LAFCO *of Monterey County*

LOCAL AGENCY FORMATION COMMISSION OF MONTEREY COUNTY

2024
Committee

Chair
Mary Ann Leffel
Special District Member

Chris Lopez
County Member, Alternate

Ian Oglesby
City Member

Counsel

Reed Gallogly
General Counsel

Executive Officer

Kate McKenna, AICP

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

Thursday, September 26, 2024
2:00 p.m. – 3:30 p.m.

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

IMPORTANT NOTICE REGARDING COVID-19

In order to minimize the spread of the COVID-19 virus, please do the following:

1. If you attend the Committee meeting in person, you will be required to maintain appropriate social distancing between yourself and other individuals.

2. If you choose not to attend the Committee meeting but wish to make general public comments, or comment on a specific agenda item, you may do so in two ways:

   a. Submit your comment via email by noon on the day of the meeting. Please submit your comment to the Clerk of the Commission at: malukis@monterey.lafco.ca.gov. Please include the following Subject Line: "*Public Comment – Agenda Item #* ___. All submitted comments will be provided to the Committee for consideration, compiled as part of the record, and may be read into the record.

   b. You may participate through Zoom. For Zoom participation, please join by computer audio at:

   https://montereycty.zoom.us/j/93049187062

   The meeting ID is: 930 4918 7062. There is no password. To make a public comment, please select the "raise hand" option on the Zoom screen, and your microphone will be unmuted so you can speak. To select the "raise hand" option, click on the 'participants' icon at the bottom of your Zoom screen, then click the "raise hand" icon next to your name.

   To Participate by Phone: Please call: **+1 669 900 6833**
   Enter the meeting ID: 930 4918 7062 when prompted. There is no participant code – just enter the pound sign # after the recording prompts you. To make a public comment by phone, please push *9 on your phone keypad.

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 Period Ending June 30, 2024 (pg. 4).
   Recommended Action: Discuss report for information only.
   (CEQA: Not a Project under California Environmental Quality Act Guidelines Section 15378).

2. 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 Boards (GASB), for the Fiscal Year ending June 30, 2024 **(pg. 20).**
   Recommended Action: Discuss report for information only.
   (CEQA: Not a Project under California Environmental Quality Act Guidelines Section 15378).

3. Consider CalPERS Retirement Plan Actuarial Valuation Reports for Fiscal Year Ending June 30, 2023, dated July 2024. (pg. 64).
   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 November 1, 2024 in the approximate amount of $45,071 from equity in the Unreserved Fund Balance; and

   b. Pay-off the PEPRA Miscellaneous Plan unfunded pension liability balance by November 1, 2024 in the approximate amount of $5,828 from equity in the Unreserved Fund Balance.

   (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 next Budget & Finance Committee Meeting is scheduled for **Monday, November 14, 2024 – 2:00 PM at the LAFCO Office, 132 W. Gabilan Street, Suite #102, Salinas, CA.**

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 hearing.

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
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 26, 2024

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, 2024.

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:

Attached are the draft year-end financial statements dated June 30, 2024. Prepared by CliftonLarsonAllen, LLP, the information is in progress as year-end financials will be reconciled with the annual audit in coming weeks.

Reconciled year-end financials will be presented for Committee review on November 14 and full Commission approval on December 2.

Respectfully Submitted,

Kate McKenna

Kate McKenna, AICP
Executive Officer

Attachments:
1.1 Draft Financial Statements for Fiscal Year ending June 30, 2024, prepared on August 23, 2024, CliftonLarsonAllen, LLP

Local Agency Formation Commission
of Monterey County
Financial Statements
June 30, 2024

DRAFT

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, 2024, 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 23, 2024
Salinas, CA

LAFCO of Monterey County
Balance Sheets
June 30, 2024 and 2023

ASSETS

	ACCT #	2024	2023
CURRENT ASSETS:			
Cash Held in Bank:			
Wells Fargo Operating	1007	$ 185,781.10	$ 155,787.00
Total Cash Held in Bank		185,781.10	155,787.00
Cash Held in County Treasury:			
Cash Held for Operating Expenses	1010	60,092.78	613,567.56
Designated Cash for Reserve for Litigation	1012	271,821.40	135,485.74
Designated Cash for Accrued Leave	1013	83,565.91	80,419.32
Designated Cash for Post Retirement (GASB 75)	1014	102,716.00	75,064.00
Designated Cash for Reserve for Contingency	1015	276,614.00	269,914.00
Restricted Cash for FORA Litigation	1020	-	348,524.28
Total Cash Held in County Treasury		794,810.09	1,522,974.90
Petty Cash	1100	-	300.00
Total Cash		980,591.19	1,679,061.90
Other Current Assets:			
Prepaid Insurance	1400	12,096.85	12,283.26
Prepaid Expenses	1405	9,629.86	13,309.84
Total Other Current Assets		21,726.71	25,593.10
Total Current Assets		1,002,317.90	1,704,655.00
NON-CURRENT ASSETS:			
Equipment	1500	57,801.99	57,801.99
Accumulated Depreciation	1550	(56,958.07)	(53,350.69)
Operating Right-of-Use Assets	1900	125,589.73	153,939.37
Total Non-Current Assets		126,433.65	158,390.67
DEFERRED OUTFLOWS OF RESOURCES (GASB 68):			
Deferred Outflows of Resources - PERS Contributions	1800	219,515.31	59,328.29
Deferred Outflows of Resources - Actuarial	1805	180,786.40	243,400.87
Total Deferred Outflows of Resources (GASB 68)		400,301.71	302,729.16
DEFERRED OUTFLOWS OF RESOURCES (GASB 75):			
Deferred Outflows of Resources - OPEB Contributions	1810	1,848.00	1,800.00
Deferred Outflows of Resources - OPEB Actuarial	1815	24,393.00	5,754.00
		26,241.00	7,554.00
		$ 1,555,294.26	$ 2,173,328.83

LIABILITIES AND EQUITY

	ACCT #	2024	2023
CURRENT LIABILITIES:			
Accounts Payable	2000	$ 7,610.55	$ 54,791.08
Deferred Fees Revenue	2010	26,653.77	121,282.00
Payroll Liabilities	2200	168.00	168.00
Accrued Leave	2220	83,565.91	80,419.32
Dissolution of FORA Legal Liability	2380	-	348,524.28
Dissolution of FORA Admin Liability	2381	-	54,348.50
Current Portion of Operating Lease Obligations	2601	28,452.05	26,357.52
Total Current Liabilities		146,450.28	685,890.70
NON-CURRENT LIABILITIES:			
Net Pension Liability/(Asset) (GASB 68)	2400	105,833.03	57,558.59
Net OPEB Liability/(Asset) (GASB 75)	2410	102,716.00	75,064.00
Operating Lease Obligations-Net of Current Portion	2600	99,129.80	127,581.85
Total Non-Current Liabilities		307,678.83	260,204.44
DEFERRED INFLOWS OF RESOURCES (GASB 68):	2500	39,984.22	40,784.66
DEFERRED INFLOWS OF RESOURCES (GASB 75):	2505	43,426.00	56,930.00
EQUITY:			
Invested in Capital Assets	3700	843.92	4,451.30
Encumbered Funds	3710	16,404.02	70,749.02
Reserve for Litigation	3800	271,821.40	135,485.74
Reserve for Contingency	3810	276,614.00	269,914.00
Restricted for Pension	3825	-	-
Unreserved Fund*	3850	452,071.59	648,918.97
Total Equity		1,017,754.93	1,129,519.03
		$ 1,555,294.26	$ 2,173,328.83

*Includes revenue received in the current year to be used for operating expenses through 6/30/24

LAFCO of Monterey County
Income and Expense Budget Performance - Summary
June 30, 2024

ACCT #		June 24	June 23	% of Budget Received/ Spent June 24	July 23-June 24	July 22-June 23	Adopted 23/24 Budget	Remaining Budget Balance	% of Remaining Budget Balance
	Income:								
4000	Fees: Project	$ -	$ 8,892.00	0.00%	$ 29,869.29	$ 38,822.00	$ 10,000.00	$ 19,869.29	198.69%
4205	County Contributions	-	-	0.00%	363,784.00	354,931.00	363,784.00	-	0.00%
4210	City Contributions	-	-	0.00%	363,783.99	354,930.99	363,784.00	(0.01)	0.00%
4220	District Contributions	-	-	0.00%	363,785.00	354,928.00	363,784.00	1.00	0.00%
4249	FORA Administrative Revenue	-	85.50	0.00%	5,215.50	1,674.00	-	5,215.50	0.00%
4300	Interest	2.16	7,916.10	0.04%	22,822.43	26,991.63	5,105.00	17,717.43	347.06%
	Total Income	2.16	16,893.60	0.00%	1,149,260.21	1,132,277.62	1,106,457.00	42,803.21	3.87%
	Expense:								
VAR	Employee Salaries	44,523.74	45,327.21	7.59%	572,328.00	550,033.90	586,475.00	14,147.00	2.41%
VAR	Employee Benefits	(37,056.82)	369,200.33	-14.13%	375,581.91	610,375.01	262,244.00	(113,337.91)	-43.22%
7000	Postage and Shipping	949.38	974.56	23.77%	5,733.92	4,890.32	3,994.00	(1,739.92)	-43.56%
7010	Books and Periodical	-	-	0.00%	770.72	1,151.40	1,000.00	229.28	22.93%
7030	Copy Machine	392.27	359.48	5.60%	5,949.22	5,913.87	7,000.00	1,050.78	15.01%
7060	Office Supplies	38.35	141.65	0.77%	4,049.80	3,843.40	5,000.00	950.20	19.00%
7070	Office Equipment & Furnishings	-	226.14	0.00%	-	226.14	-	-	0.00%
7080	Computer Hardware/Peripherals	188.96	1,770.27	4.72%	3,447.85	4,581.10	4,000.00	552.15	13.80%
7085	Computer Support Svcs Fixed Costs	1,003.00	-	7.86%	14,951.50	13,613.40	12,763.00	(2,188.50)	-17.15%
7090	Computer Support Svcs Variable Costs	640.00	-	64.00%	3,120.00	1,565.00	1,000.00	(2,120.00)	-212.00%
7100	Computer Software	-	-	0.00%	559.85	644.84	1,277.00	717.15	56.16%
7105	Meeting Broadcast Services	1,000.00	900.00	9.70%	9,250.00	3,998.75	10,306.00	1,056.00	10.25%
7110	Property and Gen Liability Insurance	698.31	640.63	7.73%	8,379.28	7,686.57	9,032.00	652.72	7.23%
7120	Office Maintenance Services	-	-	0.00%	-	168.00	-	-	0.00%
7140	Travel	-	-	0.00%	4,921.70	13,400.36	7,000.00	2,078.30	29.69%
7150	Training, Conferences & Workshops	136.47	200.00	1.05%	12,298.11	8,763.79	13,000.00	701.89	5.40%
7160	Vehicle Mileage	16.88	238.16	3.38%	305.37	429.10	500.00	194.63	38.93%
7170	Rental of Buildings	2,851.01	2,397.69	8.85%	34,212.12	28,772.28	32,220.00	(1,992.12)	-6.18%
7200	Telephone Communications	202.47	218.54	2.38%	4,080.01	4,533.84	8,509.00	4,428.99	52.05%
7240	Outside Prof. Services: Other	-	-	0.00%	-	8,825.00	-	-	0.00%
7242	Outside Prof. Services: Accounting	5,500.00	5,000.00	8.33%	65,500.01	59,800.00	66,000.00	499.99	0.76%
7242A	Outside Prof. Services: General Admin and HR	400.00	400.00	8.33%	4,800.00	4,800.00	4,800.00	-	0.00%
7245	General and Special Legal Services	3,185.50	4,017.40	11.02%	30,278.69	21,803.40	28,916.00	(1,362.69)	-4.71%
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	20,000.00	22,000.00	2,000.00	9.09%
7250	Miscellaneous Office Expense	293.25	28.16	24.12%	1,065.17	681.26	1,216.00	150.83	12.40%
7260	Legal Notices	-	-	0.00%	2,230.00	1,663.50	2,586.00	356.00	13.77%
7280	LAFCO Memberships	-	-	0.00%	9,839.00	9,137.00	9,830.00	(9.00)	-0.09%
7290	Litigation Reserve	1,650.60	765.90	0.00%	56,394.70	129,102.27	-	(56,394.70)	0.00%
7300	Depreciation	97.38	332.00	0.00%	3,607.38	4,016.95	-	(3,607.38)	0.00%
	Total Expense	26,710.75	433,138.12	2.41%	1,253,654.31	1,524,420.45	1,106,457.00	(147,197.31)	-13.30%
	Net Ordinary Income (Loss)	(26,708.59)	(416,244.52)		(104,394.10)	(392,142.83)	-		
	Other Income/(Expense):								
8106	Prior Year Project Fees Returned	-	-		-	(2,697.50)	-		
8113	Encumbered Funds: Human Resources	(652.50)	-		(7,370.00)	-	-		
	Total Other Income/(Expense)	(652.50)	-		(7,370.00)	(2,697.50)	-		
	Net Income (Loss)	$ (27,361.09)	$ (416,244.52)		$ (111,764.10)	$ (394,840.33)	$ -		

LAFCO of Monterey County
Income and Expense Budget Performance - Detail
June 30, 2024

ACCT #		June 24	June 23	% of Budget Received/ Spent June 24	July 23-June 24	July 22-June 23	Adopted 23/24 Budget	Remaining Budget Balance	% of Remaining Budget Balance
	Income:								
4000	Fees: Project	$ -	$ 8,892.00	0.00%	$ 29,869.29	$ 38,822.00	$ 10,000.00	$ 19,869.29	198.69%
4205	County Contributions	-	-	0.00%	363,784.00	354,931.00	363,784.00	-	0.00%
4210	City Contributions	-	-	0.00%	363,783.99	354,930.99	363,784.00	(0.01)	0.00%
4220	District Contributions	-	-	0.00%	363,785.00	354,928.00	363,784.00	1.00	0.00%
4249	FORA Administrative Revenue	-	85.50	0.00%	5,215.50	1,674.00	-	5,215.50	0.00%
4300	Interest	2.16	7,916.10	0.04%	22,822.43	26,991.63	5,105.00	17,717.43	347.06%
	Total Income	2.16	16,893.60	0.00%	1,149,260.21	1,132,277.62	1,106,457.00	42,803.21	3.87%
	Expense:								
6002	Regular Earnings	44,406.60	45,245.98		570,541.59	549,356.98			
6004	FORA Administrative Wages	117.14	81.23		1,786.41	676.92			
	Employee Salaries	44,523.74	45,327.21	7.59%	572,328.00	550,033.90	586,475.00	14,147.00	2.41%
6007	Management Expense Allowance	50.00	50.00		600.00	600.00			
6010	Accrued Leave	(3,478.19)	(3,688.40)		3,146.59	12,315.19			
6011	Car Allowance	400.00	400.00		4,800.00	4,800.00			
6013	Post Retirement Healthcare Reserve	(4,382.00)	(4,684.00)		(2,691.00)	(3,035.00)			
6100	Employee Benefits - Other	-	1,275.00		4,750.00	1,975.00			
6101	Payroll Expenses	690.11	685.52		9,766.82	9,310.54			
6102	Worker's Compensation Insurance	199.06	179.40		2,543.54	1,708.53			
6103	Employee Memberships	-	-		374.00	96.75			
6104	Deferred Comp Plan Contribution	2,760.49	2,659.54		35,484.50	33,951.24			
6105	PERS Retirement	(214,083.05)	(54,770.71)		-	-			
6106	PERS Retirement - GASB 68	169,416.76	416,624.51		169,416.76	416,624.51			
6110	PERS Health - Other	36.80	35.01		425.56	368.39			
6111	PERS Health - Med ER Non-Elective	628.00	604.00		7,392.00	7,200.00			
6112	PERS Health - Med ER Pre Tax	9,173.60	8,365.69		105,235.74	87,233.82			
6131	LIFE	125.20	125.20		1,502.40	1,502.40			
6132	ADD	8.21	8.21		98.52	98.52			
6133	Dental	767.90	798.30		9,214.80	9,245.20			
6134	Vision	123.80	108.60		1,485.60	1,303.20			
6135	LTD	410.43	332.40		4,801.76	3,988.80			
6139	STD	96.06	92.06		1,112.72	1,104.72			
7294	Accrued Leave Reserve	-	-		16,121.60	19,983.20			
	Employee Benefits	(37,056.82)	369,200.33	-14.13%	375,581.91	610,375.01	262,244.00	(113,337.91)	-43.22%
7000	Postage and Shipping	949.38	974.56	23.77%	5,733.92	4,890.32	3,994.00	(1,739.92)	-43.56%
7010	Books and Periodical	-	-	0.00%	770.72	1,151.40	1,000.00	229.28	22.93%
7030	Copy Machine	392.27	359.48	5.60%	5,949.22	5,913.87	7,000.00	1,050.78	15.01%
7060	Office Supplies	38.35	141.65	0.77%	4,049.80	3,843.40	5,000.00	950.20	19.00%
7070	Office Equipment & Furnishings	-	226.14	0.00%	-	226.14	-	-	0.00%
7080	Computer Hardware/Peripherals	188.96	1,770.27	4.72%	3,447.85	4,581.10	4,000.00	552.15	13.80%
7085	Computer Support Svcs Fixed Costs	1,003.00	-	7.86%	14,951.50	13,613.40	12,763.00	(2,188.50)	-17.15%
7090	Computer Support Svcs Variable Costs	640.00	-	64.00%	3,120.00	1,565.00	1,000.00	(2,120.00)	-212.00%
7100	Computer Software	-	-	0.00%	559.85	644.84	1,277.00	717.15	56.16%
7105	Meeting Broadcast Services	1,000.00	900.00	9.70%	9,250.00	3,998.75	10,306.00	1,056.00	10.25%
7110	Property and Gen Liability Insurance	698.31	640.63	7.73%	8,379.28	7,686.57	9,032.00	652.72	7.23%
7120	Office Maintenance Services	-	-	0.00%	-	168.00	-	-	0.00%
7140	Travel	-	-	0.00%	4,921.70	13,400.36	7,000.00	2,078.30	29.69%
7150	Training, Conferences & Workshops	136.47	200.00	1.05%	12,298.11	8,763.79	13,000.00	701.89	5.40%
7160	Vehicle Mileage	16.88	238.16	3.38%	305.37	429.10	500.00	194.63	38.93%
7170	Rental of Buildings	2,851.01	2,397.69	8.85%	34,212.12	28,772.28	32,220.00	(1,992.12)	-6.18%
7200	Telephone Communications	202.47	218.54	2.38%	4,080.01	4,533.84	8,509.00	4,428.99	52.05%
7240	Outside Prof. Services: Other	-	-	0.00%	-	8,825.00	-	-	0.00%
7242	Outside Prof. Services: Accounting	5,500.00	5,000.00	8.33%	65,500.01	59,800.00	66,000.00	499.99	0.76%
7242A	Outside Prof. Services: General Admin and HR	400.00	400.00	8.33%	4,800.00	4,800.00	4,800.00	-	0.00%
7245	General and Special Legal Services	3,185.50	4,017.40	11.02%	30,278.69	21,803.40	28,916.00	(1,362.69)	-4.71%
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	20,000.00	22,000.00	2,000.00	9.09%
7250	Miscellaneous Office Expense	293.25	28.16	24.12%	1,065.17	681.26	1,216.00	150.83	12.40%
7260	Legal Notices	-	-	0.00%	2,230.00	1,663.50	2,586.00	356.00	13.77%
7280	LAFCO Memberships	-	-	0.00%	9,839.00	9,137.00	9,830.00	(9.00)	-0.09%
7290	Litigation Reserve	1,650.60	765.90	0.00%	56,394.70	129,102.27	-	(56,394.70)	0.00%
7300	Depreciation	97.38	332.00	0.00%	3,607.38	4,016.95	-	(3,607.38)	0.00%
	Total Expense	26,710.75	433,138.12	2.41%	1,253,654.31	1,524,420.45	1,106,457.00	(147,197.31)	-13.30%
	Net Ordinary Income (Loss)	(26,708.59)	(416,244.52)		(104,394.10)	(392,142.83)	-		
	Other Income/(Expense):								
8106	Prior Year Project Fees Returned	-	-		-	(2,697.50)	-		
8113	Encumbered Funds: Human Resources	(652.50)	-		(7,370.00)	-	-		
	Total Other Income/(Expense)	(652.50)	-		(7,370.00)	(2,697.50)	-		
	Net Income (Loss)	$ (27,361.09)	$ (416,244.52)		$ (111,764.10)	$ (394,840.33)	$ -		

See Accountants' Compilation Report

LAFCO of Monterey County
Income and Expense by Month
June 30, 2024

	Jul 23	Aug 23	Sept 23	Oct 23	Nov 23	Dec 23
Ordinary Income/Expense						
Income:						
4000 · Fees: Project	$ -	$ 12,336.54	$ 550.00	$ 16,987.50	$ -	$ -
4205 · County Contributions	363,784.00	-	-	-	-	-
4210 · City Contributions	363,783.99	-	-	-	-	-
4220 · District Contributions	363,785.00	-	-	-	-	-
4249 · FORA Administrative Revenue	-	171.00	-	85.50	85.50	85.50
4300 · Interest	10.38	12.15	10.05	10.77	1.39	7,870.63
Total Income	1,091,363.37	12,519.69	560.05	17,083.77	86.89	7,956.13
Expense:						
6000 · Employee Salaries	42,896.00	43,465.76	66,292.69	44,752.27	43,952.01	44,438.26
6100 · Employee Benefits	20,533.39	23,064.48	28,866.69	172,732.57	22,350.80	23,831.35
7000 · Postage and Shipping	115.17	123.56	389.64	932.92	479.81	1,010.75
7010 · Books and Periodical	238.00	-	-	-	-	361.29
7030 · Copy Machine	419.96	537.67	418.53	418.54	699.47	418.53
7060 · Office Supplies	-	76.98	302.39	121.29	1,602.47	510.53
7080 · Computer Hardware/Peripherals	-	-	-	515.72	128.93	128.93
7085 · Computer Support Svcs Fixed Costs	-	-	-	5,650.00	1,412.50	1,412.50
7090 · Computer Support Svcs Variable Costs	-	-	-	160.00	-	-
7100 · Computer Software	219.98	-	-	99.99	-	239.88
7105 · Meeting Broadcast Services	-	-	-	1,350.00	450.00	450.00
7110 · Property and Gen Liability Insurance	698.27	698.27	698.27	698.27	698.27	698.27
7140 · Travel	-	-	-	2,450.82	-	200.43
7150 · Training, Conferences & Workshops	-	675.00	-	10,044.64	-	-
7160 · Vehicle Mileage	-	-	110.43	-	-	53.71
7170 · Rental of Buildings	2,685.00	2,685.00	3,183.03	2,851.01	2,851.01	2,851.01
7200 · Telephone Communications	471.16	349.94	349.94	350.09	350.09	358.36
7242 · Outside Prof. Services: Accounting	5,000.00	5,500.00	5,500.00	5,500.00	5,500.00	11,000.01
7242A · Outside Prof. Services: Gen Admin & HR Assistance	400.00	400.00	400.00	400.00	400.00	800.00
7245 · General and Special Legal Services	-	1,385.00	1,820.70	2,825.40	3,001.70	6,758.80
7248 · Outside Prof. Services: Annual Audit	1,500.00	-	-	18,500.00	-	-
7250 · Miscellaneous Office Expense	73.94	36.74	289.24	36.74	73.92	45.32
7260 · Legal Notices	958.00	231.00	-	-	288.75	-
7280 · LAFCO Memberships	8,124.00	-	-	-	-	-
7290 · Litigation Reserve	-	12,278.91	554.00	11,386.98	3,996.21	11,210.80
7300 · Depreciation	321.00	314.00	321.00	322.00	319.00	319.00
8113 · Encumbered Funds: Human Resources	-	-	-	-	-	-
Total Expense	84,653.87	91,822.31	109,496.55	282,099.25	88,554.94	107,097.73
Net Income/(Loss)	$ 1,006,709.50	$ (79,302.62)	$ (108,936.50)	$ (265,015.48)	$ (88,468.05)	$ (99,141.60)

See Accountants' Compilation Report

LAFCO of Monterey County
Income and Expense by Month
June 30, 2024

	Jan 24	Feb 24	Mar 24	Apr 24	May 24	June 24	Total
Ordinary Income/Expense							
Income:							
4000 · Fees: Project	$ -	$ -	$ -	$ (4.75)	$ -	$ -	$ 29,869.29
4205 · County Contributions	-	-	-	-	-	-	363,784.00
4210 · City Contributions	-	-	-	-	-	-	363,783.99
4220 · District Contributions	-	-	-	-	-	-	363,785.00
4249 · FORA Administrative Revenue	85.50	-	85.50	2,565.00	2,052.00	-	5,215.50
4300 · Interest	1.09	6,627.39	1.35	8,273.48	1.59	2.16	22,822.43
Total Income	86.59	6,627.39	86.85	10,833.73	2,053.59	2.16	1,149,260.21
Expense:							
6000 · Employee Salaries	43,627.85	43,952.01	66,104.28	43,952.00	44,371.13	44,523.74	572,328.00
6100 · Employee Benefits	27,703.18	24,571.07	26,593.43	21,246.70	21,145.07	(37,056.82)	375,581.91
7000 · Postage and Shipping	79.62	347.69	920.27	303.73	81.38	949.38	5,733.92
7010 · Books and Periodical	-	-	171.43	-	-	-	770.72
7030 · Copy Machine	418.54	562.55	562.54	552.62	548.00	392.27	5,949.22
7060 · Office Supplies	344.70	612.30	43.06	243.39	154.34	38.35	4,049.80
7080 · Computer Hardware/Peripherals	128.93	128.93	-	257.86	1,969.59	188.96	3,447.85
7085 · Computer Support Svcs Fixed Costs	1,258.00	1,258.00	-	1,954.50	1,003.00	1,003.00	14,951.50
7090 · Computer Support Svcs Variable Costs	640.00	-	-	-	1,680.00	640.00	3,120.00
7100 · Computer Software	-	94.99	(94.99)	-	-	-	559.85
7105 · Meeting Broadcast Services	1,000.00	2,000.00	1,000.00	1,000.00	1,000.00	1,000.00	9,250.00
7110 · Property and Gen Liability Insurance	698.27	698.27	698.27	698.27	698.27	698.31	8,379.28
7140 · Travel	-	-	-	2,270.45	-	-	4,921.70
7150 · Training, Conferences & Workshops	-	-	-	976.00	466.00	136.47	12,298.11
7160 · Vehicle Mileage	-	-	-	124.35	-	16.88	305.37
7170 · Rental of Buildings	2,851.01	2,851.01	2,851.01	2,851.01	2,851.01	2,851.01	34,212.12
7200 · Telephone Communications	329.90	329.54	329.54	329.49	329.49	202.47	4,080.01
7242 · Outside Prof. Services: Accounting	-	5,500.00	11,000.00	-	5,500.00	5,500.00	65,500.01
7242A · Outside Prof. Services: Gen Admin & HR Assistance	-	400.00	800.00	-	400.00	400.00	4,800.00
7245 · General and Special Legal Services	-	4,764.40	1,911.30	2,742.29	1,883.60	3,185.50	30,278.69
7248 · Outside Prof. Services: Annual Audit	-	-	-	-	-	-	20,000.00
7250 · Miscellaneous Office Expense	116.36	-	52.66	-	47.00	293.25	1,065.17
7260 · Legal Notices	-	263.25	-	234.00	255.00	-	2,230.00
7280 · LAFCO Memberships	1,715.00	-	-	-	-	-	9,839.00
7290 · Litigation Reserve	-	3,770.10	8,163.20	2,700.60	683.30	1,650.60	56,394.70
7300 · Depreciation	321.00	317.00	317.00	321.00	318.00	97.38	3,607.38
8113 · Encumbered Funds: Human Resources	-	-	-	5,524.50	1,193.00	652.50	7,370.00
Total Expense	81,232.36	92,421.11	121,423.00	88,282.76	86,577.18	27,363.25	1,261,024.31
Net Income/(Loss)	$ (81,145.77)	$ (85,793.72)	$ (121,336.15)	$ (77,449.03)	$ (84,523.59)	$ (27,361.09)	$ (111,764.10)

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See Accountants' Compilation Report

LAFCO of Monterey County
Accounts Receivable Summary
As of June 30, 2024

Accounts Receivable-For Fiscal Year Ending 6/2024:

Description	Date	Amount
All 2023-2024 City, Special District and County fees have been received.		$ -
	ACCT # 1236	**$ -**

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LAFCO of Monterey County
Equipment Summary
As of June 30, 2024

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	29,396.72
Furniture & Fixtures	2018	10,618.39	9,971.00
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	2,143.66
Office Equipment	2020	2,054.53	1,858.00
	ACCT # 1500	**$ 57,801.99**	
		ACCT # 1550	**$ 56,958.07**

LAFCO of Monterey County
Accounts Payable Summary
As of June 30, 2024

Accounts Payable:

Vendor	Description	Date	Inv#/Acct#	Amount
Alex Vatsula	Lafco Meeting Broadcast Services 6/24/24	6/26/2024	LB-0624	$ 1,000.00
AT&T	Credit	12/10/2021		(42.77)
AT&T	Telephone Services	6/17/2024	317277339	202.47
Best, Best & Krieger	MPWMD Service Activation Legal Services through 6/2024	6/30/2024	1000573	152.40
CalPers Fiscal Services Division	1959 Survivor Level Premium for FY 23/24-Plan 5580	6/24/2024	FY23-24/Plan 5580	187.20
CalPers Fiscal Services Division	1959 Survivor Level Premium for FY 23/24-Plan 27008	6/24/2024	FY23-24/Plan 27008	62.40
County of Monterey, Information Technology	Computer Support Services through 6/2024	6/30/2024	Dept 812 P/E 6/30/24	1,771.93
Liebert Cassidy Whitmore	Professional Services through 5/31/24	5/31/2024	268816	1,193.00
Liebert Cassidy Whitmore	Professional Services through 6/30/24	6/30/2024	271310	652.50
MBS Business Systems	Copy Machine Rental	6/25/2024	472591	76.81
Office of County Counsel- Co. of Monterey	General Legal Services through 6/30/24	6/30/2024	24-003934	1,385.00
Office of County Counsel- Co. of Monterey	FORA Dissolution Litigation Services through 6/30/24	6/30/2024	24-003945	55.40
Safarina Maluki	Mileage Reimbursement	6/30/2024	Apr-Jun 2024	16.88
Sunrise Express	Board Packet Deliveries	6/30/2024	0652024	507.48
Wells Fargo Bank Credit Card	Staff Workshops $291.47; Laptop Case $60.03; Quality Water Enterprises $38.35	6/30/2024		389.85
			ACCT # 2000	$ 7,610.55

LAFCO of Monterey County
Accrued Leave Summary
As of June 30, 2024

Executive Officer and Analyst Positions:

Employee	Title	Total Hours of Accrued Annual Leave *	Hourly Rate	Annual Leave Book Value
Kate McKenna	Executive Officer	481.32	104.19	$ 50,148.73
Darren McBain	Principal Analyst	243.63	74.85	18,235.71
Jonathan Brinkmann	Senior Analyst	180.90	58.57	10,595.31
				$ 78,979.75

Clerk / Administrative Secretary Position:

Employee	Accrued Sick Leave	Accrued Vacation **	Hourly Rate	Sick Leave Book Value	Vacation Book Value
Safarina Maluki	73.72	36.71	41.53	$ 3,061.59	$ 1,524.57
				$ 3,061.59	$ 1,524.57

Annual Leave	$	78,979.75
Sick Leave		3,061.59
Vacation		1,524.57
ACCT # 2220	**$**	**83,565.91**

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, 2024

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)
Liebert Cassidy Whitmore, A Professional Law Corp	4/30/24 Inv. No. 267790	(5,524.50)
Liebert Cassidy Whitmore, A Professional Law Corp	5/31/24 Inv. No. 268816	(1,193.00)
Liebert Cassidy Whitmore, A Professional Law Corp	6/30/24 Inv. No. 271310	(652.50)
		2,884.50
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)
Resolution No. 24-10	Relocation of Funds to Unreserved Funds	(46,975.00)
		-
Computer Support Services-Variable Encumbered Funds:		
18-19 Budget Carryover		12,623.28
		12,623.28
	ACCT # 3710	$ 16,404.02

LAFCO of Monterey County
Detail of Reserve for Litigation
As of June 30, 2024

Reserve for Litigation:

Date	Vendor/Description	Invoice #		Amount
	Beginning Balance as of 7/1/22		$	264,588.01
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	23-002620		(701.10)
6/30/2023	Best, Best & Krieger	969813		(64.80)
8/22/2023	Best, Best & Krieger	973136		(4,729.46)
8/25/2023	Office of County Counsel-Co. of Monterey	23-003123		(637.10)
8/31/2023	Best, Best & Krieger	975334		(6,912.35)
9/15/2023	Office of County Counsel-Co. of Monterey	23-003213		(554.00)
10/13/2023	Best, Best & Krieger	977680		(9,863.48)
10/18/2023	Office of County Counsel-Co. of Monterey	23-003213		(1,523.50)
11/9/2023	Best, Best & Krieger	979801		(3,248.31)
11/16/2023	Office of County Counsel-Co. of Monterey	23-003268		(747.90)
12/4/2023	Reserve Replenishment			192,730.36 *
12/4/2023	Best, Best & Krieger	982356		(4,362.30)
12/20/2023	Office of County Counsel-Co. of Monterey	23-003295		(3,545.60)
12/31/2023	Best, Best & Krieger	986013		(2,333.40)
12/31/2023	Office of County Counsel-Co. of Monterey	24-001040		(969.50)
2/5/2024	Best, Best & Krieger	986729		(1,526.40)
2/15/2024	Office of County Counsel-Co. of Monterey	24-001119		(2,243.70)
3/13/2024	Office of County Counsel-Co. of Monterey	24-001194		(3,490.20)
3/15/2024	Best, Best & Krieger	990675		(853.40)
3/15/2024	Best, Best & Krieger	990676		(3,819.60)
4/11/2024	Best, Best & Krieger	993066		(2,368.20)
4/19/2024	Office of County Counsel-Co. of Monterey	24-001242		(332.40)
5/10/2024	Best, Best & Krieger	995311		(544.80)
5/20/2024	Office of County Counsel-Co. of Monterey	24-001340		(138.50)
6/11/2024	Office of County Counsel-Co. of Monterey	24-001363		(166.20)
6/17/2024	Best, Best & Krieger	998590		(1,002.60)
6/17/2024	Best, Best & Krieger	998591		(329.40)
6/30/2024	Best, Best & Krieger	1000573		(152.40)
		ACCT # 3800	**$**	**271,821.40**

*Reserve replenished to bring balance back to $300,000, per commission meeting on 12/4/23.

LAFCO of Monterey County
Detail of Reserve for Contingency
As of June 30, 2024

Reserve for Contingency:

Date	Vendor/Description	Invoice #		Amount
	Reserve for Contingency Balance at 6/30/23		$	269,914.00
7/1/2023	Authorized Transfer (To)/From Unreserved Funds for FY 2023-2024**			6,700.00
		ACCT # 3810	**$**	**276,614.00**

**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.

2023-2024 Budget	$	1,106,457
% of Budget		0.25
Expected Reserve for Contingency Balance at 7/1/23		276,614
Reserve for Contingency Balance at 6/30/23		269,914
Authorized Transfer (To)/From Unreserved Funds for FY 2023-2024**	$	6,700

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 26, 2024

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, 2024**

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:

Staff has provided the actuarial valuation report (Attachment 1), which provides financial information about LAFCO's retiree health care benefit liabilities, measured as of June 30, 2023. Prepared by MacLeod Watts in July 2024, 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, 2024.

For reporting at the fiscal year ending June 30, 2024, the accounting impact of this liability is a net/total other post-employment benefit (OPEB) liability of $102,716. 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 14. A 10-year history of actual OPEB costs is included for additional information under Attachment 2.

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.

Respectfully Submitted,

Kate McKenna

Kate McKenna, AICP
Executive Officer

Attachments:

1. LAFCO GASB 75 Actuarial Valuation Report for the FY Ending June 30, 2024, MacLeod Watts, Submitted July 1, 2024
2. 10-year history of OPEB costs

July 1, 2024

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 June 30, 2023, Actuarial Valuation and GASB 75 Report for Fiscal Year Ending June 30, 2024

Dear Ms. McKenna:

We are pleased to enclose our actuarial report providing information needed for the June 30, 2024, accounting of other post-employment benefit (OPEB) liabilities for the Local Agency Formation Commission of Monterey County (the Commission). The primary purposes of this report are to:

1. Recalculate plan liabilities as of June 30, 2023, in accordance with GASB 75's biennial valuation requirement.
2. 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, 2024.

The exhibits presented in this report reflect that the Commission is financing its OPEB liability on a pay-as-you-go basis. Please let us know if we can be of assistance in preparing illustrations of how prefunding impacts the OPEB liability required to be reported under GASB 75.

The valuation results are based on the employee data and details on plan benefits provided to us by the Commission. As with any analysis, the soundness of the report is dependent on the inputs. We encourage you to review the information shown in the report to be comfortable that it matches your records. We are happy to update this report after June 30, 2024, when actual information for this period is available.

We appreciate the opportunity to work on this analysis and acknowledge the efforts of Commission staff 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 and Consulting Actuary

Enclosure

Local Agency Formation Commission of Monterey County

Actuarial Valuation of Other
Post-Employment Benefit
Programs As of June 30, 2023

& GASB 75 Report for the Fiscal Year Ending
June 30, 2024

Submitted July 2024

MacLeod Watts

Table of Contents

A. Executive Summary

This report presents the results of the June 30, 2023, actuarial valuation and the accounting information for financial reporting of 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, 2024.

Important background information regarding the valuation process can be found in Appendix 1. 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 exhibits and other information relevant for disclosures under GASB 75.

Results of the June 30, 2023, valuation may also be applied to prepare the Commission's GASB 75 report for the fiscal year ending June 30, 2025. If there are any significant changes in covered plan members, plan benefits and/or OPEB funding policy, an earlier valuation might be required or appropriate.

OPEB Obligations of the Commission

The Commission offers 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. An actuarial practice note indicated these subsidies should be included in plan liabilities to the extent they are paid by the employer.[2] Based on the level of retiree medical benefits, we assumed no Medicare pool subsidy liability exists for the Commission.

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) estimated retiree medical claim costs by age and (b) premiums charged for retiree coverage. For more information on this process, see Appendix 2.

[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: these plans are treated as if their premiums are age-based due to the nature of the Federal subsidies paid to these plans. 2) Plans with low explicit subsidies to Medicare-covered retirees: in these plans 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 that is 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.

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 General Obligation Municipal Bond 20 Year High Grade Bond. As of the beginning and end of the Measurement Period, use of this index results in discount rates of 4.09% on June 30, 2022, and 4.13% on June 30, 2023.

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, 2024
Measurement Date	June 30, 2023
Measurement Period	June 30, 2022, to June 30, 2023
Valuation Date	June 30, 2023

Executive Summary
(Concluded)

Updates Since the Prior Report

No benefit changes were reported to MacLeod Watts since the June 2021 valuation was prepared. Updated employee census and premium data was collected and with this information, we determined differences between actual and expected results since the prior valuation (referred to as "plan experience"). We also reviewed and updated certain assumptions used to project the OPEB liability.

The Total OPEB Liability on the current measurement date is higher than that reported one year ago. Section C presents the new valuation results and the impact of the new assumptions and plan experience on the Total OPEB Liability. See *Recognition Period for Deferred Resources* on page 11 for details on how these changes are recognized.

Impact on Statement of Net Position and OPEB Expense for Fiscal Year Ending 2024

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.

Items	For Reporting At Fiscal Year Ending June 30, 2024
Total OPEB Liability	$ 102,716
Fiduciary Net Position	-
Net OPEB Liability	**$ 102,716**
Adjustment for Deferred Resources:	
Deferred (Outflows)	(26,241)
Deferred Inflows	43,426
Impact on Statement of Net Position	**$ 119,901**
OPEB Expense, FYE 6/30/2024	**$ (2,691)**

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. Valuation Process

This valuation is based on employee census data and benefits initially submitted to us by the Commission and clarified in various related communications. A summary of the employee data is provided in Section 1 and a summary of the benefits provided under the Plan is provided in Section 2. While individual employee records have been 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 prepared in accordance with the process described below using the actuarial methods and assumptions described in Section 3 and is consistent with our understanding of Actuarial Standards of Practice.

In projecting benefit values and liabilities, we first determine an expected premium or benefit stream over each current retiree's or active employee's future retirement. Benefits may include both direct employer payments (explicit subsidies) and any implicit subsidies arising when retiree premiums are expected to be partially subsidized by premiums paid for active employees. The projected benefit streams reflect assumed trends in the cost of those benefits and assumptions as to the expected dates when benefits will end. Assumptions regarding the probability that each employee will remain in service to receive benefits and the likelihood that employees will elect coverage for themselves and their dependents are also applied.

We then calculate the present value of these future benefit streams by discounting the value of each future expected employer payment back to the valuation date using the valuation discount rate. This present value is called the **Present Value of Projected Benefits (PVPB)** and represents the current value of all expected future plan payments to current retirees and current active employees. Note that this long-term projection does not anticipate entry of future employees.

Valuation Date

Benefits earned by prior service		**Benefits earned by future service**
Present Value of Projected Benefit (PVPB) *Present value as of the valuation date of all future benefits expected to be paid to current and former employees*		
Retiree benefits due next year	**Actuarial Accrued Liability (AAL)** *Present value as of the valuation date of all benefits deemed earned by prior service of current employees and retirees*	**Future Earned Benefits** * *Present value of benefits expected to be earned by future service of current employees*

Pay-As-You-Go --plan sponsor makes contributions each year only to pay for the retiree benefits due that year.

* **Normal Cost** -- value of benefits earned by active employees in the year following the valuation date.

The next step in the valuation process splits the Present Value of Projected Benefits into 1) the value of benefits already earned by prior service of current employees and retirees and 2) the value of benefits expected to be earned by future service of current employees. Actuaries employ an "attribution method" to divide the PVPB into prior service liabilities and future service liabilities. For this valuation we used the **Entry Age Normal** attribution method. This method is the most commonly used for government funding purposes and the only attribution method allowed for financial reporting under GASB 75.

We call the value of benefits deemed earned by prior service the **Actuarial Accrued Liability (AAL)**. Benefits deemed earned by service of active employees in a single year is called the **Normal Cost** of benefits. The present value of all future normal costs (PVFNC) plus the Actuarial Accrued Liability will equal the Present Value of Projected Benefits (i.e., PVPB = AAL + PVFNC).

Valuation Process
(Concluded)

The Commission is financing the plan on a pay-as-you-go basis. This policy does not establish a trust to prefund benefits and pays retirees benefits each year as required. Therefore, the **Unfunded Actuarial Accrued Liability (UAAL)** is equal to the Actuarial Accrued Liability. The UAAL represents, as of the valuation date, the present value of benefits already earned by past service that remain unfunded. Future contributions by the Commission will equal each year's retiree benefit payments.

Please note that projections of future benefits over such long periods (frequently 70 or more years) which are dependent on numerous assumptions regarding future economic and demographic variables are subject to substantial revision as future events unfold. While we believe that the assumptions and methods used in this valuation are reasonable for the purposes of this report, the costs to the Commission reflected in this report are subject to future revision, perhaps materially. Demonstrating the range of potential future plan costs was beyond the scope of our assignment except to the limited extent of providing liability information at various discount rates.

Finally, certain actuarial terms and GASB 75 terms may be used interchangeably. We note a few in the table below.

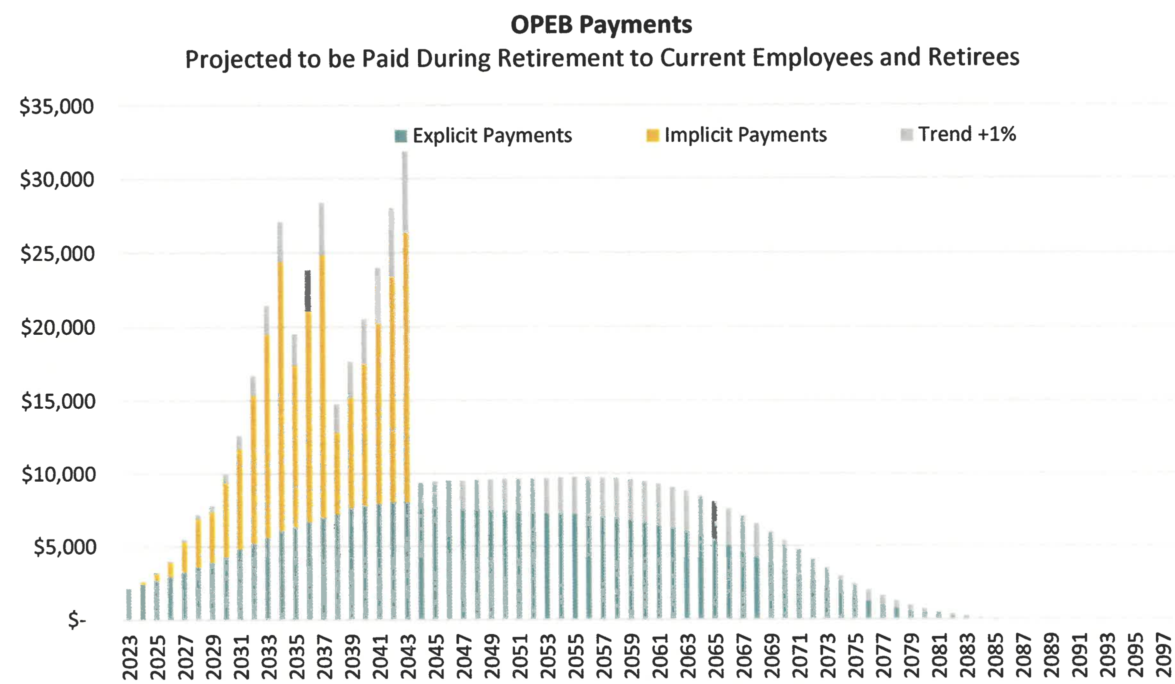
Actuarial Terminology	GASB 75 Terminology
Present Value of Projected Benefits (PVPB)	*No equivalent term*
Actuarial Accrued Liability (AAL)	Total OPEB Liability (TOL)
Market Value of Assets (MVA)	Fiduciary Net Position
Actuarial Value of Assets (AVA)	*No equivalent term*
Unfunded Actuarial Accrued Liability (UAAL)	Net OPEB Liability
Normal Cost	Service Cost

C. Valuation Results as of June 30, 2023

This Section presents the basic results of our recalculation of the OPEB liability using the updated employee data, plan provisions and asset information provided to us for the June 30, 2023, valuation. We described the general process for projecting all future benefits to be paid to retirees and current employees in the preceding Section. Expected annual benefits have been projected using the actuarial assumptions outlined in Supporting Information, Section 3.

Medical coverage is offered and benefits are paid for qualifying, enrolled Commission retirees. Please see Supporting Information, Section 2 for details.

The following graph illustrates the annual other post-employment benefits projected to be paid on behalf of current retirees and current employees expected to retire from the Commission.



- Amounts shown in green reflect explicit subsidy benefits, i.e., expected payments by the Commission toward retiree medical premiums.
- Those shown in yellow reflect the implicit subsidy benefits provided for pre-Medicare retirees (i.e., the excess of estimated retiree medical and prescription drug claims over the premiums expected to be charged during the year for retirees' coverage).
- The projections in gray reflect increases in benefit levels if healthcare trend were 1% higher.

The first 15 years of benefit payments from the graph above are shown in tabular form on page 18. Liabilities relating to these projected benefits are shown beginning on the following page.

Valuation Results as of June 30, 2023
(Continued)

This chart compares the results measured as of June 30, 2022, based on the prior valuation, with the results measured as of June 30, 2023, based on the current valuation.

Valuation Date		**6/30/2021**			**6/30/2023**	
Fiscal Year Ending		**6/30/2023**			**6/30/2024**	
Measurement Date		**6/30/2022**			**6/30/2023**	
Discount rate		4.09%			4.13%	
Number of Covered Employees						
Actives		3			4	
Retirees		1			1	
Total Participants		4			5	
OPEB Subsidy Type	Explicit	Implicit	Total	Explicit	Implicit	Total
Actuarial Present Value of Projected Benefits						
Actives	$ 85,538	$ 15,007	$ 100,545	$ 87,305	$ 102,179	$ 189,484
Retirees	32,582	-	32,582	31,767	-	31,767
Total APVPB	118,120	15,007	133,126	119,072	102,179	221,251
Total OPEB Liability (TOL)						
Actives	37,735	4,748	42,482	31,000	39,949	70,949
Retirees	32,582	-	32,582	31,767	-	31,767
TOL	70,316	4,748	75,064	62,767	39,949	102,716
Fiduciary Net Position			-			-
Net OPEB Liability			75,064			102,716
Service Cost For the period following the measurement date	6,676	874	7,551	6,872	5,759	12,631

The Total OPEB Liability (TOL) increased by $27,652 from that reported one year ago. Part of the change in the TOL was expected and some of this change was unexpected. Changes in the TOL are discussed on the following page.

Valuation Results as of June 30, 2023
(Concluded)

Expected changes: The TOL was expected to increase by $9,093 from normal plan operation, i.e., from additional service and interest costs accruing for the period reduced by benefits paid to retirees.

Unexpected changes increased the expected TOL by $18,559 and fall into one of these categories.

- *Benefit provisions* includes any changes to the OPEB plan. The Commission reported no changes.
- *Plan experience* increased the TOL by $23,522, reflecting results which are different than expected based on the prior valuation data and assumptions. The largest component of this increase relates to higher than expected premiums and projected retiree claims costs (the latter increasing the implicit subsidy liability).
- *Changes in assumptions* collectively decreased the TOL by $4,963. The chart below shows the impact of each change. For more details, please see the end of Supporting Information, Section 3.

This chart reconciles the TOL measured on June 30, 2022, to the TOL measured on June 30, 2024.

Reconciliation of Changes During Measurement Period	Total OPEB Liability
Balance at Fiscal Year Ending 6/30/2023 *Measurement Date 6/30/2022*	$ 75,064
Expected Changes During the Period:	
Service Cost	7,551
Interest Cost	3,342
Benefit Payments	(1,800)
Total Expected Changes During the Period	9,093
Expected at Fiscal Year Ending 6/30/2024 *Measurement Date 6/30/2023*	$ 84,157
Unexpected Changes During the Period:	
Plan Experience:	
Premiums and Estimated Claims Other Than Expected	29,449
Terminations and Retirements Other Than Expected	(11,095)
Liability Added For New Employees	3,715
Other Plan Experience	1,453
Assumption Changes:	
Update To Discount Rate From 4.09% To 4.13%	(415)
Updated Healthcare Trend	1,318
Updated Demographic Assumptions	(5,450)
Lower Assumed Participation For Future Medicare Retirees	(6,202)
Change To Assumed Spouse Coverage Elections	5,786
Total Unexpected Changes During the Period	18,559
Balance at Fiscal Year Ending 6/30/2024 *Measurement Date 6/30/2023*	$ 102,716

D. 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, 2024. 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, 2024 *Measurement Date is June 30, 2023*	LAFCO Monterey
Items Impacting Net Position:	
Total OPEB Liability	$ 102,716
Fiduciary Net Position	-
Net OPEB Liability (Asset)	102,716
Deferred (Outflows) Due to:	
Assumption Changes	(4,270)
Plan Experience	(20,123)
Investment Experience	-
Deferred Contributions	(1,848)
Deferred Inflows Due to:	
Assumption Changes	26,155
Plan Experience	17,271
Investment Experience	-
Impact on Statement of Net Position, FYE 6/30/2024	**$ 119,901**
Items Impacting OPEB Expense:	
Service Cost	$ 7,551
Cost of Plan Changes	-
Interest Cost	3,342
Expected Earnings on Assets	-
Recognition of Deferred Outflows:	
Assumption Changes	1,484
Plan Experience	3,399
Investment Experience	-
Recognition of Deferred (Inflows):	
Assumption Changes	(10,414)
Plan Experience	(8,053)
Investment Experience	-
OPEB Expense, FYE 6/30/2024	**$ (2,691)**

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*	**6/30/2023** *6/30/2022*	**6/30/2024** *6/30/2023*	**Change During Period**
Total OPEB Liability	$ 75,064	$ 102,716	$ 27,652
Fiduciary Net Position	-	-	-
Net OPEB Liability (Asset)	75,064	102,716	27,652
Deferred (Outflows) Due to:			
Assumption Changes	(5,754)	(4,270)	1,484
Plan Experience	-	(20,123)	(20,123)
Investment Experience	-	-	-
Deferred Contributions	(1,800)	(1,848)	(48)
Deferred Inflows Due to:			
Assumption Changes	31,606	26,155	(5,451)
Plan Experience	25,324	17,271	(8,053)
Investment Experience	-	-	-
Impact on Statement of Net Position	$ 124,440	$ 119,901	$ (4,539)

Change in Net Position During the Fiscal Year	
Impact on Statement of Net Position, FYE 6/30/2023	$ 124,440
OPEB Expense (Income)	(2,691)
Employer Contributions During Fiscal Year	(1,848)
Impact on Statement of Net Position, FYE 6/30/2024	$ 119,901

OPEB Expense	
Employer Contributions During Fiscal Year	$ 1,848
Deterioration (Improvement) in Net Position	(4,539)
OPEB Expense (Income), FYE 6/30/2024	$ (2,691)

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 6.92 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.

The liability changes attributable to the reported benefit change occurring during the period will be 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, 2024.

Local Agency Formation Commission of Monterey County	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	$ 4,270	$ 26,155
Differences Between Expected and Actual Experience	20,123	17,271
Net Difference Between Projected and Actual Earnings on Investments	-	-
Deferred Contributions	1,848	-
Total	$ 26,241	$ 43,426

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
2025	$ (12,828)
2026	(3,585)
2027	(2,620)
2028	(2,370)
2029	(97)
Thereafter	2,467

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 2024 is 4.13%. Healthcare Cost Trend Rate was assumed to start at 6.5% (increase effective January 1, 2025; known increases were applied for 2024) 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% 3.13%**	**Current 4.13%**	**Current + 1% 5.13%**
Net OPEB Liability (Asset)	113,880	102,716	93,121
Increase (Decrease)	11,164		(9,595)
% Increase (Decrease)	10.9%		-9.3%
Change in Healthcare Cost Trend Rate	**Current Trend - 1%**	**Current Trend**	**Current Trend + 1%**
Net OPEB Liability (Asset)	89,602	102,716	118,468
Increase (Decrease)	(13,114)		15,752
% Increase (Decrease)	-12.8%		15.3%

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. Results for years since GASB 75 was implemented are shown in the table.

Fiscal Year Ending June 30	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**
Measurement Date	*6/30/2023*	*6/30/2022*	*6/30/2021*	*6/30/2020*	*6/30/2019*	*6/30/2018*	*6/30/2017*
Discount Rate on Measurement Date	*4.13%*	*4.09%*	*2.18%*	*2.66%*	*2.79%*	*2.98%*	*3.13%*
Total OPEB liability							
Service Cost	$ 7,551	$ 11,219	$ 11,231	$ 10,667	$ 21,510	$ 20,247	$ 21,380
Interest	3,342	2,089	2,646	2,450	4,198	3,598	2,668
Changes of benefit terms	-	-	-	-	-	-	-
Differences between expected and actual experience	23,522	-	(20,735)	-	(30,765)	-	-
Changes of assumptions	(4,963)	(21,967)	6,113	1,482	(34,883)	2,423	(5,992)
Benefit payments	(1,800)	(1,752)	(4,080)	(2,925)	(1,614)	(1,566)	(1,518)
Net change in total OPEB liability	27,652	(10,411)	(4,825)	11,674	(41,554)	24,702	16,538
Total OPEB liability - beginning	75,064	85,475	90,300	78,626	120,180	95,478	78,940
Total OPEB liability - ending (a)	$ 102,716	$ 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)	$ 102,716	$ 75,064	$ 85,475	$ 90,300	$ 78,626	$ 120,180	$ 95,478
Covered-employee payroll	$ 575,417	$ 468,597	$ 561,179	$ 584,706	$ 520,014	$ 501,159	$ 426,985
Net OPEB liability as a % of covered payroll	17.85%	16.02%	15.23%	15.44%	15.12%	23.98%	22.36%

Accounting Information
(Continued)

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

Fiscal Year Ending	2024	2023	2022	2021	2020	2019	2018
Measurement Date	*6/30/2023*	*6/30/2022*	*6/30/2021*	*6/30/2020*	*6/30/2019*	*6/30/2018*	*6/30/2017*
Discount Rate on Measurement Date	*4.13%*	*4.09%*	*2.18%*	*2.66%*	*2.79%*	*2.98%*	*3.13%*

Notes to Schedule

	2024	2023 / 2022	2021 / 2020	2019 / 2018
Valuation Date	6/30/2023	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	Entry Age Normal Level % of Pay
Inflation	2.50%	2.50%	2.50%	2.75%
Healthcare cost trend rates	6.5% in 2025 fluctuating down to 3.9% by 2075	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%	3.00%	3.25%
Retirement age	From 50 - 75	From 50 - 75	From 50 - 75	From 50 - 75
Mortality	2021 CalPERS Experience Study	2017 CalPERS Experience Study	2017 CalPERS Experience Study	2014 CalPERS Experience Study
Mortality Improvement	MW Scale 2022 generational	MW Scale 2022 generational	MW Scale 2020 generational	MW Scale 2017 generational

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 6/30/2023 *Measurement Date 6/30/2022*	$ 75,064	$ -	$ 75,064	$ 5,754	$ -	$ -	$ 1,800	$ 31,606	$ 25,324	$ -	$ 124,440
Changes During the Period:											
Service Cost	7,551		7,551								7,551
Interest Cost	3,342		3,342								3,342
Expected Investment Income		-	-								-
Employer Contributions		1,800	(1,800)								(1,800)
Changes of Benefit Terms	-		-								-
Benefit Payments	(1,800)	(1,800)	-								-
Assumption Changes	(4,963)		(4,963)					4,963			-
Plan Experience	23,522		23,522		23,522						-
Investment Experience		-	-							-	-
Recognized Deferred Resources				(1,484)	(3,399)	-	(1,800)	(10,414)	(8,053)	-	(11,784)
Contributions After Measurement Date							1,848				(1,848)
Net Changes in Fiscal Year 2023-2024	27,652	-	27,652	(1,484)	20,123	-	48	(5,451)	(8,053)	-	(4,539)
Balance at Fiscal Year Ending 6/30/2024 *Measurement Date 6/30/2023*	$ 102,716	$ -	$ 102,716	$ 4,270	$ 20,123	$ -	$ 1,848	$ 26,155	$ 17,271	$ -	$ 119,901

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 OPEB Expense is shown below. Deferred Contributions are not shown.

Measurement Date: June 30, 2023

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, 2023	2022-23 (FYE 2024)	2023-24 (FYE 2025)	2024-25 (FYE 2026)	2025-26 (FYE 2027)	2026-27 (FYE 2028)	2027-28 (FYE 2029)	Thereafter
6/30/2017	Assumption Changes	Decreased NOL	$ (5,992)	6.91	$ (867)	$ -	$ (790)	$ -	$ -	$ -	$ -	$ -	$ -
6/30/2018	Assumption Changes	Increased NOL	2,423	6.91	351	317	351	317	-	-	-	-	-
6/30/2019	Plan Experience	Decreased NOL	(30,765)	6.11	(5,035)	(5,590)	(5,035)	(5,035)	(555)	-	-	-	-
6/30/2019	Assumption Changes	Decreased NOL	(34,883)	6.11	(5,709)	(6,338)	(5,709)	(5,709)	(629)	-	-	-	-
6/30/2020	Assumption Changes	Increased NOL	1,482	6.11	243	510	243	243	243	24	-	-	-
6/30/2021	Plan Experience	Decreased NOL	(20,735)	6.87	(3,018)	(11,681)	(3,018)	(3,018)	(3,018)	(3,018)	(2,627)	-	-
6/30/2021	Assumption Changes	Increased NOL	6,113	6.87	890	3,443	890	890	890	890	773	-	-
6/30/2022	Assumption Changes	Decreased NOL	(21,967)	6.87	(3,198)	(15,571)	(3,198)	(3,198)	(3,198)	(3,198)	(3,198)	(2,779)	-
6/30/2023	Plan Experience	Increased NOL	23,522	6.92	3,399	20,123	3,399	3,399	3,399	3,399	3,399	3,399	3,128
6/30/2023	Assumption Changes	Decreased NOL	(4,963)	6.92	(717)	(4,246)	(717)	(717)	(717)	(717)	(717)	(717)	(661)

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"). Note that the implicit subsidy contribution does not represent cash payments to retirees, but rather the reclassification of a portion of active healthcare expense to be recognized as a retiree healthcare cost. For details, see Appendix 1: Important Background Information.

All Commission OPEB contributions during the measurement period were in the form of retiree benefit payments, as shown below.

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

Benefits payments made by the Commission in the year following the measurement date but prior to the end of the fiscal year are shown below.

For the Fiscal Year, Jul 1, 2023 thru Jun 30, 2024	**LAFCO Monterey**
Benefits Paid to Retirees	$ 1,848
Implicit Subsidy Payment	-
Total Contributions During the Current Fiscal Year	1,848

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. The 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	
2024	$ 1,848	$ -	$ 1,848	$ -	$ -	$ -	$ 1,848
2025	1,921	480	2,401	-	181	181	2,582
2026	1,994	673	2,667	-	500	500	3,167
2027	2,067	852	2,919	-	970	970	3,889
2028	2,138	1,109	3,247	-	2,060	2,060	5,307
2029	2,206	1,346	3,552	-	3,325	3,325	6,877
2030	2,270	1,626	3,896	-	3,470	3,470	7,366
2031	2,327	1,962	4,289	-	5,028	5,028	9,317
2032	2,374	2,405	4,779	-	6,919	6,919	11,698
2033	2,408	2,777	5,185	-	10,140	10,140	15,325
2034	2,427	3,152	5,579	-	13,898	13,898	19,477
2035	2,429	3,625	6,054	-	18,359	18,359	24,413
2036	2,407	3,879	6,286	-	11,114	11,114	17,400
2037	2,356	4,309	6,665	-	14,399	14,399	21,064
2038	2,278	4,690	6,968	-	17,889	17,889	24,857

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 section reflect the estimated excess of retiree medical and prescription drug claims over the premiums expected to be charged during the year for retirees' coverage for those currently retired and those expected to retire in the future. The Commission is expected to provide these pre-Medicare implicit subsidy benefits to retirees in the form of higher active employee premiums than would be charged if no retirees were pooled with the active members.

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		75,064		75,064
Deferred Outflow:				
Assumption Changes	5,754			
Plan Experience	-			
Investment Experience	-			
Contribution Subsequent to MD	1,800			
Deferred Outflows			7,554	
Deferred Inflow:				
Assumption Changes		31,606		
Plan Experience		25,324		
Investment Experience		-		
Deferred Inflows				56,930

Record Benefits Paid to Retirees	Debit	Credit
Net OPEB Liability	1,848	
Cash		1,848

Record End of Year Updates to OPEB Accounts	By Source Debit	By Source Credit	Sources Combined Debit	Sources Combined Credit
Net OPEB Liability		29,500		29,500
Deferred Outflow:				
Assumption Changes		1,484		
Plan Experience	20,123			
Investment Experience				
Contribution Subsequent to MD	48			
Deferred Outflows			18,687	
Deferred Inflow:				
Assumption Changes	5,451			
Plan Experience	8,053			
Investment Experience	-			
Deferred Inflows			13,504	
OPEB Expense		2,691		2,691

E. Funding Information

Our understanding is that the Commission is currently financing its OPEB liability relating to the Local Agency Formation Commission of Monterey County 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.

F. 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 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: July 1, 2024

Catherine L. MacLeod

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

Michael Papendieck, EA, ACA, MAAA

G. Supporting Information

Section 1 - Summary of Employee Data

Active employees: The Commission reported 4 active members in the data provided to us for the June 2023 valuation. All employees were currently enrolled in the medical program on the valuation date.

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	25%
45 to 49							0	0%
50 to 54			1				1	25%
55 to 59		1					1	25%
60 to 64							0	0%
65 to 69					1		1	25%
70 & Up							0	0%
Total	0	2	1	0	1	0	**4**	**100%**
Percent	0%	50%	25%	0%	25%	0%	**100%**	

Valuation	June 2021	June 2023
Average Attained Age for Actives	52.5	55.7
Average Years of Service	8.7	8.3

Retirees: There was 1 retiree receiving benefits as of the June 2023 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, 2023, valuation date.

Summary of Plan Member Counts	
Number of active plan members	4
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 1 - Summary of Employee Data
(continued)

The chart below reconciles the number of actives and retirees included in the June 2021 valuation with those included in the June 2023 valuation.

Reconciliation of LAFCo Plan Members Between Valuation Dates				
Status	Covered Actives	Covered Retirees	Covered Surviving Spouses	Total
Number reported as of June 30, 2021	3	1		4
New employees	1			1
Separated employees				0
New retiree, elected coverage				0
New retiree, waiving coverage				0
Deceased				0
Number reported as of June 30, 2023	**4**	**1**	**0**	**5**

The only change between the prior census data and the current census data is the addition of new employee. There were no new retirements reported over the past two years.

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. It is the timing of initiating retirement benefits and not timing of enrollment in the medical program which determines whether 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. 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.

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 $151 per month in 2023 and increased to $157 in 2024.

The chart below shows the premium rates applicable to plan members at the time the 2023 valuation was prepared.

Region 1 2024 Health Plan Rates						
	Actives and Pre-Med Retirees			Medicare Eligible Retirees		
Plan	Ee Only	Ee & 1	Ee & 2+	Ee Only	Ee & 1	Ee & 2+
Anthem Select HMO	1,138.86	2,277.72	2,961.04	405.83	811.66	1,217.49
PERS Platinum PPO	1,314.27	2,628.54	3,417.10	448.15	896.30	1,344.45

[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

Valuation Date	June 30, 2023
Fiscal Year End	June 30, 2024
GASB 75 Measurement Date	June 30, 2023 (last day of the prior fiscal year)

Valuation Methods

Funding Method	Entry Age Normal Cost, level percent of pay
Asset Valuation Method	N/A; the plan is not being funded through a trust
Participants Valued	Only current active employees, retired participants and covered dependents are valued. No future entrants are included.
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 Appendix 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)

Region	Medical Plan	Expected Monthly Claims by Medical Plan for Selected Ages - Male									
		Non-Medicare Retirees					Medicare Retirees				
Region	Medical Plan	50	53	56	59	62	65	70	75	80	85
1	Anthem Select HMO	1,045	1,232	1,431	1,640	1,865	*Claims not developed for Medicare Advantage plans*				
	PERS Platinum PPO	1,299	1,531	1,779	2,039	2,318	381	427	464	486	480
Region	Medical Plan	Expected Monthly Claims by Medical Plan for Selected Ages - Female									
		Non-Medicare Retirees					Medicare Retirees				
Region	Medical Plan	50	53	56	59	62	65	70	75	80	85
1	Anthem Select HMO	1,295	1,422	1,530	1,654	1,823	*Claims not developed for Medicare Advantage plans*				
	PERS Platinum PPO	1,609	1,768	1,902	2,055	2,266	365	413	447	467	471

Economic Assumptions

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

Discount Rates — 4.13% for all plan liabilities as of June 30, 2023
4.09% for all plan liabilities as of June 30, 2022

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 estimated claims costs by age are assumed to increase once each year. 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
2024	Actual	2040-2043	4.8%
2025	6.5%	2044-2049	4.7%
2026	6.0%	2050-2059	4.6%
2027	5.5%	2060-2065	4.5%
2028	5.4%	2066-2067	4.4%
2029	5.3%	2068-2069	4.3%
2030	5.2%	2070	4.2%
2031	5.1%	2071-2072	4.1%
2032-2037	5.0%	2073-2074	4.0%
2038-2039	4.9%	2075 & Later	3.9%

Supporting Information
(Continued)

Section 3 - Actuarial Methods and Assumptions

Healthcare Trend (cont.)	The healthcare trend shown above was developed using the Getzen Model 2023 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 2032 20%; Resistance Point 21%; Year after which medical growth is limited to growth in GDP 2075.
Increases in PEMHCA Minimum	The required PEMHCA minimum employer contribution (MEC) is assumed to increase annually by 4.0%.
Medicare Eligibility	Absent contrary data, all individuals are assumed to be eligible for Medicare Parts A and B at age 65.

Participant Election Assumptions

Participation Rate	*Active employees*: Prior to age 65, 60% of those currently enrolled and 30% of those not currently enrolled are assumed to elect medical coverage through the Commission in retirement. After age 65, 50% of those enrolled and 25% 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:* Existing elections for spouse coverage are assumed to continue if coverage is elected 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.

Demographic Assumptions

Demographic actuarial assumptions used in this valuation are based on the 2021 experience study of the California Public Employees Retirement System using data from 1997 to 2019, except for a different basis used to project future mortality improvements. Rates for selected age and service are shown below and on the following pages. The representative mortality rates were the published CalPERS rates, then projected as described below.

Mortality Improvement	MacLeod Watts Scale 2022 applied generationally from 2017 (see Appendices)

Supporting Information
(Continued)

Section 3 - Actuarial Methods and Assumptions

Mortality Before Retirement

None assumed, due to the small size of the employee group and low expectation of occurrence.

Mortality After Retirement
(before improvement applied)

Healthy Lives

CalPERS Public Agency Miscellaneous, Police & Fire Post Retirement Mortality		
Age	Male	Female
40	0.00075	0.00039
50	0.00271	0.00199
60	0.00575	0.00455
70	0.01340	0.00996
80	0.04380	0.03403
90	0.14539	0.11086
100	0.36198	0.31582
110	1.00000	1.00000

Disabled Miscellaneous

CalPERS Public Agency Disabled Miscellaneous Post-Retirement Mortality		
Age	Male	Female
20	0.00411	0.00233
30	0.00452	0.00301
40	0.00779	0.00730
50	0.01727	0.01439
60	0.02681	0.01962
70	0.04056	0.02910
80	0.08044	0.06112
90	0.16770	0.14396

Termination Rates

These rates reflect the assumed probability that an employee will leave the Agency in the next 12 months for reasons other than a service or disability retirement or death.

Female Miscellaneous Employees: Sum of Vested Terminated & Refund Rates From CalPERS Experience Study Report Issued November 2021						
Attained	Years of Service					
Age	0	3	5	10	15	20
15	0.1944	0.0000	0.0000	0.0000	0.0000	0.0000
20	0.1944	0.1085	0.1074	0.0000	0.0000	0.0000
25	0.1899	0.1085	0.1074	0.0502	0.0000	0.0000
30	0.1824	0.0977	0.1041	0.0502	0.0252	0.0000
35	0.1749	0.0869	0.0925	0.0491	0.0252	0.0175
40	0.1731	0.0777	0.0809	0.0446	0.0252	0.0175
45	0.1713	0.0710	0.0730	0.0401	0.0213	0.0175

Male Miscellaneous Employees: Sum of Vested Terminated & Refund Rates From CalPERS Experience Study Report Issued November 2021						
Attained	Years of Service					
Age	0	3	5	10	15	20
15	0.1851	0.0000	0.0000	0.0000	0.0000	0.0000
20	0.1851	0.0927	0.0843	0.0000	0.0000	0.0000
25	0.1769	0.0927	0.0843	0.0377	0.0000	0.0000
30	0.1631	0.0802	0.0804	0.0377	0.0180	0.0000
35	0.1493	0.0677	0.0715	0.0366	0.0180	0.0141
40	0.1490	0.0583	0.0627	0.0337	0.0180	0.0141
45	0.1487	0.0538	0.0562	0.0309	0.0166	0.0141

Supporting Information
(Continued)

Section 3 - Actuarial Methods and Assumptions

Service Retirement Rates

The following **miscellaneous** retirement formulas apply:

Classic: 2% @ 55

PEPRA: 2% @ 62

Sample rates of assumed future retirements applicable to each of these retirement benefit formulas are shown in tables below. Each rate reflects the probability that an employee with that age and service will take a service retirement in the next 12 months.

Miscellaneous Employees: 2% at 55 formula From CalPERS Experience Study Report Issued November 2021						
Current	Years of Service					
Age	5	10	15	20	25	30
50	0.0140	0.0140	0.0170	0.0210	0.0230	0.0240
55	0.0450	0.0420	0.0530	0.0860	0.0980	0.1230
60	0.0590	0.0640	0.0830	0.1150	0.1540	0.1700
65	0.1670	0.1870	0.2100	0.2620	0.2880	0.2910
70	0.2290	0.2290	0.2290	0.2290	0.2290	0.2290
75 & over	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Miscellaneous "PEPRA" Employees: 2% at 62 formula From CalPERS Experience Study Report Issued November 2021						
Current	Years of Service					
Age	5	10	15	20	25	30
50	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
55	0.0100	0.0190	0.0280	0.0360	0.0610	0.0960
60	0.0310	0.0510	0.0710	0.0910	0.1110	0.1380
65	0.1080	0.1410	0.1730	0.2060	0.2390	0.3000
70	0.1200	0.1560	0.1930	0.2290	0.2650	0.3330
75 & over	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Disability Retirement Rates

None assumed, due to the small size of the employee group and low expectation of occurrence.

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 Appendix 3.

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

Supporting Information
(Concluded)

Section 3 - Actuarial Methods and Assumptions

Changes recognized during the current Measurement Date

Discount Rate	Changed from 4.09% as of June 30, 2022, to 4.13% as of June 30, 2023, based on the published change in return for the applicable municipal bond index.
Demographic Assumptions	Updated demographic assumptions from those in the 2019 CalPERS experience study to those recommended in the CalPERS 2021 Experience Study report issued November 2021. We believe rates from the CalPERS experience study provide a reasonable estimate of the Commission's future demographic experience.
Medical Trend	Updated from Getzen 2022_b to Getzen 2023 healthcare trend model sponsored by the Society of Actuaries
Participation rates	The percentage of active employees assumed to elect coverage in retirement *after becoming eligible for Medicare* was decreased from 60% to 50%, if currently enrolled in a Commission healthcare plan, and from 30% to 25%, if currently waiving Commission healthcare coverage. We based this change on observed elections of eligible retirees.
Spouse Coverage	We changed the assumption that 50% of future retirees electing to continue medical coverage would enroll their spouse to assuming that each employee's current election for spouse coverage would continue in retirement.

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><th colspan="3">Expected retiree claims</th></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 Section 1 and a summary of the benefits provided under the Plan is provided in Section 2. While individual employee records have been 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 also 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 estimated 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 estimated 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.

Important Background Information
(Concluded)

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.

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

Deferred Contributions – When an employer makes contributions after the measurement date and prior to the fiscal year end, recognition of these contributions is deferred to a subsequent accounting period by creating a deferred resource. We refer to these contributions as Deferred Contributions.

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.

Glossary
(Continued)

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.

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

10-Year History of Other Postemployment Benefit Costs

Fiscal Year Ended	Annual OPEB Expense (Income)
6/30/2023	$(3,035)
6/30/2022	732
6/30/2021	2,100
6/30/2020	14,448
6/30/2019	23,329
6/30/2018	23,181
6/30/2017	4,171
6/30/2016	4,153
6/30/2015	2,254
6/30/2014	2,264

AGENDA ITEM NO. 3

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 26, 2024

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, 2023, dated July 2024

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

SUMMARY OF RECOMMENDATIONS:

Discuss the 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 November 1, 2024 in the approximate amount of $45,071 from equity in the Unreserved Fund Balance, and

b. Pay-off the PEPRA Miscellaneous Plan unfunded pension liability balance by November 1, 2024 in the approximate amount of $5,828 from equity in the Unreserved Fund Balance.

EXECUTIVE OFFICER'S REPORT:

The recommendation is for pay-off of current unfunded accrued liabilities (UALs) for two LAFCO retirement plans, the Classic and PEPRA Miscellaneous Plans. The proposed UAL lump sum payments for both plans would total $50,896 and are based on a proposed pay-off date of November 1, 2024. CalPERS letters providing information for making these lump sum payments for LAFCO's Classic and PEPRA Miscellaneous pension plans are included under Attachments 1 and 2, respectively. This recommendation is also based on information in two annual valuation reports provided by CalPERS in July 2024 for LAFCO's Classic and PEPRA Miscellaneous pension plans (Attachments 3 and 4, respectively).

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 2024, the valuation reports provide information about LAFCO's future employer contribution rates and current unfunded pension liability balances.

Contribution Rates

Each report sets the required employer contribution rates for fiscal year (FY) 2025-2026: 12.58% for the Classic Miscellaneous Plan and 7.96% 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, 2023: $178,449 for the Classic Miscellaneous Plan and $17,737 for the PEPRA Miscellaneous Plan. This information is shown on Page 12 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 November 1, 2024. These pay-off amounts are $45,071 and $5,828 for the unfunded pension liability balances for LAFCO's Classic and PEPRA Miscellaneous Plans, respectively.

The CalPERS actuarial valuation reports show higher UAL balances than the lump sum payment letters. This is due to the reporting period of the valuation reports, which are as of June 30, 2023 and do not factor in LAFCO's lump sum UAL payments of $139,857.18 and $12,641.43 on October 16, 2023. 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 FY 2022-2023 (5.8%) is reflected in the June 30, 2023 valuation reports. In July 2024, CalPERS also reported a preliminary net return of 9.3% on its investments for FY 2023-2024. Next year's June 30, 2024 valuation report will incorporate FY 2023-2024 investment performance and set the required employer contributions for FY 2026-2027. CalPERS' target is a 6.8% return each year on its investments.

Unfunded Termination Liability

Information related to LAFCO's Unfunded Termination Liability is included on page 24 of the CalPERS Annual Valuation Reports for LAFCO's Classic and PEPRA Miscellaneous Plans. A CalPERS actuary previously explained to LAFCO staff in 2023 that LAFCO would only pay towards its unfunded termination liability if the Commission decided to terminate its CalPERS plan. As directed by the Budget and Finance Committee in 2023, LAFCO's auditor included the Unfunded Termination Liability for LAFCO in the annual audit report for FY 2022-2023 under the pension plan footnote and will continue to provide this information in future audit reports.

Consolidation of CalPERS Annual Valuation Reports Next Year

At the end of August, CalPERS hosted a webinar that explained the proposed changes to actuarial valuation reports for pooled plans that will be issued in July 2025. The proposed changes will result in LAFCO receiving one annual valuation report next year that combines the information from LAFCO's Classic and PEPRA Miscellaneous Plans. Employer contribution rates will continue to be differentiated for each plan. CalPERS is consolidating its reports to help show a comprehensive view of an agency's pension plans that use the same investment pool.

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, AICP
Executive Officer

Attachments:

1. CalPERS letter providing lump sum payment information by November 1, 2024 for CalPERS Classic Miscellaneous Plan of LAFCO.
2. CalPERS letter providing lump sum payment information by November 1, 2024 for CalPERS PEPRA Miscellaneous Plan of LAFCO.
3. CalPERS Classic Miscellaneous Plan of LAFCO, Annual Actuarial Report as of June 30, 2023, dated July 2024.
4. CalPERS PEPRA Miscellaneous Plan of LAFCO, Annual Actuarial Report as of June 30, 2023, dated July 2024.

CalPERS

Attachment 3.1

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

September 10, 2024

CalPERS ID: 7449296272
Employer Name: Local Agency Formation Commission of Monterey County
Rate Plan: Miscellaneous Plan [5580]

Re: Lump Sum Payment to reduce the Unfunded Accrued Liability

Dear Requestor:

As requested, information on the fiscal year 2025-26 employer contribution requirement following your lump sum payment is shown below.

If you are aware of others interested in this information (e.g., payroll staff, county court employees, port districts), please inform them.

The information is based on the June 30, 2023 Actuarial Valuation and assumes payment by *November 1, 2024* and no further contractual or financing changes taking effect before June 30, 2025. The Unfunded Accrued Liability (UAL) will be eliminated by an additional payment in the amount of **$45,071**.

There will be no change to your FY 2024-25 contributions.

1)	Projected June 30, 2025 UAL	$47,070
2)	Payment on November 1, 2024	45,071
3)	Interest on Payment through June 30, 2025	1,999
4)	Revised June 30, 2025 UAL [(1) – (2) – (3)]	$0

Valuation as of June 30, 2023	Pre-Payment	Post-Payment
Projected 6/30/2025 Total Unfunded Liability	$47,070	$0
FY 2025-26 Employer Contributions		
Base Total Normal Cost for Formula	18.87%	18.87%
Surcharges for Class 1 Benefit		
a) FAC 1	0.64%	0.64%
Phase out of Normal Cost Difference	0.00%	0.00%
Plan's Total Normal Cost	19.51%	19.51%
Offset Due to Employee Contributions	6.93%	6.93%
Employer Normal Cost Rate	12.58%	12.58%
Employer Unfunded Liability Payment	$3,343	$0

The attached schedule of the plan's amortization bases includes the additional discretionary payment(s) listed above.

Required Employer Contribution	Fiscal Year 2025-26
Employer Normal Cost Rate	12.58%
Plus	
Unfunded Accrued Liability (UAL) Contribution Amount	
Paid either as	
1) Monthly Payment	$0.00
Or	
2) Annual Prepayment Option*	$0

The total minimum required employer contribution is the ***sum*** *of the Plan's Employer Normal Cost Rate (expressed as a percentage of payroll)* ***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)****.*

To initiate this payment, the enclosed Lump Sum Payment Request must be completed and returned to the CalPERS Fiscal Services Division with payment by Electronic Funds Transfer (EFT) or wire transfer by November 1, 2024. A copy should be sent to us.

If you have questions, please call 888 CalPERS (or 888-225-7377).

Kelly Sturm

Kelly Sturm, ASA, MAAA
Supervising Actuary, CalPERS

Schedule of Amortization Bases

Reason for Base	Date Est.	Ramp Level 2025-26	Ramp Shape	Escala-tion Rate	Amort. Period	Balance 6/30/23	Expected Payment 2023-24	Balance 6/30/24	Expected Payment 2024-25	Balance 6/30/25	Minimum Required Payment 2025-26
Partial Fresh Start	06/30/22		No Ramp	0.00%	1	111,210	114,929	0	0	0	0
Non-Investment (Gain)/Loss	06/30/22		No Ramp	0.00%	1	25,972	26,840	0	0	0	0
Non-Investment (Gain)/Loss	06/30/23		No Ramp	0.00%	20	29,864	0	31,895	32,962	0	0
Investment (Gain)/Loss	06/30/23		No Ramp	0.00%	20	11,403	0	12,178	12,585	0	0
Total						**178,449**	**141,769**	**44,073**	**45,547**	**0**	**0**

This schedule assumes an additional discretionary payment is made in the amount and by the date stated on page 1 of this letter.

Additional UAL Payment Request

Please complete and return this form by either mail or e-mail.

Mail	CalPERS – FRAS Cash and Payments Processing Unit P.O. Box 942703 Sacramento, CA 94229-2703
E-mail	FCSD_public_agency_wires@calpers.ca.gov

Payment may be made by EFT or wire transfer.

Payments may be made by Electronic Funds Transfer (EFT) through myCalPERS or by wire transfer through the State Treasurer's Office. Contact a CalPERS actuary before making a payment.

EFT through myCalPERS: Email FCSD_public_agency_wires@calpers.ca.gov at least two business days prior to the payment date. A receivable in the amount of the payment will be established. Once notified that the receivable has been established, sign in to myCalPERS and submit payment via EFT.

Wire transfer: Email FCSD_public_agency_wires@calpers.ca.gov on the day of the payment to ensure timely crediting to the correct rate plan. Any individual wire of $5 million or more requires 72-hour notice.

Visit **Managing the Unfunded Accrued Liability** for payment instructions which are located on our website **www.calpers.ca.gov** under the **Employers** tab and **Actuarial Resources** section. CalPERS will never request agencies wire funds for additional payments. An election for additional payments must come from the agency before a receivable is created.

Employer Name: Local Agency Formation Commission of Monterey County

CalPERS ID: 7449296272

Member Group or Plan: Miscellaneous Plan

Rate Plan ID: 5580

Amount: **$45,071**

Purpose:	UAL Payoff
Base(s) to which payment is applied:	N/A

In recognition of our payment please revise our required employer contribution effective July 1, 2025:

Name and Title (Please Print): ____

Signature: ______________________________ Date: ____________

Mailing Address: ____

City/State/Zip: ____

Telephone Number: ______________________ Fax Number: _______________

E-mail Address: ____

Attachment 3.2

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

September 10, 2024

CalPERS ID: 7449296272
Employer Name: Local Agency Formation Commission of Monterey County
Rate Plan: PEPRA Miscellaneous Plan [27008]

Re: Lump Sum Payment to reduce the Unfunded Accrued Liability

Dear Requestor:

As requested, information on the fiscal year 2025-26 employer contribution requirement following your lump sum payment is shown below.

If you are aware of others interested in this information (e.g., payroll staff, county court employees, port districts), please inform them.

The information is based on the June 30, 2023 Actuarial Valuation and assumes payment by *November 1, 2024* and no further contractual or financing changes taking effect before June 30, 2025. The Unfunded Accrued Liability (UAL) will be eliminated by an additional payment in the amount of **$5,828**.

There will be no change to your FY 2024-25 contributions.

1)	Projected June 30, 2025 UAL	$6,087
2)	Payment on November 1, 2024	5,828
3)	Interest on Payment through June 30, 2025	259
4)	Revised June 30, 2025 UAL [(1) – (2) – (3)]	$0

Valuation as of June 30, 2023	Pre-Payment	Post-Payment
Projected 6/30/2025 Total Unfunded Liability	$6,087	$0
FY 2025-26 Employer Contributions		
Base Total Normal Cost for Formula	15.71%	15.71%
Surcharges for Class 1 Benefit		
None	0.00%	0.00%
Phase out of Normal Cost Difference	0.00%	0.00%
Plan's Total Normal Cost	15.71%	15.71%
Offset Due to Employee Contributions	7.75%	7.75%
Employer Normal Cost Rate	7.96%	7.96%
Employer Unfunded Liability Payment	$1,429	$0

The attached schedule of the plan's amortization bases includes the additional discretionary payment(s) listed above.

Required Employer Contribution	Fiscal Year 2025-26
Employer Normal Cost Rate	**7.96%**
Plus	
Unfunded Accrued Liability (UAL) Contribution Amount	
Paid either as	
1) Monthly Payment	**$0.00**
Or	
2) Annual Prepayment Option*	**$0**

*The total minimum required employer contribution is the **sum** of the Plan's Employer Normal Cost Rate (expressed as a percentage of payroll) **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)**.*

To initiate this payment, the enclosed Lump Sum Payment Request must be completed and returned to the CalPERS Fiscal Services Division with payment by Electronic Funds Transfer (EFT) or wire transfer by November 1, 2024. A copy should be sent to us.

If you have questions, please call 888 CalPERS (or 888-225-7377).

Kelly Sturm

Kelly Sturm, ASA, MAAA
Supervising Actuary, CalPERS

Schedule of Amortization Bases

Reason for Base	Date Est.	Ramp Level 2025-26	Ramp Shape	Escala-tion Rate	Amort. Period	Balance 6/30/23	Expected Payment 2023-24	Balance 6/30/24	Expected Payment 2024-25	Balance 6/30/25	Minimum Required Payment 2025-26
Fresh Start	06/30/23		No Ramp	0.00%	5	17,737	12,816	5,699	5,890	0	0
Total						**17,737**	**12,816**	**5,699**	**5,890**	**0**	**0**

This schedule assumes an additional discretionary payment is made in the amount and by the date stated on page 1 of this letter.

Additional UAL Payment Request

Please complete and return this form by either mail or e-mail.

Mail	CalPERS – FRAS Cash and Payments Processing Unit P.O. Box 942703 Sacramento, CA 94229-2703
E-mail	FCSD_public_agency_wires@calpers.ca.gov

Payment may be made by EFT or wire transfer.

Payments may be made by Electronic Funds Transfer (EFT) through myCalPERS or by wire transfer through the State Treasurer's Office. Contact a CalPERS actuary before making a payment.

EFT through myCalPERS: Email FCSD_public_agency_wires@calpers.ca.gov at least two business days prior to the payment date. A receivable in the amount of the payment will be established. Once notified that the receivable has been established, sign in to myCalPERS and submit payment via EFT.

Wire transfer: Email FCSD_public_agency_wires@calpers.ca.gov on the day of the payment to ensure timely crediting to the correct rate plan. Any individual wire of $5 million or more requires 72-hour notice.

Visit **Managing the Unfunded Accrued Liability** for payment instructions which are located on our website **www.calpers.ca.gov** under the **Employers** tab and **Actuarial Resources** section. CalPERS will never request agencies wire funds for additional payments. An election for additional payments must come from the agency before a receivable is created.

Employer Name: Local Agency Formation Commission of Monterey County

CalPERS ID: 7449296272

Member Group or Plan: PEPRA Miscellaneous Plan

Rate Plan ID: 27008

Amount: **$5,828**

Purpose:	UAL Payoff
Base(s) to which payment is applied:	N/A

In recognition of our payment please revise our required employer contribution effective July 1, 2025:

Name and Title (Please Print): ____

Signature: ______________________________ Date: ____________

Mailing Address: ____

City/State/Zip: ____

Telephone Number: ______________________ Fax Number: ______________

E-mail Address: ____

CalPERS

Attachment 3.3

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 2024

Miscellaneous Plan of the Local Agency Formation Commission of Monterey County (CalPERS ID: 7449296272)
Annual Valuation Report as of June 30, 2023

Dear Employer,

Attached to this letter is Section 1 of the June 30, 2023 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) 2025-26**. 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, 2023.

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, 2023.

Required Contributions

The table below shows the minimum required employer contributions for FY 2025-26 along with an estimate of the employer contribution requirements for FY 2026-27. 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
2025-26	12.58%	$3,343
Projected Results		
2026-27	*12.6%*	*$3,600*

The actual investment return for FY 2023-24 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 2023-24 differs from 6.8%, the actual contribution requirements for FY 2026-27 will differ from those shown above. For additional details regarding the assumptions and methods used for these projections, please refer to Projected Employer Contributions. This section also contains projected required contributions through FY 2030-31.

Report Enhancements

A number of enhancements were made to the report this year to ease navigation and allow the reader to find specific information more quickly. The tables of contents are now “clickable.” This is true for the main table of contents that follows the title page and the intermediate tables of contents at the beginning of sections. The Adobe navigation pane on the left can also be used to skip to specific exhibits.

There are a number of links throughout the document in blue text. Links that are internal to the document are not underlined, while underlined links will take you to the CalPERS website. Examples are shown below.

Internal Bookmarks	CalPERS Website Links
Required Employer Contributions	Required Employer Contribution Search Tool
Member Contribution Rates	Public Agency PEPRA Member Contribution Rates
Summary of Key Valuation Results	Pension Outlook Overview
Funded Status – Funding Policy Basis	Interactive Summary of Public Agency Valuation Results
Projected Employer Contributions	Public Agency Actuarial Valuation Reports

Further descriptions of general changes are included in the Highlights and Executive Summary section and in Appendix A - Actuarial Methods and Assumptions in Section 2.

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,

Kelly Sturm, ASA, MAAA
Supervising Actuary, CalPERS

Randall Dziubek, ASA, MAAA
Deputy Chief Actuary, Valuation Services, CalPERS

Scott Terando, ASA, EA, MAAA, FCA, CFA
Chief Actuary, CalPERS

California Public Employees' Retirement System

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

as of June 30, 2023

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

Required Contributions for Fiscal Year

July 1, 2025 — June 30, 2026

CalPERS

Table of Contents

Section 1

California Public Employees' Retirement System

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

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

Table of Contents — Section 1

Actuarial Certification

It is our opinion that the valuation has been performed in accordance with generally accepted actuarial principles as well as the applicable Standards of Practice promulgated by the Actuarial Standards Board. While this report, consisting of Section 1 and Section 2, is intended to be complete, our office is available to answer questions as needed. All of the undersigned are actuaries who satisfy the *Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States* of the American Academy of Actuaries with regard to pensions.

Actuarial Methods and Assumptions

It is our opinion that the assumptions and methods, as recommended by the Chief Actuary and adopted by the CalPERS Board of Administration, are internally consistent and reasonable for this plan.

Randall Dziubek, ASA, MAAA
Deputy Chief Actuary, Valuation Services, CalPERS

Scott Terando, ASA, EA, MAAA, FCA, CFA
Chief Actuary, CalPERS

Actuarial Data and Rate Plan Results

To the best of my knowledge and having relied upon the attestation above that the actuarial methods and assumptions are reasonable as well as the information in Section 2 of this report, this report 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 and related validation work was performed by the CalPERS Actuarial Office. The valuation was based on the member and financial data as of June 30, 2023, 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.

Kelly Sturm, ASA, MAAA
Supervising Actuary, CalPERS

Highlights and Executive Summary

Introduction

This report presents the results of the June 30, 2023, 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) 2025-26.

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, 2023. The purpose of the valuation is to:

- Set forth the assets and accrued liabilities of this rate plan as of June 30, 2023;
- Determine the minimum required employer contributions for this rate plan for FY July 1, 2025, through June 30, 2026;
- Determine the required member contribution rate for FY July 1, 2025, through June 30, 2026, for employees subject to the California Public Employees' Pension Reform Act of 2013 (PEPRA); and
- Provide actuarial information as of June 30, 2023, 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 a CalPERS 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 Standards 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.

Summary of Key Valuation Results

Below is a brief summary of key valuation results along with page references where more detailed information can be found.

Required Employer Contributions — page 8

	Fiscal Year 2024-25	Fiscal Year 2025-26
Employer Normal Cost Rate	12.52%	12.58%
Unfunded Accrued Liability (UAL) Contribution Amount	$5,047	$3,343
Paid either as		
Option 1) 12 Monthly Payments of	$420.58	$278.58
Option 2) Annual Prepayment in July	$4,884	$3,235

Member Contribution Rates — page 9

	Fiscal Year 2024-25	Fiscal Year 2025-26
Member Contribution Rate	7.00%	7.00%

Projected Employer Contributions — page 14

Fiscal Year	Normal Cost (% of payroll)	Annual UAL Payment
2026-27	12.6%	$3,600
2027-28	12.6%	$3,900
2028-29	12.6%	$4,200
2029-30	12.6%	$4,500
2030-31	12.6%	$4,500

Funded Status — Funding Policy Basis — page 12

	June 30, 2022	June 30, 2023
Entry Age Accrued Liability (AL)	$1,730,336	$1,936,394
Market Value of Assets (MVA)	1,607,135	1,757,945
Unfunded Accrued Liability (UAL) [AL – MVA]	$123,201	$178,449
Funded Ratio [MVA ÷ AL]	92.9%	90.8%

Summary of Valuation Data — Page 26

	June 30, 2022	June 30, 2023
Active Member Count	3	3
Annual Covered Payroll	$385,699	$468,290
Transferred Member Count	3	3
Separated Member Count	1	1
Retired Members and Beneficiaries Count	2	2

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. For pooled rate plans, voluntary benefit changes by plan amendment are generally included in the first valuation with a valuation date on or after the effective date of the amendment.

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.

Actuarial Methods and Assumptions

There are no significant changes to the actuarial methods or assumptions for the June 30, 2023, actuarial valuation.

New Disclosure Items

In December 2021, the Actuarial Standards Board issued a revision of Actuarial Standard of Practice No. 4 (ASOP 4) requiring actuaries to disclose a low-default-risk obligation measure (LDROM) of the benefits earned. This information is shown in a new exhibit, Funded Status – Low-Default-Risk Basis.

Subsequent Events

This actuarial valuation report reflects fund investment return through June 30, 2023, as well as statutory changes, regulatory changes and board actions through January 2024.

During the time period between the valuation date and the publication of this report, inflation has been 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, 2024, valuation. The actual impact of higher inflation on future valuation results will depend on, among other factors, how long higher inflation persists.

The 2023 annual benefit limit under Internal Revenue Code (IRC) section 415(b) and annual compensation limits under IRC section 401(a)(17) and Government Code section 7522.10 were used for this valuation and are assumed to increase 2.3% per year based on the price inflation assumption. The actual 2024 limits, determined in October 2023, are not reflected.

On April 16, 2024, the board took action to modify the Funding Risk Mitigation Policy to remove the automatic change to the discount rate when the investment return exceeds various thresholds. Rather than an automatic change to the discount rate, a board discussion would be placed on the calendar. The 95th percentile return in the Future Investment Return Scenarios exhibit in this report has not been modified and still reflects the projected contribution requirements associated with a reduction in the discount rate.

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.

Liabilities and Contributions

Determination of Required Contributions

Contributions to fund the plan are determined by an actuarial valuation performed each year. The valuation employs complex calculations based on a set of actuarial assumptions and methods. See Appendix A in Section 2 for information on the assumptions and methods used in this valuation. The valuation incorporates all plan experience through the valuation date and sets required contributions for the fiscal year that begins two years after the valuation date.

Contribution Components

Two components comprise required contributions:

- Normal Cost — expressed as a percentage of pensionable payroll
- Unfunded Accrued Liability (UAL) Contribution — expressed as a dollar amount

Normal Cost represents the value of benefits allocated to the upcoming year for active employees. If all plan experience exactly matched the actuarial assumptions, normal cost would be sufficient to fully fund all benefits. The employer and employees each pay a share of the normal cost with contributions payable as part of the regular payroll reporting process. The contribution rate for Classic members is set by statute based on benefit formula whereas for PEPRA members it is based on 50% of the total normal cost.

When plan experience differs from the actuarial assumptions, unfunded accrued liability (UAL) emerges. The new UAL may be positive or negative. If the total UAL is positive (i.e., accrued liability exceeds assets), the employer is required to make contributions to pay off the UAL over time. This is called the Unfunded Accrued Liability Contribution component. There is an option to prepay this amount during July of each fiscal year, otherwise it is paid monthly.

In measuring the UAL each year, plan experience is split by source. Common sources of UAL include investment experience different than expected, non-investment experience different than expected, assumption changes and benefit changes. Each source of UAL (positive or negative) forms a base that is amortized, or paid off, over a specified period of time in accordance with the CalPERS Actuarial Amortization Policy. The Unfunded Accrued Liability Contribution is the sum of the payments on all bases. See the Schedule of Amortization Bases section of this report for an inventory of existing bases and Appendix A in Section 2 for more information on the amortization policy.

Required Employer Contributions

The required employer contributions in this report do not reflect any cost sharing arrangement between the agency and the employees.

Required Employer Contributions	Fiscal Year 2025-26
Employer Normal Cost Rate	**12.58%**
Plus	
Unfunded Accrued Liability (UAL) Contribution Amount[1]	**$3,343**
Paid either as	
1) Monthly Payment	**$278.58**
Or	
2) Annual Prepayment Option*	**$3,235**

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) and the 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 Member Contribution Rates see the following page.

Development of Normal Cost as a Percentage of Payroll	Fiscal Year 2024-25	Fiscal Year 2025-26
Base Total Normal Cost for Formula	18.81%	18.87%
Surcharge for Class 1 Benefits[2]		
a) FAC 1	0.64%	0.64%
Plan's Total Normal Cost	19.45%	19.51%
Offset Due to Employee Contributions[3]	6.93%	6.93%
Employer Normal Cost	12.52%	12.58%

[1] The required payment on amortization bases does not take into account any additional discretionary payment made after April 30, 2024.

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

[3] This is the expected employee contributions, taking into account individual benefit formula and any offset from the use of a modified formula, divided by projected annual payroll. For member contribution rates above the breakpoint for each benefit formula, see Member Contribution Rates.

Member Contribution Rates

The required member contributions in this report do not reflect any cost sharing arrangement between the agency and the employees.

Each member contributes toward their retirement based upon the retirement formula. The standard Classic member contribution rate above the breakpoint, if any, is as described below.

Benefit Formula	Percent Contributed above the Breakpoint
Miscellaneous, 1.5% at age 65	2%
Miscellaneous, 2% at age 60	7%
Miscellaneous, 2% at age 55	7%
Miscellaneous, 2.5% at age 55	8%
Miscellaneous, 2.7% at age 55	8%
Miscellaneous, 3% at age 60	8%

Auxiliary organizations of the CSU system may elect reduced contribution rates for Miscellaneous members, in which case the contribution rate above the breakpoint is 6% if members are not covered by Social Security and 5% if they are.

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. Classic members who are projected to terminate employment are assumed to be replaced by PEPRA members.

Estimated Employer Contributions for all Pooled Miscellaneous Rate Plans	Fiscal Year 2024-25	Fiscal Year 2025-26
Projected Payroll for the Contribution Year	$494,368	$594,556
Estimated Employer Normal Cost	$52,590	$64,752
Required Payment on Amortization Bases	$5,586	$4,772
Estimated Total Employer Contributions	$58,176	$69,524
Estimated Total Employer Contribution Rate (illustrative only)	11.77%	11.69%

Breakdown of Entry Age Accrued Liability

Active Members	$1,560,056
Transferred Members	68,740
Separated Members	50,556
Members and Beneficiaries Receiving Payments	257,042
Total	$1,936,394

Allocation of Plan's Share of Pool's Experience

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	$1,936,394
2.	Projected UAL Balance at 6/30/2023	137,182
3.	Other UAL Adjustments (Golden Handshake, Prior Service Purchase, etc.)	0
4.	Adjusted UAL Balance at 6/30/2023 for Asset Share	137,182
5.	Pool's Accrued Liability[1]	23,349,910,053
6.	Sum of Pool's Individual Plan UAL Balances at 6/30/2023[1]	5,227,602,209
7.	Pool's 2022-23 Investment (Gain)/Loss[1]	114,855,623
8.	Pool's 2022-23 Non-Investment (Gain)/Loss[1]	360,116,330
9.	Plan's Share of Pool's Investment (Gain)/Loss: [(1) - (4)] ÷ [(5) - (6)] × (7)	11,403
10.	Plan's Share of Pool's Non-Investment (Gain)/Loss: (1) ÷ (5) × (8)	29,864
11.	Plan's New (Gain)/Loss as of 6/30/2023: (9) + (10)	41,267
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)	11,403

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

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

18.	Plan's UAL: (2) + (3) + (11) + (13) + (15)	$178,449
19.	Plan's Share of Pool's Market Value of Assets (MVA): (1) - (18)	$1,757,945

For a reconciliation of the pool's Market Value of Assets (MVA), information on the fund's asset allocation and a history of CalPERS investment returns, see Section 2, which can be found on the CalPERS website (www.calpers.ca.gov).

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, 2022	**June 30, 2023**
1. Present Value of Benefits	$2,309,605	$2,591,370
2. Entry Age Accrued Liability	1,730,336	1,936,394
3. Market Value of Assets (MVA)	1,607,135	1,757,945
4. Unfunded Accrued Liability (UAL) [(2) – (3)]	$123,201	$178,449
5. Funded Ratio [(3) ÷ (2)]	92.9%	90.8%

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	$2,183,892	$1,936,394	$1,728,207
2. Market Value of Assets (MVA)	1,757,945	1,757,945	1,757,945
3. Unfunded Accrued Liability (UAL) [(1) – (2)]	$425,947	$178,449	($29,738)
4. Funded Ratio [(2) ÷ (1)]	80.5%	90.8%	101.7%

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.

Additional Employer Contributions

The minimum required employer contribution towards the Unfunded Accrued Liability (UAL) for this rate plan for FY 2025-26 is $3,343. CalPERS allows agencies to make additional discretionary payments (ADPs) at any time. 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 2025-26 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 Amortization Schedule and Alternatives. Agencies considering making an ADP should contact CalPERS for additional information.

Fiscal Year 2025-26 Employer Contributions — Illustrative Scenarios

Funding Approach	Estimated Normal Cost	Minimum UAL Contribution	ADP[1]	Total UAL Contribution	Estimated Total Contribution
Minimum required only	$47,450	$3,343	0	$3,343	$50,793
20 year funding horizon	$47,450	$3,343	$890	$4,233	$51,683
15 year funding horizon	$47,450	$3,343	$1,595	$4,938	$52,388
10 year funding horizon	$47,450	$3,343	$3,082	$6,425	$53,875
5 year funding horizon	$47,450	$3,343	$7,706	$11,049	$58,499

[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.

The calculations above are based on the projected UAL as of June 30, 2025, as determined in the June 30, 2023, 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.

Additional Discretionary Payment History

The following table provides a recent history of actual ADPs made to the plan.

Fiscal Year	ADP	Fiscal Year	ADP
2019-20	$26,570	2022-23	$0
2020-21	$12,823	2023-24[2]	$139,858
2021-22	$0		

[2] Excludes payments made after April 30, 2024

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 2023-24 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 2023-24 and Beyond)**				
Fiscal Year	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	Rate Plan 5580 Results					
Normal Cost %	12.58%	12.6%	12.6%	12.6%	12.6%	12.6%
UAL Payment	$3,343	$3,600	$3,900	$4,200	$4,500	$4,500

For ongoing plans, investment gains and losses are amortized using a 5-year ramp up. For more information, please see Amortization of Unfunded Actuarial Accrued Liability 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.

For projected contributions under alternate investment return scenarios, please see the Future Investment Return Scenarios exhibit. 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.

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, 2023.
- The required employer contributions determined by the valuation are for the fiscal year beginning two years after the valuation date: FY 2025-26.

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 on the UAL for FY 2023-24 is based on the actuarial valuation two years ago, adjusted for additional discretionary payments made on or before April 30, 2024, if necessary, and the expected payment for FY 2024-25 is based on the actuarial valuation one year ago.

Reason for Base	Date Est.	Ramp Level 2025-26	Ramp Shape	Escala-tion Rate	Amort. Period	Balance 6/30/23	Expected Payment 2023-24	Balance 6/30/24	Expected Payment 2024-25	Balance 6/30/25	Minimum Required Payment 2025-26
Non-Investment (Gain)/Loss	6/30/22	No Ramp		0.00%	1	25,972	26,840	0	0	0	0
Partial Fresh Start	6/30/22	40%	Up Only	0.00%	1	111,210	114,929	0	0	0	0
Investment (Gain)/Loss	6/30/23	20%	Up Only	0.00%	20	11,403	0	12,178	0	13,006	280
Non-Investment (Gain)/Loss	6/30/23	No Ramp		0.00%	20	29,864	0	31,895	0	34,064	3,063
Total						**178,449**	**141,769**	**44,073**	**0**	**47,070**	**3,343**

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 earlier in this report. These (gain)/loss bases will be amortized in accordance with the CalPERS amortization policy in effect at the time the base was established.

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 a CalPERS 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 Actuarial Amortization Policy.

Amortization Schedule and Alternatives (continued)

			Alternative Schedules			
	Current Amortization Schedule		20 Year Amortization		15 Year Amortization	
Date	**Balance**	**Payment**	**Balance**	**Payment**	**Balance**	**Payment**
6/30/2025	47,070	3,343	47,070	4,233	47,070	4,938
6/30/2026	46,816	3,622	45,896	4,233	45,168	4,938
6/30/2027	46,256	3,902	44,642	4,233	43,136	4,938
6/30/2028	45,369	4,181	43,303	4,233	40,966	4,938
6/30/2029	44,134	4,461	41,873	4,232	38,649	4,938
6/30/2030	42,525	4,461	40,347	4,233	36,174	4,938
6/30/2031	40,806	4,461	38,716	4,232	33,531	4,938
6/30/2032	38,971	4,461	36,975	4,233	30,708	4,938
6/30/2033	37,011	4,461	35,115	4,233	27,693	4,938
6/30/2034	34,918	4,461	33,128	4,232	24,473	4,938
6/30/2035	32,682	4,461	31,007	4,232	21,034	4,937
6/30/2036	30,295	4,462	28,742	4,233	17,362	4,938
6/30/2037	27,744	4,461	26,322	4,232	13,439	4,937
6/30/2038	25,020	4,462	23,738	4,232	9,251	4,937
6/30/2039	22,110	4,460	20,979	4,233	4,778	4,938
6/30/2040	19,004	4,461	18,031	4,233		
6/30/2041	15,686	4,460	14,883	4,233		
6/30/2042	12,143	4,461	11,520	4,232		
6/30/2043	8,359	4,462	7,930	4,232		
6/30/2044	4,316	4,460	4,096	4,233		
6/30/2045						
6/30/2046						
6/30/2047						
6/30/2048						
6/30/2049						
Total		**86,424**		**84,652**		**74,067**
Interest Paid		**39,354**		**37,582**		**26,997**
Estimated Savings				**1,772**		**12,357**

Employer Contribution History

The table below provides a recent history of the employer contribution requirements for the plan, as determined by the annual actuarial valuation. Changes due to prepayments or plan amendments after the valuation report was finalized are not reflected.

Valuation Date	Contribution Year	Employer Normal Cost Rate	Unfunded Liability Payment
06/30/2014	2016 - 17	8.880%	$0
06/30/2015	2017 - 18	8.921%	1,343
06/30/2016	2018 - 19	9.409%	1,167
06/30/2017	2019 - 20	10.221%	0
06/30/2018	2020 - 21	11.031%	2,468
06/30/2019	2021 - 22	10.88%	700
06/30/2020	2022 - 23	10.87%	1,332
06/30/2021	2023 - 24	12.47%	0
06/30/2022	2024 - 25	12.52%	5,047
06/30/2023	2025 - 26	12.58%	3,343

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
06/30/2014	$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
06/30/2023	1,936,394	1,757,945	178,449	90.8%	468,290

Risk Analysis

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, 2043.

Assumed Annual Return FY 2023-24 through FY 2042-43	Projected Employer Contributions				
	2026-27	2027-28	2028-29	2029-30	2030-31
3.0% (5th percentile)					
Discount Rate	6.80%	6.80%	6.80%	6.80%	6.80%
Normal Cost Rate	12.6%	12.6%	12.6%	12.6%	12.6%
UAL Contribution	$5,300	$8,800	$14,000	$21,000	$30,000
10.8% (95th percentile)					
Discount Rate	6.75%	6.70%	6.65%	6.60%	6.55%
Normal Cost Rate	12.8%	13.1%	13.3%	13.6%	13.8%
UAL Contribution	$0	$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 one and two standard deviation investment losses in FY 2023-24 on the FY 2026-27 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 2026-27.

Assumed Annual Return for Fiscal Year 2023-24	Required Employer Contributions	Projected Employer Contributions
	2025-26	2026-27
(17.2%) (2 standard deviation loss)		
Discount Rate	6.80%	6.80%
Normal Cost Rate	12.58%	12.6%
UAL Contribution	$3,343	$14,000
(5.2%) (1 standard deviation loss)		
Discount Rate	6.80%	6.80%
Normal Cost Rate	12.58%	12.6%
UAL Contribution	$3,343	$8,800

- Without investment gains (returns higher than 6.8%) in FY 2024-25 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 2023-24.
- The Pension Outlook Tool can be used to model projected contributions for these scenarios beyond FY 2026-27 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, 2023, 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, 2023	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	24.55%	19.51%	15.67%
b) Accrued Liability	$2,183,892	$1,936,394	$1,728,207
c) Market Value of Assets	$1,757,945	$1,757,945	$1,757,945
d) Unfunded Liability/(Surplus) [(b) - (c)]	$425,947	$178,449	($29,738)
e) Funded Ratio	80.5%	90.8%	101.7%

Sensitivity to the Price Inflation Assumption

As of June 30, 2023	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	20.46%	19.51%	17.81%
b) Accrued Liability	$2,001,664	$1,936,394	$1,790,872
c) Market Value of Assets	$1,757,945	$1,757,945	$1,757,945
d) Unfunded Liability/(Surplus) [(b) - (c)]	$243,719	$178,449	$32,927
e) Funded Ratio	87.8%	90.8%	98.2%

Mortality Rate Sensitivity

The following table looks at the change in the June 30, 2023, plan costs and funded status under two different longevity scenarios, namely assuming rates of post-retirement 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, 2023	10% Lower Mortality Rates	Current Assumptions	10% Higher Mortality Rates
a) Total Normal Cost	19.84%	19.51%	19.20%
b) Accrued Liability	$1,984,000	$1,936,394	$1,892,719
c) Market Value of Assets	$1,757,945	$1,757,945	$1,757,945
d) Unfunded Liability/(Surplus) [(b) - (c)]	$226,055	$178,449	$134,774
e) Funded Ratio	88.6%	90.8%	92.9%

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 increases. A mature plan will often have a ratio above 60%-65%.

Ratio of Retiree Accrued Liability to Total Accrued Liability	June 30, 2022	June 30, 2023
1. Retiree Accrued Liability	$257,693	$257,042
2. Total Accrued Liability	$1,730,336	$1,936,394
3. Ratio of Retiree AL to Total AL [(1) ÷ (2)]	15%	13%

Another measure of the maturity level of CalPERS and its plans is 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, 2022, was 0.77 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, 2022	June 30, 2023
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 increases, 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 a higher AVR experience more volatile employer contributions (as a percentage of payroll) due to investment return. For example, a plan with an AVR of 8 may experience twice the contribution volatility due to investment return volatility than a plan with an 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 an LVR of 8 is expected to have twice the contribution volatility of a plan with an LVR of 4 when there is a change in accrued liability, such as when there is a change in actuarial assumptions. 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, 2022	June 30, 2023
1. Market Value of Assets	$1,607,135	$1,757,945
2. Payroll	$385,699	$468,290
3. Asset Volatility Ratio (AVR) [(1) ÷ (2)]	4.2	3.8
4. Accrued Liability	$1,730,336	$1,936,394
5. Liability Volatility Ratio (LVR) [(4) ÷ (2)]	4.5	4.1

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	26%	1.00	3.4	3.6
06/30/2018	21%	1.50	3.2	3.2
06/30/2019	19%	1.00	4.2	4.4
06/30/2020	17%	1.50	3.4	3.5
06/30/2021	16%	1.50	4.1	3.8
06/30/2022	15%	1.50	4.2	4.5
06/30/2023	13%	1.50	3.8	4.1

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, 2023. The accrued liability on a termination basis (termination liability) is calculated differently from 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 remainder of the PERF and consequently, a lower discount rate assumption. The lower discount rate for the Terminated Agency Pool results in higher liabilities for terminated plans.

The discount rate used for actual termination valuations is a weighted average of the 10-year and 30-year Treasury yields where the weights are based on matching asset and liability durations as of the termination date. The discount rates used in the following analysis is based on 20-year Treasury bonds, which is a good proxy for most plans. The discount rate upon contract termination will depend on actual Treasury rates on the date of termination, which varies over time, as shown below.

Valuation Date	20-Year Treasury Rate	Valuation Date	20-Year Treasury Rate
06/30/2014	3.08%	06/30/2019	2.31%
06/30/2015	2.83%	06/30/2020	1.18%
06/30/2016	1.86%	06/30/2021	2.00%
06/30/2017	2.61%	06/30/2022	3.38%
06/30/2018	2.91%	06/30/2023	4.06%

As Treasury rates are variable, the table below shows a range for the termination liability using discount rates 1% below and above the 20-year Treasury rate on the valuation date. The price inflation assumption is the 20-year Treasury breakeven inflation rate, that is, the difference between the 20-year inflation indexed bond and the 20-year fixed-rate bond.

The Market Value of Assets (MVA) also varies with interest rates and will fluctuate depending on other market conditions on the date of termination. Since it is not possible to approximate how the MVA will change in different interest rate environments, the results below use the MVA as of the valuation date.

	Discount Rate: 3.06% Price Inflation: 2.50%	Discount Rate: 5.06% Price Inflation: 2.50%
1. Termination Liability[1]	$3,350,608	$2,554,642
2. Market Value of Assets (MVA)	1,757,945	1,757,945
3. Unfunded Termination Liability [(1) – (2)]	$1,592,663	$796,697
4. Funded Ratio [(2) ÷ (1)]	52.5%	68.8%

[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.

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 a CalPERS actuary to provide a preliminary termination valuation with a more up-to-date estimate of the plan's assets and liabilities. Before beginning this process, please consult with a CalPERS actuary.

Funded Status – Low-Default-Risk Basis

Actuarial Standard of Practice (ASOP) No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions*, requires the disclosure of a low-default-risk obligation measure (LDROM) of benefit costs accrued as of the valuation date using a discount rate based on the yields of high quality fixed income securities with cash flows that replicate expected benefit payments. Conceptually, this measure represents the level at which financial markets would value the accrued plan costs, and would be approximately equal to the cost of a portfolio of low-default-risk bonds with similar financial characteristics to accrued plan costs.

As permitted in ASOP No. 4, the Actuarial Office uses the Entry Age Actuarial Cost Method to calculate the LDROM. This methodology is in line with the measure of "benefit entitlements" calculated by the Bureau of Economic Analysis and used by the Federal Reserve to report the indebtedness due to pensions of plan sponsors and, conversely, the household wealth due to pensions of plan members.

As shown below, the discount rate used for the LDROM is 4.82%, which is the Standard FTSE Pension Liability Index[1] discount rate as of June 30, 2023, net of assumed administrative expenses.

Selected Measures on a Low-Default-Risk Basis	June 30, 2023
Discount Rate	4.82%
1. Accrued Liability[2] – Low-Default-Risk Basis (LDROM)	
a) Active Members	$1,987,700
b) Transferred Members	111,330
c) Separated Members	76,183
d) Members and Beneficiaries Receiving Payments	298,954
e) Total	$2,474,167
2. Market Value of Assets (MVA)	1,757,945
3. Unfunded Accrued Liability – Low-Default-Risk Basis [(1e) – (2)]	$716,222
4. Unfunded Accrued Liability – Funding Policy Basis	178,449
5. Present Value of Unearned Investment Risk Premium [(3) – (4)]	$537,773

The difference between the unfunded liabilities on a low-default-risk basis and on the funding policy basis represents the present value of the investment risk premium that must be earned in future years to keep future contributions for currently accrued plan costs at the levels anticipated by the funding policy.

Benefit security for members of the plan relies on a combination of the assets in the plan, the investment income generated from those assets, and the ability of the plan sponsor to make necessary future contributions. If future returns fall short of 6.8%, benefit security could be at risk without higher than currently anticipated future contributions.

The funded status on a low-default-risk basis is not appropriate for assessing the sufficiency of plan assets to cover the cost of settling the plan's benefit obligations (see Funded Status – Termination Basis), nor is it appropriate for assessing the need for future contributions (see Funded Status – Funding Policy Basis).

[1] This index is based on a yield curve of hypothetical AA-rated zero coupon corporate bonds whose maturities range from 6 months to 30 years. The index represents the single discount rate that would produce the same present value as discounting a standardized set of liability cash flows for a fully open pension plan using the yield curve. The liability cash flows are reasonably consistent with the pattern of benefits expected to be paid from the entire Public Employees' Retirement Fund for current and former plan members. A different index, hence a different discount rate, may be needed to measure the LDROM for a subset of the fund, such as a single rate plan or a group of retirees.

[2] If plan assets were invested entirely in the AA fixed income securities used to determine the discount rate of 4.82%, the CalPERS discount rate could, at various times, be below 4.5% or 5.25%, and some automatic annual retiree COLAs could be suspended (Gov. Code sections 21329 and 21335). Since there is currently no proposal to adopt an asset allocation entirely comprised of fixed income securities, the automatic COLAs have been fully valued in the measures above based on the assumptions used for plan funding. Removing future COLAs from the measurement would understate the statutory obligation.

Summary of Valuation Data

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

	June 30, 2022	June 30, 2023
Active Members		
Counts	3	3
Average Attained Age	53.5	54.5
Average Entry Age to Rate Plan	43.9	43.9
Average Years of Credited Service	9.6	10.6
Average Annual Covered Pay	$128,566	$156,097
Annual Covered Payroll	$385,699	$468,290
Present Value of Future Payroll	$2,375,269	$2,828,362
Transferred Members	3	3
Separated Members	1	1
Retired Members and Beneficiaries*		
Counts	2	2
Average Annual Benefits	$11,218	$11,568
Total Annual Benefits	$22,436	$23,135

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 following 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	$2,000	
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 & Publications section

CalPERS

Attachment 3.4

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 2024

PEPRA Miscellaneous Plan of the Local Agency Formation Commission of Monterey County (CalPERS ID: 7449296272)
Annual Valuation Report as of June 30, 2023

Dear Employer,

Attached to this letter is Section 1 of the June 30, 2023 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) 2025-26**. 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, 2023.

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, 2023.

Required Contributions

The table below shows the minimum required employer contributions and the PEPRA member contribution rate for FY 2025-26 along with an estimate of the employer contribution requirements for FY 2026-27. 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
2025-26	7.96%	$1,429	7.75%
Projected Results			
2026-27	*8.0%*	*$1,400*	*TBD*

The actual investment return for FY 2023-24 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 2023-24 differs from 6.8%, the actual contribution requirements for FY 2026-27 will differ from those shown above. For additional details regarding the assumptions and methods used for these projections, please refer to Projected Employer Contributions. This section also contains projected required contributions through FY 2030-31.

Report Enhancements

A number of enhancements were made to the report this year to ease navigation and allow the reader to find specific information more quickly. The tables of contents are now "clickable." This is true for the main table of contents that follows the title page and the intermediate tables of contents at the beginning of sections. The Adobe navigation pane on the left can also be used to skip to specific exhibits.

There are a number of links throughout the document in blue text. Links that are internal to the document are not underlined, while underlined links will take you to the CalPERS website. Examples are shown below.

Internal Bookmarks	CalPERS Website Links
Required Employer Contributions	Required Employer Contribution Search Tool
Member Contribution Rates	Public Agency PEPRA Member Contribution Rates
Summary of Key Valuation Results	Pension Outlook Overview
Funded Status – Funding Policy Basis	Interactive Summary of Public Agency Valuation Results
Projected Employer Contributions	Public Agency Actuarial Valuation Reports

Further descriptions of general changes are included in the Highlights and Executive Summary section and in Appendix A - Actuarial Methods and Assumptions in Section 2.

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,

Kelly Sturm, ASA, MAAA
Supervising Actuary, CalPERS

Randall Dziubek, ASA, MAAA
Deputy Chief Actuary, Valuation Services, CalPERS

Scott Terando, ASA, EA, MAAA, FCA, CFA
Chief Actuary, CalPERS

California Public Employees' Retirement System

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

as of June 30, 2023

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

Required Contributions for Fiscal Year

July 1, 2025 — June 30, 2026

CalPERS

Table of Contents

Section 1

California Public Employees' Retirement System

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 — Section 1

Actuarial Certification

It is our opinion that the valuation has been performed in accordance with generally accepted actuarial principles as well as the applicable Standards of Practice promulgated by the Actuarial Standards Board. While this report, consisting of Section 1 and Section 2, is intended to be complete, our office is available to answer questions as needed. All of the undersigned are actuaries who satisfy the *Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States* of the American Academy of Actuaries with regard to pensions.

Actuarial Methods and Assumptions

It is our opinion that the assumptions and methods, as recommended by the Chief Actuary and adopted by the CalPERS Board of Administration, are internally consistent and reasonable for this plan.

Randall Dziubek, ASA, MAAA
Deputy Chief Actuary, Valuation Services, CalPERS

Scott Terando, ASA, EA, MAAA, FCA, CFA
Chief Actuary, CalPERS

Actuarial Data and Rate Plan Results

To the best of my knowledge and having relied upon the attestation above that the actuarial methods and assumptions are reasonable as well as the information in Section 2 of this report, this report 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 and related validation work was performed by the CalPERS Actuarial Office. The valuation was based on the member and financial data as of June 30, 2023, 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.

Kelly Sturm, ASA, MAAA
Supervising Actuary, CalPERS

Highlights and Executive Summary

Introduction

This report presents the results of the June 30, 2023, 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) 2025-26.

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, 2023. The purpose of the valuation is to:

- Set forth the assets and accrued liabilities of this rate plan as of June 30, 2023;
- Determine the minimum required employer contributions for this rate plan for FY July 1, 2025, through June 30, 2026;
- Determine the required member contribution rate for FY July 1, 2025, through June 30, 2026, for employees subject to the California Public Employees' Pension Reform Act of 2013 (PEPRA); and
- Provide actuarial information as of June 30, 2023, 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 a CalPERS 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 Standards 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.

Summary of Key Valuation Results

Below is a brief summary of key valuation results along with page references where more detailed information can be found.

Required Employer Contributions — page 8

	Fiscal Year 2024-25	Fiscal Year 2025-26
Employer Normal Cost Rate	7.87%	7.96%
Unfunded Accrued Liability (UAL) Contribution Amount	$539	$1,429
Paid either as		
Option 1) 12 Monthly Payments of	$44.92	$119.08
Option 2) Annual Prepayment in July	$522	$1,383

Member Contribution Rates — page 9

	Fiscal Year 2024-25	Fiscal Year 2025-26
Member Contribution Rate	7.75%	7.75%

Projected Employer Contributions — page 14

Fiscal Year	Normal Cost (% of payroll)	Annual UAL Payment
2026-27	8.0%	$1,400
2027-28	8.0%	$1,400
2028-29	8.0%	$1,400
2029-30	8.0%	$1,400
2030-31	8.0%	$0

Funded Status — Funding Policy Basis — page 12

	June 30, 2022	June 30, 2023
Entry Age Accrued Liability (AL)	$231,767	$248,879
Market Value of Assets (MVA)	218,954	231,142
Unfunded Accrued Liability (UAL) [AL – MVA]	$12,813	$17,737
Funded Ratio [MVA ÷ AL]	94.5%	92.9%

Summary of Valuation Data — Page 26

	June 30, 2022	June 30, 2023
Active Member Count	1	1
Annual Covered Payroll	$69,364	$78,995
Transferred Member Count	0	0
Separated Member Count	2	2
Retired Members and Beneficiaries Count	1	1

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. For pooled rate plans, voluntary benefit changes by plan amendment are generally included in the first valuation with a valuation date on or after the effective date of the amendment.

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.

Actuarial Methods and Assumptions

There are no significant changes to the actuarial methods or assumptions for the June 30, 2023, actuarial valuation.

New Disclosure Items

In December 2021, the Actuarial Standards Board issued a revision of Actuarial Standard of Practice No. 4 (ASOP 4) requiring actuaries to disclose a low-default-risk obligation measure (LDROM) of the benefits earned. This information is shown in a new exhibit, Funded Status – Low-Default-Risk Basis.

Subsequent Events

This actuarial valuation report reflects fund investment return through June 30, 2023, as well as statutory changes, regulatory changes and board actions through January 2024.

During the time period between the valuation date and the publication of this report, inflation has been 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, 2024, valuation. The actual impact of higher inflation on future valuation results will depend on, among other factors, how long higher inflation persists.

The 2023 annual benefit limit under Internal Revenue Code (IRC) section 415(b) and annual compensation limits under IRC section 401(a)(17) and Government Code section 7522.10 were used for this valuation and are assumed to increase 2.3% per year based on the price inflation assumption. The actual 2024 limits, determined in October 2023, are not reflected.

On April 16, 2024, the board took action to modify the Funding Risk Mitigation Policy to remove the automatic change to the discount rate when the investment return exceeds various thresholds. Rather than an automatic change to the discount rate, a board discussion would be placed on the calendar. The 95th percentile return in the Future Investment Return Scenarios exhibit in this report has not been modified and still reflects the projected contribution requirements associated with a reduction in the discount rate.

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.

Liabilities and Contributions

Determination of Required Contributions

Contributions to fund the plan are determined by an actuarial valuation performed each year. The valuation employs complex calculations based on a set of actuarial assumptions and methods. See Appendix A in Section 2 for information on the assumptions and methods used in this valuation. The valuation incorporates all plan experience through the valuation date and sets required contributions for the fiscal year that begins two years after the valuation date.

Contribution Components

Two components comprise required contributions:

- Normal Cost — expressed as a percentage of pensionable payroll
- Unfunded Accrued Liability (UAL) Contribution — expressed as a dollar amount

Normal Cost represents the value of benefits allocated to the upcoming year for active employees. If all plan experience exactly matched the actuarial assumptions, normal cost would be sufficient to fully fund all benefits. The employer and employees each pay a share of the normal cost with contributions payable as part of the regular payroll reporting process. The contribution rate for Classic members is set by statute based on benefit formula whereas for PEPRA members it is based on 50% of the total normal cost.

When plan experience differs from the actuarial assumptions, unfunded accrued liability (UAL) emerges. The new UAL may be positive or negative. If the total UAL is positive (i.e., accrued liability exceeds assets), the employer is required to make contributions to pay off the UAL over time. This is called the Unfunded Accrued Liability Contribution component. There is an option to prepay this amount during July of each fiscal year, otherwise it is paid monthly.

In measuring the UAL each year, plan experience is split by source. Common sources of UAL include investment experience different than expected, non-investment experience different than expected, assumption changes and benefit changes. Each source of UAL (positive or negative) forms a base that is amortized, or paid off, over a specified period of time in accordance with the CalPERS Actuarial Amortization Policy. The Unfunded Accrued Liability Contribution is the sum of the payments on all bases. See the Schedule of Amortization Bases section of this report for an inventory of existing bases and Appendix A in Section 2 for more information on the amortization policy.

Required Employer Contributions

The required employer contributions in this report do not reflect any cost sharing arrangement between the agency and the employees.

Required Employer Contributions	Fiscal Year 2025-26
Employer Normal Cost Rate	**7.96%**
Plus	
Unfunded Accrued Liability (UAL) Contribution Amount[1]	**$1,429**
Paid either as	
1) Monthly Payment	**$119.08**
Or	
2) Annual Prepayment Option*	**$1,383**

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) and the 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 Member Contribution Rates see the following page.

Development of Normal Cost as a Percentage of Payroll	Fiscal Year 2024-25	Fiscal Year 2025-26
Base Total Normal Cost for Formula	15.62%	15.71%
Surcharge for Class 1 Benefits[2]		
None	0.00%	0.00%
Plan's Total Normal Cost	15.62%	15.71%
Offset Due to Employee Contributions[3]	7.75%	7.75%
Employer Normal Cost	7.87%	7.96%

[1] The required payment on amortization bases does not take into account any additional discretionary payment made after April 30, 2024.

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

[3] This is the expected employee contributions, taking into account individual benefit formula and any offset from the use of a modified formula, divided by projected annual payroll. For member contribution rates above the breakpoint for each benefit formula, see Member Contribution Rates.

Member Contribution Rates

The required member contributions in this report do not reflect any cost sharing arrangement between the agency and the employees.

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 rate 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 of the plan change by more than 1% from the base total normal cost rate established for the plan, 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, 2025, based on 50% of the total normal cost rate as of the June 30, 2023, valuation.

		Basis for Current Rate		Rates Effective July 1, 2025			
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%	15.71%	0.28%	No	7.75%

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. Classic members who are projected to terminate employment are assumed to be replaced by PEPRA members.

Estimated Employer Contributions for all Pooled Miscellaneous Rate Plans	Fiscal Year 2024-25	Fiscal Year 2025-26
Projected Payroll for the Contribution Year	$494,368	$594,556
Estimated Employer Normal Cost	$52,590	$64,752
Required Payment on Amortization Bases	$5,586	$4,772
Estimated Total Employer Contributions	$58,176	$69,524
Estimated Total Employer Contribution Rate (illustrative only)	11.77%	11.69%

Breakdown of Entry Age Accrued Liability

Active Members	$23,250
Transferred Members	0
Separated Members	5,765
Members and Beneficiaries Receiving Payments	219,864
Total	$248,879

Allocation of Plan's Share of Pool's Experience

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	$248,879
2.	Projected UAL Balance at 6/30/2023	12,400
3.	Other UAL Adjustments (Golden Handshake, Prior Service Purchase, etc.)	0
4.	Adjusted UAL Balance at 6/30/2023 for Asset Share	12,400
5.	Pool's Accrued Liability[1]	23,349,910,053
6.	Sum of Pool's Individual Plan UAL Balances at 6/30/2023[1]	5,227,602,209
7.	Pool's 2022-23 Investment (Gain)/Loss[1]	114,855,623
8.	Pool's 2022-23 Non-Investment (Gain)/Loss[1]	360,116,330
9.	Plan's Share of Pool's Investment (Gain)/Loss: [(1) - (4)] ÷ [(5) - (6)] × (7)	1,499
10.	Plan's Share of Pool's Non-Investment (Gain)/Loss: (1) ÷ (5) × (8)	3,838
11.	Plan's New (Gain)/Loss as of 6/30/2023: (9) + (10)	5,337
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)	1,499

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

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

18.	Plan's UAL: (2) + (3) + (11) + (13) + (15)	$17,737
19.	Plan's Share of Pool's Market Value of Assets (MVA): (1) - (18)	$231,142

For a reconciliation of the pool's Market Value of Assets (MVA), information on the fund's asset allocation and a history of CalPERS investment returns, see Section 2, which can be found on the CalPERS website (www.calpers.ca.gov).

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, 2022	June 30, 2023
1. Present Value of Benefits	$339,126	$361,458
2. Entry Age Accrued Liability	231,767	248,879
3. Market Value of Assets (MVA)	218,954	231,142
4. Unfunded Accrued Liability (UAL) [(2) – (3)]	$12,813	$17,737
5. Funded Ratio [(3) ÷ (2)]	94.5%	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	$270,525	$248,879	$230,046
2. Market Value of Assets (MVA)	231,142	231,142	231,142
3. Unfunded Accrued Liability (UAL) [(1) – (2)]	$39,383	$17,737	($1,096)
4. Funded Ratio [(2) ÷ (1)]	85.4%	92.9%	100.5%

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.

Additional Employer Contributions

The minimum required employer contribution towards the Unfunded Accrued Liability (UAL) for this rate plan for FY 2025-26 is $1,429. CalPERS allows agencies to make additional discretionary payments (ADPs) at any time. 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 2025-26 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 Amortization Schedule and Alternatives. Agencies considering making an ADP should contact CalPERS for additional information.

Fiscal Year 2025-26 Employer Contributions — Illustrative Scenarios

Funding Approach	Estimated Normal Cost	Minimum UAL Contribution	ADP[1]	Total UAL Contribution	Estimated Total Contribution
Minimum required only	$17,302	$1,429	0	$1,429	$18,731
5 year funding horizon	N/A	N/A	N/A	N/A	N/A

[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.

The calculations above are based on the projected UAL as of June 30, 2025, as determined in the June 30, 2023, 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.

Additional Discretionary Payment History

The following table provides a recent history of actual ADPs made to the plan.

Fiscal Year	ADP	Fiscal Year	ADP
2019-20	$5,450	2022-23	$0
2020-21	$1,501	2023-24[2]	$12,642
2021-22	$0		

[2] Excludes payments made after April 30, 2024

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 2023-24 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 2023-24 and Beyond)**				
Fiscal Year	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
	Rate Plan 27008 Results					
Normal Cost %	7.96%	8.0%	8.0%	8.0%	8.0%	8.0%
UAL Payment	$1,429	$1,400	$1,400	$1,400	$1,400	$0

For ongoing plans, investment gains and losses are amortized using a 5-year ramp up. For more information, please see Amortization of Unfunded Actuarial Accrued Liability 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.

For projected contributions under alternate investment return scenarios, please see the Future Investment Return Scenarios exhibit. 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.

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, 2023.
- The required employer contributions determined by the valuation are for the fiscal year beginning two years after the valuation date: FY 2025-26.

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 on the UAL for FY 2023-24 is based on the actuarial valuation two years ago, adjusted for additional discretionary payments made on or before April 30, 2024, if necessary, and the expected payment for FY 2024-25 is based on the actuarial valuation one year ago.

Reason for Base	Date Est.	Ramp Level 2025-26	Ramp Shape	Escala-tion Rate	Amort. Period	Balance 6/30/23	Expected Payment 2023-24	Balance 6/30/24	Expected Payment 2024-25	Balance 6/30/25	Minimum Required Payment 2025-26
Fresh Start	6/30/23		No Ramp	0.00%	5	17,737	12,816	5,699	0	6,087	1,429
Total						**17,737**	**12,816**	**5,699**	**0**	**6,087**	**1,429**

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 earlier in this report. These (gain)/loss bases will be amortized in accordance with the CalPERS amortization policy in effect at the time the base was established.

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 a CalPERS 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 Actuarial Amortization Policy.

Amortization Schedule and Alternatives (continued)

	Current Amortization Schedule		Alternative Schedules			
			0 Year Amortization		0 Year Amortization	
Date	Balance	Payment	Balance	Payment	Balance	Payment
6/30/2025	6,087	1,429	N/A	N/A	N/A	N/A
6/30/2026	5,024	1,429				
6/30/2027	3,889	1,429				
6/30/2028	2,677	1,429				
6/30/2029	1,382	1,428				
6/30/2030						
6/30/2031						
6/30/2032						
6/30/2033						
6/30/2034						
6/30/2035						
6/30/2036						
6/30/2037						
6/30/2038						
6/30/2039						
6/30/2040						
6/30/2041						
6/30/2042						
6/30/2043						
6/30/2044						
6/30/2045						
6/30/2046						
6/30/2047						
6/30/2048						
6/30/2049						
Total		**7,144**		**N/A**		**N/A**
Interest Paid		**1,057**		**N/A**		**N/A**
Estimated Savings				**N/A**		**N/A**

Employer Contribution History

The table below provides a recent history of the employer contribution requirements for the plan, as determined by the annual actuarial valuation. Changes due to prepayments or plan amendments after the valuation report was finalized are not reflected.

Valuation Date	Contribution Year	Employer Normal Cost Rate	Unfunded Liability Payment
06/30/2014	2016 - 17	6.555%	$0
06/30/2015	2017 - 18	6.533%	12
06/30/2016	2018 - 19	6.842%	1,067
06/30/2017	2019 - 20	6.985%	16
06/30/2018	2020 - 21	7.732%	1,257
06/30/2019	2021 - 22	7.59%	366
06/30/2020	2022 - 23	7.47%	1,242
06/30/2021	2023 - 24	7.68%	0
06/30/2022	2024 - 25	7.87%	539
06/30/2023	2025 - 26	7.96%	1,429

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
06/30/2014	$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
06/30/2023	248,879	231,142	17,737	92.9%	78,995

Risk Analysis

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, 2043.

Assumed Annual Return FY 2023-24 through FY 2042-43	Projected Employer Contributions				
	2026-27	2027-28	2028-29	2029-30	2030-31
3.0% (5th percentile)					
Discount Rate	6.80%	6.80%	6.80%	6.80%	6.80%
Normal Cost Rate	8.0%	8.0%	8.0%	8.0%	8.0%
UAL Contribution	$1,600	$2,100	$2,700	$3,600	$3,300
10.8% (95th percentile)					
Discount Rate	6.75%	6.70%	6.65%	6.60%	6.55%
Normal Cost Rate	8.2%	8.4%	8.6%	8.3%	8.5%
UAL Contribution	$0	$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 one and two standard deviation investment losses in FY 2023-24 on the FY 2026-27 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 2026-27.

Assumed Annual Return for Fiscal Year 2023-24	Required Employer Contributions	Projected Employer Contributions
	2025-26	2026-27
(17.2%) (2 standard deviation loss)		
Discount Rate	6.80%	6.80%
Normal Cost Rate	7.96%	8.0%
UAL Contribution	$1,429	$2,800
(5.2%) (1 standard deviation loss)		
Discount Rate	6.80%	6.80%
Normal Cost Rate	7.96%	8.0%
UAL Contribution	$1,429	$2,100

- Without investment gains (returns higher than 6.8%) in FY 2024-25 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 2023-24.
- The Pension Outlook Tool can be used to model projected contributions for these scenarios beyond FY 2026-27 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, 2023, 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, 2023	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	19.65%	15.71%	12.71%
b) Accrued Liability	$270,525	$248,879	$230,046
c) Market Value of Assets	$231,142	$231,142	$231,142
d) Unfunded Liability/(Surplus) [(b) - (c)]	$39,383	$17,737	($1,096)
e) Funded Ratio	85.4%	92.9%	100.5%

Sensitivity to the Price Inflation Assumption

As of June 30, 2023	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	16.56%	15.71%	14.29%
b) Accrued Liability	$254,959	$248,879	$233,440
c) Market Value of Assets	$231,142	$231,142	$231,142
d) Unfunded Liability/(Surplus) [(b) - (c)]	$23,817	$17,737	$2,298
e) Funded Ratio	90.7%	92.9%	99.0%

Mortality Rate Sensitivity

The following table looks at the change in the June 30, 2023, plan costs and funded status under two different longevity scenarios, namely assuming rates of post-retirement 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, 2023	10% Lower Mortality Rates	Current Assumptions	10% Higher Mortality Rates
a) Total Normal Cost	15.98%	15.71%	15.46%
b) Accrued Liability	$255,667	$248,879	$242,677
c) Market Value of Assets	$231,142	$231,142	$231,142
d) Unfunded Liability/(Surplus) [(b) - (c)]	$24,525	$17,737	$11,535
e) Funded Ratio	90.4%	92.9%	95.2%

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 increases. A mature plan will often have a ratio above 60%-65%.

Ratio of Retiree Accrued Liability to Total Accrued Liability	June 30, 2022	June 30, 2023
1. Retiree Accrued Liability	$222,326	$219,864
2. Total Accrued Liability	$231,767	$248,879
3. Ratio of Retiree AL to Total AL [(1) ÷ (2)]	96%	88%

Another measure of the maturity level of CalPERS and its plans is 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, 2022, was 0.77 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, 2022	June 30, 2023
1. Number of Actives	1	1
2. Number of Retirees	1	1
3. Support Ratio [(1) ÷ (2)]	1.00	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 increases, 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 a higher AVR experience more volatile employer contributions (as a percentage of payroll) due to investment return. For example, a plan with an AVR of 8 may experience twice the contribution volatility due to investment return volatility than a plan with an 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 an LVR of 8 is expected to have twice the contribution volatility of a plan with an LVR of 4 when there is a change in accrued liability, such as when there is a change in actuarial assumptions. 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, 2022	June 30, 2023
1. Market Value of Assets	$218,954	$231,142
2. Payroll	$69,364	$78,995
3. Asset Volatility Ratio (AVR) [(1) ÷ (2)]	3.2	2.9
4. Accrued Liability	$231,767	$248,879
5. Liability Volatility Ratio (LVR) [(4) ÷ (2)]	3.3	3.2

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%	N/A	0.7	0.8
06/30/2018	0%	N/A	1.1	1.1
06/30/2019	0%	N/A	1.3	1.3
06/30/2020	0%	N/A	1.5	1.5
06/30/2021	95%	0.00	N/A	N/A
06/30/2022	96%	1.00	3.2	3.3
06/30/2023	88%	1.00	2.9	3.2

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, 2023. The accrued liability on a termination basis (termination liability) is calculated differently from 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 remainder of the PERF and consequently, a lower discount rate assumption. The lower discount rate for the Terminated Agency Pool results in higher liabilities for terminated plans.

The discount rate used for actual termination valuations is a weighted average of the 10-year and 30-year Treasury yields where the weights are based on matching asset and liability durations as of the termination date. The discount rates used in the following analysis is based on 20-year Treasury bonds, which is a good proxy for most plans. The discount rate upon contract termination will depend on actual Treasury rates on the date of termination, which varies over time, as shown below.

Valuation Date	20-Year Treasury Rate
06/30/2014	3.08%
06/30/2015	2.83%
06/30/2016	1.86%
06/30/2017	2.61%
06/30/2018	2.91%

Valuation Date	20-Year Treasury Rate
06/30/2019	2.31%
06/30/2020	1.18%
06/30/2021	2.00%
06/30/2022	3.38%
06/30/2023	4.06%

As Treasury rates are variable, the table below shows a range for the termination liability using discount rates 1% below and above the 20-year Treasury rate on the valuation date. The price inflation assumption is the 20-year Treasury breakeven inflation rate, that is, the difference between the 20-year inflation indexed bond and the 20-year fixed-rate bond.

The Market Value of Assets (MVA) also varies with interest rates and will fluctuate depending on other market conditions on the date of termination. Since it is not possible to approximate how the MVA will change in different interest rate environments, the results below use the MVA as of the valuation date.

	Discount Rate: 3.06% Price Inflation: 2.50%	Discount Rate: 5.06% Price Inflation: 2.50%
1. Termination Liability[1]	$393,959	$322,804
2. Market Value of Assets (MVA)	231,142	231,142
3. Unfunded Termination Liability [(1) – (2)]	$162,817	$91,662
4. Funded Ratio [(2) ÷ (1)]	58.7%	71.6%

[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.

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 a CalPERS actuary to provide a preliminary termination valuation with a more up-to-date estimate of the plan's assets and liabilities. Before beginning this process, please consult with a CalPERS actuary.

Funded Status – Low-Default-Risk Basis

Actuarial Standard of Practice (ASOP) No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions*, requires the disclosure of a low-default-risk obligation measure (LDROM) of benefit costs accrued as of the valuation date using a discount rate based on the yields of high quality fixed income securities with cash flows that replicate expected benefit payments. Conceptually, this measure represents the level at which financial markets would value the accrued plan costs, and would be approximately equal to the cost of a portfolio of low-default-risk bonds with similar financial characteristics to accrued plan costs.

As permitted in ASOP No. 4, the Actuarial Office uses the Entry Age Actuarial Cost Method to calculate the LDROM. This methodology is in line with the measure of "benefit entitlements" calculated by the Bureau of Economic Analysis and used by the Federal Reserve to report the indebtedness due to pensions of plan sponsors and, conversely, the household wealth due to pensions of plan members.

As shown below, the discount rate used for the LDROM is 4.82%, which is the Standard FTSE Pension Liability Index[1] discount rate as of June 30, 2023, net of assumed administrative expenses.

Selected Measures on a Low-Default-Risk Basis	**June 30, 2023**
Discount Rate	4.82%
1. Accrued Liability[2] – Low-Default-Risk Basis (LDROM)	
a) Active Members	$30,967
b) Transferred Members	0
c) Separated Members	5,765
d) Members and Beneficiaries Receiving Payments	258,266
e) Total	$294,998
2. Market Value of Assets (MVA)	231,142
3. Unfunded Accrued Liability – Low-Default-Risk Basis [(1e) – (2)]	$63,856
4. Unfunded Accrued Liability – Funding Policy Basis	17,737
5. Present Value of Unearned Investment Risk Premium [(3) – (4)]	$46,119

The difference between the unfunded liabilities on a low-default-risk basis and on the funding policy basis represents the present value of the investment risk premium that must be earned in future years to keep future contributions for currently accrued plan costs at the levels anticipated by the funding policy.

Benefit security for members of the plan relies on a combination of the assets in the plan, the investment income generated from those assets, and the ability of the plan sponsor to make necessary future contributions. If future returns fall short of 6.8%, benefit security could be at risk without higher than currently anticipated future contributions.

The funded status on a low-default-risk basis is not appropriate for assessing the sufficiency of plan assets to cover the cost of settling the plan's benefit obligations (see Funded Status – Termination Basis), nor is it appropriate for assessing the need for future contributions (see Funded Status – Funding Policy Basis).

1 This index is based on a yield curve of hypothetical AA-rated zero coupon corporate bonds whose maturities range from 6 months to 30 years. The index represents the single discount rate that would produce the same present value as discounting a standardized set of liability cash flows for a fully open pension plan using the yield curve. The liability cash flows are reasonably consistent with the pattern of benefits expected to be paid from the entire Public Employees' Retirement Fund for current and former plan members. A different index, hence a different discount rate, may be needed to measure the LDROM for a subset of the fund, such as a single rate plan or a group of retirees.

2 If plan assets were invested entirely in the AA fixed income securities used to determine the discount rate of 4.82%, the CalPERS discount rate could, at various times, be below 4.5% or 5.25%, and some automatic annual retiree COLAs could be suspended (Gov. Code sections 21329 and 21335). Since there is currently no proposal to adopt an asset allocation entirely comprised of fixed income securities, the automatic COLAs have been fully valued in the measures above based on the assumptions used for plan funding. Removing future COLAs from the measurement would understate the statutory obligation.

Summary of Valuation Data

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

	June 30, 2022	June 30, 2023
Active Members		
Counts	1	1
Average Attained Age	58.2	59.2
Average Entry Age to Rate Plan	57.9	57.9
Average Years of Credited Service	0.3	1.3
Average Annual Covered Pay	$69,364	$78,995
Annual Covered Payroll	$69,364	$78,995
Present Value of Future Payroll	$446,811	$522,925
Transferred Members	0	0
Separated Members	2	2
Retired Members and Beneficiaries*		
Counts	1	1
Average Annual Benefits	$19,406	$19,794
Total Annual Benefits	$19,406	$19,794

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 following 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	$2,000	
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 & Publications section