for example, if actual average future returns are less than the expected return, calculated normal costs and UAL contributions will not be sufficient to fully fund all retirement benefits. Under this scenario, required future normal cost contributions will need to increase from those provided in this report, and the plan will develop unfunded liabilities that will also add to required future contributions. For illustrative purposes, funded statuses based on a 1% lower and higher average future investment return (discount rate) are as follows:

	1% Lower Average Return	Current Assumption	1% Higher Average Return
Discount Rate	5.8%	6.8%	7.8%
1. Entry Age Accrued Liability	$1,955,608	$1,730,336	$1,541,871
2. Market Value of Assets (MVA)	1,607,135	1,607,135	1,607,135
3. Unfunded Accrued Liability (UAL) [(1) – (2)]	$348,473	$123,201	($65,264)
4. Funded Ratio [(2) / (1)]	82.2%	92.9%	104.2%

The "Risk Analysis" section of the report provides additional information regarding the sensitivity of valuation results to the expected investment return and other factors. Also provided in that section are measures of funded status that are appropriate for assessing the sufficiency of plan assets to cover estimated termination liabilities.

Projected Employer Contributions

The table below shows the required and projected employer contributions (before cost sharing) for the next six fiscal years. The projection assumes that all actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur during the projection period. In particular, the investment return beginning with FY 2022-23 is assumed to be 6.80% per year, net of investment and administrative expenses. Future contribution requirements may differ significantly from those shown below. The actual long-term cost of the plan will depend on the actual benefits and expenses paid and the actual investment experience of the fund.

	Required Contribution	**Projected Future Employer Contributions (Assumes 6.80% Return for Fiscal Year 2022-23 and Beyond)**				
Fiscal Year	**2024-25**	**2025-26**	**2026-27**	**2027-28**	**2028-29**	**2029-30**
	Rate Plan 5580 Results					
Normal Cost %	12.52%	12.5%	12.5%	12.5%	12.5%	12.5%
UAL Payment	$5,047	$7,600	$10,000	$13,000	$15,000	$15,000

For ongoing plans, investment gains and losses are amortized using a 5-year ramp up. For more information, please see “Amortization of the Unfunded Actuarial Accrued Liability” under “Actuarial Methods” in Appendix A of the Section 2 Report. This method phases in the impact of the change in UAL over a 5-year period in order to reduce employer cost volatility from year to year. As a result of this methodology, dramatic changes in the required employer contributions in any one year are less likely. However, required contributions can change gradually and significantly over the next five years. In years when there is a large investment loss, the relatively small amortization payments during the ramp up period could result in contributions that are less than interest on the UAL (i.e. negative amortization) while the contribution impact of the increase in the UAL is phased in.

The required contribution for FY 2024-25 is less than interest on the UAL, a situation referred to as **negative amortization**, as explained in the “Additional Discretionary Employer Contributions” section earlier in this report. If only the minimum required contribution is made, contributions are not expected to exceed interest on the UAL until FY 2026-27, as shown in the “Amortization Schedule and Alternatives” section of the report (see columns labelled “Current Amortization Schedule”).

For projected contributions under alternate investment return scenarios, please see the “Future Investment Return Scenarios” in the “Risk Analysis” section. Our online pension plan projection tool, Pension Outlook, is available in the Employers section of the CalPERS website. Pension Outlook can help plan and budget pension costs under various scenarios.

Other Pooled Miscellaneous Risk Pool Rate Plans

All of the results presented in this Section 1 report, except those shown on this page, correspond to rate plan 5580. In many cases, employers have additional rate plans within the same risk pool. For cost analysis and budgeting it is useful to consider contributions for these rate plans as a whole rather than individually. The estimated contribution amounts and rates for all of the employer's rate plans in the Miscellaneous Risk Pool are shown below and assume that the total employer payroll within the Miscellaneous Risk Pool will grow according to the overall payroll growth assumption of 2.80% per year for three years. In a refinement since the prior year's report, Classic members who are projected to terminate employment are assumed to be replaced by PEPRA members.

	Fiscal Year 2023-24	Fiscal Year 2024-25
Estimated Combined Employer Contributions for all Pooled Miscellaneous Rate Plans		
Projected Payroll for the Contribution Year	$466,342	$494,368
Estimated Employer Normal Cost	$58,153	$52,590
Required Payment on Amortization Bases	$0	$5,586
Estimated Total Employer Contributions	$58,153	$58,176
Estimated Total Employer Contribution Rate (illustrative only)	12.47%	11.77%

Cost

Actuarial Determination of Plan Cost

Contributions to fund the plan are comprised of two components:

- Normal Cost, expressed as a percentage of total active payroll
- Amortization of the Unfunded Accrued Liability (UAL), expressed as a dollar amount

For fiscal years prior to 2015-16, the Amortization of UAL component was expressed as a percentage of total active payroll. Starting with FY 2015-16, the Amortization of UAL component was expressed as a dollar amount and invoiced on a monthly basis. There is an option to prepay this amount during July of each fiscal year.

The Normal Cost component is expressed as a percentage of active payroll with employer and employee contributions payable as part of the regular payroll reporting process.

The determination of both components requires complex actuarial calculations. The calculations are based on a set of actuarial assumptions which can be divided into two categories:

- Demographic assumptions (e.g., mortality rates, retirement rates, employment termination rates, disability rates)
- Economic assumptions (e.g., future investment earnings, inflation, salary growth rates)

These assumptions reflect CalPERS' best estimate of future experience of the plan and are long term in nature. We recognize that all assumptions will not be realized in any given year. For example, the investment earnings at CalPERS have averaged 6.9% over the 20 years ending June 30, 2022, yet individual fiscal year returns have ranged from -23.6% to +21.3%. In addition, CalPERS reviews all actuarial assumptions by conducting in-depth experience studies every four years, with the most recent experience study completed in 2021.

Changes Since the Prior Year's Valuation

Benefits

The standard actuarial practice at CalPERS is to recognize mandated legislative benefit changes in the first annual valuation following the effective date of the legislation. Voluntary benefit changes by plan amendment are generally included in the first valuation that is prepared after the amendment becomes effective, even if the valuation date is prior to the effective date of the amendment.

This valuation generally reflects plan amendments effective before the date of the report. Please refer to the "Plan's Major Benefit Options" in this report and Appendix B of the Section 2 Report for a summary of the plan provisions used in this valuation.

In 2022, SB 1168 increased the standard retiree lump sum death benefit from $500 to $2,000 for any death occurring on or after July 1, 2023. For pooled plans this is a Class 3 benefit and there is no normal cost surcharge. The impact on the unfunded liability is included in the pool's (gain)/loss.

Actuarial Methods and Assumptions

There are no significant changes to the actuarial methods or assumptions for the June 30, 2022 actuarial valuation.

Subsequent Events

This actuarial valuation report reflects fund investment return through June 30, 2022 and statutory/regulatory changes and board actions through January 2023.

During the time period between the valuation date and the publication of this report, inflation has been significantly higher than the expected inflation of 2.3% per annum. Since inflation influences cost-of-living increases for retirees and beneficiaries and active member pay increases, higher inflation is likely to put at least some upward pressure on contribution requirements and downward pressure on the funded status in the June 30, 2023 valuation. The actual impact of higher inflation on future valuation results will depend on, among other factors, how long higher inflation persists. At this time, we continue to believe the long-term inflation assumption of 2.3% is appropriate.

To the best of our knowledge, there have been no other subsequent events that could materially affect current or future certifications rendered in this report.

Assets and Liabilities

- **Breakdown of Entry Age Accrued Liability**
- **Allocation of Plan's Share of Pool's Experience/Assumption Change**
- **Development of Plan's Share of Pool's Market Value of Assets**
- **Schedule of Amortization Bases**
- **Amortization Schedule and Alternatives**
- **Employer Contribution History**
- **Funding History**

Breakdown of Entry Age Accrued Liability

Active Members	$1,361,869
Transferred Members	63,443
Separated Members	47,331
Members and Beneficiaries Receiving Payments	257,693
Total	$1,730,336

Allocation of Plan's Share of Pool's Experience/Assumption Change

It is the policy of CalPERS to ensure equity within the risk pools by allocating the pool's experience gains/losses and assumption changes in a manner that treats each employer equitably and maintains benefit security for the members of the System while minimizing substantial variations in employer contributions. The Pool's experience gains/losses and impact of assumption/method changes is allocated to the plan as follows:

1.	Plan's Accrued Liability	$1,730,336
2.	Projected UAL Balance at 6/30/2022	(152,669)
3.	Other UAL Adjustments (Golden Handshake, Prior Service Purchase, etc.)	0
4.	Adjusted UAL Balance at 6/30/2022 for Asset Share	(152,669)
5.	Pool's Accrued Liability[1]	22,021,735,002
6.	Sum of Pool's Individual Plan UAL Balances at 6/30/2022[1]	2,453,954,297
7.	Pool's 2021-22 Investment (Gain)/Loss[1]	2,614,071,182
8.	Pool's 2021-22 Non-Investment (Gain)/Loss[1]	309,490,972
9.	Plan's Share of Pool's Investment (Gain)/Loss: [(1) - (4)] ÷ [(5) - (6)] × (7)	251,552
10.	Plan's Share of Pool's Non-Investment (Gain)/Loss: (1) ÷ (5) × (8)	24,318
11.	Plan's New (Gain)/Loss as of 6/30/2022: (9) + (10)	275,870
12.	Increase in Pool's Accrued Liability due to Change in Assumptions[1]	0
13.	Plan's Share of Pool's Change in Assumptions: (1) ÷ (5) × (12)	0
14.	Increase in Pool's Accrued Liability due to Funding Risk Mitigation[1]	0
15.	Plan's Share of Pool's Change due to Funding Risk Mitigation: (1) ÷ (5) × (14)	0
16.	Offset due to Funding Risk Mitigation	0
17.	Plan's Investment (Gain)/Loss: (9) – (16)	251,552
18.	Partial Fresh Start Base: (2) + (17)	98,883

[1] Does not include plans that transferred to Pool on the valuation date.

Development of the Plan's Share of Pool's Market Value of Assets

19.	Plan's UAL: (2) + (3) + (11) + (13) + (15)	$123,201
20.	Plan's Share of Pool's MVA: (1) - (19)	$1,607,135

Schedule of Amortization Bases

Below is the schedule of the plan's amortization bases. Note that there is a two-year lag between the valuation date and the start of the contribution year.

- The assets, liabilities, and funded status of the plan are measured as of the valuation date: June 30, 2022.
- The required employer contributions determined by the valuation are for the fiscal year beginning two years after the valuation date: FY 2024-25.

This two-year lag is necessary due to the amount of time needed to extract and test the membership and financial data, and the need to provide public agencies with their required employer contribution well in advance of the start of the fiscal year.

The Unfunded Accrued Liability (UAL) is used to determine the employer contribution and therefore must be rolled forward two years from the valuation date to the first day of the fiscal year for which the contribution is being determined. The UAL is rolled forward each year by subtracting the expected payment on the UAL for the fiscal year and adjusting for interest. The expected payment for the first fiscal year is determined by the actuarial valuation two years ago and the contribution for the second year is from the actuarial valuation one year ago. Additional discretionary payments are reflected in the Expected Payments column in the fiscal year they were made by the agency.

Reason for Base	Date Est.	Ramp Level 2024-25	Ramp Shape	Escala-tion Rate	Amort. Period	Balance 6/30/22	Expected Payment 2022-23	Balance 6/30/23	Expected Payment 2023-24	Balance 6/30/24	Minimum Required Payment 2024-25
Non-Investment (Gain)/Loss	6/30/22	No Ramp		0.00%	20	24,318	0	25,972	0	27,738	2,494
Partial Fresh Start	6/30/22	20%	Up Only	0.00%	20	98,883	(5,422)	111,210	0	118,772	2,553
Total						**123,201**	**(5,422)**	**137,182**	**0**	**146,510**	**5,047**

The (gain)/loss bases are the plan's allocated share of the risk pool's (gain)/loss for the fiscal year as disclosed in "Allocation of Plan's Share of Pool's Experience/Assumption Change" earlier in this section. These (gain)/loss bases will be amortized in accordance with the CalPERS amortization policy in effect at the time the base was established.

The partial fresh start base established June 30, 2022 is the sum of the UAL balance from the June 30, 2021 valuation (projected to June 30, 2022) and the June 30, 2022 investment loss, as shown on the previous page.

Amortization Schedule and Alternatives

The amortization schedule on the previous page(s) shows the minimum contributions required according to the CalPERS amortization policy. Many agencies have expressed a desire for a more stable pattern of payments or have indicated interest in paying off the unfunded accrued liabilities more quickly than required. As such, we have provided alternative amortization schedules to help analyze the current amortization schedule and illustrate the potential savings of accelerating unfunded liability payments.

Shown on the following page are future year amortization payments based on 1) the current amortization schedule reflecting the individual bases and remaining periods shown on the previous page, and 2) alternative "fresh start" amortization schedules using two sample periods that would both result in interest savings relative to the current amortization schedule. To initiate a fresh start, please contact the plan actuary.

The Current Amortization Schedule typically contains both positive and negative bases. Positive bases result from plan changes, assumption changes, method changes or plan experience that increase unfunded liability. Negative bases result from plan changes, assumption changes, method changes, or plan experience that decrease unfunded liability. The combination of positive and negative bases within an amortization schedule can result in unusual or problematic circumstances in future years, such as:

- When a negative payment would be required on a positive unfunded actuarial liability; or
- When the payment would completely amortize the total unfunded liability in a very short time period, and results in a large change in the employer contribution requirement.

In any year when one of the above scenarios occurs, the actuary will consider corrective action such as replacing the existing unfunded liability bases with a single "fresh start" base and amortizing it over an appropriate period.

The Current Amortization Schedule on the following page may appear to show that, based on the current amortization bases, one of the above scenarios will occur at some point in the future. It is impossible to know today whether such a scenario will in fact arise since there will be additional bases added to the amortization schedule in each future year. Should such a scenario arise in any future year, the actuary will take appropriate action based on guidelines in the CalPERS amortization policy.

Amortization Schedule and Alternatives (continued)

	Current Amortization Schedule		Alternate Schedules			
			20 Year Amortization		15 Year Amortization	
Date	Balance	Payment	Balance	Payment	Balance	Payment
6/30/2024	146,510	5,047	146,510	13,175	146,510	15,369
6/30/2025	151,257	7,600	142,857	13,175	140,590	15,370
6/30/2026	153,689	10,153	138,956	13,175	134,266	15,369
6/30/2027	153,648	12,706	134,789	13,175	127,513	15,369
6/30/2028	150,965	15,260	130,339	13,175	120,301	15,370
6/30/2029	145,461	15,260	125,586	13,174	112,597	15,369
6/30/2030	139,583	15,259	120,511	13,174	104,371	15,370
6/30/2031	133,305	15,260	115,091	13,174	95,584	15,369
6/30/2032	126,599	15,259	109,303	13,175	86,201	15,370
6/30/2033	119,439	15,259	103,120	13,175	76,179	15,370
6/30/2034	111,791	15,260	96,517	13,175	65,475	15,369
6/30/2035	103,622	15,259	89,465	13,175	54,044	15,369
6/30/2036	94,899	15,259	81,933	13,174	41,836	15,369
6/30/2037	85,582	15,259	73,890	13,175	28,798	15,370
6/30/2038	75,632	15,260	65,299	13,174	14,872	15,369
6/30/2039	65,004	15,258	56,125	13,175		
6/30/2040	53,656	15,259	46,326	13,174		
6/30/2041	41,535	15,258	35,862	13,175		
6/30/2042	28,591	15,260	24,685	13,175		
6/30/2043	14,764	15,258	12,748	13,174		
6/30/2044						
6/30/2045						
6/30/2046						
6/30/2047						
6/30/2048						
6/30/2049						
Total		**279,653**		**263,493**		**230,541**
Interest Paid		**133,143**		**116,983**		**84,031**
Estimated Savings				**16,160**		**49,112**

Employer Contribution History

The table below provides a recent history of the required and discretionary employer contributions for the plan. The required amounts are based on the actuarial valuation from two years prior without subsequent adjustments, if any. Additional discretionary payments before July 1, 2019 or after April 28, 2023 are not included.

Fiscal Year	Employer Normal Cost	Unfunded Liability Payment ($)	Additional Discretionary Payments
2016 - 17	8.880%	$0	N/A
2017 - 18	8.921%	1,343	N/A
2018 - 19	9.409%	1,167	N/A
2019 - 20	10.221%	0	26,570
2020 - 21	11.031%	2,468	12,823
2021 - 22	10.88%	700	0
2022 - 23	10.87%	1,332	0
2023 - 24	12.47%	0	
2024 - 25	12.52%	5,047	

Funding History

The table below shows the recent history of the actuarial accrued liability, share of the pool's market value of assets, unfunded accrued liability, funded ratio, and annual covered payroll.

Valuation Date	Accrued Liability (AL)	Share of Pool's Market Value of Assets (MVA)	Unfunded Accrued Liability (UAL)	Funded Ratio	Annual Covered Payroll
06/30/2013	$582,509	$473,403	$109,106	81.3%	$250,248
06/30/2014	684,601	593,938	90,663	86.8%	238,340
06/30/2015	784,564	766,372	18,192	97.7%	252,260
06/30/2016	895,001	809,162	85,839	90.4%	268,448
06/30/2017	991,365	937,432	53,933	94.6%	276,747
06/30/2018	1,205,794	1,189,256	16,538	98.6%	372,227
06/30/2019	1,340,339	1,305,970	34,369	97.4%	308,049
06/30/2020	1,484,729	1,433,848	50,881	96.6%	426,466
06/30/2021	1,614,247	1,763,553	(149,306)	109.2%	429,265
06/30/2022	1,730,336	1,607,135	123,201	92.9%	385,699

Risk Analysis

- **Future Investment Return Scenarios**
- **Discount Rate Sensitivity**
- **Mortality Rate Sensitivity**
- **Maturity Measures**
- **Maturity Measures History**
- **Funded Status – Termination Basis**

Future Investment Return Scenarios

Analysis using the investment return scenarios from the Asset Liability Management process completed in 2021 was performed to determine the effects of various future investment returns on required employer contributions. The projections below reflect the impact of the CalPERS Funding Risk Mitigation policy. The projections also assume that all other actuarial assumptions will be realized and that no further changes in assumptions, contributions, benefits, or funding will occur.

The first table shows projected contribution requirements if the fund were to earn either 3.0% or 10.8% annually. These alternate investment returns were chosen because 90% of long-term average returns are expected to fall between them over the 20-year period ending June 30, 2042.

Assumed Annual Return FY 2022-23 through 2041-42	Projected Employer Contributions				
	2025-26	2026-27	2027-28	2028-29	2029-30
3.0% (5th percentile)					
Normal Cost Rate	12.5%	12.5%	12.5%	12.5%	12.5%
UAL Contribution	$9,100	$15,000	$22,000	$31,000	$38,000
10.8% (95th percentile)					
Normal Cost Rate	12.8%	13.0%	13.3%	13.5%	13.8%
UAL Contribution	$6,400	$6,300	$0	$0	$0

Required contributions outside of this range are also possible. In particular, whereas it is unlikely that investment returns will average less than 3.0% or greater than 10.8% over a 20-year period, the likelihood of a single investment return less than 3.0% or greater than 10.8% in any given year is much greater. The following analysis illustrates the effect of an extreme, single year investment return.

The portfolio has an expected volatility (or standard deviation) of 12.0% per year. Accordingly, in any given year there is a 16% probability that the annual return will be -5.2% or less and a 2.5% probability that the annual return will be -17.2% or less. These returns represent one and two standard deviations below the expected return of 6.8%.

The following table shows the effect of a one or two standard deviation investment loss in FY 2022-23 on the FY 2025-26 contribution requirements. Note that a single-year investment gain or loss decreases or increases the required UAL contribution amount incrementally for each of the next five years, not just one, due to the 5-year ramp in the amortization policy. However, the contribution requirements beyond the first year are also impacted by investment returns beyond the first year. Historically, significant downturns in the market are often followed by higher than average returns. Such investment gains would offset the impact of these single year negative returns in years beyond FY 2025-26.

Assumed Annual Return for Fiscal Year 2022-23	Required Employer Contributions	Projected Employer Contributions
	2024-25	2025-26
(17.2)% (2 standard deviation loss)		
Normal Cost Rate	12.52%	12.5%
UAL Contribution	$5,047	$17,000
(5.2)% (1 standard deviation loss)		
Normal Cost Rate	12.52%	12.5%
UAL Contribution	$5,047	$12,000

- Without investment gains (returns higher than 6.8%) in FY 2023-24 or later, projected contributions rates would continue to rise over the next four years due to the continued phase-in of the impact of the illustrated investment loss in FY 2022-23.
- The Pension Outlook Tool can be used to model projected contributions for these scenarios beyond FY 2025-26 as well as to model other investment return scenarios.

Discount Rate Sensitivity

The discount rate assumption is calculated as the sum of the assumed real rate of return and the assumed annual price inflation, currently 4.5% and 2.3%, respectively. Changing either the price inflation assumption or the real rate of return assumption will change the discount rate. The sensitivity of the valuation results to the discount rate assumption depends on which component of the discount rate is changed. Shown below are various valuation results as of June 30, 2022 assuming alternate discount rates by changing the two components independently. Results are shown using the current discount rate of 6.8% as well as alternate discount rates of 5.8% and 7.8%. The rates of 5.8% and 7.8% were selected since they illustrate the impact of a 1.0% increase or decrease to the 6.8% assumption.

Sensitivity to the Real Rate of Return Assumption

As of June 30, 2022	1% Lower Real Return Rate	Current Assumptions	1% Higher Real Return Rate
Discount Rate	**5.8%**	**6.8%**	**7.8%**
Price Inflation	2.3%	2.3%	2.3%
Real Rate of Return	**3.5%**	**4.5%**	**5.5%**
a) Total Normal Cost	24.48%	19.45%	15.62%
b) Accrued Liability	$1,955,608	$1,730,336	$1,541,871
c) Market Value of Assets	$1,607,135	$1,607,135	$1,607,135
d) Unfunded Liability/(Surplus) [(b) - (c)]	$348,473	$123,201	($65,264)
e) Funded Ratio	82.2%	92.9%	104.2%

Sensitivity to the Price Inflation Assumption

As of June 30, 2022	1% Lower Price Inflation	Current Assumptions	1% Higher Price Inflation
Discount Rate	**5.8%**	**6.8%**	**7.8%**
Price Inflation	**1.3%**	**2.3%**	**3.3%**
Real Rate of Return	4.5%	4.5%	4.5%
a) Total Normal Cost	20.42%	19.45%	17.74%
b) Accrued Liability	$1,791,584	$1,730,336	$1,596,174
c) Market Value of Assets	$1,607,135	$1,607,135	$1,607,135
d) Unfunded Liability/(Surplus) [(b) - (c)]	$184,449	$123,201	($10,961)
e) Funded Ratio	89.7%	92.9%	100.7%

Mortality Rate Sensitivity

The following table looks at the change in the June 30, 2022 plan costs and funded status under two different longevity scenarios, namely assuming post-retirement rates of mortality are 10% lower or 10% higher than our current mortality assumptions adopted in 2021. This type of analysis highlights the impact on the plan of a change in the mortality assumption.

As of June 30, 2022	10% Lower Mortality Rates	Current Assumptions	10% Higher Mortality Rates
a) Total Normal Cost	19.78%	19.45%	19.14%
b) Accrued Liability	$1,771,422	$1,730,336	$1,692,596
c) Market Value of Assets	$1,607,135	$1,607,135	$1,607,135
d) Unfunded Liability/(Surplus) [(b) - (c)]	$164,287	$123,201	$85,461
e) Funded Ratio	90.7%	92.9%	95.0%

Maturity Measures

As pension plans mature they become more sensitive to risks. Understanding plan maturity and how it affects the ability of a pension plan sponsor to tolerate risk is important in understanding how the pension plan is impacted by investment return volatility, other economic variables, and changes in longevity or other demographic assumptions.

Since it is the employer that bears the risk, it is appropriate to perform this analysis on a pension plan level considering all rate plans. The following measures are for one rate plan only. One way to look at the maturity level of CalPERS and its plans is to look at the ratio of a plan's retiree liability to its total liability. A pension plan in its infancy will have a very low ratio of retiree liability to total liability. As the plan matures, the ratio starts increasing. A mature plan will often have a ratio above 60%-65%.

Ratio of Retiree Accrued Liability to Total Accrued Liability	**June 30, 2021**	**June 30, 2022**
1. Retired Accrued Liability	$252,777	$257,693
2. Total Accrued Liability	1,614,247	1,730,336
3. Ratio of Retiree AL to Total AL [(1) / (2)]	0.16	0.15

Another measure of maturity level of CalPERS and its plans is to look at the ratio of actives to retirees, also called the support ratio. A pension plan in its infancy will have a very high ratio of active to retired members. As the plan matures and members retire, the ratio declines. A mature plan will often have a ratio near or below one.

To calculate the support ratio for the rate plan, retirees and beneficiaries receiving a continuance are each counted as one, even though they may have only worked a portion of their careers as an active member of this rate plan. For this reason, the support ratio, while intuitive, may be less informative than the ratio of retiree liability to total accrued liability above.

For comparison, the support ratio for all CalPERS public agency plans as of June 30, 2021, was 0.78 and was calculated consistently with how it is for the individual rate plan. Note that to calculate the support ratio for all public agency plans, a retiree with service from more than one CalPERS agency is counted as a retiree more than once.

Support Ratio	**June 30, 2021**	**June 30, 2022**
1. Number of Actives	3	3
2. Number of Retirees	2	2
3. Support Ratio [(1) / (2)]	1.50	1.50

Maturity Measures (continued)

The actuarial calculations supplied in this communication are based on various assumptions about long-term demographic and economic behavior. Unless these assumptions (e.g., terminations, deaths, disabilities, retirements, salary growth, investment return) are exactly realized each year, there will be differences on a year-to-year basis. The year-to-year differences between actual experience and the assumptions are called actuarial gains and losses and serve to lower or raise required employer contributions from one year to the next. Therefore, employer contributions will inevitably fluctuate, especially due to the ups and downs of investment returns.

Asset Volatility Ratio

Shown in the table below is the asset volatility ratio (AVR), which is the ratio of market value of assets to payroll. Plans that have higher AVR experience more volatile employer contributions (as a percentage of payroll) due to investment return. For example, a plan with AVR of 8 may experience twice the contribution volatility due to investment return volatility than a plan with AVR of 4. It should be noted that this ratio is a measure of the current situation. It increases over time but generally tends to stabilize as a plan matures.

Liability Volatility Ratio

Also shown in the table below is the liability volatility ratio (LVR), which is the ratio of accrued liability to payroll. Plans that have a higher LVR experience more volatile employer contributions (as a percentage of payroll) due to changes in liability. For example, a plan with LVR of 8 is expected to have twice the contribution volatility of a plan with LVR of 4. It should be noted that this ratio indicates a longer-term potential for contribution volatility, since the AVR, described above, will tend to move closer to the LVR as the funded ratio approaches 100%.

Contribution Volatility	June 30, 2021	June 30, 2022
1. Market Value of Assets	$1,763,553	$1,607,135
2. Payroll	429,265	385,699
3. Asset Volatility Ratio (AVR) [(1) / (2)]	4.1	4.2
4. Accrued Liability	$1,614,247	$1,730,336
5. Liability Volatility Ratio (LVR) [(4) / (2)]	3.8	4.5

Maturity Measures History

Valuation Date	Ratio of Retiree Accrued Liability to Total Accrued Liability	Support Ratio	Asset Volatility Ratio	Liability Volatility Ratio
06/30/2017	0.26	1.00	3.4	3.6
06/30/2018	0.21	1.50	3.2	3.2
06/30/2019	0.19	1.00	4.2	4.4
06/30/2020	0.17	1.50	3.4	3.5
06/30/2021	0.16	1.50	4.1	3.8
06/30/2022	0.15	1.50	4.2	4.5

Funded Status – Termination Basis

The funded status measured on a termination basis is an estimate of the financial position of the plan had the contract with CalPERS been terminated as of June 30, 2022. The accrued liability on a termination basis (termination liability) is calculated differently compared to the plan's ongoing funding liability. For the termination liability calculation, both compensation and service are frozen as of the valuation date and no future pay increases or service accruals are assumed. This measure of funded status is not appropriate for assessing the need for future employer contributions in the case of an ongoing plan, that is, for an employer that continues to provide CalPERS retirement benefits to active employees. Unlike the actuarial cost method used for ongoing plans, the termination liability is the present value of the benefits earned through the valuation date.

A more conservative investment policy and asset allocation strategy was adopted by the board for the Terminated Agency Pool. The Terminated Agency Pool has limited funding sources since no future employer contributions will be made. Therefore, expected benefit payments are secured by risk-free assets and benefit security for members is increased while limiting the funding risk. However, this asset allocation has a lower expected rate of return than the PERF and consequently, a lower discount rate is assumed. The lower discount rate for the Terminated Agency Pool results in higher liabilities for terminated plans.

The effective termination discount rate will depend on actual market rates of return for risk-free securities on the date of termination. As market discount rates are variable, the table below shows a range for the hypothetical termination liability based on the lowest and highest interest rates observed during an approximate 19-month period from 12 months before the valuation date to seven months after.

	Discount Rate: 1.75% Price Inflation: 2.50%			Discount Rate: 4.50% Price Inflation: 2.75%		
Market Value of Assets (MVA)	**Termination Liability[1,2]**	**Funded Ratio**	**Unfunded Termination Liability**	**Termination Liability[1,2]**	**Funded Ratio**	**Unfunded Termination Liability**
$1,607,135	$3,679,433	43.7%	$2,072,298	$2,445,647	65.7%	$838,512

[1] The termination liabilities calculated above include a 5% contingency load. The contingency load and other actuarial assumptions can be found in Appendix A of the Section 2 report.

[2] The discount rate used for termination valuations is a w eighted average of the 10-year and 30-year U.S. Treasury yields w here the weights are based on matching asset and liability durations as of the termination date. The discount rates used in the table are based on 20-year Treasury bonds, rounded to the nearest quarter percentage point, which is a good proxy for most plans. The 20-year Treasury yield w as 3.38% on June 30, 2022, the valuation date.

In order to terminate the plan, first contact our Pension Contract Services unit to initiate a Resolution of Intent to Terminate. The completed Resolution will allow the plan actuary to provide a preliminary termination valuation with a more up-to-date estimate of the plan liabilities. Before beginning this process, please consult with the plan actuary.

Participant Data

The table below shows a summary of the plan's member data upon which this valuation is based:

	June 30, 2021	June 30, 2022
Active Members		
Counts	3	3
Average Attained Age	52.5	53.5
Average Entry Age to Rate Plan	43.9	43.9
Average Years of Credited Service	8.7	9.6
Average Annual Covered Pay	$143,088	$128,566
Annual Covered Payroll	$429,265	$385,699
Present Value of Future Payroll	$2,827,469	$2,375,269
Transferred Members	2	3
Separated Members	1	1
Retired Members and Beneficiaries*		
Counts	2	2
Average Annual Benefits	$10,715	$11,218
Total Annual Benefits	$21,429	$22,436

Counts of members included in the valuation are counts of the records processed by the valuation. Multiple records may exist for those who have service in more than one valuation group. This does not result in double counting of liabilities.

* Values include community property settlements.

List of Class 1 Benefit Provisions

This plan has the additional Class 1 Benefit Provisions:

- One Year Final Compensation (FAC 1)

Plan's Major Benefit Options

Shown below is a summary of the major optional benefits for which the agency has contracted. A description of principal standard and optional plan provisions is in Section 2.

	Benefit Group	
Member Category	Misc	
Demographics		
Actives	Yes	
Transfers/Separated	Yes	
Receiving	Yes	
Benefit Provision		
Benefit Formula	2% @ 55	
Social Security Coverage	No	
Full/Modified	Full	
Employee Contribution Rate	7.00%	
Final Average Compensation Period	One Year	
Sick Leave Credit	Yes	
Non-Industrial Disability	Standard	
Industrial Disability	No	
Pre-Retirement Death Benefits		
Optional Settlement 2	Yes	
1959 Survivor Benefit Level	Level 4	
Special	No	
Alternate (firefighters)	No	
Post-Retirement Death Benefits		
Lump Sum	$2000	
Survivor Allowance (PRSA)	No	
COLA	2%	

Section 2

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Risk Pool Actuarial Valuation Information

Section 2 may be found on the
CalPERS website (www.calpers.ca.gov)
in the Forms and Publications section

ATTACHMENT 4.2

ACCOUNTING VALUATION REPORT

CalPERS Retirement

PEPRA Plan

California Public Employees' Retirement System
Actuarial Office
400 Q Street, Sacramento, CA 95811 | Phone: (916) 795-3000 | Fax: (916) 795-2744
888 CalPERS (or **888**-225-7377) | TTY: (877) 249-7442 | **www.calpers.ca.gov**

July 2023

PEPRA Miscellaneous Plan of the Local Agency Formation Commission of Monterey County (CalPERS ID: 7449296272)
Annual Valuation Report as of June 30, 2022

Dear Employer,

Attached to this letter is the June 30, 2022 actuarial valuation report for the rate plan noted above. **Provided in this report is the determination of the minimum required employer contributions for fiscal year (FY) 2024-25**. In addition, the report contains important information regarding the current financial status of the plan as well as projections and risk measures to aid in planning for the future.

Because this plan is in a risk pool, the following valuation report has been separated into two sections:

- Section 1 contains specific information for the plan including the development of the current and projected employer contributions, and
- Section 2 contains the Risk Pool Actuarial Valuation appropriate to the plan as of June 30, 2022.

Section 2 can be found on the CalPERS website (www.calpers.ca.gov). From the home page, go to *"Forms & Publications"* and select *"View All"*. In the search box, enter *"Risk Pool"* and from the results list download the Miscellaneous Risk Pool Actuarial Valuation Report for June 30, 2022.

Actuarial valuations are based on assumptions regarding future plan experience including investment return and payroll growth, eligibility for the types of benefits provided, and longevity among retirees. The CalPERS Board of Administration (board) adopts these assumptions after considering the advice of CalPERS actuarial and investment teams and other professionals. Each actuarial valuation reflects all prior differences between actual and assumed experience and adjusts the contribution requirements as needed. This valuation is based on an investment return assumption of 6.8%, which was adopted by the board in November 2021. Other assumptions used in this report are those recommended in the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021.

Required Contributions

The table below shows the minimum required employer contributions and the PEPRA member contribution rate for FY 2024-25 along with estimates of the required contributions for FY 2025-26. Employee contributions other than cost sharing (whether paid by the employer or the employee) are in addition to the results shown below. **The required employer contributions in this report do not reflect any cost sharing arrangement between the agency and the employees.**

Fiscal Year	Employer Normal Cost Rate	Employer Amortization of Unfunded Accrued Liability	PEPRA Member Contribution Rate
2024-25	7.87%	$539	7.75%
Projected Results			
2025-26	*7.9%*	*$740*	*TBD*

The actual investment return for FY 2022-23 was not known at the time this report was prepared. The projections above assume the investment return for that year would be 6.8%. ***To the extent the actual investment return for FY 2022-23 differs from 6.8%, the actual contribution requirements for FY 2025-26 will differ from those shown above.*** For additional details regarding the assumptions and methods used for these projections, please refer to the "Projected Employer Contributions" in the "Highlights and Executive Summary" section. This section also contains projected required contributions through FY 2029-30.

Changes from Previous Year's Valuations

There are no significant changes in actuarial assumptions or policies in the 2022 actuarial valuation. There may be changes specific to the plan such as contract amendments and funding changes.

Further descriptions of general changes are included in "Highlights and Executive Summary" and in Appendix A of the Section 2 report in "Actuarial Methods and Assumptions." The effects of any changes on the required contributions are included in "Reconciliation of Required Employer Contributions," also in the Section 2 report.

Questions

A CalPERS actuary is available to answer questions about this report. Other questions may be directed to the Customer Contact Center at (888)-CalPERS or (**888-225-7377**).

Sincerely,

SCOTT TERANDO, ASA, EA, MAAA, FCA, CFA
Chief Actuary, CalPERS

RANDALL DZIUBEK, ASA, MAAA
Deputy Chief Actuary, Valuation Services, CalPERS

Actuarial Valuation
as of June 30, 2022

for the
PEPRA Miscellaneous Plan
of the
Local Agency Formation Commission of Monterey County

(CalPERS ID: 7449296272)

Required Contributions
for Fiscal Year
July 1, 2024 - June 30, 2025

Table of Contents

Section 1

Plan Specific Information
for the
PEPRA Miscellaneous Plan
of the
Local Agency Formation Commission of Monterey County

(CalPERS ID: 7449296272)
(Rate Plan ID: 27008)

Table of Contents

Actuarial Certification

To the best of our knowledge, this report, comprised of Sections 1 and 2, is complete and accurate and contains sufficient information to disclose, fully and fairly, the funded condition of the PEPRA Miscellaneous Plan of the Local Agency Formation Commission of Monterey County and satisfies the actuarial valuation requirements of Government Code section 7504. This valuation is based on the member and financial data as of June 30, 2022 provided by the various CalPERS databases and the benefits under this plan with CalPERS as of the date this report was produced. Section 1 of this report is based on the member and financial data for Local Agency Formation Commission of Monterey County, while Section 2 is based on the corresponding information for all agencies participating in the Miscellaneous Risk Pool to which the plan belongs.

As set forth in Section 2 of this report, the pool actuaries have certified that, in their opinion, the valuation of the Miscellaneous Risk Pool has been performed in accordance with generally accepted actuarial principles, in accordance with standards of practice prescribed by the Actuarial Standards Board, and that the assumptions and methods are internally consistent and reasonable for the risk pool as of the date of this valuation and as prescribed by the CalPERS Board of Administration according to provisions set forth in the California Public Employees' Retirement Law.

Having relied upon the information set forth in Section 2 of this report and based on the census and benefit provision information for the rate plan, it is my opinion as the plan actuary that the Unfunded Accrued Liability amortization bases as of June 30, 2022 and employer contribution as of July 1, 2024 have been properly and accurately determined in accordance with the principles and standards stated above.

The undersigned is an actuary who satisfies the *Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States* with regard to pensions.

ALEX GRUNDER, ASA, MAAA
Actuary, CalPERS

Highlights and Executive Summary

- **Introduction**
- **Purpose of Section 1**
- **Required Contributions**
- **Additional Discretionary Employer Contributions**
- **Funded Status – Funding Policy Basis**
- **Projected Employer Contributions**
- **Other Pooled Miscellaneous Risk Pool Rate Plans**
- **Cost**
- **Changes Since the Prior Year's Valuation**
- **Subsequent Events**

Introduction

This report presents the results of the June 30, 2022 actuarial valuation of the PEPRA Miscellaneous Plan of the Local Agency Formation Commission of Monterey County of the California Public Employees' Retirement System (CalPERS). This actuarial valuation sets the minimum required contributions for fiscal year (FY) 2024-25.

Purpose of Section 1

This Section 1 report for the PEPRA Miscellaneous Plan of the Local Agency Formation Commission of Monterey County of CalPERS was prepared by the Actuarial Office using data as of June 30, 2022. The purpose of the valuation is to:

- Set forth the assets and accrued liabilities of this rate plan as of June 30, 2022;
- Determine the minimum required employer contributions for this rate plan for FY July 1, 2024 through June 30, 2025;
- Determine the required member contribution rate for FY July 1, 2024 through June 30, 2025 for employees subject to the California Public Employees' Pension Reform Act of 2013 (PEPRA); and
- Provide actuarial information as of June 30, 2022 to the CalPERS Board of Administration (board) and other interested parties.

The pension funding information presented in this report should not be used in financial reports subject to Governmental Accounting Standards Board (GASB) Statement No. 68 for a Cost Sharing Employer Defined Benefit Pension Plan. A separate accounting valuation report for such purposes is available on the CalPERS website (www.calpers.ca.gov).

The measurements shown in this actuarial valuation may not be applicable for other purposes. The agency should contact the plan actuary before disseminating any portion of this report for any reason that is not explicitly described above.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; changes in actuarial policies; changes in plan provisions or applicable law; and differences between the required contributions determined by the valuation and the actual contributions made by the agency.

Assessment and Disclosure of Risk

This report includes the following risk disclosures consistent with the guidance of Actuarial Standard of Practice No. 51 and recommended by the California Actuarial Advisory Panel (CAAP) in the Model Disclosure Elements document:

- A "Scenario Test," projecting future results under different investment income returns.
- A "Sensitivity Analysis," showing the impact on current valuation results using alternative discount rates of 5.8% and 7.8%.
- A "Sensitivity Analysis," showing the impact on current valuation results assuming rates of mortality are 10% lower or 10% higher than our current post-retirement mortality assumptions adopted in 2021.
- Plan maturity measures indicating how sensitive a plan may be to the risks noted above.

Required Contributions

Required Employer Contributions	Fiscal Year 2024-25
Employer Normal Cost Rate	**7.87%**
Plus	
Required Payment on Amortization Bases[1]	**$539**
Paid either as	
1) Monthly Payment	**$44.92**
Or	
2) Annual Prepayment Option*	**$522**
Required PEPRA Member Contribution Rate	**7.75%**

The total minimum required employer contribution is the sum of the Plan's Employer Normal Cost Rate (expressed as a percentage of payroll and paid as payroll is reported) plus the Employer Unfunded Accrued Liability (UAL) Contribution Amount (billed monthly (1) or prepaid annually (2) in dollars).

** Only the UAL portion of the employer contribution can be prepaid **(which must be received in full no later than July 31)**.*

For additional detail regarding the determination of the required contribution rate for PEPRA members, see "PEPRA Member Contribution Rates" section.

Development of Normal Cost as a Percentage of Payroll	Fiscal Year 2023-24	Fiscal Year 2024-25
Base Total Normal Cost for Formula	15.43%	15.62%
Surcharge for Class 1 Benefits[2]		
None	0.00%	0.00%
Phase out of Normal Cost Difference[3]	0.00%	0.00%
Plan's Total Normal Cost	15.43%	15.62%
Offset Due to Employee Contributions	7.75%	7.75%
Employer Normal Cost Rate	7.68%	7.87%

[1] The required payment on amortization bases does not take into account any additional discretionary payment made after April 28, 2023.

[2] Section 2 of this report contains a list of Class 1 benefits and corresponding surcharges.

[3] When a rate plan joins the pool, the difference in normal cost between the pool and the rate plan is phased out over a five-year period in accordance with the CalPERS contribution allocation policy.

Additional Discretionary Employer Contributions

The minimum required employer contribution towards the Unfunded Accrued Liability (UAL) for this rate plan for FY 2024-25 is $539. CalPERS allows agencies to make additional discretionary payments (ADPs) at any time and in any amount. These optional payments serve to reduce the UAL and future required contributions and can result in significant long-term savings. Agencies can also use ADPs to stabilize annual contributions as a fixed dollar amount, percent of payroll or percent of revenue.

Provided below are select ADP options for consideration. Making such an ADP during FY 2024-25 does not require an ADP be made in any future year, nor does it change the remaining amortization period of any portion of unfunded liability. For information on permanent changes to amortization periods, see the "Amortization Schedule and Alternatives" section of the report.

Agencies considering making an ADP should contact CalPERS for additional information.

Minimum Required Employer Contribution for Fiscal Year 2024-25

Estimated Normal Cost	Minimum UAL Payment	ADP	Total UAL Contribution	Estimated Total Contribution
$15,749	$539	$0	$539	$16,288

The minimum required contribution above is less than interest on the UAL. With no ADP the UAL is projected to increase over the following year. If the minimum UAL payment were split between interest and principal, the principal portion would be negative. This situation is referred to as **negative amortization**. If only the minimum required contribution is made, contributions are not expected to exceed interest on the UAL until FY **2026-27**, as shown in the "Amortization Schedule and Alternatives" section of the report (see columns labeled "Current Amortization Schedule").

Fiscal Year 2024-25 Employer Contribution Necessary to Avoid Negative Amortization

Estimated Normal Cost	Minimum UAL Payment	ADP[1]	Total UAL Contribution	Estimated Total Contribution
$15,749	$539	$332	$871	$16,620

Alternative Fiscal Year 2024-25 Employer Contributions for Greater UAL Reduction

Funding Horizon	Estimated Normal Cost	Minimum UAL Payment	ADP[1]	Total UAL Contribution	Estimated Total Contribution
20 years	$15,749	$539	$652	$1,191	$16,940
15 years	$15,749	$539	$850	$1,389	$17,138
10 years	$15,749	$539	$1,269	$1,808	$17,557
5 years	$15,749	$539	$2,570	$3,109	$18,858

[1] The ADP amounts are assumed to be made in the middle of the fiscal year. A payment made earlier or later in the fiscal year would have to be less or more than the amount shown to have the same effect on the UAL amortization.

Note that the calculations above are based on the projected UAL as of June 30, 2024 as determined in the June 30, 2022 actuarial valuation. New unfunded liabilities can emerge in future years due to assumption or method changes, changes in plan provisions, and actuarial experience different than assumed. Making an ADP illustrated above for the indicated number of years will not result in a plan that is exactly 100% funded in the indicated number of years. Valuation results will vary from one year to the next and can diverge significantly from projections over a period of several years.

Funded Status – Funding Policy Basis

The table below provides information on the current funded status of the plan under the funding policy. The funded status for this purpose is based on the market value of assets relative to the funding target produced by the entry age actuarial cost method and actuarial assumptions adopted by the board. The actuarial cost method allocates the total expected cost of a member's projected benefit (**Present Value of Benefits**) to individual years of service (the **Normal Cost**). The value of the projected benefit that is not allocated to future service is referred to as the **Accrued Liability** and is the plan's funding target on the valuation date. The **Unfunded Accrued Liability** (UAL) equals the funding target minus the assets. The UAL is an absolute measure of funded status and can be viewed as employer debt. The **funded ratio** equals the assets divided by the funding target. The funded ratio is a relative measure of the funded status and allows for comparisons between plans of different sizes.

	June 30, 2021	June 30, 2022
1. Present Value of Benefits	$236,411	$339,126
2. Entry Age Accrued Liability	236,411	231,767
3. Market Value of Assets (MVA)	259,545	218,954
4. Unfunded Accrued Liability (UAL) [(2) – (3)]	($23,134)	$12,813
5. Funded Ratio [(3) / (2)]	109.8%	94.5%

A funded ratio of 100% (UAL of $0) implies that the funding of the plan is on target and that future contributions equal to the normal cost of the active plan members will be sufficient to fully fund all retirement benefits if future experience matches the actuarial assumptions. A funded ratio of less than 100% (positive UAL) implies that in addition to normal costs, payments toward the UAL will be required. Plans with a funded ratio greater than 100% have a negative UAL (or surplus) but are required under current law to continue contributing the normal cost in most cases, preserving the surplus for future contingencies.

Calculations for the funding target reflect the expected long-term investment return of 6.8%. If it were known on the valuation date that future investment returns will average something greater/less than the expected return, calculated normal costs and accrued liabilities provided in this report would be less/greater than the results shown. Therefore, for example, if actual average future returns are less than the expected return, calculated normal costs and UAL contributions will not be sufficient to fully fund all retirement benefits. Under this scenario, required future normal cost contributions will need to increase from those provided in this report, and the plan will develop unfunded liabilities that will also add to required future contributions. For illustrative purposes, funded statuses based on a 1% lower and higher average future investment return (discount rate) are as follows:

	1% Lower Average Return	Current Assumption	1% Higher Average Return
Discount Rate	5.8%	6.8%	7.8%
1. Entry Age Accrued Liability	$251,396	$231,767	$214,659
2. Market Value of Assets (MVA)	218,954	218,954	218,954
3. Unfunded Accrued Liability (UAL) [(1) – (2)]	$32,442	$12,813	($4,295)
4. Funded Ratio [(2) / (1)]	87.1%	94.5%	102.0%

The "Risk Analysis" section of the report provides additional information regarding the sensitivity of valuation results to the expected investment return and other factors. Also provided in that section are measures of funded status that are appropriate for assessing the sufficiency of plan assets to cover estimated termination liabilities.

Projected Employer Contributions

The table below shows the required and projected employer contributions (before cost sharing) for the next six fiscal years. The projection assumes that all actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur during the projection period. In particular, the investment return beginning with FY 2022-23 is assumed to be 6.80% per year, net of investment and administrative expenses. Future contribution requirements may differ significantly from those shown below. The actual long-term cost of the plan will depend on the actual benefits and expenses paid and the actual investment experience of the fund.

	Required Contribution	Projected Future Employer Contributions (Assumes 6.80% Return for Fiscal Year 2022-23 and Beyond)				
Fiscal Year	**2024-25**	**2025-26**	**2026-27**	**2027-28**	**2028-29**	**2029-30**
	Rate Plan 27008 Results					
Normal Cost %	7.87%	7.9%	7.9%	7.9%	7.9%	7.9%
UAL Payment	$539	$740	$950	$1,200	$1,400	$1,400

For ongoing plans, investment gains and losses are amortized using a 5-year ramp up. For more information, please see “Amortization of the Unfunded Actuarial Accrued Liability” under “Actuarial Methods” in Appendix A of the Section 2 Report. This method phases in the impact of the change in UAL over a 5-year period in order to reduce employer cost volatility from year to year. As a result of this methodology, dramatic changes in the required employer contributions in any one year are less likely. However, required contributions can change gradually and significantly over the next five years. In years when there is a large investment loss, the relatively small amortization payments during the ramp up period could result in contributions that are less than interest on the UAL (i.e. negative amortization) while the contribution impact of the increase in the UAL is phased in.

The required contribution for FY 2024-25 is less than interest on the UAL, a situation referred to as **negative amortization**, as explained in the “Additional Discretionary Employer Contributions” section earlier in this report. If only the minimum required contribution is made, contributions are not expected to exceed interest on the UAL until FY 2026-27, as shown in the “Amortization Schedule and Alternatives” section of the report (see columns labelled “Current Amortization Schedule”).

For projected contributions under alternate investment return scenarios, please see the “Future Investment Return Scenarios” in the “Risk Analysis” section. Our online pension plan projection tool, Pension Outlook, is available in the Employers section of the CalPERS website. Pension Outlook can help plan and budget pension costs under various scenarios.

Other Pooled Miscellaneous Risk Pool Rate Plans

All of the results presented in this Section 1 report, except those shown on this page, correspond to rate plan 27008. In many cases, employers have additional rate plans within the same risk pool. For cost analysis and budgeting it is useful to consider contributions for these rate plans as a whole rather than individually. The estimated contribution amounts and rates for all of the employer's rate plans in the Miscellaneous Risk Pool are shown below and assume that the total employer payroll within the Miscellaneous Risk Pool will grow according to the overall payroll growth assumption of 2.80% per year for three years. In a refinement since the prior year's report, Classic members who are projected to terminate employment are assumed to be replaced by PEPRA members.

	Fiscal Year 2023-24	Fiscal Year 2024-25
Estimated Combined Employer Contributions for all Pooled Miscellaneous Rate Plans		
Projected Payroll for the Contribution Year	$466,342	$494,368
Estimated Employer Normal Cost	$58,153	$52,590
Required Payment on Amortization Bases	$0	$5,586
Estimated Total Employer Contributions	$58,153	$58,176
Estimated Total Employer Contribution Rate (illustrative only)	12.47%	11.77%

Cost

Actuarial Determination of Plan Cost

Contributions to fund the plan are comprised of two components:

- Normal Cost, expressed as a percentage of total active payroll
- Amortization of the Unfunded Accrued Liability (UAL), expressed as a dollar amount

For fiscal years prior to 2015-16, the Amortization of UAL component was expressed as a percentage of total active payroll. Starting with FY 2015-16, the Amortization of UAL component was expressed as a dollar amount and invoiced on a monthly basis. There is an option to prepay this amount during July of each fiscal year.

The Normal Cost component is expressed as a percentage of active payroll with employer and employee contributions payable as part of the regular payroll reporting process.

The determination of both components requires complex actuarial calculations. The calculations are based on a set of actuarial assumptions which can be divided into two categories:

- Demographic assumptions (e.g., mortality rates, retirement rates, employment termination rates, disability rates)
- Economic assumptions (e.g., future investment earnings, inflation, salary growth rates)

These assumptions reflect CalPERS' best estimate of future experience of the plan and are long term in nature. We recognize that all assumptions will not be realized in any given year. For example, the investment earnings at CalPERS have averaged 6.9% over the 20 years ending June 30, 2022, yet individual fiscal year returns have ranged from -23.6% to +21.3%. In addition, CalPERS reviews all actuarial assumptions by conducting in-depth experience studies every four years, with the most recent experience study completed in 2021.

Changes Since the Prior Year's Valuation

Benefits

The standard actuarial practice at CalPERS is to recognize mandated legislative benefit changes in the first annual valuation following the effective date of the legislation. Voluntary benefit changes by plan amendment are generally included in the first valuation that is prepared after the amendment becomes effective, even if the valuation date is prior to the effective date of the amendment.

This valuation generally reflects plan amendments effective before the date of the report. Please refer to the "Plan's Major Benefit Options" in this report and Appendix B of the Section 2 Report for a summary of the plan provisions used in this valuation.

In 2022, SB 1168 increased the standard retiree lump sum death benefit from $500 to $2,000 for any death occurring on or after July 1, 2023. For pooled plans this is a Class 3 benefit and there is no normal cost surcharge. The impact on the unfunded liability is included in the pool's (gain)/loss.

Actuarial Methods and Assumptions

There are no significant changes to the actuarial methods or assumptions for the June 30, 2022 actuarial valuation.

Subsequent Events

This actuarial valuation report reflects fund investment return through June 30, 2022 and statutory/regulatory changes and board actions through January 2023.

During the time period between the valuation date and the publication of this report, inflation has been significantly higher than the expected inflation of 2.3% per annum. Since inflation influences cost-of-living increases for retirees and beneficiaries and active member pay increases, higher inflation is likely to put at least some upward pressure on contribution requirements and downward pressure on the funded status in the June 30, 2023 valuation. The actual impact of higher inflation on future valuation results will depend on, among other factors, how long higher inflation persists. At this time, we continue to believe the long-term inflation assumption of 2.3% is appropriate.

To the best of our knowledge, there have been no other subsequent events that could materially affect current or future certifications rendered in this report.

Assets and Liabilities

- **Breakdown of Entry Age Accrued Liability**
- **Allocation of Plan's Share of Pool's Experience/Assumption Change**
- **Development of Plan's Share of Pool's Market Value of Assets**
- **Schedule of Amortization Bases**
- **Amortization Schedule and Alternatives**
- **Employer Contribution History**
- **Funding History**

Breakdown of Entry Age Accrued Liability

Active Members	$4,002
Transferred Members	0
Separated Members	5,439
Members and Beneficiaries Receiving Payments	222,326
Total	$231,767

Allocation of Plan's Share of Pool's Experience/Assumption Change

It is the policy of CalPERS to ensure equity within the risk pools by allocating the pool's experience gains/losses and assumption changes in a manner that treats each employer equitably and maintains benefit security for the members of the System while minimizing substantial variations in employer contributions. The Pool's experience gains/losses and impact of assumption/method changes is allocated to the plan as follows:

1.	Plan's Accrued Liability	$231,767
2.	Projected UAL Balance at 6/30/2022	(24,707)
3.	Other UAL Adjustments (Golden Handshake, Prior Service Purchase, etc.)	0
4.	Adjusted UAL Balance at 6/30/2022 for Asset Share	(24,707)
5.	Pool's Accrued Liability[1]	22,021,735,002
6.	Sum of Pool's Individual Plan UAL Balances at 6/30/2022[1]	2,453,954,297
7.	Pool's 2021-22 Investment (Gain)/Loss[1]	2,614,071,182
8.	Pool's 2021-22 Non-Investment (Gain)/Loss[1]	309,490,972
9.	Plan's Share of Pool's Investment (Gain)/Loss: [(1) - (4)] ÷ [(5) - (6)] × (7)	34,263
10.	Plan's Share of Pool's Non-Investment (Gain)/Loss: (1) ÷ (5) × (8)	3,257
11.	Plan's New (Gain)/Loss as of 6/30/2022: (9) + (10)	37,520
12.	Increase in Pool's Accrued Liability due to Change in Assumptions[1]	0
13.	Plan's Share of Pool's Change in Assumptions: (1) ÷ (5) × (12)	0
14.	Increase in Pool's Accrued Liability due to Funding Risk Mitigation[1]	0
15.	Plan's Share of Pool's Change due to Funding Risk Mitigation: (1) ÷ (5) × (14)	0
16.	Offset due to Funding Risk Mitigation	0
17.	Plan's Investment (Gain)/Loss: (9) – (16)	34,263
18.	Partial Fresh Start Base: (2) + (17)	9,556

[1] Does not include plans that transferred to Pool on the valuation date.

Development of the Plan's Share of Pool's Market Value of Assets

19.	Plan's UAL: (2) + (3) + (11) + (13) + (15)	$12,813
20.	Plan's Share of Pool's MVA: (1) - (19)	$218,954

Schedule of Amortization Bases

Below is the schedule of the plan's amortization bases. Note that there is a two-year lag between the valuation date and the start of the contribution year.

- The assets, liabilities, and funded status of the plan are measured as of the valuation date: June 30, 2022.
- The required employer contributions determined by the valuation are for the fiscal year beginning two years after the valuation date: FY 2024-25.

This two-year lag is necessary due to the amount of time needed to extract and test the membership and financial data, and the need to provide public agencies with their required employer contribution well in advance of the start of the fiscal year.

The Unfunded Accrued Liability (UAL) is used to determine the employer contribution and therefore must be rolled forward two years from the valuation date to the first day of the fiscal year for which the contribution is being determined. The UAL is rolled forward each year by subtracting the expected payment on the UAL for the fiscal year and adjusting for interest. The expected payment for the first fiscal year is determined by the actuarial valuation two years ago and the contribution for the second year is from the actuarial valuation one year ago. Additional discretionary payments are reflected in the Expected Payments column in the fiscal year they were made by the agency.

Reason for Base	Date Est.	Ramp Level 2024-25	Ramp Shape	Escala-tion Rate	Amort. Period	Balance 6/30/22	Expected Payment 2022-23	Balance 6/30/23	Expected Payment 2023-24	Balance 6/30/24	Minimum Required Payment 2024-25
Non-Investment (Gain)/Loss	6/30/22	No Ramp		0.00%	20	3,257	0	3,478	0	3,715	334
Partial Fresh Start	6/30/22	20%	Up Only	0.00%	20	9,556	1,242	8,922	0	9,529	205
Total						**12,813**	**1,242**	**12,400**	**0**	**13,244**	**539**

The (gain)/loss bases are the plan's allocated share of the risk pool's (gain)/loss for the fiscal year as disclosed in "Allocation of Plan's Share of Pool's Experience/Assumption Change" earlier in this section. These (gain)/loss bases will be amortized in accordance with the CalPERS amortization policy in effect at the time the base was established.

The partial fresh start base established June 30, 2022 is the sum of the UAL balance from the June 30, 2021 valuation (projected to June 30, 2022) and the June 30, 2022 investment loss, as shown on the previous page.

Amortization Schedule and Alternatives

The amortization schedule on the previous page(s) shows the minimum contributions required according to the CalPERS amortization policy. Many agencies have expressed a desire for a more stable pattern of payments or have indicated interest in paying off the unfunded accrued liabilities more quickly than required. As such, we have provided alternative amortization schedules to help analyze the current amortization schedule and illustrate the potential savings of accelerating unfunded liability payments.

Shown on the following page are future year amortization payments based on 1) the current amortization schedule reflecting the individual bases and remaining periods shown on the previous page, and 2) alternative "fresh start" amortization schedules using two sample periods that would both result in interest savings relative to the current amortization schedule. To initiate a fresh start, please contact the plan actuary.

The Current Amortization Schedule typically contains both positive and negative bases. Positive bases result from plan changes, assumption changes, method changes or plan experience that increase unfunded liability. Negative bases result from plan changes, assumption changes, method changes, or plan experience that decrease unfunded liability. The combination of positive and negative bases within an amortization schedule can result in unusual or problematic circumstances in future years, such as:

- When a negative payment would be required on a positive unfunded actuarial liability; or
- When the payment would completely amortize the total unfunded liability in a very short time period, and results in a large change in the employer contribution requirement.

In any year when one of the above scenarios occurs, the actuary will consider corrective action such as replacing the existing unfunded liability bases with a single "fresh start" base and amortizing it over an appropriate period.

The Current Amortization Schedule on the following page may appear to show that, based on the current amortization bases, one of the above scenarios will occur at some point in the future. It is impossible to know today whether such a scenario will in fact arise since there will be additional bases added to the amortization schedule in each future year. Should such a scenario arise in any future year, the actuary will take appropriate action based on guidelines in the CalPERS amortization policy.

Amortization Schedule and Alternatives (continued)

	Current Amortization Schedule		Alternate Schedules: 20 Year Amortization		Alternate Schedules: 15 Year Amortization	
Date	**Balance**	**Payment**	**Balance**	**Payment**	**Balance**	**Payment**
6/30/2024	13,244	539	13,244	1,191	13,244	1,389
6/30/2025	13,587	744	12,914	1,191	12,709	1,389
6/30/2026	13,742	948	12,561	1,191	12,138	1,389
6/30/2027	13,696	1,153	12,184	1,191	11,528	1,390
6/30/2028	13,436	1,358	11,782	1,191	10,875	1,389
6/30/2029	12,947	1,358	11,352	1,191	10,179	1,389
6/30/2030	12,424	1,358	10,893	1,191	9,436	1,390
6/30/2031	11,866	1,358	10,403	1,191	8,641	1,389
6/30/2032	11,269	1,358	9,880	1,191	7,793	1,389
6/30/2033	10,632	1,358	9,321	1,191	6,887	1,389
6/30/2034	9,952	1,358	8,724	1,191	5,920	1,390
6/30/2035	9,225	1,358	8,086	1,191	4,886	1,390
6/30/2036	8,449	1,359	7,405	1,191	3,782	1,389
6/30/2037	7,619	1,359	6,678	1,191	2,604	1,390
6/30/2038	6,732	1,358	5,901	1,191	1,345	1,390
6/30/2039	5,786	1,358	5,071	1,190		
6/30/2040	4,777	1,359	4,186	1,190		
6/30/2041	3,698	1,359	3,241	1,191		
6/30/2042	2,545	1,358	2,231	1,191		
6/30/2043	1,314	1,358	1,152	1,191		
6/30/2044						
6/30/2045						
6/30/2046						
6/30/2047						
6/30/2048						
6/30/2049						
Total		**25,116**		**23,818**		**20,841**
Interest Paid		**11,872**		**10,574**		**7,597**
Estimated Savings				**1,298**		**4,275**

Employer Contribution History

The table below provides a recent history of the required and discretionary employer contributions for the plan. The required amounts are based on the actuarial valuation from two years prior without subsequent adjustments, if any. Additional discretionary payments before July 1, 2019 or after April 28, 2023 are not included.

Fiscal Year	Employer Normal Cost	Unfunded Liability Payment ($)	Additional Discretionary Payments
2016 - 17	6.555%	$0	N/A
2017 - 18	6.533%	12	N/A
2018 - 19	6.842%	1,067	N/A
2019 - 20	6.985%	16	5,450
2020 - 21	7.732%	1,257	1,501
2021 - 22	7.59%	366	0
2022 - 23	7.47%	1,242	0
2023 - 24	7.68%	0	
2024 - 25	7.87%	539	

Funding History

The table below shows the recent history of the actuarial accrued liability, share of the pool's market value of assets, unfunded accrued liability, funded ratio, and annual covered payroll.

Valuation Date	Accrued Liability (AL)	Share of Pool's Market Value of Assets (MVA)	Unfunded Accrued Liability (UAL)	Funded Ratio	Annual Covered Payroll
06/30/2013	$81	$109	($28)	134.6%	$53,893
06/30/2014	13,997	14,652	(655)	104.7%	55,279
06/30/2015	28,546	27,562	984	96.6%	59,626
06/30/2016	48,945	44,053	4,892	90.0%	67,856
06/30/2017	81,446	78,797	2,649	96.7%	108,511
06/30/2018	120,720	118,166	2,554	97.9%	109,253
06/30/2019	157,858	152,060	5,798	96.3%	119,464
06/30/2020	177,484	171,433	6,051	96.6%	118,094
06/30/2021	236,411	259,545	(23,134)	109.8%	0
06/30/2022	231,767	218,954	12,813	94.5%	69,364

Risk Analysis

- **Future Investment Return Scenarios**
- **Discount Rate Sensitivity**
- **Mortality Rate Sensitivity**
- **Maturity Measures**
- **Maturity Measures History**
- **Funded Status – Termination Basis**

Future Investment Return Scenarios

Analysis using the investment return scenarios from the Asset Liability Management process completed in 2021 was performed to determine the effects of various future investment returns on required employer contributions. The projections below reflect the impact of the CalPERS Funding Risk Mitigation policy. The projections also assume that all other actuarial assumptions will be realized and that no further changes in assumptions, contributions, benefits, or funding will occur.

The first table shows projected contribution requirements if the fund were to earn either 3.0% or 10.8% annually. These alternate investment returns were chosen because 90% of long-term average returns are expected to fall between them over the 20-year period ending June 30, 2042.

Assumed Annual Return FY 2022-23 through 2041-42	Projected Employer Contributions				
	2025-26	2026-27	2027-28	2028-29	2029-30
3.0% (5th percentile)					
Normal Cost Rate	7.9%	7.9%	7.9%	7.9%	7.9%
UAL Contribution	$950	$1,600	$2,400	$3,400	$4,500
10.8% (95th percentile)					
Normal Cost Rate	8.1%	8.3%	8.5%	8.7%	8.4%
UAL Contribution	$580	$0	$0	$0	$0

Required contributions outside of this range are also possible. In particular, whereas it is unlikely that investment returns will average less than 3.0% or greater than 10.8% over a 20-year period, the likelihood of a single investment return less than 3.0% or greater than 10.8% in any given year is much greater. The following analysis illustrates the effect of an extreme, single year investment return.

The portfolio has an expected volatility (or standard deviation) of 12.0% per year. Accordingly, in any given year there is a 16% probability that the annual return will be -5.2% or less and a 2.5% probability that the annual return will be -17.2% or less. These returns represent one and two standard deviations below the expected return of 6.8%.

The following table shows the effect of a one or two standard deviation investment loss in FY 2022-23 on the FY 2025-26 contribution requirements. Note that a single-year investment gain or loss decreases or increases the required UAL contribution amount incrementally for each of the next five years, not just one, due to the 5-year ramp in the amortization policy. However, the contribution requirements beyond the first year are also impacted by investment returns beyond the first year. Historically, significant downturns in the market are often followed by higher than average returns. Such investment gains would offset the impact of these single year negative returns in years beyond FY 2025-26.

Assumed Annual Return for Fiscal Year 2022-23	Required Employer Contributions	Projected Employer Contributions
	2024-25	2025-26
(17.2)% (2 standard deviation loss)		
Normal Cost Rate	7.87%	7.9%
UAL Contribution	$539	$2,000
(5.2)% (1 standard deviation loss)		
Normal Cost Rate	7.87%	7.9%
UAL Contribution	$539	$1,400

- Without investment gains (returns higher than 6.8%) in FY 2023-24 or later, projected contributions rates would continue to rise over the next four years due to the continued phase-in of the impact of the illustrated investment loss in FY 2022-23.
- The Pension Outlook Tool can be used to model projected contributions for these scenarios beyond FY 2025-26 as well as to model other investment return scenarios.

Discount Rate Sensitivity

The discount rate assumption is calculated as the sum of the assumed real rate of return and the assumed annual price inflation, currently 4.5% and 2.3%, respectively. Changing either the price inflation assumption or the real rate of return assumption will change the discount rate. The sensitivity of the valuation results to the discount rate assumption depends on which component of the discount rate is changed. Shown below are various valuation results as of June 30, 2022 assuming alternate discount rates by changing the two components independently. Results are shown using the current discount rate of 6.8% as well as alternate discount rates of 5.8% and 7.8%. The rates of 5.8% and 7.8% were selected since they illustrate the impact of a 1.0% increase or decrease to the 6.8% assumption.

Sensitivity to the Real Rate of Return Assumption

As of June 30, 2022	1% Lower Real Return Rate	Current Assumptions	1% Higher Real Return Rate
Discount Rate	**5.8%**	**6.8%**	**7.8%**
Price Inflation	2.3%	2.3%	2.3%
Real Rate of Return	**3.5%**	**4.5%**	**5.5%**
a) Total Normal Cost	19.53%	15.62%	12.65%
b) Accrued Liability	$251,396	$231,767	$214,659
c) Market Value of Assets	$218,954	$218,954	$218,954
d) Unfunded Liability/(Surplus) [(b) - (c)]	$32,442	$12,813	($4,295)
e) Funded Ratio	87.1%	94.5%	102.0%

Sensitivity to the Price Inflation Assumption

As of June 30, 2022	1% Lower Price Inflation	Current Assumptions	1% Higher Price Inflation
Discount Rate	**5.8%**	**6.8%**	**7.8%**
Price Inflation	**1.3%**	**2.3%**	**3.3%**
Real Rate of Return	4.5%	4.5%	4.5%
a) Total Normal Cost	16.48%	15.62%	14.20%
b) Accrued Liability	$237,287	$231,767	$215,816
c) Market Value of Assets	$218,954	$218,954	$218,954
d) Unfunded Liability/(Surplus) [(b) - (c)]	$18,333	$12,813	($3,138)
e) Funded Ratio	92.3%	94.5%	101.5%

Mortality Rate Sensitivity

The following table looks at the change in the June 30, 2022 plan costs and funded status under two different longevity scenarios, namely assuming post-retirement rates of mortality are 10% lower or 10% higher than our current mortality assumptions adopted in 2021. This type of analysis highlights the impact on the plan of a change in the mortality assumption.

As of June 30, 2022	10% Lower Mortality Rates	Current Assumptions	10% Higher Mortality Rates
a) Total Normal Cost	15.89%	15.62%	15.37%
b) Accrued Liability	$237,867	$231,767	$226,181
c) Market Value of Assets	$218,954	$218,954	$218,954
d) Unfunded Liability/(Surplus) [(b) - (c)]	$18,913	$12,813	$7,227
e) Funded Ratio	92.0%	94.5%	96.8%

Maturity Measures

As pension plans mature they become more sensitive to risks. Understanding plan maturity and how it affects the ability of a pension plan sponsor to tolerate risk is important in understanding how the pension plan is impacted by investment return volatility, other economic variables, and changes in longevity or other demographic assumptions.

Since it is the employer that bears the risk, it is appropriate to perform this analysis on a pension plan level considering all rate plans. The following measures are for one rate plan only. One way to look at the maturity level of CalPERS and its plans is to look at the ratio of a plan's retiree liability to its total liability. A pension plan in its infancy will have a very low ratio of retiree liability to total liability. As the plan matures, the ratio starts increasing. A mature plan will often have a ratio above 60%-65%.

Ratio of Retiree Accrued Liability to Total Accrued Liability	June 30, 2021	June 30, 2022
1. Retired Accrued Liability	$224,278	$222,326
2. Total Accrued Liability	236,411	231,767
3. Ratio of Retiree AL to Total AL [(1) / (2)]	0.95	0.96

Another measure of maturity level of CalPERS and its plans is to look at the ratio of actives to retirees, also called the support ratio. A pension plan in its infancy will have a very high ratio of active to retired members. As the plan matures and members retire, the ratio declines. A mature plan will often have a ratio near or below one.

To calculate the support ratio for the rate plan, retirees and beneficiaries receiving a continuance are each counted as one, even though they may have only worked a portion of their careers as an active member of this rate plan. For this reason, the support ratio, while intuitive, may be less informative than the ratio of retiree liability to total accrued liability above.

For comparison, the support ratio for all CalPERS public agency plans as of June 30, 2021, was 0.78 and was calculated consistently with how it is for the individual rate plan. Note that to calculate the support ratio for all public agency plans, a retiree with service from more than one CalPERS agency is counted as a retiree more than once.

Support Ratio	June 30, 2021	June 30, 2022
1. Number of Actives	0	1
2. Number of Retirees	1	1
3. Support Ratio [(1) / (2)]	0.00	1.00

Maturity Measures (continued)

The actuarial calculations supplied in this communication are based on various assumptions about long-term demographic and economic behavior. Unless these assumptions (e.g., terminations, deaths, disabilities, retirements, salary growth, investment return) are exactly realized each year, there will be differences on a year-to-year basis. The year-to-year differences between actual experience and the assumptions are called actuarial gains and losses and serve to lower or raise required employer contributions from one year to the next. Therefore, employer contributions will inevitably fluctuate, especially due to the ups and downs of investment returns.

Asset Volatility Ratio

Shown in the table below is the asset volatility ratio (AVR), which is the ratio of market value of assets to payroll. Plans that have higher AVR experience more volatile employer contributions (as a percentage of payroll) due to investment return. For example, a plan with AVR of 8 may experience twice the contribution volatility due to investment return volatility than a plan with AVR of 4. It should be noted that this ratio is a measure of the current situation. It increases over time but generally tends to stabilize as a plan matures.

Liability Volatility Ratio

Also shown in the table below is the liability volatility ratio (LVR), which is the ratio of accrued liability to payroll. Plans that have a higher LVR experience more volatile employer contributions (as a percentage of payroll) due to changes in liability. For example, a plan with LVR of 8 is expected to have twice the contribution volatility of a plan with LVR of 4. It should be noted that this ratio indicates a longer-term potential for contribution volatility, since the AVR, described above, will tend to move closer to the LVR as the funded ratio approaches 100%.

Contribution Volatility	June 30, 2021	June 30, 2022
1. Market Value of Assets	$259,545	$218,954
2. Payroll	0	69,364
3. Asset Volatility Ratio (AVR) [(1) / (2)]	N/A	3.2
4. Accrued Liability	$236,411	$231,767
5. Liability Volatility Ratio (LVR) [(4) / (2)]	N/A	3.3

Maturity Measures History

Valuation Date	Ratio of Retiree Accrued Liability to Total Accrued Liability	Support Ratio	Asset Volatility Ratio	Liability Volatility Ratio
06/30/2017	0.00	N/A	0.7	0.8
06/30/2018	0.00	N/A	1.1	1.1
06/30/2019	0.00	N/A	1.3	1.3
06/30/2020	0.00	N/A	1.5	1.5
06/30/2021	0.95	0.00	N/A	N/A
06/30/2022	0.96	1.00	3.2	3.3

Funded Status – Termination Basis

The funded status measured on a termination basis is an estimate of the financial position of the plan had the contract with CalPERS been terminated as of June 30, 2022. The accrued liability on a termination basis (termination liability) is calculated differently compared to the plan's ongoing funding liability. For the termination liability calculation, both compensation and service are frozen as of the valuation date and no future pay increases or service accruals are assumed. This measure of funded status is not appropriate for assessing the need for future employer contributions in the case of an ongoing plan, that is, for an employer that continues to provide CalPERS retirement benefits to active employees. Unlike the actuarial cost method used for ongoing plans, the termination liability is the present value of the benefits earned through the valuation date.

A more conservative investment policy and asset allocation strategy was adopted by the board for the Terminated Agency Pool. The Terminated Agency Pool has limited funding sources since no future employer contributions will be made. Therefore, expected benefit payments are secured by risk-free assets and benefit security for members is increased while limiting the funding risk. However, this asset allocation has a lower expected rate of return than the PERF and consequently, a lower discount rate is assumed. The lower discount rate for the Terminated Agency Pool results in higher liabilities for terminated plans.

The effective termination discount rate will depend on actual market rates of return for risk-free securities on the date of termination. As market discount rates are variable, the table below shows a range for the hypothetical termination liability based on the lowest and highest interest rates observed during an approximate 19-month period from 12 months before the valuation date to seven months after.

	Discount Rate: 1.75% Price Inflation: 2.50%			Discount Rate: 4.50% Price Inflation: 2.75%		
Market Value of Assets (MVA)	**Termination Liability[1,2]**	**Funded Ratio**	**Unfunded Termination Liability**	**Termination Liability[1,2]**	**Funded Ratio**	**Unfunded Termination Liability**
$218,954	$423,892	51.7%	$204,938	$316,655	69.1%	$97,701

1 The termination liabilities calculated above include a 5% contingency load. The contingency load and other actuarial assumptions can be found in Appendix A of the Section 2 report.

2 The discount rate used for termination valuations is a weighted average of the 10-year and 30-year U.S. Treasury yields where the weights are based on matching asset and liability durations as of the termination date. The discount rates used in the table are based on 20-year Treasury bonds, rounded to the nearest quarter percentage point, which is a good proxy for most plans. The 20-year Treasury yield was 3.38% on June 30, 2022, the valuation date.

In order to terminate the plan, first contact our Pension Contract Services unit to initiate a Resolution of Intent to Terminate. The completed Resolution will allow the plan actuary to provide a preliminary termination valuation with a more up-to-date estimate of the plan liabilities. Before beginning this process, please consult with the plan actuary.

Participant Data

The table below shows a summary of the plan's member data upon which this valuation is based:

	June 30, 2021	June 30, 2022
Active Members		
Counts	0	1
Average Attained Age	0.0	58.2
Average Entry Age to Rate Plan	0.0	57.9
Average Years of Credited Service	0.0	0.3
Average Annual Covered Pay	$0	$69,364
Annual Covered Payroll	$0	$69,364
Present Value of Future Payroll	$0	$446,811
Transferred Members	0	0
Separated Members	3	2
Retired Members and Beneficiaries*		
Counts	1	1
Average Annual Benefits	$19,406	$19,406
Total Annual Benefits	$19,406	$19,406

Counts of members included in the valuation are counts of the records processed by the valuation. Multiple records may exist for those who have service in more than one valuation group. This does not result in double counting of liabilities.

* Values include community property settlements.

List of Class 1 Benefit Provisions

This plan has the additional Class 1 Benefit Provisions:

- None

Plan's Major Benefit Options

Shown below is a summary of the major optional benefits for which the agency has contracted. A description of principal standard and optional plan provisions is in Section 2.

	Benefit Group	
Member Category	Misc	
Demographics		
Actives	Yes	
Transfers/Separated	Yes	
Receiving	Yes	
Benefit Provision		
Benefit Formula	2% @ 62	
Social Security Coverage	No	
Full/Modified	Full	
Employee Contribution Rate	7.75%	
Final Average Compensation Period	Three Year	
Sick Leave Credit	Yes	
Non-Industrial Disability	Standard	
Industrial Disability	No	
Pre-Retirement Death Benefits		
Optional Settlement 2	Yes	
1959 Survivor Benefit Level	Level 4	
Special	No	
Alternate (firefighters)	No	
Post-Retirement Death Benefits		
Lump Sum	$2000	
Survivor Allowance (PRSA)	No	
COLA	2%	

PEPRA Member Contribution Rates

The California Public Employees' Pension Reform Act of 2013 (PEPRA) established new benefit formulas, final compensation period, and contribution requirements for "new" employees (generally those first hired into a CalPERS-covered position on or after January 1, 2013). In accordance with Government Code Section 7522.30(b), "new members … shall have an initial contribution rate of at least 50% of the normal cost rate." The normal cost for the plan is dependent on the benefit levels, actuarial assumptions, and demographics of the risk pool, particularly members' entry age. Should the total normal cost rate change by more than 1% from the base total normal cost rate, the new member rate shall be 50% of the new normal cost rate rounded to the nearest quarter percent.

The table below shows the determination of the PEPRA member contribution rates effective July 1, 2024, based on 50% of the total normal cost rate as of the June 30, 2022 valuation.

		Basis for Current Rate		Rates Effective July 1, 2024			
Rate Plan Identifier	**Benefit Group Name**	**Total Normal Cost**	**Member Rate**	**Total Normal Cost**	**Change**	**Change Needed**	**Member Rate**
27008	Miscellaneous PEPRA Level	15.43%	7.75%	15.62%	0.19%	No	7.75%

Section 2

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Risk Pool Actuarial Valuation Information

Section 2 may be found on the CalPERS website (www.calpers.ca.gov) in the Forms and Publications section

Attachment 4.3

Start in Fiscal Year:	**2023-24**
Target Period:	**1**
ADP Amount Per year:	**$ 139,857**
Press to find ADP Amount:	

MVA 6/30/2022
$1,607,135

Total Payments	$ 279,653	$ 139,857	Total Payments	$ 139,857	*$ (139,795)*
Interest Paid	$ 133,143	**23 - 24 Payment Date**	Interest Paid	$ (6,653)	
		10/16/2023	**Total Savings**	**$ 139,795**	

Funded Ratio 2022 val
92.9%

Original Schedule		**Total ADP**	**Altered Schedule**		**Contribution**	**Projected Funded**
BOY Balance	Mid-Year Payment	(Valued Mid-year)	BOY Balance	Mid-Year Payment	**Difference**	**Ratio End of Year**
$ 123,201	$ (5,422)		$ 123,201	$ (5,422)		**92.7%**
$ 137,182	$ -	$ 141,769	$ 137,182	$ -	*$ 139,857*	**100.0%**
$ 146,510	**$ 5,047**	$ -	$ -	**$ -**	***$ (5,047)***	**100.0%**
$ 151,257	$ 7,600	$ -	$ -	$ -	*$ (7,600)*	**100.0%**
$ 153,689	$ 10,153	$ -	$ -	$ -	*$ (10,153)*	**100.0%**
$ 153,648	$ 12,706	$ -	$ -	$ -	*$ (12,706)*	**100.0%**
$ 150,965	$ 15,260	$ -	$ -	$ -	*$ (15,260)*	**100.0%**
$ 145,461	$ 15,260	$ -	$ -	$ -	*$ (15,260)*	**100.0%**
$ 139,583	$ 15,259	$ -	$ -	$ -	*$ (15,259)*	**100.0%**
$ 133,305	$ 15,260	$ -	$ -	$ -	*$ (15,260)*	**100.0%**
$ 126,599	$ 15,259	$ -	$ -	$ -	*$ (15,259)*	**100.0%**
$ 119,439	$ 15,259	$ -	$ -	$ -	*$ (15,259)*	**100.0%**
$ 111,791	$ 15,260	$ -	$ -	$ -	*$ (15,260)*	**100.0%**
$ 103,622	$ 15,259	$ -	$ -	$ -	*$ (15,259)*	**100.0%**
$ 94,899	$ 15,259	$ -	$ -	$ -	*$ (15,259)*	**100.0%**
$ 85,582	$ 15,259	$ -	$ -	$ -	*$ (15,259)*	**100.0%**
$ 75,632	$ 15,260	$ -	$ -	$ -	*$ (15,260)*	**100.0%**
$ 65,004	$ 15,258	$ -	$ -	$ -	*$ (15,258)*	**100.0%**
$ 53,656	$ 15,259	$ -	$ -	$ -	*$ (15,259)*	**100.0%**
$ 41,535	$ 15,258	$ -	$ -	$ -	*$ (15,258)*	**100.0%**
$ 28,591	$ 15,260	$ -	$ -	$ -	*$ (15,260)*	**100.0%**
$ 14,764	$ 15,258	$ -	$ -	$ -	*$ (15,258)*	**100.0%**
$ -	$ -	$ -	$ -	$ -	*$ -*	**100.0%**
$ -	$ -	$ -	$ -	$ -	*$ -*	**100.0%**
$ -	$ -	$ -	$ -	$ -	*$ -*	**100.0%**
$ -	$ -	$ -	$ -	$ -	*$ -*	**100.0%**
$ -	$ -	$ -	$ -	$ -	*$ -*	**100.0%**
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$ -	$ -	$ -	$ -	$ -	*$ -*	**100.0%**
$ -	$ -	$ -	$ -	$ -	*$ -*	**100.0%**
$ -	$ -	$ -	$ -	$ -	*$ -*	**100.0%**
$ -	$ -	$ -	$ -	$ -	*$ -*	**100.0%**

Attachment 4.4

Start in Fiscal Year:	2023-24
Target Period:	1
ADP Amount Per year:	$ 12,641
Press to find ADP Amount:	

MVA 6/30/2022
$218,954

Total Payments	$ 25,116	$ 12,641	Total Payments	$ 12,641	$ (12,475)	**Funded Ratio 2022 val**
Interest Paid	$ 11,872	**23 - 24 Payment Date**	Interest Paid	$ (603)		**94.5%**
		10/16/2023	**Total Savings**	**$ 12,475**		

Original Schedule		Total ADP	Altered Schedule		Contribution	Projected Funded
BOY Balance	Mid-Year Payment	(Valued Mid-year)	BOY Balance	Mid-Year Payment	Difference	Ratio End of Year
$ 12,813	$ 1,242		$ 12,813	$ 1,242		95.1%
$ 12,400	$ -	$ 12,814	$ 12,400	$ -	$ 12,641	100.0%
$ 13,244	**$ 539**	$ -	$ -	**$ -**	**$ (539)**	100.0%
$ 13,587	$ 744	$ -	$ -	$ -	$ (744)	100.0%
$ 13,742	$ 948	$ -	$ -	$ -	$ (948)	100.0%
$ 13,696	$ 1,153	$ -	$ -	$ -	$ (1,153)	100.0%
$ 13,436	$ 1,358	$ -	$ -	$ -	$ (1,358)	100.0%
$ 12,947	$ 1,358	$ -	$ -	$ -	$ (1,358)	100.0%
$ 12,424	$ 1,358	$ -	$ -	$ -	$ (1,358)	100.0%
$ 11,866	$ 1,358	$ -	$ -	$ -	$ (1,358)	100.0%
$ 11,269	$ 1,358	$ -	$ -	$ -	$ (1,358)	100.0%
$ 10,632	$ 1,358	$ -	$ -	$ -	$ (1,358)	100.0%
$ 9,952	$ 1,358	$ -	$ -	$ -	$ (1,358)	100.0%
$ 9,225	$ 1,358	$ -	$ -	$ -	$ (1,358)	100.0%
$ 8,449	$ 1,359	$ -	$ -	$ -	$ (1,359)	100.0%
$ 7,619	$ 1,359	$ -	$ -	$ -	$ (1,359)	100.0%
$ 6,732	$ 1,358	$ -	$ -	$ -	$ (1,358)	100.0%
$ 5,786	$ 1,358	$ -	$ -	$ -	$ (1,358)	100.0%
$ 4,777	$ 1,359	$ -	$ -	$ -	$ (1,359)	100.0%
$ 3,698	$ 1,359	$ -	$ -	$ -	$ (1,359)	100.0%
$ 2,545	$ 1,358	$ -	$ -	$ -	$ (1,358)	100.0%
$ 1,314	$ 1,358	$ -	$ -	$ -	$ (1,358)	100.0%
$ -	$ -	$ -	$ -	$ -	$ -	100.0%
$ -	$ -	$ -	$ -	$ -	$ -	100.0%
$ -	$ -	$ -	$ -	$ -	$ -	100.0%
$ -	$ -	$ -	$ -	$ -	$ -	100.0%
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$ -	$ -	$ -	$ -	$ -	$ -	100.0%
$ -	$ -	$ -	$ -	$ -	$ -	100.0%

LAFCO *of Monterey County*

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

LOCAL AGENCY FORMATION COMMISSION
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KATE McKENNA, AICP
Executive Officer

DATE: September 18, 2023

TO: Chair and Members of the Budget and Finance Committee

FROM: Kate McKenna, AICP, Executive Officer

PREPARED BY: Jonathan Brinkmann, Senior Analyst

SUBJECT: Litigation Reserve Fund Update

CEQA: Not a Project under California Environmental Quality Act Guidelines Section 15378

SUMMARY OF RECOMMENDATION:

This report is for information only.

EXECUTIVE OFFICER'S REPORT:

Background

This is a continued discussion item from the Budget and Finance Committee meeting of May 8. At that meeting, the Committee received a staff recommendation to replenish the LAFCO Litigation Reserve. The Committee provided direction to defer action on this request until after the suit filed by the Monterey Peninsula Water Management District against LAFCO is heard in court. The case hearing is set for September 21.

Discussion

By Commission policy, the Litigation Reserve is normally funded at $300,000. Litigation defense costs related to the MPWMD case have drawn down the reserve balance since April 2022. As of July 31, 2023, total defense costs were $169,954 and the Litigation Reserve fund balance was $130,000.

Staff anticipates another update and a possible recommendation for replenishment at the next Committee meeting on November 8, or sooner if necessary. Restoring the Litigation Reserve to policy level can be accomplished by transferring funds from equity in the Unreserved Fund account.

Respectfully Submitted,

Kate McKenna

Kate McKenna, AICP
Executive Officer

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KATE McKENNA, AICP
Executive Officer

DATE: September 18, 2023

TO: Chair and Members of the Budget and Finance Committee

FROM: Kate McKenna, AICP, Executive Officer

SUBJECT: Accounting Services Discussion

CEQA: Not a Project under California Environmental Quality Act Guidelines Section 15378

SUMMARY OF RECOMMENDATION:

Receive report and discuss options for provision of accounting and related services.

EXECUTIVE OFFICER'S REPORT:

This item is a follow-up to the Committee's direction from the last meeting in May 2023.

Background

In March 2023, LAFCO initiated a Request for Proposals process for professional accounting and related services. On May 8, the Committee recommended that the Commission authorize the Executive Officer to enter into a three-year professional services agreement with the sole responder to the RFP, CliftonLarsonAllen, LLP. This firm has capably provided services to LAFCO since 2005. Following approval by the full Commission, a new agreement was executed for a term that started on July 1, 2023.

Discussion

At the May 8 meeting, the Budget and Finance Committee provided direction to staff to return to the next Committee meeting with an item to discuss options for providing LAFCO's accounting and related services in ways that could reduce overall costs.

In the Fiscal Year 2023-2024 budget, accounting and financial services are funded at $66,000 and human resources assistance is funded at $6,000, for a total cost of $72,000. This cost is 6.5 percent of the total LAFCO annual budget of $1,106,457. CLA provides these professional services under agreement at a total cost of $70,800 for the current fiscal year.

Respectfully Submitted,

Kate McKenna

Kate McKenna, AICP
Executive Officer