Stege Sanitary District Board of Directors

Meeting of March 8, 2025 at 9:00 A.M.
District Board Room, 7500 Schmidt Lane, El Cerrito, CA 94530

Meeting Agenda

Items on the agenda may be taken out of order.
Public comment is limited to three (3) minutes for each individual speaker.

In accordance with California Government Code Section 54957.5, any writing that is a public record and relates to an open session agenda item which is distributed less than 72 hours prior to the meeting shall be available for public inspection at the District Office, 7500 Schmidt Lane, El Cerrito, during regular business hours. Copies of the agenda are posted on the District website at www.stegesan.org Those disabled persons requiring auxiliary aids or services in attending or participating in this meeting should notify the District at least 48 hours prior to the meeting at (510) 524-4668.

Members of the public can observe the live stream of the meeting by accessing **https://zoom.us/j/84090509848** or by calling **(669) 900-9128** and entering the Meeting ID# **840 9050 9848** followed by the pound (#) key.

The ability to participate and observe remotely as identified above is predicated on the technology being available and functioning without technical difficulties. Should the remote platform not be available, or become non-functioning, or should the Board of Directors otherwise encounter technical difficulties that makes that platform unavailable, the Board of Directors will proceed with business in person unless otherwise prohibited by law.

Public comment can be sent remotely by delivering a physical copy to **7500 Schmidt Lane, El Cerrito, CA 94530** or via email to **comments@stegesan.org** with "Public Comment" in the subject line. To provide written comment on an item on the agenda or to address the Board during Public Comment, please note the agenda item number that you want to address or whether you intend for the comment to be included in Public Comment. Comments received at least 15 minutes before the starting time of the meeting will be provided to the Board of Directors and will be added to the official record.

Verbal Public Comment during the meeting is limited to in-person participants. Members of the public will not have the ability to comment via Zoom unless the Board of Directors is required to provide that opportunity due to a Director participating pursuant to AB 2449. In such circumstances, the Chair will make an announcement at the beginning of the meeting. Those interested in commenting (if required per AB 2449) should raise their virtual hands to notify the host during the relevant agenda item.

Pursuant to AB 2449, Board Members may be attending this meeting via remote conferencing. In the event that any Board Member elects to attend remotely, all votes conducted during the meeting will be conducted by roll call vote.

1. **Call To Order**

2. **Roll Call**

Agenda Items: Directors and Officers of the Board did not announce any conflicts of interest posed by items on the meeting agenda.

3. **Public Comment**
   (Members of the public are invited to address the Board concerning topics that are **not** on the agenda. Comments on agenda items will be heard when the item is up for consideration.)

Info/ Motion **4. Long Range Planning Workshop**

(The Board will discuss the following items as listed below at the approximate times.)

A. Review of Agenda and 2024 Action Plan [9:00 AM]

B. Past 5 Years Expenditures Review [9:15 AM]
(The Board will review and discuss trends from the past 5 years.)

C. Review Pension Liabilities [9:45 AM]
(The Board will review and discuss pension liabilities.)

D. USEPA Consent Decree Progress [10:00 AM]
(The Board will review and discuss the progress of the USEPA Consent Decree.)

BREAK [10:45-11:00 AM]

E. USEPA Consent Decree Planning [11:00 AM]
(The Board will discuss additional strategies to address both public and private sources of inflow/infiltration.)

F. Self-Assessment of Governance [11:45 AM]
(The Board will complete a questionnaire and discuss the results.)

LUNCH [12:15-12:45 PM]

G. Strategic Planning [12:45 PM]
(The Board will discuss priorities with the new District Manager.)

BREAK [2:00-2:15 PM]

H. Communication and Outreach Opportunities [2:15 PM]
(The Board will brainstorm and prioritize communication and public opportunities.)

I. Board Attendance Policy [3:00 PM]
(The Board will consider policy & enforcement options.)

J. Wrap Up and Review Action Items [3:15 PM]

5. Adjournment

(The next regular meeting of the Stege Sanitary District Board of Directors will be held on March 20, 2025 at 7:00 P.M. in the District Board Room at 7500 Schmidt Lane, El Cerrito, California.)

GM Message to All Employees - Executive Orders Related to DEI

This Message Is From Clifford Chan, General Manager

(Please share and post this information for employees who do not have access to Outlook. Thank you.)

Dear EBMUD Team,

At EBMUD, fairness, equal opportunity, and merit-based decision making are the foundation of our approach to workforce and contracting practices. Our hiring, promotion, and procurement efforts are designed to ensure all employees, prospective employees, vendors, and customers are treated with dignity and respect.

Our core values – Stewardship, Integrity, Respect, and Teamwork – guide us in fostering an environment where every employee is valued, every vendor is treated equitably, and every customer receives excellent service.

Our Diversity, Equity, and Inclusion programs are focused on outreach, barrier removal, and ensuring that everyone and every company have a fair chance to succeed. There has been a lot of discussion about DEI programs recently. Here are the key points to keep in mind:

EBMUD's hiring, promotion, and contracting practices are based on merit and fairness in accordance with Civil Service Rules and state and federal laws.

Our practices are fully compliant with California's Proposition 209, which prohibits preferential treatment based on race, sex, or ethnicity in public employment and contracting.

We remain committed to fostering an inclusive and respectful workplace, ensuring that opportunities are accessible to all, and eliminating barriers that prevent qualified individuals from advancing.

Our Continued Commitment

We understand that recent federal policy changes may raise concerns, and we will continue to monitor developments that may affect our work. At this time, we are not making any changes to our programs or practices. If adjustments become necessary, we will communicate them proactively.

We are proud of the work we do together and the culture we have developed that defines EBMUD, and we remain steadfast in our commitment to fairness, equity, equal opportunity, and excellence.

If you have any questions or concerns, please feel free to contact Derry Moten at derry.moten@ebmud.com.

Thank you on behalf of our customers and communities.

3/3/2025

Stege Sanitary District

Long Range Planning Workshop Agenda

Saturday, March 8, 2025 at 9:00 A.M.

TIME	TOPIC
9:00 AM	**A. Review of Agenda & 2024 Action Plan [0.25 hr.]**
9:15 AM 9:30 AM	**B. Past 5 Years Expenditures Review [0.50 hr.]** The Board will review and discuss trends from the past 5 years.
9:45 AM	**C. Review Pension Liabilities [0.25 hr.]** Review and discuss pension liabilities.
10:00 AM 10:15 AM 10:30 AM	**D. USEPA Consent Decree Progress and Planning (Part 1) [0.75 hr.]** The Board will review and discuss the progress of the USEPA Consent Decree.
10:45 AM	*Break*
11:00 AM 11:15 AM 11:30 AM	**E. USEPA Consent Decree Progress and Planning (Part 2) [0.75 hr.]** The Board will discuss additional strategies to address both public and private sources of inflow/infiltration.
11:45 AM 12:00 PM	**F. Self-Assessment of Governance [0.5 hr.]** The Board will complete a questionnaire and discuss the results.
12:15 PM 12:30 PM	*Lunch*
12:45 PM 1:00 PM 1:15 PM 1:30 PM 1:45 PM	**G. Strategic Planning [1.25 hr.]** The Board will discuss apriorities with the new District Manager.
2:00 PM	*Break*
2:15 PM 2:30 PM 2:45 PM	**H. Communication and Outreach Opportunities [0.75 hr.]** The Board will brainstorm and prioritize communication and public opportunities.
3:00 PM	**I. Board Attendance Policy [0.25 hr.]** Consider policies & enforcement options.
3:15 PM	**J. Wrap Up and Review Action Items [0.25 hr]**

STEGE SANITARY DISTRICT
2024 ACTION PLAN

The following is the status of the action items discussed at the March 2, 2024 Long-Range Planning (LRP) Workshop:

1. **Review Agenda and Last Action Plan**
The Manager reported on the agenda and the 2023 Action Plan for last year's workshop. The Board asked staff to provide more opportunities for Board level Diversity, Equity, and Inclusion (DEI) training and education for future consideration.

Action Item:
- Provide more opportunities for Board level DEI training and education for future consideration.

Status: Complete
At the March 21, 2024 Board Meeting, the Manager reported on opportunities for Board level DEI training and education for future consideration.

2. **Sewer Rate and Connection Charge Review**
The Manager reported on the status of the District's Sewer Rate and Connection Charge Study. The Board asked staff to provide a list of fixture unit counts for typical plumbing fixtures when next presenting the Sewer Rate and Connection Charge Study.

Action Item:
- Provide a list of fixture unit counts for typical plumbing fixtures at the next presentation of the Sewer Rate and Connection Charge Study.

Status: Complete
At the March 21, 2024 Board Meeting, the Manager provided a list of fixture unit counts for typical plumbing fixtures as part of the presentation of the Sewer Rate and Connection Charge Study.

3. **USEPA Consent Decree Progress and Planning**
The Manager reported on the District's most recent Consent Decree Annual Report submittal and EBMUD's updated Flow Model Calibration, Wet Weather Facilities (WWF) Output Ratios, and Output Test Results. The Board asked staff to provide both a table and map of the pipe replacements for both sewer mains and private sewer laterals, and the changes over the last few years.

Action Item:
- Provide both a table and map of the pipe replacements for both sewer mains and private sewer laterals, and the changes over the last few years.

Status: Complete
At the March 21, 2024 Board Meeting, the Manager provided both a table and map of the pipe replacements for both sewer mains and private sewer laterals, and the changes over the last few years.

4. Prefunding Pension Liabilities

The Manager reported on the District's current retirement unfunded accrued liability (UAL) amounts and pre-funding options. The Board asked staff to add the impact that pre-funding pension liabilities would have on sewer service charges to the next discussion of the Sewer Rate and Connection Charge Study.

Action Item:

- Have the District's financial consultant provide the impact that pre-funding pension liabilities would have on sewer service charges at the next discussion of the Sewer Rate and Connection Charge Study.

Status: Complete

At the March 21, 2024 Board Meeting, Alison Lechowicz of Lechowicz & Tseng Municipal Consultants provided the impact that pre-funding pension liabilities would have on sewer service charges as part of the presentation of the Sewer Rate and Connection Charge Study.

5. Future Board Meetings

The Board discussed having less meetings and/or Counsel attend more meetings. The Board asked staff to arrange next year's Board Meeting schedule for 2025 so that there is only one (1) "workshop" (w/o District Counsel) Board Meeting per quarter and, instead of a having one (1) Long Range Planning Workshop, incorporate the topics into the four (4) "workshops" throughout the year.

Action Item:

- Arrange next year's Board Meeting schedule for 2025 so that there is only one (1) "workshop" (w/o District Counsel) Board Meeting per quarter and, instead of a having one (1) Long Range Planning Workshop, incorporate the topics into the four (4) "workshops" throughout the year.

Status: Change in Direction from the Board

In light of the Manager's retirement, the Board subsequently asked the Manager to arrange the 2025 Board Meeting schedule so that there is one (1) "workshop" (w/o District Counsel) Board Meeting per month, one Board Meeting per month with District Counsel, and one Long Range Planning Workshop in March. At the December 12, 2024 Board meeting, staff presented a draft calendar with two regular Board meetings per month, except for March when the Long Range Planning Workshop would be held along with only one regular Board meeting.

6. Self-Assessment of Governance

Each Board Member completed a board governance self-assessment questionnaire and discussed their conclusions. The Board asked staff to provide future scoring summaries on separate sheets to make it easier to cross reference during review and discussion.

Action Item:

- Provide future scoring summaries on separate sheets to make it easier to cross reference during review and discussion.

Status: Ongoing

Future scoring summaries will be provided on separate sheets to make it easier to cross reference during review and discussion.

7. Private Sewer Lateral (PSL) I/I Outreach

The Board reviewed and discussed the latest draft targeted outreach letter prepared by the Private Sewer Lateral (PSL) I/I Outreach Committee. The Board asked staff to provide a list of addresses in subarea “F” that are not in compliance with the Regional Private Sewer Lateral Ordinance, and to have District Counsel report on any liabilities of a door-to-door outreach strategy.

Action Items:

- Provide a list of addresses in subarea “F” that are not in compliance with the Regional Private Sewer Lateral Ordinance.
- Have District Counsel report on any liabilities of a door-to-door outreach strategy.

Status: Complete

- *At the March 21, 2024 Board Meeting, the Manager reported that the list of addresses in subarea “F” that are not in compliance with the Regional Private Sewer Lateral Ordinance was provided to the PSL I/I Committee.*
- *At the March 21, 2024 Board Meeting, District Counsel reported on the liabilities of a door-to-door outreach strategy.*

8. <u>Environmentally Preferable Procurement Policy</u>

The Board reviewed and discussed changes to the District's current Environmentally Preferable Procurement Policy. The Board asked staff to provide a draft Climate Change Impact Policy for the Board to consider at a future Board Meeting.

Action Item:

- Provide a draft Climate Change Impact Policy for the Board to consider at a future Board Meeting.

Status: Complete

At the March 21, 2024 Board Meeting, the Manager presented a draft Climate Change Impact Policy for the Board to consider.

9. <u>Diversity, Equity, and Inclusion (DEI)</u>

The Board reviewed and discussed the District’s Strategic Plan and Board Governance Manual. The Board asked staff to make several amendments to the Strategic Plan for the Board to consider at a future Board Meeting. The Board asked staff to have District Counsel clarify the timing of the Oath of Office for newly elected or appointed Board members and the transition to taking their position at their first Board Meeting.

Action Items:

- Make several amendments to the Strategic Plan for the Board to consider at a future Board Meeting.
- Have District Counsel clarify the timing of the Oath of Office for newly elected or appointed Board members and the transition to taking their position at their first Board Meeting.

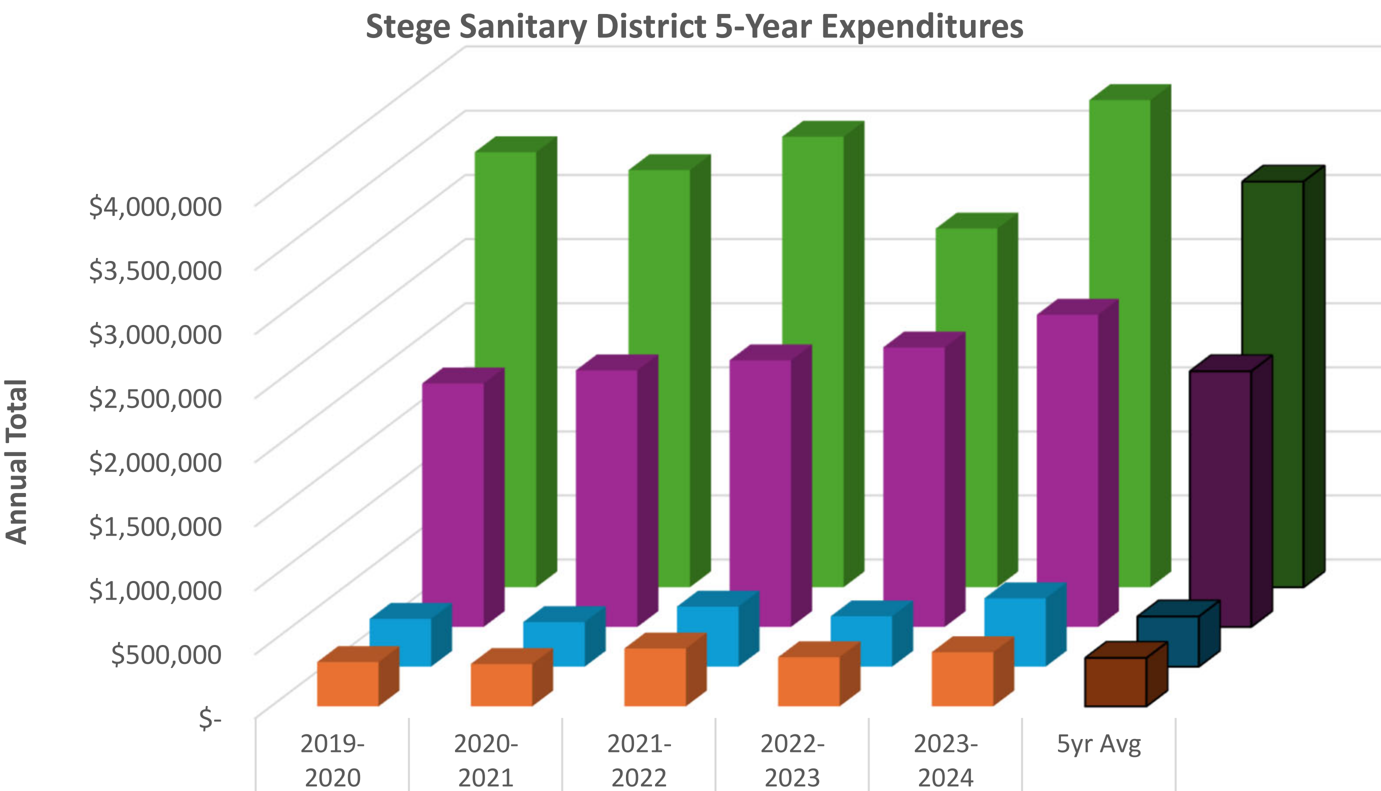
Status: Complete

- *At the March 21, 2024 Board Meeting, the Manager provided a draft Strategic Plan for the Board to consider at a future Board Meeting.*
- *At the March 21, 2024 Board Meeting, District Counsel clarified the timing of the Oath of Office for newly elected or appointed Board members and the transition to taking their position at their first Board Meeting.*

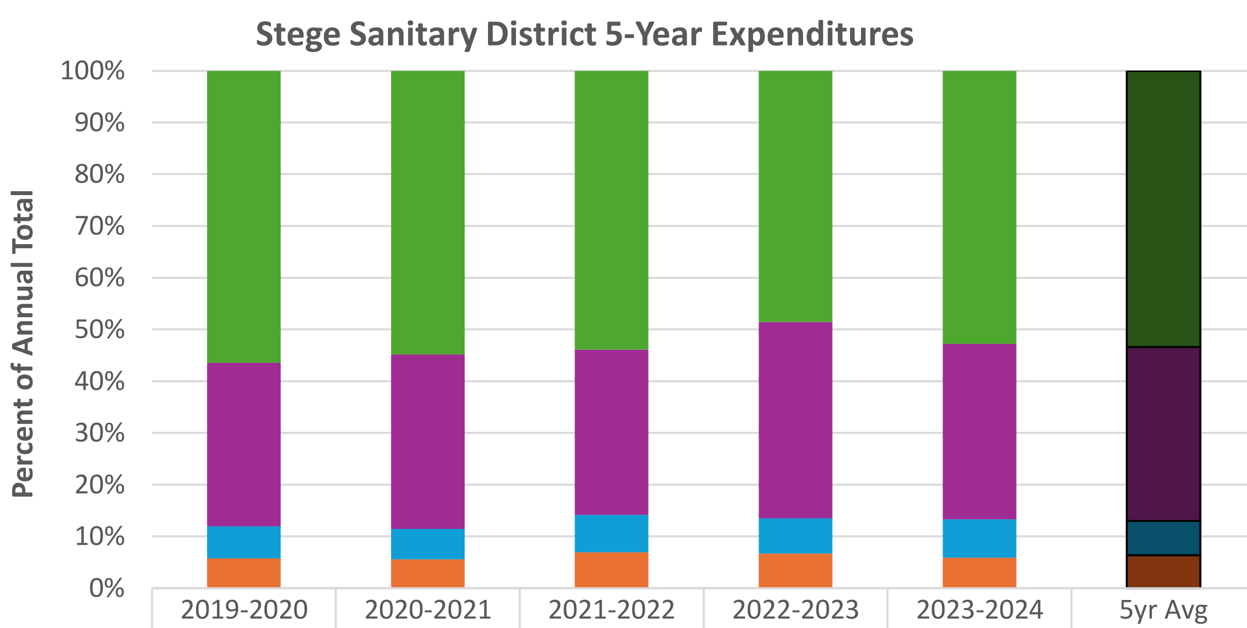
COMPOSITE 5 YEAR EXPENDITURES REVIEW (YEAR TO YEAR COMPARISON) **STEGE SANITARY DISTRICT**

ITEM	TYPE	FINAL EXPENSE 2019-2020	FINAL EXPENSE 2020-2021	FINAL EXPENSE 2021-2022	FINAL EXPENSE 2022-2023	FINAL EXPENSE 2023-2024	*5yr Avg EXPENSE*	% Inc/(Dec) 18/19 to 19/20 EXPENSE	% Inc/(Dec) 19/20 to 20/21 EXPENSE	% Inc/(Dec) 20/21 to 21/22 EXPENSE	% Inc/(Dec) 21/22 to 22/23 EXPENSE	% Inc/(Dec) 22/23 to 23/24 EXPENSE	*5yr Avg % Inc/(Dec) EXPENSE*
OPERATING EXPENSES:													
010 Salaries & Wages	STAFF	$ 1,282,352	$ 1,386,819	$ 1,468,549	$ 1,556,747	$ 1,591,090	*$ 1,457,111*	10%	8%	6%	6%	2%	*6%*
020 Employee Benefits	STAFF	$ 595,270	$ 595,488	$ 589,999	$ 599,550	$ 823,806	*$ 640,823*	2%	0%	-1%	2%	37%	*8%*
030 Directors' Expenses	STAFF	$ 24,521	$ 21,817	$ 23,979	$ 26,502	$ 22,562	*$ 23,876*	-30%	-11%	10%	11%	-15%	*-7%*
040 Election Expense	STAFF	$ -	$ 300	$ -	$ 300	$ -	*$ 120*	0%	0%	0%	0%	100%	*20%*
060 Gasoline, Oil, Fuel	MAINT	$ 21,534	$ 25,842	$ 35,040	$ 39,386	$ 42,456	*$ 32,852*	-14%	20%	36%	12%	8%	*12%*
070 Insurance	OPS	$ 131,545	$ 121,704	$ 203,639	$ 182,968	$ 256,160	*$ 179,203*	20%	-7%	67%	-10%	40%	*22%*
080 Memberships	OPS	$ 14,046	$ 15,416	$ 18,388	$ 17,302	$ 16,732	*$ 16,377*	-9%	10%	19%	-6%	-3%	*2%*
090 Office Expense	OPS	$ 6,166	$ 4,647	$ 8,813	$ 4,858	$ 9,378	*$ 6,772*	-62%	-25%	90%	-45%	93%	*10%*
100 Operating Supplies	MAINT	$ 24,680	$ 25,451	$ 14,035	$ 21,696	$ 12,280	*$ 19,628*	5%	3%	-45%	55%	-43%	*-5%*
110 Contractual Services	MAINT	$ 81,375	$ 77,235	$ 75,417	$ 84,250	$ 76,574	*$ 78,970*	-8%	-5%	-2%	12%	-9%	*-3%*
120 Professional Services	OPS	$ 121,002	$ 112,311	$ 129,224	$ 69,614	$ 102,352	*$ 106,901*	-3%	-7%	15%	-46%	47%	*1%*
130 Printing & Publications	OPS	$ 15,240	$ 17,113	$ 19,658	$ 17,540	$ 18,937	*$ 17,698*	-18%	12%	15%	-11%	8%	*1%*
140 Rents & Leases	OPS	$ 1,091	$ 629	$ 573	$ 631	$ 668	*$ 718*	332%	-42%	-9%	10%	6%	*59%*
150 Repairs & Maintenance	MAINT	$ 92,986	$ 98,043	$ 120,978	$ 109,710	$ 149,017	*$ 114,147*	-9%	5%	23%	-9%	36%	*9%*
160 Revenue Collection Expenses	OPS	$ 10,868	$ 10,880	$ 10,892	$ 10,925	$ 11,113	*$ 10,936*	0%	0%	0%	0%	2%	*0%*
170 Travel & Meetings	OPS	$ 5,783	$ 2,257	$ 4,879	$ 9,786	$ 7,784	*$ 6,098*	-35%	-61%	116%	101%	-20%	*20%*
190 Utilities	OPS	$ 37,645	$ 45,700	$ 47,818	$ 54,062	$ 56,898	*$ 48,425*	-1%	21%	5%	13%	5%	*9%*
200 Other Expenses	OPS	$ 29,655	$ 17,859	$ 25,062	$ 25,571	$ 54,082	*$ 30,446*	-1%	-40%	40%	2%	111%	*23%*
204 Safety Equipment and Gloves	MAINT	$ 4,054	$ 2,721	$ 2,121	$ 2,451	$ 1,597	*$ 2,589*	248%	-33%	-22%	16%	-35%	*35%*
205 Uniforms and Boots	MAINT	$ 14,450	$ 15,726	$ 15,469	$ 17,129	$ 7,945	*$ 14,144*	3%	9%	-2%	11%	-54%	*-6%*
206 Safety Incentive Program	MAINT	$ 357	$ 506	$ 442	$ 366	$ 706	*$ 476*	-30%	42%	-13%	-17%	93%	*15%*
410 Pump Stations	MAINT	$ 30,949	$ 12,731	$ 65,505	$ 43,720	$ 62,119	*$ 43,005*	-51%	-59%	415%	-33%	42%	*63%*
207 Contracted Repairs	MAINT	$ 75,211	$ 72,394	$ 123,516	$ 65,325	$ 70,623	*$ 81,414*	-18%	-4%	71%	-47%	8%	*2%*
TOTAL OPERATING EXPENSES		**$ 2,620,779**	**$ 2,683,589**	**$ 3,004,494**	**$ 2,960,389**	**$ 3,394,878**	***$ 2,932,826***	**1%**	**2%**	**12%**	**-1%**	**15%**	**6%**
CAPITAL EXPENSES:													
650 DEBT REPAYMENT	CAP	$ 148,220	$ 148,220	$ 148,220	$ 43,939	$ 43,939	*$ 106,507*	0%	0%	0%	-70%	0%	*-14%*
300 CAPITAL EQUIPMENT	CAP	$ 443,358	$ 140,737	$ 47,778	$ 355,719	$ 53,271	*$ 208,173*	1230%	-68%	-66%	645%	-85%	*331%*
400 CONSTRUCTION	CAP	$ 2,802,179	$ 2,964,509	$ 3,317,843	$ 2,398,882	$ 3,701,702	*$ 3,037,023*	4%	6%	12%	-28%	54%	*10%*
TOTAL CAPITAL EXPENSES		**$ 3,393,757**	**$ 3,253,465**	**$ 3,513,840**	**$ 2,798,540**	**$ 3,798,911**	***$ 3,351,703***	18%	-4%	8%	**-20%**	**36%**	**8%**
TOTAL EXPENSE		**$ 6,014,536**	**$ 5,937,054**	**$ 6,518,334**	**$ 5,758,929**	**$ 7,193,789**	***$ 6,284,528***	**10%**	**-1%**	**10%**	**-12%**	**25%**	**6%**

Legal Services - Retainer		$ 19,975	$ 18,821	$ 21,506	$ 21,320	$ 18,691	*$ 20,063*	2%	-6%	14%	-1%	-12%	*0%*
Legal Services - Special		$ 40,991	$ 25,005	$ 30,275	$ 12,736	$ 19,862	*$ 25,774*	209%	-39%	21%	-58%	56%	*38%*
Legal Services - TOTAL		$ 60,965	$ 43,826	$ 51,782	$ 34,056	$ 38,554	*$ 45,836*						



	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	5yr Avg
Maintainance	$345,595	$330,649	$452,522	$384,033	$423,316	$378,200
Operations	$373,040	$348,516	$469,446	$393,257	$534,103	$391,908
Salary & Benefits	$1,902,143	$2,004,423	$2,082,526	$2,183,099	$2,437,459	$1,996,963
Capital	$3,393,757	$3,253,465	$3,513,840	$2,798,540	$3,798,911	$3,164,793



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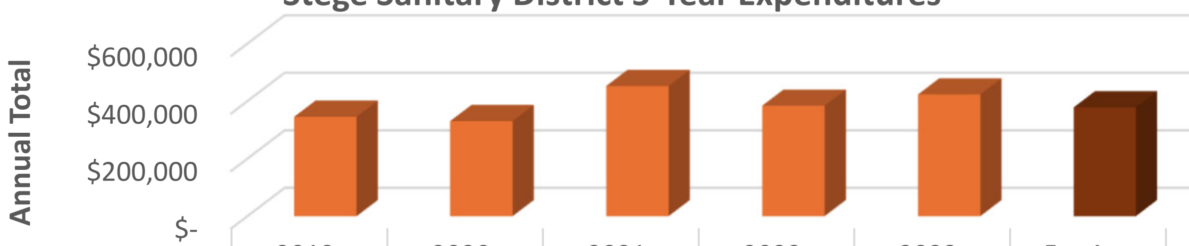
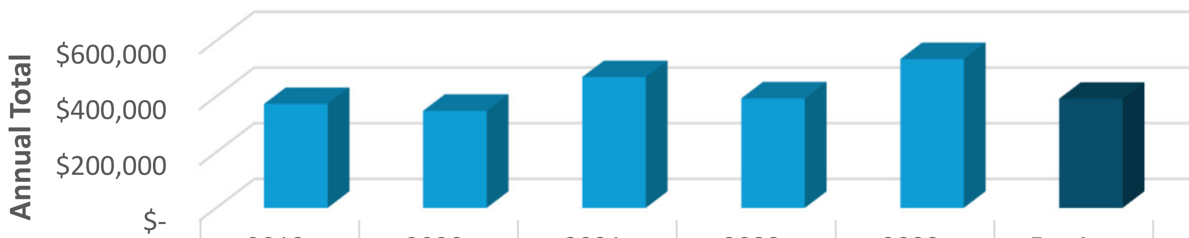
Capital	$3,393,757	$3,253,465	$3,513,840	$2,798,540	$3,798,911	$3,164,793
Salary & Benefits	$1,902,143	$2,004,423	$2,082,526	$2,183,099	$2,437,459	$1,996,963
Operations	$373,040	$348,516	$469,446	$393,257	$534,103	$391,908
Maintainance	$345,595	$330,649	$452,522	$384,033	$423,316	$378,200

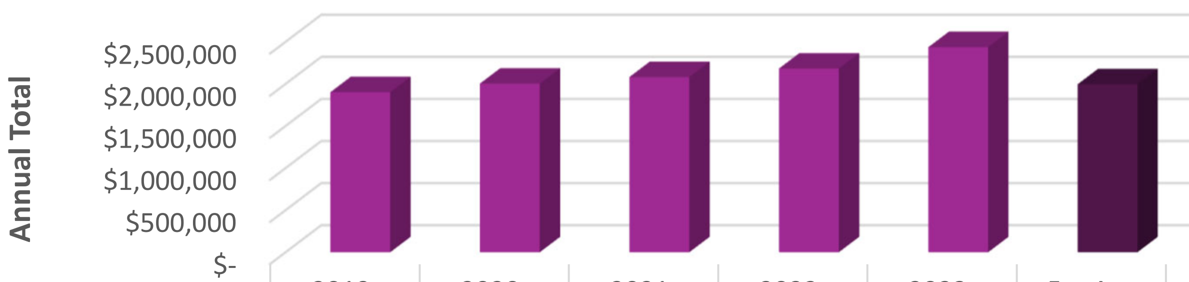
Stege Sanitary District 5-Year Expenditures



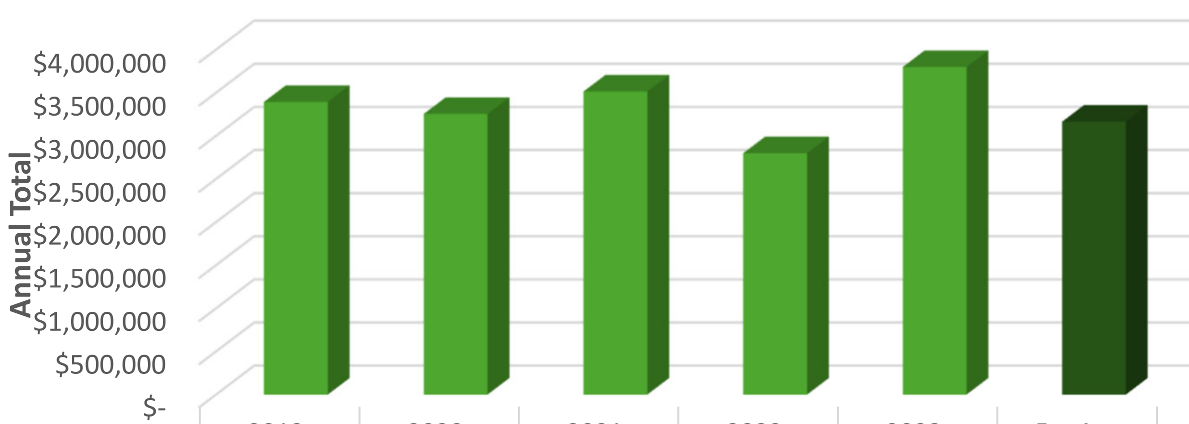
	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	5yr Avg
Maintainance	$345,595	$330,649	$452,522	$384,033	$423,316	$378,200



	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	5yr Avg
Operations	$373,040	$348,516	$469,446	$393,257	$534,103	$391,908



	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	5yr Avg
Salary & Benefits	$1,902,143	$2,004,423	$2,082,526	$2,183,099	$2,437,459	$1,996,963



	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	5yr Avg
Capital	$3,393,757	$3,253,465	$3,513,840	$2,798,540	$3,798,911	$3,164,793

STEGE SANITARY DISTRICT

STAFF REPORT

Board of Directors Long Range Planning Workshop Date: 3/8/2025

TO: Honorable Board of Directors

FROM: Lani Good, District Manager

SUBJECT: Agenda Item 4.C. Review Pension Liabilities

RECOMMENDATION

Review the Unfunded Accrued Liability (UAL) and develop action items for 2025 that may include establishing a UAL funding target (e.g. 90% funded status by 2035), expanding IRS Section 115 Pension Trust Funds to potentially increase investment earnings, or developing a UAL Pension Management Policy.

EXECUTIVE SUMMARY

Like many California public agencies, the District has UALs, which are the difference between the current retirement plan assets that CalPERS holds on the District's behalf and the estimated future benefits previously earned by the plan members (for the Miscellaneous Plan and the PEPRA Miscellaneous Plan). Per the most recent valuation reports, UAL amounts are:

- CalPERS Pension – 2 Tiers (as of June 30, 2023)
    - Miscellaneous Plan UAL Balance (FY 2025-26): **$2,593,314** (74.2% Funded)
    - PEPRA Miscellaneous Plan UAL Balance (FY 2025-26): **$37,467** (88.4% Funded)
- Other Post-Employment Benefits (OPEB) - Retiree Health (for June 30, 2024)
    - Total OPEB Liability – Section 115 Trust = Net OPEB Liability: **$319,614**

It is fiscally responsible to review the UAL and OPEB liabilities annually and understand the associated interest costs. Evaluating funding options, developing a funding target, and documenting a long-term strategy for pension funding creates transparency and helps protect current and future stakeholders.

BACKGROUND AND DISCUSSION

The District is currently paying down the CalPERS UAL over a 24-year period and incurs an annual interest rate of approximately 6.8%. District reserves exceed the Net OPEB Liability, but may earn lower returns (but carry lower risk) than some funding options.

ALTERNATIVES

1. Do nothing.
2. Establish a UAL funding target and informal strategy for meeting it.
3. Develop a UAL Pension Management Policy including a UAL funding target and funding strategies.
4. Consult a CPA to evaluate 115 Pension Trust Funds, Pension Obligation Bonds, or other pension funding options.

FISCAL IMPACT

There is no direct fiscal impact associated with this action.

ENVIRONMENTAL IMPACT
None.

ATTACHMENTS

- California Special Districts Association Retirement Funding Strategies for Past and Future Costs
- CalPERS Actuarial Valuation for the **Miscellaneous Plan** of the Stege Sanitary District, July 2024
- CalPERS Actuarial Valuation for the **PEPRA Miscellaneous Plan** of the Stege Sanitary District, July 2024
- Stege Sanitary District Actuarial Study of **Retiree Health Liabilities** Under GASB 74/75, March 25, 2024

California Special Districts Association
CSDA Districts Stronger Together

Retirement Funding Strategies for Past and Future Costs

By Kristin Withrow posted 11-14-2022 09:45 AM

It’s no secret that many pension plans are underfunded by government agencies throughout California. With fewer assets than liabilities, these underfunded pension plans are not projected to have enough money to pay out benefits that have been promised to plan members. The question becomes, what is the best way to address these underfunded pension plans? Many agencies are seeing pension liabilities grow on their balance sheet year after year and are recognizing sizable pension expenses as a result. The reality is that pension costs can’t be stopped, and we can only hope to contain or offset them.

The good news is that fiscally responsible strategies can be implemented to address past and future retirement costs. Generally, pension liability factors are out of the scope of an agency’s control, but with proper action, the time value of money can be turned into an advantage. There is no one-size-fits-all answer, but here are some general guidelines to assist in analyzing and addressing each unique situation.

Review your agency’s Unfunded Accrued Liability (UAL) on an annual basis. If your agency contracts with the California Public Employee Retirement System (CalPERS) you are probably familiar with this term. The UAL is the difference between current plan assets that CalPERS holds on your behalf and the estimated future benefits previously earned by plan members. On average, most agencies are around 70% funded, which means that plan assets are underfunded by around 30%.

Understand interest costs associated with carrying the UAL over time. CalPERS requires minimum payments annually to pay down the UAL over a period of 24 years. Think of this like a minimum payment on a credit card each month. We all know that only paying the minimum payment on a credit card results in higher interest costs. Correspondingly, a higher UAL balance over a longer period of times results in higher interest costs to the agency. Currently, CalPERS charges 6.8% on shortfalls of plan assets.

Determine potential savings by funding the pension plan directly. Every year CalPERS releases an annual valuation for your agency, and it shows a 24-year amortization schedule with associated payments. It also projects interest savings over time using 10 and 15-year periods. Agencies can lock into a “hard fresh start” with CalPERS by moving to a 10-year or 15-year amortization period. Recent valuations have shown that an agency with a $2.8 million UAL could save an estimated $1.1 million in interest costs by moving to a 10-year period. Agencies can also mirror shorter amortization periods without locking into a schedule by making Additional Discretionary Payments (ADPs) for payment differences between the required period and the shorter period. This method is known as a “soft fresh start” with CalPERS because it is voluntary, and ADPs can be discontinued if necessary. Agencies should strategize to fund ADPs with onetime windfalls or with excess cash reserves. Contact your CalPERS actuary to understand available options and potential interest savings.

Establish a UAL funding target. The goal is not necessarily to become 100% funded with assets held in CalPERS. Remember that money sent into CalPERS is locked into the pension plan. Targeting anywhere from 90-95% funded status in the plan is a beneficial strategy. This range eliminates unreasonable interest costs while allowing room for investment performance or pension trust assets to make up the 5-10% difference. Becoming over 100% funded in CalPERS is essentially frozen capital as it is not able to be withdrawn or used for another purpose.

Establish a 115 Pension Trust Fund (115 Trust). Pension trusts are a funding vehicle used to prefund future retirement costs. Once funds are deposited into this irrevocable trust, they may not be withdrawn for any purpose other than funding retirement benefits. Investments in the trust build up over time and could also be used as a rainy-day fund for retirement costs during challenging economic times. Benefits of a Section 115 trust include but are not limited to:

- Voluntary contributions that can be adjusted in amount and frequency as needed by the agency.
- Investment flexibility and risk diversification. Trust assets can be invested in higher-yielding instruments when compared to conventional investment funds such as LAIF or County pools.
- Helps smooth annual budgeting by absorbing future pension cost volatility due to market performance fluctuations or changes in actuarial assumptions.
- Ability to select asset allocation strategy to match your agency's risk tolerance and investment time horizon.
- Flexibility to access trust assets if used to pay employer pension costs, including normal costs and UAL payments (rainy-day fund for retirement costs).

Of course, all investment vehicles carry the risk of losing principal in a down market – consult your CPA on whether a trust is right for your agency.

Source funding for pension plan payments. Where will the money come from to make ADPs into CalPERS and fund a 115 Pension Trust? There are a few options available.

- Cash reserves (if available) otherwise invested in LAIF or another investment vehicle with lower yield.
- One-time windfalls of cash due to the sale of assets, or unexpected revenue rebates.
- Unexpected excess revenues over expenses.
- Pension obligation bonds (POBs) during periods of low interest rates. If CalPERS is charging 6.8% on shortfalls of plan assets and POBs can be issued at 2-3% then interest savings are possible. However, there is always risk involved because proceeds are placed into pension plan investments. If CalPERS investments perform poorly, it will be difficult to recover. The agency's financial position could be worse than before issuing the bonds in some scenarios.

Develop an Unfunded Accrued Liability (UAL) Pension Management Policy. Agencies should identify goals, strategies, and various funding options for retirement costs. The policy should address a pension plan funding target, ensure that pension funding decisions protect current and future stakeholders, and create transparency as to how and why the pension plan is being funded.

Review the UAL Pension Management Policy annually. Ensure compliance with the adopted policy and be sure to update annually with changing conditions. A properly designed UAL policy tailored to your agencies unique circumstances will help defray increasing retirement costs and convey a sense of fiduciary duty to your stakeholders.

In short, it is key to review and understand the costs associated with retirement, establish funding goals, and develop policies to address retirement costs over the long-term. You can start developing a fiscally responsible strategy that works for your agency today.

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California Public Employees' Retirement System
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July 2024

Miscellaneous Plan of the Stege Sanitary District (CalPERS ID: 2595946637)
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%	$211,192
Projected Results		
2026-27	*12.6%*	*$229,000*

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,

Tony Cuny, ASA, MAAA
Senior 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 Stege Sanitary District
as of June 30, 2023

(CalPERS ID: 2595946637)
(Rate Plan ID: 1546)

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 Stege Sanitary District

(CalPERS ID: 2595946637)
(Rate Plan ID: 1546)

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 Stege Sanitary District 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 Stege Sanitary District, while Section 2 is based on the corresponding information for all agencies participating in the Miscellaneous Risk Pool to which the plan belongs.

Tony Cuny, ASA, MAAA
Senior 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 Stege Sanitary District 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 Stege Sanitary District 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	$176,920	$211,192
Paid either as		
Option 1) 12 Monthly Payments of	$14,743.33	$17,599.33
Option 2) Annual Prepayment in July	$171,195	$204,358

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%	$229,000
2027-28	12.6%	$244,000
2028-29	12.6%	$276,000
2029-30	12.6%	$282,000
2030-31	12.6%	$287,000

Funded Status — Funding Policy Basis — page 12

	June 30, 2022	June 30, 2023
Entry Age Accrued Liability (AL)	$9,200,370	$10,045,965
Market Value of Assets (MVA)	6,832,843	7,452,651
Unfunded Accrued Liability (UAL) [AL – MVA]	$2,367,527	$2,593,314
Funded Ratio [MVA ÷ AL]	74.3%	74.2%

Summary of Valuation Data — Page 27

	June 30, 2022	June 30, 2023
Active Member Count	7	7
Annual Covered Payroll	$1,037,860	$1,105,575
Transferred Member Count	3	2
Separated Member Count	1	1
Retired Members and Beneficiaries Count	8	9

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]	**$211,192**
Paid either as	
1) Monthly Payment	**$17,599.33**
Or	
2) Annual Prepayment Option*	**$204,358**

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 1546. 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	$1,396,121	$1,488,197
Estimated Employer Normal Cost	$158,550	$169,228
Required Payment on Amortization Bases	$177,899	$213,344
Estimated Total Employer Contributions	$336,449	$382,572
Estimated Total Employer Contribution Rate (illustrative only)	24.10%	25.71%

Breakdown of Entry Age Accrued Liability

Active Members	$6,021,523
Transferred Members	573,008
Separated Members	13,324
Members and Beneficiaries Receiving Payments	3,438,110
Total	$10,045,965

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	$10,045,965
2.	Projected UAL Balance at 6/30/2023	2,389,856
3.	Other UAL Adjustments (Golden Handshake, Prior Service Purchase, etc.)	0
4.	Adjusted UAL Balance at 6/30/2023 for Asset Share	2,389,856
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)	48,523
10.	Plan's Share of Pool's Non-Investment (Gain)/Loss: (1) ÷ (5) × (8)	154,935
11.	Plan's New (Gain)/Loss as of 6/30/2023: (9) + (10)	203,458
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)	48,523

[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)	$2,593,314
19.	Plan's Share of Pool's Market Value of Assets (MVA): (1) - (18)	$7,452,651

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	$10,751,114	$11,597,803
2. Entry Age Accrued Liability	9,200,370	10,045,965
3. Market Value of Assets (MVA)	6,832,843	7,452,651
4. Unfunded Accrued Liability (UAL) [(2) – (3)]	$2,367,527	$2,593,314
5. Funded Ratio [(3) ÷ (2)]	74.3%	74.2%

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	$11,535,386	$10,045,965	$8,815,447
2. Market Value of Assets (MVA)	7,452,651	7,452,651	7,452,651
3. Unfunded Accrued Liability (UAL) [(1) – (2)]	$4,082,735	$2,593,314	$1,362,796
4. Funded Ratio [(2) ÷ (1)]	64.6%	74.2%	84.5%

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 $211,192. 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	$138,237	$211,192	0	$211,192	$349,429
20 year funding horizon	$138,237	$211,192	$24,309	$235,501	$373,738
15 year funding horizon	$138,237	$211,192	$63,540	$274,732	$412,969
10 year funding horizon	$138,237	$211,192	$146,287	$357,479	$495,716
5 year funding horizon	$138,237	$211,192	$403,559	$614,751	$752,988

[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	$0	2022-23	$0
2020-21	$0	2023-24[2]	$0
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 1546 Results					
Normal Cost %	12.58%	12.6%	12.6%	12.6%	12.6%	12.6%
UAL Payment	$211,192	$229,000	$244,000	$276,000	$282,000	$287,000

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
Side Fund	2013 or Prior	No Ramp		2.80%	0	(48)	(50)	0	0	0	0
Investment (Gain)/Loss	6/30/13	100%	Up/Dn	2.80%	20	588,949	42,747	584,821	43,944	579,175	45,175
Non-Investment (Gain)/Loss	6/30/13	100%	Up/Dn	2.80%	20	(6,030)	(438)	(5,987)	(450)	(5,929)	(462)
Share of Pre-2013 Pool UAL	6/30/13	No Ramp		2.80%	12	344,415	32,201	334,557	33,102	323,098	34,029
Assumption Change	6/30/14	100%	Up/Dn	2.80%	11	267,425	30,272	254,326	31,120	239,459	31,991
Investment (Gain)/Loss	6/30/14	100%	Up/Dn	2.80%	21	(477,099)	(33,530)	(474,890)	(34,469)	(471,561)	(35,434)
Non-Investment (Gain)/Loss	6/30/14	100%	Up/Dn	2.80%	21	534	38	531	39	527	40
Investment (Gain)/Loss	6/30/15	100%	Up/Dn	2.80%	22	315,308	21,502	314,528	22,105	313,072	22,723
Non-Investment (Gain)/Loss	6/30/15	100%	Up/Dn	2.80%	22	(26,040)	(1,776)	(25,975)	(1,825)	(25,855)	(1,877)
Assumption Change	6/30/16	100%	Up/Dn	2.80%	13	118,217	11,723	114,141	12,052	109,448	12,389
Investment (Gain)/Loss	6/30/16	100%	Up/Dn	2.80%	23	406,302	26,939	406,091	27,693	405,086	28,469
Non-Investment (Gain)/Loss	6/30/16	100%	Up/Dn	2.80%	23	(50,521)	(3,350)	(50,494)	(3,443)	(50,369)	(3,540)
Assumption Change	6/30/17	100%	Up/Dn	2.80%	14	146,266	13,703	142,051	14,087	137,152	14,481
Investment (Gain)/Loss	6/30/17	100%	Up/Dn	2.80%	24	(218,800)	(14,130)	(219,076)	(14,525)	(218,962)	(14,932)
Non-Investment (Gain)/Loss	6/30/17	100%	Up/Dn	2.80%	24	(11,266)	(728)	(11,280)	(748)	(11,274)	(769)
Assumption Change	6/30/18	100%	Up/Dn	2.80%	15	233,435	16,903	231,840	21,721	225,158	22,329
Investment (Gain)/Loss	6/30/18	100%	Up/Dn	2.80%	25	(65,856)	(3,360)	(66,862)	(4,318)	(66,946)	(4,439)
Method Change	6/30/18	100%	Up/Dn	2.80%	15	63,165	4,574	62,733	5,877	60,925	6,042
Non-Investment (Gain)/Loss	6/30/18	100%	Up/Dn	2.80%	25	32,936	1,680	33,439	2,159	33,482	2,220
Non-Investment (Gain)/Loss	6/30/19	No Ramp		0.00%	16	29,471	2,794	28,588	2,794	27,645	2,794

Schedule of Amortization Bases (continued)

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
Investment (Gain)/Loss	6/30/19	100%	Up Only	0.00%	16	31,405	1,888	31,589	2,518	31,135	3,147
Investment (Gain)/Loss	6/30/20	80%	Up Only	0.00%	17	155,912	6,409	159,891	9,614	160,828	12,818
Non-Investment (Gain)/Loss	6/30/20	No	Ramp	0.00%	17	26,161	2,413	25,446	2,413	24,683	2,413
Assumption Change	6/30/21	No	Ramp	0.00%	18	43,192	3,884	42,115	3,884	40,965	3,884
Net Investment (Gain)	6/30/21	60%	Up Only	0.00%	18	(803,757)	(17,277)	(840,558)	(34,553)	(862,007)	(51,829)
Non-Investment (Gain)/Loss	6/30/21	No	Ramp	0.00%	18	(38,394)	(3,453)	(37,436)	(3,452)	(36,414)	(3,452)
Risk Mitigation	6/30/21	No	Ramp	0.00%	0	241,970	250,062	0	0	0	0
Risk Mitigation Offset	6/30/21	No	Ramp	0.00%	0	(241,970)	(250,062)	0	0	0	0
Investment (Gain)/Loss	6/30/22	40%	Up Only	0.00%	19	1,146,481	0	1,224,442	26,319	1,280,505	52,638
Non-Investment (Gain)/Loss	6/30/22	No	Ramp	0.00%	19	138,093	0	147,483	13,262	143,806	13,262
Investment (Gain)/Loss	6/30/23	20%	Up Only	0.00%	20	48,523	0	51,823	0	55,347	1,190
Non-Investment (Gain)/Loss	6/30/23	No	Ramp	0.00%	20	154,935	0	165,471	0	176,723	15,892
Total						**2,593,314**	**141,578**	**2,623,348**	**176,920**	**2,618,902**	**211,192**

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			
			15 Year Amortization		10 Year Amortization	
Date	**Balance**	**Payment**	**Balance**	**Payment**	**Balance**	**Payment**
6/30/2025	2,618,902	211,192	2,618,902	274,732	2,618,902	357,479
6/30/2026	2,578,733	229,066	2,513,068	274,732	2,427,554	357,479
6/30/2027	2,517,362	243,857	2,400,037	274,732	2,223,194	357,478
6/30/2028	2,436,531	276,054	2,279,320	274,733	2,004,939	357,479
6/30/2029	2,316,929	282,061	2,150,393	274,732	1,771,841	357,478
6/30/2030	2,182,985	287,014	2,012,700	274,732	1,522,894	357,478
6/30/2031	2,034,818	292,111	1,865,644	274,732	1,257,018	357,479
6/30/2032	1,871,306	289,582	1,708,589	274,733	973,062	357,478
6/30/2033	1,699,288	286,769	1,540,853	274,732	669,798	357,479
6/30/2034	1,518,479	280,472	1,361,712	274,733	345,911	357,479
6/30/2035	1,331,884	269,871	1,170,388	274,733		
6/30/2036	1,143,555	250,840	966,054	274,732		
6/30/2037	962,090	192,131	747,826	274,732		
6/30/2038	828,958	178,749	514,759	274,733		
6/30/2039	700,599	168,199	265,842	274,732		
6/30/2040	574,420	161,377				
6/30/2041	446,709	143,100				
6/30/2042	329,198	122,913				
6/30/2043	224,561	200,124				
6/30/2044	33,016	34,120				
6/30/2045						
6/30/2046						
6/30/2047						
6/30/2048						
6/30/2049						
Total		**4,399,602**		**4,120,985**		**3,574,786**
Interest Paid		**1,780,700**		**1,502,083**		**955,884**
Estimated Savings				**278,617**		**824,816**

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%	$83,686
06/30/2015	2017 - 18	8.921%	96,646
06/30/2016	2018 - 19	9.409%	115,665
06/30/2017	2019 - 20	10.221%	136,025
06/30/2018	2020 - 21	11.031%	152,316
06/30/2019	2021 - 22	10.88%	175,208
06/30/2020	2022 - 23	10.87%	149,107
06/30/2021	2023 - 24	12.47%	141,578
06/30/2022	2024 - 25	12.52%	176,920
06/30/2023	2025 - 26	12.58%	211,192

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	$5,174,460	$4,189,597	$984,863	81.0%	$860,430
06/30/2015	5,561,615	4,352,390	1,209,225	78.3%	791,469
06/30/2016	5,927,020	4,340,661	1,586,359	73.2%	823,860
06/30/2017	6,398,172	4,847,870	1,550,302	75.8%	877,524
06/30/2018	6,701,194	4,929,186	1,772,008	73.6%	867,780
06/30/2019	7,054,076	5,211,133	1,842,943	73.9%	822,720
06/30/2020	7,516,194	5,523,980	1,992,214	73.5%	875,764
06/30/2021	8,324,878	7,078,810	1,246,068	85.0%	949,080
06/30/2022	9,200,370	6,832,843	2,367,527	74.3%	1,037,860
06/30/2023	10,045,965	7,452,651	2,593,314	74.2%	1,105,575

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	$236,000	$265,000	$318,000	$353,000	$394,000
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	$223,000	$225,000	$237,000	$215,000	$183,000

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	$211,192	$273,000
(5.2%) (1 standard deviation loss)		
Discount Rate	6.80%	6.80%
Normal Cost Rate	12.58%	12.6%
UAL Contribution	$211,192	$251,000

- 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	$11,535,386	$10,045,965	$8,815,447
c) Market Value of Assets	$7,452,651	$7,452,651	$7,452,651
d) Unfunded Liability/(Surplus) [(b) - (c)]	$4,082,735	$2,593,314	$1,362,796
e) Funded Ratio	64.6%	74.2%	84.5%

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	20.46%	19.51%	17.81%
b) Accrued Liability	$10,347,345	$10,045,965	$9,302,244
c) Market Value of Assets	$7,452,651	$7,452,651	$7,452,651
d) Unfunded Liability/(Surplus) [(b) - (c)]	$2,894,694	$2,593,314	$1,849,593
e) Funded Ratio	72.0%	74.2%	80.1%

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	$10,261,830	$10,045,965	$9,847,443
c) Market Value of Assets	$7,452,651	$7,452,651	$7,452,651
d) Unfunded Liability/(Surplus) [(b) - (c)]	$2,809,179	$2,593,314	$2,394,792
e) Funded Ratio	72.6%	74.2%	75.7%

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	$3,170,175	$3,438,110
2. Total Accrued Liability	$9,200,370	$10,045,965
3. Ratio of Retiree AL to Total AL [(1) ÷ (2)]	34%	34%

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	7	7
2. Number of Retirees	8	9
3. Support Ratio [(1) ÷ (2)]	0.88	0.78

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	$6,832,843	$7,452,651
2. Payroll	$1,037,860	$1,105,575
3. Asset Volatility Ratio (AVR) [(1) ÷ (2)]	6.6	6.7
4. Accrued Liability	$9,200,370	$10,045,965
5. Liability Volatility Ratio (LVR) [(4) ÷ (2)]	8.9	9.1

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	49%	1.13	5.5	7.3
06/30/2018	47%	1.00	5.7	7.7
06/30/2019	45%	0.88	6.3	8.6
06/30/2020	42%	0.88	6.3	8.6
06/30/2021	38%	0.88	7.5	8.8
06/30/2022	34%	0.88	6.6	8.9
06/30/2023	34%	0.78	6.7	9.1

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]	$15,846,611	$11,411,087
2. Market Value of Assets (MVA)	7,452,651	7,452,651
3. Unfunded Termination Liability [(1) – (2)]	$8,393,960	$3,958,436
4. Funded Ratio [(2) ÷ (1)]	47.0%	65.3%

[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	$8,319,614
b) Transferred Members	879,054
c) Separated Members	16,629
d) Members and Beneficiaries Receiving Payments	4,097,191
e) Total	$13,312,488
2. Market Value of Assets (MVA)	7,452,651
3. Unfunded Accrued Liability – Low-Default-Risk Basis [(1e) – (2)]	$5,859,837
4. Unfunded Accrued Liability – Funding Policy Basis	2,593,314
5. Present Value of Unearned Investment Risk Premium [(3) – (4)]	$3,266,523

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	7	7
Average Attained Age	49.0	50.0
Average Entry Age to Rate Plan	30.7	30.7
Average Years of Credited Service	19.7	20.7
Average Annual Covered Pay	$148,266	$157,939
Annual Covered Payroll	$1,037,860	$1,105,575
Present Value of Future Payroll	$8,794,194	$8,791,910
Transferred Members	3	2
Separated Members	1	1
Retired Members and Beneficiaries*		
Counts	8	9
Average Annual Benefits	$34,523	$33,529
Total Annual Benefits	$276,187	$301,759

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**	**Misc**	
Demographics			
Actives	Yes	No	
Transfers/Separated	Yes	No	
Receiving	Yes	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	Indexed		
Special	No		
Alternate (firefighters)	No		
Post-Retirement Death Benefits			
Lump Sum	$2,000	$2,000	
Survivor Allowance (PRSA)	No	No	
COLA	2%	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

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 Stege Sanitary District (CalPERS ID: 2595946637)
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%	$2,152	7.75%
Projected Results			
2026-27	*8.0%*	*$2,800*	*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,

Tony Cuny, ASA, MAAA
Senior 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 Stege Sanitary District

as of June 30, 2023

(CalPERS ID: 2595946637)
(Rate Plan ID: 27096)

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 Stege Sanitary District

(CalPERS ID: 2595946637)
(Rate Plan ID: 27096)

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 Stege Sanitary District 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 Stege Sanitary District, while Section 2 is based on the corresponding information for all agencies participating in the Miscellaneous Risk Pool to which the plan belongs.

Tony Cuny, ASA, MAAA
Senior 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 Stege Sanitary District 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 Stege Sanitary District 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	$979	$2,152
Paid either as		
Option 1) 12 Monthly Payments of	$81.58	$179.33
Option 2) Annual Prepayment in July	$947	$2,082

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%	$2,800
2027-28	8.0%	$3,500
2028-29	8.0%	$4,100
2029-30	8.0%	$4,200
2030-31	8.0%	$4,200

Funded Status — Funding Policy Basis — page 12

	June 30, 2022	June 30, 2023
Entry Age Accrued Liability (AL)	$251,840	$322,974
Market Value of Assets (MVA)	225,101	285,507
Unfunded Accrued Liability (UAL) [AL – MVA]	$26,739	$37,467
Funded Ratio [MVA ÷ AL]	89.4%	88.4%

Summary of Valuation Data — Page 26

	June 30, 2022	June 30, 2023
Active Member Count	3	3
Annual Covered Payroll	$247,260	$264,300
Transferred Member Count	1	1
Separated Member Count	0	0
Retired Members and Beneficiaries Count	0	0

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]	**$2,152**
Paid either as	
1) Monthly Payment	**$179.33**
Or	
2) Annual Prepayment Option*	**$2,082**

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
27096	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 27096. 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	$1,396,121	$1,488,197
Estimated Employer Normal Cost	$158,550	$169,228
Required Payment on Amortization Bases	$177,899	$213,344
Estimated Total Employer Contributions	$336,449	$382,572
Estimated Total Employer Contribution Rate (illustrative only)	24.10%	25.71%

Breakdown of Entry Age Accrued Liability

Active Members	$313,317
Transferred Members	9,657
Separated Members	0
Members and Beneficiaries Receiving Payments	0
Total	$322,974

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	$322,974
2.	Projected UAL Balance at 6/30/2023	30,633
3.	Other UAL Adjustments (Golden Handshake, Prior Service Purchase, etc.)	0
4.	Adjusted UAL Balance at 6/30/2023 for Asset Share	30,633
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)	1,853
10.	Plan's Share of Pool's Non-Investment (Gain)/Loss: (1) ÷ (5) × (8)	4,981
11.	Plan's New (Gain)/Loss as of 6/30/2023: (9) + (10)	6,834
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)	1,853

[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)	$37,467
19.	Plan's Share of Pool's Market Value of Assets (MVA): (1) - (18)	$285,507

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	$613,769	$715,328
2. Entry Age Accrued Liability	251,840	322,974
3. Market Value of Assets (MVA)	225,101	285,507
4. Unfunded Accrued Liability (UAL) [(2) – (3)]	$26,739	$37,467
5. Funded Ratio [(3) ÷ (2)]	89.4%	88.4%

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	$386,608	$322,974	$272,433
2. Market Value of Assets (MVA)	285,507	285,507	285,507
3. Unfunded Accrued Liability (UAL) [(1) – (2)]	$101,101	$37,467	($13,074)
4. Funded Ratio [(2) ÷ (1)]	73.8%	88.4%	104.8%

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 $2,152. 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	$30,991	$2,152	0	$2,152	$33,143
20 year funding horizon	$30,991	$2,152	$1,600	$3,752	$34,743
15 year funding horizon	$30,991	$2,152	$2,225	$4,377	$35,368
10 year funding horizon	$30,991	$2,152	$3,543	$5,695	$36,686
5 year funding horizon	$30,991	$2,152	$7,642	$9,794	$40,785

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

Fiscal Year 2025-26 Employer Contribution Necessary to Avoid Negative Amortization

Estimated Normal Cost	Minimum UAL Contribution	ADP[1]	Total UAL Contribution	Estimated Total Contribution
$30,991	$2,152	$593	$2,745	$33,736

[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	$0	2022-23	$0
2020-21	$0	2023-24[2]	$0
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 27096 Results					
Normal Cost %	7.96%	8.0%	8.0%	8.0%	8.0%	8.0%
UAL Payment	$2,152	$2,800	$3,500	$4,100	$4,200	$4,200

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.

The required contribution for FY 2025-26 is less than interest on the UAL, a situation referred to as **negative amortization**, as explained in the Additional Employer Contributions section earlier in this report. If only the minimum required contribution is made, contributions are not expected to exceed interest on the UAL until FY 2026-27, as shown in the Amortization Schedule and Alternatives section of the report (see columns labelled “Current Amortization Schedule”).

For projected contributions under alternate investment return scenarios, please see the Future Investment Return Scenarios 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	Escalation 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%	19	3,780	0	4,037	363	3,936	363
Partial Fresh Start	6/30/22	40%	Up Only	0.00%	19	26,853	0	28,679	616	29,993	1,233
Investment (Gain)/Loss	6/30/23	20%	Up Only	0.00%	20	1,853	0	1,979	0	2,114	45
Non-Investment (Gain)/Loss	6/30/23	No	Ramp	0.00%	20	4,981	0	5,320	0	5,682	511
Total						**37,467**	**0**	**40,015**	**979**	**41,725**	**2,152**

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	41,725	2,152	41,725	3,752	41,725	4,377
6/30/2026	42,338	2,814	40,685	3,752	40,039	4,377
6/30/2027	42,309	3,476	39,574	3,752	38,238	4,377
6/30/2028	41,593	4,138	38,388	3,752	36,315	4,377
6/30/2029	40,145	4,183	37,121	3,752	34,261	4,377
6/30/2030	38,552	4,183	35,768	3,752	32,067	4,377
6/30/2031	36,851	4,183	34,323	3,752	29,724	4,377
6/30/2032	35,034	4,184	32,779	3,752	27,222	4,377
6/30/2033	33,092	4,183	31,131	3,752	24,550	4,377
6/30/2034	31,020	4,184	29,370	3,752	21,696	4,377
6/30/2035	28,806	4,184	27,490	3,752	18,648	4,377
6/30/2036	26,440	4,184	25,482	3,752	15,393	4,378
6/30/2037	23,913	4,183	23,337	3,752	11,915	4,377
6/30/2038	21,217	4,185	21,046	3,752	8,202	4,377
6/30/2039	18,335	4,184	18,600	3,753	4,236	4,378
6/30/2040	15,258	4,183	15,986	3,752		
6/30/2041	11,973	4,184	13,196	3,753		
6/30/2042	8,463	4,182	10,215	3,753		
6/30/2043	4,717	4,184	7,031	3,753		
6/30/2044	714	738	3,631	3,752		
6/30/2045						
6/30/2046						
6/30/2047						
6/30/2048						
6/30/2049						
Total		**76,071**		**75,044**		**65,657**
Interest Paid		**34,346**		**33,319**		**23,932**
Estimated Savings				**1,027**		**10,414**

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
06/30/2015	2017 - 18	6.533%	$24
06/30/2016	2018 - 19	6.842%	1,263
06/30/2017	2019 - 20	6.985%	593
06/30/2018	2020 - 21	7.732%	746
06/30/2019	2021 - 22	7.59%	827
06/30/2020	2022 - 23	7.47%	1,457
06/30/2021	2023 - 24	7.68%	0
06/30/2022	2024 - 25	7.87%	979
06/30/2023	2025 - 26	7.96%	2,152

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
06/30/2015	$413	$393	$20	95.2%	$50,400
06/30/2016	8,265	7,631	634	92.3%	52,800
06/30/2017	18,722	18,136	586	96.9%	59,400
06/30/2018	45,171	42,610	2,561	94.3%	116,700
06/30/2019	73,185	69,748	3,437	95.3%	182,112
06/30/2020	113,342	106,477	6,865	93.9%	192,540
06/30/2021	174,800	188,548	(13,748)	107.9%	220,248
06/30/2022	251,840	225,101	26,739	89.4%	247,260
06/30/2023	322,974	285,507	37,467	88.4%	264,300

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	$3,100	$4,300	$5,800	$6,900	$8,300
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	$2,600	$2,800	$2,700	$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	$2,152	$4,500
(5.2%) (1 standard deviation loss)		
Discount Rate	6.80%	6.80%
Normal Cost Rate	7.96%	8.0%
UAL Contribution	$2,152	$3,700

- 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	$386,608	$322,974	$272,433
c) Market Value of Assets	$285,507	$285,507	$285,507
d) Unfunded Liability/(Surplus) [(b) - (c)]	$101,101	$37,467	($13,074)
e) Funded Ratio	73.8%	88.4%	104.8%

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	$337,493	$322,974	$295,111
c) Market Value of Assets	$285,507	$285,507	$285,507
d) Unfunded Liability/(Surplus) [(b) - (c)]	$51,986	$37,467	$9,604
e) Funded Ratio	84.6%	88.4%	96.7%

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	$330,194	$322,974	$316,351
c) Market Value of Assets	$285,507	$285,507	$285,507
d) Unfunded Liability/(Surplus) [(b) - (c)]	$44,687	$37,467	$30,844
e) Funded Ratio	86.5%	88.4%	90.3%

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	$0	$0
2. Total Accrued Liability	$251,840	$322,974
3. Ratio of Retiree AL to Total AL [(1) ÷ (2)]	0%	0%

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	0	0
3. Support Ratio [(1) ÷ (2)]	N/A	N/A

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	$225,101	$285,507
2. Payroll	$247,260	$264,300
3. Asset Volatility Ratio (AVR) [(1) ÷ (2)]	0.9	1.1
4. Accrued Liability	$251,840	$322,974
5. Liability Volatility Ratio (LVR) [(4) ÷ (2)]	1.0	1.2

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	0.3	0.3
06/30/2018	0%	N/A	0.4	0.4
06/30/2019	0%	N/A	0.4	0.4
06/30/2020	0%	N/A	0.6	0.6
06/30/2021	0%	N/A	0.9	0.8
06/30/2022	0%	N/A	0.9	1.0
06/30/2023	0%	N/A	1.1	1.2

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]	$486,283	$332,409
2. Market Value of Assets (MVA)	285,507	285,507
3. Unfunded Termination Liability [(1) – (2)]	$200,776	$46,902
4. Funded Ratio [(2) ÷ (1)]	58.7%	85.9%

[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	$446,415
b) Transferred Members	19,522
c) Separated Members	0
d) Members and Beneficiaries Receiving Payments	0
e) Total	$465,937
2. Market Value of Assets (MVA)	285,507
3. Unfunded Accrued Liability – Low-Default-Risk Basis [(1e) – (2)]	$180,430
4. Unfunded Accrued Liability – Funding Policy Basis	37,467
5. Present Value of Unearned Investment Risk Premium [(3) – (4)]	$142,963

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	45.1	46.1
Average Entry Age to Rate Plan	40.6	40.6
Average Years of Credited Service	4.7	5.7
Average Annual Covered Pay	$82,420	$88,100
Annual Covered Payroll	$247,260	$264,300
Present Value of Future Payroll	$2,421,433	$2,615,441
Transferred Members	1	1
Separated Members	0	0
Retired Members and Beneficiaries*		
Counts	0	0
Average Annual Benefits	$0	$0
Total Annual Benefits	$0	$0

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	No	
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	Indexed	
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

Stege Sanitary District

Actuarial Study of Retiree Health Liabilities Under GASB 74/75 Roll-forward Valuation

Valuation Date: June 30, 2022
Measurement Date: June 30, 2023
For Fiscal Year-End: June 30, 2024

Prepared by:
Total Compensation Systems, Inc.

Date: March 25, 2024

Table of Contents

Stege Sanitary District

Actuarial Study of Retiree Health Liabilities

PART I: EXECUTIVE SUMMARY

A. Introduction

This report was produced by Total Compensation Systems, Inc. for Stege Sanitary District to determine the liabilities associated with its current retiree health program as of a June 30, 2023 measurement date and to provide the necessary information to determine accounting entries for the fiscal year ending June 30, 2024. This report may not be suitable for other purposes such as determining employer contributions or assessing the potential impact of changes in plan design.

Different users of this report will likely be interested in different sections of information contained within. We anticipate that the following portions may be of most interest depending on the reader:

- A high level comparison of key results from the current year to the prior year is shown on this page.
- The values we anticipate will be disclosed in the June 30, 2024 year-end financials are shown on pages 2 and 3.
- Additional accounting information is shown on page 12 and Appendices C and D.
- Description and details of measured valuation liabilities can be found beginning on page 10.
- Guidance regarding the next actuarial valuation for the June 30, 2024 measurement date is provided on page 13.

B. Key Results

Stege Sanitary District uses an Actuarial Measurement Date that is 12 months prior to its Fiscal Year-End. This means that these actuarial results measured as of June 30, 2023 will be used on a look back basis for the June 30, 2024 Fiscal Year-End.

Key Results	**Current Year** *June 30, 2023 Measurement Date* *for June 30, 2024 Fiscal Year-End*	**Prior Year** *June 30, 2022 Measurement Date* *for June 30, 2023 Fiscal Year-End*
Total OPEB Liability (TOL)	$596,381	$563,890
Fiduciary Net Position (FNP)	$276,767	$257,460
Net OPEB Liability (NOL)	$319,614	$306,430
Service Cost *(for year following)*	$15,248	$14,840
Estimated Pay-as-you-go Cost *(for year following)*	$21,742	$20,230
GASB 75 OPEB Expense *(for year ending)*	$34,956	$33,794

Refer to results section beginning on page 10 or the glossary on page 27 for descriptions of the above items.

Key Assumptions	**Current Year** *June 30, 2023 Measurement Date* *for June 30, 2024 Fiscal Year-End*	**Prior Year** *June 30, 2022 Measurement Date* *for June 30, 2023 Fiscal Year-End*
Valuation Interest Rate	6.75%	6.75%
Expected Rate of Return on Assets	6.75%	6.75%
Long-Term Medical Trend Rate	4.00%	4.00%
Projected Payroll Growth	2.75%	2.75%

The following table shows the "pay as you go" projection of annual payments for the employer share of retiree health costs. Although actual payments are certain to vary from those shown below, these projections can be useful for planning purposes. See page 11 for amounts below broken out by employee classification, if applicable.

Year Beginning July 1	***Projected Benefit Payments***
2022	$20,230
2023	$21,746
2024	$23,417
2025	$25,131
2026	$27,215
2027	$29,088
2028	$31,206
2029	$33,606
2030	$36,067
2031	$39,404

C. Summary of GASB 75 Accounting Results

1. Changes in Net OPEB Liability

The following table shows the reconciliation of the June 30, 2022 Net OPEB Liability (NOL) in the prior valuation to the June 30, 2023 NOL. A more detailed version of this table can be found on page 12.

	TOL	***FNP***	***NOL***
Balance at June 30, 2022 Measurement Date	**$563,890**	**$257,460**	**$306,430**
Service Cost	$14,840	$0	$14,840
Interest on TOL / Return on FNP	$37,881	$16,530	$21,351
Employer Contributions	$0	$22,404	($22,404)
Benefit Payments	($19,552)	($19,552)	$0
Administrative Expenses	$0	($75)	$75
Experience (Gains)/Losses	($678)	$0	($678)
Changes in Assumptions	$0	$0	$0
Other	$0	$0	$0
Net Change	$32,491	$19,307	$13,184
Actual Balance at June 30, 2023 Measurement Date	**$596,381**	**$276,767**	**$319,614**

2. Deferred Inflows and Outflows

Changes in the NOL arising from certain sources are recognized on a deferred basis. The following tables show the balance of each deferral item as of the measurement date and the scheduled future recognition. A reconciliation of these balances can be found on page 12 while the complete deferral history is shown beginning on page 24.

Balances at June 30, 2024 Fiscal Year-End	*Deferred Outflows*	*Deferred Inflows*
Differences between expected and actual experience	$4,572	($55,983)
Changes in assumptions	$23,701	($719)
Differences between projected and actual return on assets	$19,172	$0
Total	$47,445	($56,702)

To be recognized fiscal year ending June 30:	*Deferred Outflows*	*Deferred Inflows*
2025	$9,407	($10,127)
2026	$7,852	($10,127)
2027	$17,375	($10,127)
2028	$5,245	($10,127)
2029	$4,650	($10,096)
Thereafter	$2,916	($6,098)
Total	$47,445	($56,702)

3. OPEB Expense

Under GASB 74 and 75, OPEB expense includes service cost, interest cost, administrative expenses, and change in TOL due to plan changes, adjusted for deferred inflows and outflows. OPEB expense can also be derived as change in net position, adjusted for employer contributions, which can be found on page 12.

To be recognized fiscal year ending June 30, 2024	*Expense Component*
Service Cost	$14,840
Interest Cost	$37,881
Expected Return on Assets	($17,472)
Administrative Expenses	$75
Recognition of Experience (Gain)/Loss Deferrals	($8,918)
Recognition of Assumption Change Deferrals	$4,007
Recognition of Investment (Gain)/Loss Deferrals	$4,543
Employee Contributions	$0
Changes in Benefit Terms	$0
Net OPEB Expense for fiscal year ending June 30, 2024	$34,956

4. Adjustments

The above OPEB expense includes all deferred inflows and outflows except any contributions after the measurement date. Contributions from July 1, 2023 to June 30, 2024 minus prior contributions after the measurement date of $22,404 should also be reflected in OPEB expense. June 30, 2024 deferred outflows should include contributions from July 1, 2023 to June 30, 2024.

5. Trend and Interest Rate Sensitivities

The following presents what the Net OPEB Liability would be if it were calculated using a discount rate assumption or a healthcare trend rate assumption one percent higher or lower than the current assumption.

Net OPEB Liability at June 30, 2023 Measurement Date	*Discount Rate*	*Healthcare Trend Rate*
1% Decrease in Assumption	$405,429	$234,074
Current Assumption	$319,614	$319,614
1% Increase in Assumption	$249,126	$426,604

D. Description of Retiree Benefits

Following is a description of the current retiree benefit plan.

	All Participants
Benefit types provided	Medical only
Duration of Benefits	Lifetime
Required Service	CalPERS Retirement
Minimum Age	CalPERS Retirement
Dependent Coverage	Spouse only
District Contribution %	100% of cap
District Cap	$324.48 in 2023

E. Summary of Valuation Data

Because this is a roll-forward valuation, this report is based on census data previously provided to us as of June, 2022 for the June 30, 2022 full valuation. Distributions of participants by age and service can be found on page 18. For non-lifetime benefits, the active count below excludes employees for whom it was not possible to receive retiree benefits (e.g. employees who were already older than the maximum age to which benefits are payable or who will not accrue the required service prior to reaching the maximum age).

	Valuation Year *June 30, 2022 Valuation Date* *June 30, 2023 Measurement Date*
Active Employees eligible for future benefits	
Count	10
Average Age	47.8
Average Years of Service	14.2
Retirees currently receiving benefits	
Count	6
Average Age	72.3

We were not provided with information about any terminated, vested employees.

F. Certification

The actuarial information in this report is intended solely to assist Stege Sanitary District in complying with Governmental Accounting Standards Board Accounting Statement 74 and 75 and, unless otherwise stated, fully and fairly discloses actuarial information required for compliance. Nothing in this report should be construed as an accounting opinion, accounting advice or legal advice. TCS recommends that third parties retain their own actuary or other qualified professionals when reviewing this report. TCS's work is prepared solely for the use and benefit of Stege Sanitary District. Release of this report may be subject to provisions of the Agreement between Stege Sanitary District and TCS. No third party recipient of this report product should rely on the report for any purpose other than accounting compliance. Any other use of this report is unauthorized without first consulting with TCS.

This report is for fiscal year July 1, 2023 to June 30, 2024, using a measurement date of June 30, 2023. The calculations in this report have been made based on our understanding of plan provisions and actual practice at the time we were provided the required information. We relied on information provided by Stege Sanitary District. Much or all of this information was unaudited at the time of our evaluation. We reviewed the information provided for reasonableness, but this review should not be viewed as fulfilling any audit requirements. We relied on the following materials to complete this study:

- We used paper reports and digital files containing participant demographic data from the District personnel records.

- We used benefit descriptions provided by the District.

All costs, liabilities, and other estimates are based on actuarial assumptions and methods that comply with all applicable Actuarial Standards of Practice (ASOPs). Each assumption is deemed to be reasonable by itself, taking into account plan experience and reasonable future expectations and in combination represent our estimate of anticipated experience of the Plan.

This report contains estimates of the Plan's financial condition and future results only as of a single date. Future results can vary dramatically and the accuracy of estimates contained in this report depends on the actuarial assumptions used. This valuation cannot predict the Plan's future condition nor guarantee its future financial soundness. Actuarial valuations do not affect the ultimate cost of Plan benefits, only the timing of Plan contributions. While the valuation is based on individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. Determining results using alternative assumptions (except for the alternate discount and trend rates shown in this report) is outside the scope of our engagement.

Future actuarial measurements may differ significantly from those presented in this report due to factors such as, but not limited to, the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the measurement methodology (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. We were not asked to perform analyses to estimate the potential range of such future measurements.

The signing actuary is independent of Stege Sanitary District and any plan sponsor. TCS does not intend to benefit from and assumes no duty or liability to other parties who receive this report. TCS is not aware of any relationship that would impair the objectivity of the opinion.

On the basis of the foregoing, I hereby certify that, to the best of my knowledge and belief, this report is complete and has been prepared in accordance with generally accepted actuarial principles and practices and all applicable Actuarial Standards of Practice. I meet the Qualifications Standards of the American Academy of

Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,

Geoffrey L. Kischuk
Actuary
Total Compensation Systems, Inc.
(805) 496-1700

PART II: LIABILITIES AND COSTS FOR RETIREE BENEFITS

A. Introduction.

We calculated the actuarial present value of projected benefit payments (APVPBP) separately for each participant. We determined eligibility for retiree benefits based on information supplied by Stege Sanitary District. We then selected assumptions that, based on plan provisions and our training and experience, represent our best prediction of future plan experience. For each participant, we applied the appropriate assumption factors based on the participant's age, sex, length of service, and employee classification.

The actuarial assumptions used for this study are summarized beginning on page 14.

B. Liability for Retiree Benefits.

For each participant, we projected future premium costs using an assumed trend rate (see Appendix C). To the extent Stege Sanitary District uses contribution caps, the influence of the trend factor is further reduced. We multiplied each future year's benefit payments by the probability that benefits will be paid; i.e. based on the probability that the participant is living, has not terminated employment, has retired and remains eligible. The probability that benefit will be paid in any future year is zero if the participant will not be eligible. The participant will not be eligible if s/he will not have met minimum service, minimum age or, if applicable, maximum age requirements.

The product of each year's benefit payments and the probability the benefit will be paid equals the expected cost for that year. We multiplied the above expected cost figures by the probability that the retiree would elect coverage. A retiree may not elect to be covered if retiree health coverage is available less expensively from another source (e.g. Medicare risk contract) or the retiree is covered under a spouse's plan. Finally, we discounted the expected cost for each year to the measurement date June 30, 2023 at 6.75% interest.

For any ***current retirees***, the approach used was similar. The major difference is that the probability of payment for current retirees depends only on mortality and age restrictions (i.e. for retired employees the probability of being retired and of not being terminated are always both 100%).

The value generated from the process described above is called the actuarial present value of projected benefit payments (APVPBP). We added APVPBP for each participant to get the total APVPBP for all participants which is the estimated present value of all future retiree health benefits for all **current** participants. The APVPBP is the amount on June 30, 2023 that, if all actuarial assumptions are exactly right, would be sufficient to expense all promised benefits until the last participant dies or reaches the maximum eligibility age. However, for most actuarial and accounting purposes, the APVPBP is not used directly but is instead apportioned over the lifetime of each participant as described in the following sections.

C. Actuarial Accrual

Accounting principles provide that the cost of retiree benefits should be "accrued" over employees' working lifetime. For this reason, the Governmental Accounting Standards Board (GASB) issued in June of 2015 Accounting Standards 74 and 75 for retiree health benefits. These standards apply to all public employers that pay any part of the cost of retiree health benefits for current or future retirees (including early retirees), whether they pay directly or indirectly (via an "implicit rate subsidy").

To actuarially accrue retiree health benefits requires determining the amount to expense each year so that the liability accumulated at retirement is, on average, sufficient (with interest) to cover all retiree health expenditures without the need for additional expenses. There are many different ways to determine the annual accrual amount. The calculation method used is called an "actuarial cost method" and uses the APVPBP to develop expense and liability figures. Furthermore, the APVPBP should be accrued over the working lifetime of employees.

In order to accrue the APVPBP over the working lifetime of employees, actuarial cost methods apportion the APVPBP into two parts: the portions attributable to service rendered prior to the measurement date (the past service liability or Total OPEB Liability (TOL) under GASB 74 and 75) and to service after the measurement date but prior to retirement (the future service liability or present value of future service costs). Of the future service liability, the portion attributable to the single year immediately following the measurement date is known as the normal cost or Service Cost under GASB 74 and 75.

The service cost can be thought of as the value of the benefit earned each year if benefits are accrued during the working lifetime of employees. The actuarial cost method mandated by GASB 75 is the "entry age actuarial cost method". Under the entry age actuarial cost method, the actuary determines the service cost as the annual amount needing to be expensed from hire until retirement to fully accrue the cost of retiree health benefits. Under GASB 75, the service cost is calculated to be a level percentage of each employee's projected pay.

D. Actuarial Assumptions

The APVPBP and service cost are determined using several key assumptions:

- The current ***cost of retiree health benefits*** (often varying by age, Medicare status and/or dependent coverage). The higher the current cost of retiree benefits, the higher the service cost.

- The ***"trend" rate*** at which retiree health benefits are expected to increase over time. A higher trend rate increases the service cost. A "cap" on District contributions can reduce trend to zero once the cap is reached thereby dramatically reducing service costs.

- ***Mortality rates*** varying by age and sex (and sometimes retirement or disability status). If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

- ***Employment termination rates*** have the same effect as mortality inasmuch as higher termination rates reduce service costs. Employment termination can vary considerably between public agencies.

- The ***service requirement*** reflects years of service required to earn full or partial retiree benefits. While a longer service requirement reduces costs, cost reductions are not usually substantial unless the service period exceeds 20 years of service.

- ***Retirement rates*** determine what proportion of employees retire at each age (assuming employees reach the requisite length of service). Retirement rates often vary by employee classification and implicitly reflect the minimum retirement age required for eligibility. Retirement rates also depend on the amount of pension benefits available. Higher retirement rates increase service costs but, except for differences in minimum retirement age, retirement rates tend to be consistent between public agencies for each employee type.

- ***Participation rates*** indicate what proportion of retirees are expected to elect retiree health benefits if a significant retiree contribution is required. Higher participation rates increase costs.

- The ***discount rate*** estimates investment earnings for assets earmarked to cover retiree health benefit liabilities. The discount rate depends on the nature of underlying assets for funded plans. The rate used for a funded plan is the **real** rate of return expected for plan assets plus the long term inflation assumption. For an unfunded plan, the discount rate is based on an index of 20 year General Obligation municipal bonds rated AA or higher. For partially funded plans, the discount rate is a blend of the funded and unfunded rates.

E. Total OPEB Liability

The assumptions listed above are not exhaustive, but are the most common assumptions used in actuarial cost calculations. If all actuarial assumptions are exactly met and an employer expensed the service cost every year for all past and current employees and retirees, a sizeable liability would have accumulated (after adding interest and subtracting retiree benefit costs). The liability that <u>would have</u> accumulated is called the Total OPEB Liability (TOL). The excess of TOL over the value of plan assets is called the Net OPEB Liability (NOL). Under GASB 74 and 75, in order for assets to count toward offsetting the TOL, the assets have to be held in an irrevocable trust that is safe from creditors and can only be used to provide OPEB benefits to eligible participants.

Changes in the TOL can arise in several ways - e.g., as a result of plan changes or changes in actuarial assumptions. Change in the TOL can also arise from actuarial gains and losses. Actuarial gains and losses result from differences between actuarial assumptions and actual plan experience. GASB 75 allows certain changes in the TOL to be deferred (i.e. deferred inflows and outflows of resources).

Under GASB 74 and 75, a portion of actuarial gains and losses can be deferred as follows:

- Investment gains and losses are deferred five years.

- Experience gains and losses are deferred over the Expected Average Remaining Service Lives (EARSL) of plan participants. In calculating the EARSL, terminated employees (primarily retirees) are considered to have a working lifetime of zero. This often makes the EARSL quite short.

- Liability changes resulting from changes in economic and demographic assumptions are also deferred based on the EARSL.

- Liability changes resulting from plan changes, for example, cannot be deferred.

F. Valuation Results

This section details the measured values of the concepts described on the previous pages. Because this is a roll-forward valuation, the results shown in this section do not match the overall results as of the measurement date.

1. Actuarial Present Value of Projected Benefit Payments (APVPBP)

Actuarial Present Value of Projected Benefit Payments as of June 30, 2022 Valuation Date

	Total
Active: Pre-65 Benefit	$93,519
Post-65 Benefit	$325,275
Subtotal	$418,794
Retiree: Pre-65 Benefit	$16,481
Post-65 Benefit	$246,041
Subtotal	$262,522
Grand Total	$681,316
Subtotal Pre-65 Benefit	$110,000
Subtotal Post-65 Benefit	$571,316

2. Service Cost

The service cost represents the value of the benefit earned during a single year of employment. It is the APVPBP spread over the expected working lifetime of the employee and divided into annual segments. We applied an "entry age" actuarial cost method to determine funding rates for active employees. The table below summarizes the calculated service cost.

Service Cost Valuation Year Beginning July 1, 2022

	Total
# of Eligible Employees	10
First Year Service Cost	
Pre-65 Benefit	$2,680
Post-65 Benefit	$12,160
Total	$14,840

Accruing retiree health benefit costs using service costs levels out the cost of retiree health benefits over time and more fairly reflects the value of benefits "earned" each year by employees. While the service cost for each employee is targeted to remain level as a percentage of covered payroll, the service cost as a dollar amount would increase each year based on covered payroll. Additionally, the overall service cost may grow or shrink based on changes in the demographic makeup of the employees from year to year.

3. Total OPEB Liability and Net OPEB Liability

If actuarial assumptions are borne out by experience, the District will fully accrue retiree benefits by expensing an amount each year that equals the service cost. If no accruals had taken place in the past, there would be a shortfall of many years' accruals, accumulated interest and forfeitures for terminated or deceased employees. This shortfall is called the Total OPEB Liability. We calculated the Total OPEB Liability (TOL) as the APVPBP minus the present value of future service costs. To the extent that benefits are funded through a GASB 74 qualifying trust, the trust's Fiduciary Net Position (FNP) is subtracted to get the NOL. The FNP is the value of assets adjusted for any applicable payables and receivables as shown in the table on page 15.

Total OPEB Liability and Net OPEB Liability as of June 30, 2022 Valuation Date

	Total
Active: Pre-65 Benefit	$68,464
Active: Post-65 Benefit	$232,867
Subtotal	$301,331
Retiree: Pre-65 Benefit	$16,484
Retiree: Post-65 Benefit	$246,075
Subtotal	$262,559
Subtotal: Pre-65 Benefit	$84,948
Subtotal: Post-65 Benefit	$478,942
Total OPEB Liability (TOL)	$563,890
Fiduciary Net Position as of June 30, 2022	$257,460
Net OPEB Liability (NOL)	$306,430

4. "Pay As You Go" Projection of Retiree Benefit Payments

We used the actuarial assumptions shown in Appendix C to project the District's ten year retiree benefit outlay. Because these cost estimates reflect average assumptions applied to a relatively small number of participants, estimates for individual years are **certain** to be ***in***accurate. However, these estimates show the size of cash outflow.

The following table shows a projection of annual amounts needed to pay the District's share of retiree health costs.

Year Beginning July 1	***Total***
2022	$20,230
2023	$21,746
2024	$23,417
2025	$25,131
2026	$27,215
2027	$29,088
2028	$31,206
2029	$33,606
2030	$36,067
2031	$39,404

G. Additional Reconciliation of GASB 75 Results

The following table shows the reconciliation of the June 30, 2022 Net OPEB Liability (NOL) in the prior valuation to the June 30, 2023 NOL. For some plans, it will provide additional detail and transparency beyond that shown in the table on Page 2.

	TOL	*FNP*	*NOL*
Balance at June 30, 2022	**$563,890**	**$257,460**	**$306,430**
Service Cost	$14,840	$0	$14,840
Interest on Total OPEB Liability	$37,881	$0	$37,881
Expected Investment Income	$0	$17,472	($17,472)
Administrative Expenses	$0	($75)	$75
Employee Contributions	$0	$0	$0
Employer Contributions to Trust	$0	$2,852	($2,852)
Employer Contributions as Benefit Payments	$0	$19,552	($19,552)
Actual Benefit Payments from Trust	$0	$0	$0
Actual Benefit Payments from Employer	($19,552)	($19,552)	$0
Expected Minus Actual Benefit Payments**	($678)	$0	($678)
Expected Balance at June 30, 2023	**$596,381**	**$277,709**	**$318,672**
Experience (Gains)/Losses	$0	$0	$0
Changes in Assumptions	$0	$0	$0
Changes in Benefit Terms	$0	$0	$0
Investment Gains/(Losses)	$0	($942)	$942
Other	$0	$0	$0
Net Change during 2023	$32,491	$19,307	$13,184
Actual Balance at June 30, 2023*	**$596,381**	**$276,767**	**$319,614**

***** May include a slight rounding error.

****** Deferrable as an Experience Gain or Loss.

Changes in the NOL arising from certain sources are recognized on a deferred basis. The deferral history for Stege Sanitary District is shown beginning on page 24. The following table summarizes the beginning and ending balances for each deferral item. The current year expense reflects the change in deferral balances for the measurement year.

Deferred Inflow/Outflow Balances Fiscal Year Ending June 30, 2024

	Beginning Balance	*Change Due to New Deferrals*	*Change Due to Recognition*	*Ending Balance*
Experience (Gains)/Losses	($59,651)	($678)	$8,918	($51,411)
Assumption Changes	$26,989	$0	($4,007)	$22,982
Investment (Gains)/Losses	$22,773	$942	($4,543)	$19,172
Deferred Balances	($9,889)	$264	$368	($9,257)

The following table shows the reconciliation of Net Position (NOL less the balance of any deferred inflows or outflows). When adjusted for contributions, the change in Net Position is equal to the OPEB expense shown previously on page 3.

Preliminary OPEB Expense Fiscal Year Ending June 30, 2024

	Beginning Net Position	*Ending Net Position*	*Change*
Net OPEB Liability (NOL)	$306,430	$319,614	$13,184
Deferred Balances	($9,889)	($9,257)	$632
Net Position	$316,319	$328,871	$12,552
Adjust Out Employer Contributions			$22,404
OPEB Expense			$34,956

H. Procedures for Future Valuations

GASB 74/75 require annual measurements of liability with a full actuarial valuation required every two years. This means that for the measurement date one year following a full actuarial valuation, a streamlined "roll-forward" valuation may be performed in place of a full valuation. The following outlines the key differences between full and roll-forward valuations.

	Full Actuarial Valuation	Roll-Forward Valuation
Collect New Census Data	Yes	No
Reflect Updates to Plan Design	Yes	No
Update Actuarial Assumptions	Yes	Typically Not
Update Valuation Interest Rate	Yes	Yes
Actual Assets as of Measurement Date	Yes	Yes
Timing	4-6 weeks after information is received	1-2 weeks after information is received
Fees	Full	Reduced
Information Needed from Employer	Moderate	Minimal
Required Frequency	At least every two years	Each year, unless a full valuation is performed

The majority of employers use an alternating cycle of a full valuation one year followed by a roll-forward valuation the next year. However, a full valuation may be required or preferred under certain circumstances. Following are examples of actions that could cause the employer to consider a full valuation instead of a roll-forward valuation.

- The employer adds or terminates a group of participants that constitutes a significant part of the covered group.
- The employer considers or implements changes to retiree benefit provisions or eligibility requirements.
- The employer considers or puts in place an early retirement incentive program.
- The employer desires the measured liability to incorporate more recent census data or assumptions.

We anticipate that the next valuation we perform for Stege Sanitary District will be a full valuation with a measurement date of June 30, 2024 which will be used for the fiscal year ending June 30, 2025.

PART III: ACTUARIAL ASSUMPTIONS AND METHODS

Following is a summary of actuarial assumptions and methods used in this study. The District should carefully review these assumptions and methods to make sure they reflect the District's assessment of its underlying experience. It is important for Stege Sanitary District to understand that the appropriateness of all selected actuarial assumptions and methods are Stege Sanitary District's responsibility. Unless otherwise disclosed in this report, TCS believes that all methods and assumptions are within a reasonable range based on the provisions of GASB 74 and 75, applicable actuarial standards of practice, Stege Sanitary District's actual historical experience, and TCS's judgment based on experience and training.

A. ACTUARIAL METHODS AND ASSUMPTIONS:

ACTUARIAL COST METHOD: GASB 74 and 75 require use of the entry age actuarial cost method.

Entry age is based on the age at hire for eligible employees. The attribution period is determined as the difference between the expected retirement age and the age at hire. The APVPBP and present value of future service costs are determined on a participant by participant basis and then aggregated.

SUBSTANTIVE PLAN: As required under GASB 74 and 75, we based the valuation on the substantive plan. The formulation of the substantive plan was based on a review of written plan documents as well as historical information provided by Stege Sanitary District regarding practices with respect to employer and employee contributions and other relevant factors.

B. ECONOMIC ASSUMPTIONS:

Economic assumptions are set under the guidance of Actuarial Standard of Practice 27 (ASOP 27). Among other things, ASOP 27 provides that economic assumptions should reflect a consistent underlying rate of general inflation. For that reason, we show our assumed long-term inflation rate below.

INFLATION: We assumed 2.50% per year used for pension purposes. Actuarial standards require using the same rate for OPEB that is used for pension.

INVESTMENT RETURN / DISCOUNT RATE: We assumed 6.75% per year net of expenses. This is based on assumed long-term return on employer assets.. We used the "Building Block Method". (See Appendix C, Paragraph 53 for more information). Our assessment of long-term returns for employer assets is based on long-term historical returns for surplus funds invested pursuant to California Government Code Sections 53601 et seq.

TREND: We assumed 4.00% per year. Our long-term trend assumption is based on the conclusion that, while medical trend will continue to be cyclical, the average increase over time cannot continue to outstrip general inflation by a wide margin. Trend increases in excess of general inflation result in dramatic increases in unemployment, the number of uninsured and the number of underinsured. These effects are nearing a tipping point which will inevitably result in fundamental changes in health care finance and/or delivery which will bring increases in health care costs more closely in line with general inflation. We do not believe it is reasonable to project historical trend vs. inflation differences several decades into the future.

PAYROLL INCREASE: We assumed 2.75% per year. Since benefits do not depend on salary (as they do for pensions), this assumption is only used to determine the accrual pattern of the Actuarial Present Value of Projected Benefit Payments.

FIDUCIARY NET POSITION (FNP): The following table shows the beginning and ending FNP numbers that were provided by Stege Sanitary District.

Fiduciary Net Position as of June 30, 2023

	06/30/2022	***06/30/2023***
Cash and Equivalents	$0	$0
Contributions Receivable	$0	$2,852
Total Investments	$257,460	$273,915
Capital Assets	$0	$0
Total Assets	$257,460	$276,767
Benefits Payable	$0	$0
Fiduciary Net Position	$257,460	$276,767

C. NON-ECONOMIC ASSUMPTIONS:

Economic assumptions are set under the guidance of Actuarial Standard of Practice 35 (ASOP 35). See Appendix C, Paragraph 52 for more information.

MORTALITY

Participant Type	***Mortality Tables***
Miscellaneous	2021 CalPERS Mortality for Miscellaneous and Schools Employees

RETIREMENT RATES

Employee Type	***Retirement Rate Tables***
All Participants	Hired 2012 and earlier: 2021 CalPERS 2.0%@55 Rates for Miscellaneous Employees Hired 2013 and later: 2021 CalPERS 2.0%@62 Rates for Miscellaneous Employees

COSTS FOR RETIREE COVERAGE

Actuarial Standard of Practice 6 (ASOP 6) provides that, as a general rule, retiree costs should be based on actual claim costs or age-adjusted premiums. This is true even for many medical plans that are commonly considered to be "community-rated." However, ASOP 6 contains a provision – specifically section 3.7.7(c) – that allows use of unadjusted premiums in certain circumstances.

It is my opinion that the section 3.7.7(c)(4) exception allows use of unadjusted premium for PEMHCA agencies if certain conditions are met. Following are the criteria we applied to Stege Sanitary District to determine that it is reasonable to assume that Stege Sanitary District's future participation in PEMHCA is likely and that the CalPERS medical program as well as its premium structure are sustainable. (We also have an extensive white paper on this subject that provides a basis for our rationale entirely within the context of ASOP 6. We will make this white paper available upon request.)

- **Plan qualifies as a "pooled health plan."** ASOP 6 defines a "pooled health plan" as one in which premiums are based at least in part on the claims experience of groups other than the one being valued." Since CalPERS rates are the same for all employers in each region, rates are clearly based on the experience of many groups.

- **Rates not based to any extent on the agency's claim experience.** As mentioned above, rates are the same for all participating employers regardless of claim experience or size.

- **Rates not based to any extent on the agency's demographics.** As mentioned above, rates are the same for all participating employers regardless of demographics.

- **No refunds or charges based on the agency's claim experience or demographics.** The terms of operation of the CalPERS program are set by statute and there is no provision for any refunds and charges that vary from employer to employer for any reason. The only charges are uniform administrative charges.

- **Plan in existence 20 or more years.** Enabling legislation to allow "contracting agencies" to participate in the CalPERS program was passed in 1967. The CalPERS medical plan has been successfully operating for almost 50 years. As far back as we can obtain records, the rating structure has been consistent, with the only difference having been a move to regional rating which is unrelated to age-adjusted rating.

- **No recent large increases or decreases in the number of participating plans or enrollment.** The CalPERS medical plan has shown remarkably stable enrollment. In the past 10 years, there has been small growth in the number of employers in most years – with the maximum being a little over 2% and a very small decrease in one year. Average year over year growth in the number of employers over the last 10 years has been about 0.75% per year. Groups have been consistently leaving the CalPERS medical plan while other groups have been joining with no disruption to its stability.

- **Agency is not expecting to leave plan in foreseeable future.** The District does not plan to leave CalPERS at present.
- **No indication the plan will be discontinued.** We are unaware of anything that would cause the CalPERS medical plan to cease or to significantly change its operation in a way that would affect this determination.
- **The agency does not represent a large part of the pool.** The District is in the CalPERS Bay Area region. Based on the information we have, the District constitutes no more than 0.01% of the Bay Area pool. In our opinion, this is not enough for the District to have a measurable effect on the rates or viability of the Bay Area pool.

Retiree liabilities are based on actual retiree costs. Liabilities for active participants are based on the first year costs shown below. Subsequent years' costs are based on first year costs adjusted for trend and limited by any District contribution caps.

Participant Type	***Future Retirees Pre-65***	***Future Retirees Post-65***
All Participants	$3,894	$3,894

PARTICIPATION RATES

Employee Type	***<65 Non-Medicare Participation %***	***65+ Medicare Participation %***
Miscellaneous	90%	90%

TURNOVER

Employee Type	***Turnover Rate Tables***
Miscellaneous	2021 CalPERS Turnover for Miscellaneous Employees

SPOUSE PREVALENCE

To the extent not provided and when needed to calculate benefit liabilities, 80% of retirees assumed to be married at retirement. After retirement, the percentage married is adjusted to reflect mortality.

SPOUSE AGES

To the extent spouse dates of birth are not provided and when needed to calculate benefit liabilities, female spouse assumed to be three years younger than male.

PART IV: APPENDICES

APPENDIX A: DEMOGRAPHIC DATA BY AGE

ELIGIBLE ACTIVE EMPLOYEES BY AGE AND SERVICE

	Total	*Under 5 Years of Service*	*5 – 9 Years of Service*	*10 – 14 Years of Service*	*15 –19 Years of Service*	*20 – 24 Years of Service*	*25 – 29 Years of Service*	*30 – 34 Years of Service*	*Over 34 Years of Service*
Under 25	1	1							
25 – 29	0								
30 – 34	0								
35 – 39	0								
40 – 44	2			2					
45 – 49	3		1	1		1			
50 – 54	2			1			1		
55 – 59	1							1	
60 – 64	0								
65 and older	1	1							
Total	10	2	1	4	0	1	1	1	0

ELIGIBLE RETIREES BY AGE AND EMPLOYEE CLASS

Age	*Total*
Under 50	0
50 – 54	0
55 – 59	1
60 – 64	0
65 – 69	1
70 – 74	2
75 – 79	1
80 – 84	0
85 – 89	1
90 and older	0
Total	6

APPENDIX B: ADMINISTRATIVE BEST PRACTICES

It is outside the scope of this report to make specific recommendations of actions Stege Sanitary District should take to manage the liability created by the current retiree health program. The following items are intended only to allow the District to get more information from this and future studies. Because we have not conducted a comprehensive administrative audit of Stege Sanitary District's practices, it is possible that Stege Sanitary District is already complying with some or all of these suggestions.

- We suggest that Stege Sanitary District maintain an inventory of all benefits and services provided to retirees – whether contractually or not and whether retiree-paid or not. For each, Stege Sanitary District should determine whether the benefit is material and subject to GASB 74 and/or 75.

- Under GASB 75, it is important to isolate the cost of retiree health benefits. Stege Sanitary District should have all premiums, claims and expenses for retirees separated from active employee premiums, claims, expenses, etc. To the extent any retiree benefits are made available to retirees over the age of 65 – ***even on a retiree-pay-all basis*** – all premiums, claims and expenses for post-65 retiree coverage should be segregated from those for pre-65 coverage. Furthermore, Stege Sanitary District should arrange for the rates or prices of all retiree benefits to be set on what is expected to be a self-sustaining basis.

- Stege Sanitary District should establish a way of designating employees as eligible or ineligible for future OPEB benefits. Ineligible employees can include those in ineligible job classes; those hired after a designated date restricting eligibility; those who, due to their age at hire cannot qualify for District-paid OPEB benefits; employees who exceed the termination age for OPEB benefits, etc.

- Several assumptions were made in estimating costs and liabilities under Stege Sanitary District's retiree health program. Further studies may be desired to validate any assumptions where there is any doubt that the assumption is appropriate. (See Part III of this report for a summary of assumptions.) For example, Stege Sanitary District should maintain a retiree database that includes – in addition to date of birth, gender and employee classification – retirement date and (if applicable) dependent date of birth, relationship and gender. It will also be helpful for Stege Sanitary District to maintain employment termination information – namely, the number of OPEB-eligible employees in each employee class that terminate employment each year for reasons other than death, disability or retirement.

APPENDIX C: GASB 74/75 ACCOUNTING ENTRIES AND DISCLOSURES

This report does not necessarily include the entire accounting values. As mentioned earlier, there are certain deferred items that are employer-specific. The District should consult with its auditor if there are any questions about what, if any, adjustments may be appropriate.

GASB 74/75 include a large number of items that should be included in the Note Disclosures and Required Supplementary Information (RSI) Schedules. Many of these items are outside the scope of the actuarial valuation. However, following is information to assist the District in complying with GASB 74/75 disclosure requirements:

Paragraph 50: **Information about the OPEB Plan**

Most of the information about the OPEB plan should be supplied by Stege Sanitary District. Following is information to help fulfill Paragraph 50 reporting requirements.

50.c: Following is a table of plan participants

	Number of Participants
Inactive Employees Currently Receiving Benefit Payments	6
Inactive Employees Entitled to But Not Yet Receiving Benefit Payments*	0
Participating Active Employees	10
Total Number of participants	16

*We were not provided with information about any terminated, vested employees

Paragraph 51: **Significant Assumptions and Other Inputs**

Shown in Part III.

Paragraph 52: **Information Related to Assumptions and Other Inputs**

The following information is intended to assist Stege Sanitary District in complying with the requirements of Paragraph 52.

52.b: Mortality Assumptions Following are the tables the mortality assumptions are based upon. Inasmuch as these tables are based on appropriate populations, and that these tables are used for pension purposes, we believe these tables to be the most appropriate for the valuation.

Mortality Table	2021 CalPERS Mortality for Miscellaneous and Schools Employees
Disclosure	The mortality assumptions are based on the 2021 CalPERS Mortality for Miscellaneous and Schools Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis.

Mortality Table	2021 CalPERS Retiree Mortality for Miscellaneous and Schools Employees
Disclosure	The mortality assumptions are based on the 2021 CalPERS Retiree Mortality for Miscellaneous and Schools Employees table created by CalPERS. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projection as deemed appropriate based on CalPERS analysis.

52.c: Experience Studies Following are the tables the retirement and turnover assumptions are based upon. Inasmuch as these tables are based on appropriate populations, and that these tables are used for pension purposes, we believe these tables to be the most appropriate for the valuation.

Retirement Tables

Retirement Table	2021 CalPERS 2.0%@55 Rates for Miscellaneous Employees
Disclosure	The retirement assumptions are based on the 2021 CalPERS 2.0%@55 Rates for Miscellaneous Employees table created by CalPERS. CalPERS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool.

Retirement Table	2021 CalPERS 2.0%@62 Rates for Miscellaneous Employees
Disclosure	The retirement assumptions are based on the 2021 CalPERS 2.0%@62 Rates for Miscellaneous Employees table created by CalPERS. CalPERS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool.

Turnover Tables

Turnover Table	2021 CalPERS Turnover for Miscellaneous Employees
Disclosure	The turnover assumptions are based on the 2021 CalPERS Turnover for Miscellaneous Employees table created by CalPERS. CalPERS periodically studies the experience for participating agencies and establishes tables that are appropriate for each pool.

For other assumptions, we use actual plan provisions and plan data.

52.d: The alternative measurement method was not used in this valuation.

52.e: NOL using alternative trend assumptions The following table shows the Net OPEB Liability with a healthcare cost trend rate 1% higher and 1% lower than assumed in the valuation.

	Trend 1% Lower	Valuation Trend	Trend 1% Higher
Net OPEB Liability	$234,074	$319,614	$426,604

Paragraph 53: **Discount Rate**

The following information is intended to assist Stege Sanitary District to comply with Paragraph 53 requirements.

53.a: A discount rate of 6.75% was used in the valuation. The interest rate used in the prior valuation was 6.75%.

53.b: We assumed that all contributions are from the employer.

53.c: We used historic 31 year real rates of return for each asset class along with our assumed long-term inflation assumption to set the discount rate. We offset the expected investment return by investment expenses of 25 basis points.

53.d: The interest assumption does not reflect a municipal bond rate.

53.e: Not applicable.

53.f: Following is the assumed asset allocation and assumed rate of return for each.
CERBT - Strategy 1

Asset Class	Percentage of Portfolio	Assumed Gross Return
All Equities	59.0000	7.5450
All Fixed Income	25.0000	4.2500
Real Estate Investment Trusts	8.0000	7.2500
All Commodities	3.0000	7.5450
Treasury Inflation Protected Securities (TIPS)	5.0000	3.0000

We looked at rolling periods of time for all asset classes in combination to appropriately reflect correlation between asset classes. That means that the average returns for any asset class don't necessarily reflect the averages over time individually, but reflect the return for the asset class for the portfolio average. We used geometric means.

53.g: The following table shows the Net OPEB liability with a discount rate 1% higher and 1% lower than assumed in the valuation.

	Discount Rate 1% Lower	Valuation Discount Rate	Discount Rate 1% Higher
Net OPEB Liability	$405,429	$319,614	$249,126

Paragraph 55: **Changes in the Net OPEB Liability**

Please see reconciliation on pages 2 or 12.

Paragraph 56: **Additional Net OPEB Liability Information**

The following information is intended to assist Stege Sanitary District to comply with Paragraph 56 requirements.

56.a: The valuation date is June 30, 2022.
The measurement date is June 30, 2023.
56.b: We are not aware of a special funding arrangement.
56.c: There were no assumption changes since the prior measurement date.
56.d: There were no changes in benefit terms since the prior measurement date.
56.e: Not applicable

56.f: To be determined by the employer
56.g: To be determined by the employer
56.h: Other than contributions after the measurement, all deferred inflow and outflow balances are shown on page 12 and in Appendix D
56.i: Future recognition of deferred inflows and outflows is shown in Appendix D

Paragraph 57: **Required Supplementary Information**

57.a: Please see reconciliation on pages 2 or 12. Please see the notes for Paragraph 244 below for more information.
57.b: These items are provided on pages 2 and 12 for the current valuation, except for covered payroll, which should be determined based on appropriate methods.
57.c: We have not been asked to calculate an actuarially determined contribution amount. We assume the District contributes on an ad hoc basis, but in an amount sufficient to fully fund the obligation over a period not to exceed 31 years.
57.d: We are not aware that there are any statutorily or contractually established contribution requirements.

Paragraph 58: **Actuarially Determined Contributions**

We have not been asked to calculate an actuarially determined contribution amount. We assume the District contributes on an ad hoc basis, but in an amount sufficient to fully fund the obligation over a period not to exceed 31 years.

Paragraph 244: **Transition Option**

Prior periods were not restated due to the fact that prior valuations were not rerun in accordance with GASB 75. It was determined that the time and expense necessary to rerun prior valuations and to restate prior financial statements was not justified.

APPENDIX D: DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

EXPERIENCE GAINS AND LOSSES

Increase (Decrease) in OPEB Expense Arising from the Recognition of Effects of Experience Gains and Losses (Measurement Periods)

Measurement Period	Experience (Gain)/Loss	Original Recognition Period (Years)	Amounts Recognized in OPEB Expense through 2022	2023	Amounts to be Recognized in OPEB Expense after 2023	2024	2025	2026	2027	2028	Thereafter
2017-18	$3,703	9.6	$1,930	$386	$1,387	$386	$386	$386	$229		
2018-19	$1,993	9.6	$832	$208	$953	$208	$208	$208	$208	$121	
2019-20	$4,092	8.8	$1,395	$465	$2,232	$465	$465	$465	$465	$372	
2020-21	($1,632)	8.8	($372)	($186)	($1,074)	($186)	($186)	($186)	($186)	($186)	($144)
2021-22	($73,723)	7.6	($9,701)	($9,701)	($54,321)	($9,701)	($9,701)	($9,701)	($9,701)	($9,701)	($5,816)
2022-23	($678)	7.6	$0	($90)	($588)	($90)	($90)	($90)	($90)	($90)	($138)
Net Increase (Decrease) in OPEB Expense			**($5,916)**	**($8,918)**	**($51,411)**	**($8,918)**	**($8,918)**	**($8,918)**	**($9,075)**	**($9,484)**	**($6,098)**

CHANGES OF ASSUMPTIONS

Increase (Decrease) in OPEB Expense Arising from the Recognition of Effects of Changes of Assumptions (Measurement Periods)

Measurement Period	Changes of Assumptions	Original Recognition Period (Years)	Amounts Recognized in OPEB Expense through 2022	2023	Amounts to be Recognized in OPEB Expense after 2023	2024	2025	2026	2027	2028	Thereafter
2019-20	($1,319)	8.8	($450)	($150)	($719)	($150)	($150)	($150)	($150)	($119)	
2020-21	$18,805	8.8	$4,274	$2,137	$12,394	$2,137	$2,137	$2,137	$2,137	$2,137	$1,709
2021-22	$15,347	7.6	$2,020	$2,020	$11,307	$2,020	$2,020	$2,020	$2,020	$2,020	$1,207
2022-23	$0	0	$0	$0	$0						
Net Increase (Decrease) in OPEB Expense			**$5,844**	**$4,007**	**$22,982**	**$4,007**	**$4,007**	**$4,007**	**$4,007**	**$4,038**	**$2,916**

INVESTMENT GAINS AND LOSSES

			Increase (Decrease) in OPEB Expense Arising from the Recognition of Effects of Investment Gains and Losses (Measurement Periods)								
Measurement Period	Investment (Gain)/Loss	Original Recognition Period (Years)	Amounts Recognized in OPEB Expense through 2022	2023	Amounts to be Recognized in OPEB Expense after 2023	2024	2025	2026	2027	2028	Thereafter
2018-19	$1,756	5	$1,408	$348	$0						
2019-20	$7,791	5	$4,677	$1,559	$1,555	$1,555					
2020-21	($47,625)	5	($19,050)	($9,525)	($19,050)	($9,525)	($9,525)				
2021-22	$59,858	5	$11,972	$11,972	$35,914	$11,972	$11,972	$11,970			
2022-23	$942	5	$0	$189	$753	$189	$189	$189	$186		
Net Increase (Decrease) in OPEB Expense			**($993)**	**$4,543**	**$19,172**	**$4,191**	**$2,636**	**$12,159**	**$186**	**$0**	**$0**

APPENDIX E: GLOSSARY OF RETIREE HEALTH VALUATION TERMS

Note: The following definitions are intended to help a *non*-actuary understand concepts related to retiree health valuations. Therefore, the definitions may not be actuarially accurate.

Actuarial Cost Method:	A mathematical model for allocating OPEB costs by year of service. The only actuarial cost method allowed under GASB 74/75 is the entry age actuarial cost method.
Actuarial Present Value of Projected Benefit Payments:	The projected amount of all OPEB benefits to be paid to current and future retirees discounted back to the valuation or measurement date.
Deferred Inflows/Outflows of Resources:	A portion of certain items that can be deferred to future periods or that weren't reflected in the valuation. The former includes investment gains/losses, actuarial gains/losses, and gains/losses due to changes in actuarial assumptions or methods. The latter includes contributions made to a trust subsequent to the measurement date but before the statement date.
Discount Rate:	Assumed investment return net of all investment expenses. Generally, a higher assumed interest rate leads to lower service costs and total OPEB liability.
Fiduciary Net Position:	Net assets (liability) of a qualifying OPEB "plan" (i.e. qualifying irrevocable trust or equivalent arrangement).
Implicit Rate Subsidy:	The estimated amount by which retiree rates are understated in situations where, for rating purposes, retirees are combined with active employees and the employer is expected, in the long run, to pay the underlying cost of retiree benefits.
Measurement Date:	The date at which assets and liabilities are determined in order to estimate TOL and NOL.
Mortality Rate:	Assumed proportion of people who die each year. Mortality rates always vary by age and often by sex. A mortality table should always be selected that is based on a similar "population" to the one being studied.
Net OPEB Liability (NOL):	The Total OPEB Liability minus the Fiduciary Net Position.
OPEB Benefits:	Other Post Employment Benefits. Generally, medical, dental, prescription drug, life, long-term care or other postemployment benefits that are not pension benefits.
OPEB Expense:	This is the amount employers must recognize as an expense each year. The annual OPEB expense is equal to the Service Cost plus interest on the Total OPEB Liability (TOL) plus change in TOL due to plan changes minus projected investment income; all adjusted to reflect deferred inflows and outflows of resources.
Participation Rate:	The proportion of retirees who elect to receive retiree benefits. A lower participation rate results in lower service cost and a TOL. The participation rate often is related to retiree contributions.

Pay As You Go Cost:	The projected benefit payments to retirees in a given year as estimated by the actuarial valuation. Actual benefit payments are likely to differ from these estimated amounts. For OPEB plans that do not pre-fund through an irrevocable trust, the Pay As You Go Cost serves as an estimated amount to budget for annual OPEB payments.
Retirement Rate:	The proportion of active employees who retire each year. Retirement rates are usually based on age and/or length of service. (Retirement rates can be used in conjunction with the service requirement to reflect both age and length of service). The more likely employees are to retire early, the higher service costs and actuarial accrued liability will be.
Service Cost:	The annual dollar value of the "earned" portion of retiree health benefits if retiree health benefits are to be fully accrued at retirement.
Service Requirement:	The proportion of retiree benefits payable under the OPEB plan, based on length of service and, sometimes, age. A shorter service requirement increases service costs and TOL.
Total OPEB Liability (TOL):	The amount of the actuarial present value of projected benefit payments attributable to participants' past service based on the actuarial cost method used.
Trend Rate:	The rate at which the employer's share of the cost of retiree benefits is expected to increase over time. The trend rate usually varies by type of benefit (e.g. medical, dental, vision, etc.) and may vary over time. A higher trend rate results in higher service costs and TOL.
Turnover Rate:	The rate at which employees cease employment due to reasons other than death, disability or retirement. Turnover rates usually vary based on length of service and may vary by other factors. Higher turnover rates reduce service costs and TOL.
Valuation Date:	The date as of which the OPEB obligation is determined by means of an actuarial valuation. Under GASB 74 and 75, the valuation date does not have to coincide with the statement date, but can't be more than 30 months prior.

STEGE SANITARY DISTRICT

STAFF REPORT

Board of Directors Long Range Planning Workshop Date: 3/8/2025

TO:	Honorable Board of Directors
FROM:	Lani Good, District Manager
SUBJECT:	Agenda Item 4.D. USEPA Consent Decree Progress

Staff Report and attachments will be posted separately.

STEGE SANITARY DISTRICT

STAFF REPORT

Board of Directors Long Range Planning Workshop Date: 3/8/2025

TO:	Honorable Board of Directors
FROM:	Lani Good, District Manager
SUBJECT:	Agenda Item 4.E. USEPA Consent Decree Planning

Staff Report and Attachments will be posted separately.

SEVERAL SUGGESTIONS ON ACCELERATING LATERAL REPLACEMENTS FOR DISCUSSION AT LONG RANGE PLANNING SESSION 8 MAR 2025

We have a great deal of evidence that laterals are a principle contributor to our I/I issues. Here are some suggestions to improve replacement rate.

1. Replace laterals which fail test when the main is replaced.

We have backed away from this idea in the past for several reasons, some imaginary, others worth addressing. The first is cost. With improvements in pipe bursting, it has become easier and cheaper to replace laterals. The cheapest time to replace a lateral is when the main is being replaced. It is necessary to dig down to the main-lateral connection when the main is replaced to reconnect the lateral, so this saves the cost of a second excavation if the lateral is replaced later. Who pays the extra cost I address later. Since 50% of laterals are “new”, we will only need to replace ½ of laterals. We have about 10,000 laterals and 750,000 ft of main, so we have ca 1 lateral for every 75 ft of main. If we replace 15,000 ft of main per year this would be 15,000 / (75 X ½) = 100. We have been seeing costs around $6000 per lateral, but if they were done when the main is replaced under a unit price contract with the main contractor (extra for extra feet of lateral beyond standard, no charge for street excavation since that happens anyway, etc) we might be looking at $3,000 average/lateral. For 15,000 ft of main we would only be looking at $300,000, only 10% of the cost of 15,000 ft of main at $200/ft. This is certainly feasible, and could yield big savings if it gets us out of a continuing consent decree. We have always fixated on ownership of laterals which blinds us to the realities of the situation. We would still expect the homeowner to maintain the lateral and repair it if necessary in the future, but ownership is probably the wrong concept. The city expects the homeowner to “maintain” the sidewalk, sweeping it and otherwise insuring free access, and if there is severe damage the city will often have the homeowner repair the sidewalk even though it is under city ownership and not even on the homeowner’s property. It is unlikely that Stege would incur significant liability by replacing a few laterals, certainly less liability than we would incur by failing our I/I mandates. We should consider this an experiment, confirming the idea that replacing everything (laterals, mains, and manhole structures) will show extra I/I reduction since there will be no conductance from the soil to the one bad lateral on the block. Funding such an experiment would be perfectly proper.

Would people who recently replaced their lateral and are now paying it off over 10 years feel cheated? We might consider some relief such as canceling half the outstanding balance. Homeowners who don’t get new laterals (50% of the 98% who won’t get a new lateral in any one year) may be unhappy. The benefits are clear if the I/I is significantly reduced, and the WQCB is gearing up to have reports on all lateral overflows, so a proactive approach is indicated.

2. Require testing of all laterals over 50 years of age.

3. Tighten up compliance on test with $100,000 remodeling.

4. Have EBMUD crackdown on the scofflaws who haven’t tested and repaired their laterals

5. Eliminate the prop 13 follow along exempting inter-generational transfers.

If we do all of the above, we may eliminate our I/I problem!

--D. Merrill

STEGE SANITARY DISTRICT

STRATEGIC PLAN

APRIL 2024

STEGE SANITARY DISTRICT
STRATEGIC PLAN

I. MISSION

To protect public health and the environment for the communities we serve through planning and operation of a safe, efficient, and economical wastewater collection system.

II. VISION

The District will continue to:

a. Protect public health and the environment
b. Meet all legal and regulatory requirements
c. Work in a safe and efficient manner
d. Provide excellent customer service
e. Employ our proactive asset management methods to provide a sustainably reliable collection system and reduce sewer system overflows (SSOs)
f. Utilize a Pay-as-you-go (PayGo) with existing funds rather than borrowed financial policy for maintenance and construction including prudent, justifiable reserves
g. Manage resources to accomplish our mission while maintaining an affordable and reasonable rate structure
h. Provide a safe, enjoyable, and rewarding work environment that recognizes the worth and value of our employees
i. Use governance and transparency practices that qualify for the Special District Leadership Foundation District of Distinction Accreditation and the District Transparency Certificate of Excellence
j. Anticipate and plan for future changes particularly climate change
k. Keep customers informed through newsletters, public appearances, website, and other appropriate outreach

III. VALUES

The District will adhere to the following set of core values in all aspects of operations:

a. Safety
b. Fiscal Responsibility
c. Fairness

d. Ethical and Transparent Governance
e. Professional Excellence
f. Education and Training
g. Appropriate, Safe and Secure Up-To-Date Technology and Equipment
h. Continued Improvement
i. Sustainable Environmental Practices (Reduce, Reuse, Recycle)

IV. GOALS/OBJECTIVES & WORK PLAN

1. Comply with State and Federal Regulations
   a. Meet United States Environmental Protection Agency Consent Decree requirements including submittal of an Annual Report by September 30th of each year
   b. Meet State of California Wastewater Discharge Requirements (WDR) requirements including electronic reporting of Sanitary Sewer Overflows (SSOs)
   c. Meet Regional Water Quality Control Board (Region 2) Sewer System Management Plan (SSMP) requirements including a documented self-audit every 3 years
   d. Complete a comprehensive legal review and update of the District's Ordinance Code by June 2028 and at least every ten (10) years thereafter
   e. Maintain a safety sensitive commercial driver program which includes a substance abuse policy for all employees who are required to possess a class B license
   f. Work with professional associations such as CWEA, CASA, CSDA and BACWA that monitor and advocate on behalf of wastewater agencies before state and federal regulators on pending and proposed legislation or regulations
2. Maintain and Improve Infrastructure
   a. Perform proactive maintenance and assessment of the sewer system through cleaning, CCTV inspection, and chemical root control to eliminate "preventable" SSOs
   b. Update and implement sewer system master plan to prioritize sewer replacement, funding, and maintain a sewer system life cycle of 60+ years by June 2025 and at least every two (2) years thereafter
   c. Update and maintain the District's Asset Management and Data Collections Program which includes the Geographic Information System (GIS) and Computerized Maintenance Management System (CMMS)
   d. Work with the Regional Private Sewer Lateral (PSL) and Regional Technical Support Program (RTSP) to facilitate property owner replacement of leaky laterals and elimination of cross connections including promoting participation in the District's PSL Loan Program
   e. Conduct risk assessments for natural disasters by June 2025 and at least every five

(5) years thereafter

f. Conduct risk assessments for cyber security by June 2025 and at least every five (5) years thereafter
g. Conduct risk assessments for pump stations, force mains, and siphon by June 2025 and at least every five (5) years thereafter
h. Work with local agencies to develop growth strategies that ensure necessary sewer collection infrastructure is prudently funded and installed
i. Annually review the District's Emergency Management Plan

3. <u>Ensure Financial Stability and Efficiency</u>
   a. Annually review the Sewer Service Charge
   b. Conduct a Financial Plan and Rate Study by June 2024 and at least every five (5) years thereafter
   c. Annually develop and implement a financial budget by June of each year
   d. Annually undertake an independent financial audit by December of each year
   e. Change auditors by June 2023 and at least every five (5) years thereafter
   f. Annually review the District's Connection Charge by January of each year
   g. Annually review the District's Long Term Financial Plan by June of each year
   h. Annually review the District's Working Capital and Reserve Policy by June of each year
   i. Annually review the District's Investment Policy by July of each year
   j. Conduct a retiree medical actuarial evaluation by March of every even year
   k. Annually compare service rates with East Bay agencies by January of each year
   l. Monthly Board review of financial statements
   m. Annually review the District's San Pablo Avenue Specific Plan Impact Fee by June of each year
4. <u>Provide a Safe and Rewarding Work Environment that Recognizes the Worth and Value of Employees</u>
   a. Provide employees with the proper tools, resources, and technology necessary to perform their duties safely, effectively, and efficiently
   b. Annually review employee salary and benefits by July of each year and conduct a survey vs. comparable agencies by June 2025 and at least every five (5) years thereafter
   c. Encourage employee participation in professional organizations
   d. Provide effective training, professional development, and quality educational opportunities at District expense to promote professional development and certification
   e. Provide a flexible work schedule as a benefit for employees to support employee

morale, retention, and recruitment

f. Provide an incentive award program and safety awards to recognize employee achievements
g. Maintain a succession plan that will identify and cross-train back-up staff to mitigate the extended absence, loss, or retirement of key employees and maintain institutional and technical knowledge
h. Provide a safety and wellness program that promotes a safe work environment and good health

5. <u>Maintain and Improve Community Outreach and Communication</u>
   a. Keep the District website updated with current information that maintains a high level of transparency and accessibility for the public
   b. Publish the Endeavor Newsletter twice a year, mail to every District resident, and provide copies to service area libraries, community centers, senior centers, cafés, coffee shops, donut shops, & waiting rooms
   c. Maintain a 24-hour “live” person contact phone number
   d. Send a customer service satisfaction survey after each service call to track fulfillment of expectations
   e. Participate in community events such as the 4th of July Fair
   f. Provide educational pamphlets, door hangers, and notices, such as Proposition 218 notices, to inform the public of rate changes, proper disposal of “flushable” wipes & other non-flushables, Fats, Oils & Grease (FOG) disposal, Underground Service Alert (USA) damage prevention services, backflow prevention device (BPD) installation and maintenance, actions that can help prevent SSOs, construction notices, new owner information packets, and the Private Sewer Lateral (PSL) Replacement Loan Program
   g. Work cooperatively with other agencies within and around our service area
   h. Maintain a presence on social media and online communities such as Facebook, Twitter, Nextdoor, and Yelp
   i. Maintain governance and transparency practices that qualify for the Special District Leadership Foundation District of Distinction Accreditation and the District Transparency Certificate of Excellence
6. <u>Improve Environmental Stewardship</u>
   a. Consider environmental factors in product and service acquisitions, such as electric vehicles, as prescribed in the District’s Environmentally Preferable Procurement Policy
   b. Consider energy efficient products when planning administrative building retrofits such as solar panels, localized energy microgrids, LED lights, and HVAC heat pump

technology

c. Consider the impacts of climate change and take appropriate action to understand, mitigate, and adapt to those impacts through sustainable activities that manage long-term economic, environmental, and human resource benefits

STEGE SANITARY DISTRICT

STAFF REPORT

Board of Directors Long Range Planning Workshop Date: 3/8/2025

TO:	Honorable Board of Directors
FROM:	Lani Good, District Manager
REPORT BY:	Kristopher Kokotaylo, District Counsel
SUBJECT:	Board Attendance Policy

RECOMMENDATION
Discuss options to address Board Member attendance.

EXECUTIVE SUMMARY
State Law has provisions related to City Council member attendance for general law cities but does not have similar provisions applicable to Sanitary Districts. The Board of Directors does not have the ability to take action against other Board Members for lack of attendance aside from censure or other statements of disapproval.

The general options to address Board Member attendance would be:

1. Establish an internal discipline policy for Board Members that could include admonishment or formal censure process for failure to meet Board established standards including failure to meet attendance as a policy violation. A censure is a formal reprimand of a Board Member for violating the law or District policy. It does not result in any financial impact or suspension of a Board Member's rights.
2. Establish attendance standards in policies with an expectation the Board Members have a collective understanding of the importance of attending meetings to ensure that business can be effectively conducted without an internal discipline policy.

BACKGROUND AND DISCUSSION
At the February 20, 2025 District Board Meeting, the Board President inquired about options to enforce or require minimum attendance standards for Board Members. The District Counsel informed the Board of the general options to address Board Member attendance, and the Board President requested discussion of this topic at the Long-Range Planning Workshop.

ALTERNATIVES
1. Do nothing.
2. Establish an internal discipline policy to include admonishment or formal censure process.
3. Establish attendance standards in policies without an internal discipline policy.

FISCAL IMPACT
None.

ENVIRONMENTAL IMPACT
None.