NOTICE AND CALL OF SPECIAL MEETING
OF THE COASTAL ANIMAL SERVICES AUTHORITY
JPA BOARD OF DIRECTORS

TO MEMBERS OF THE COASTAL ANIMAL SERVICES AUTHORITY:

NOTICE IS HEREBY GIVEN that a Special Meeting of the Coastal Animal Services Authority is hereby called to be held on Monday, April 29, 2024 at 7:30 a.m. at the City of San Clemente City Hall, 910 Calle Negocio, San Clemente, CA 92672.

Said Special Meeting shall be held to consider the following agenda items:

1. See attached list.

Jamey Federico
Chairperson

Agenda for Coastal Animal Services Authority
Special Board Meeting
April 29, 2024
7:30 a.m.

Location:
City of San Clemente, City Hall, Community Conference Room
910 Calle Negocio
San Clemente, CA 92672

AGENDA ITEMS

1. CALL TO ORDER

- Pledge of Allegiance

2. ITEMS FROM THE BOARD

3. ITEMS FROM THE CITY

- CalPers

8. ORAL COMMUNICATIONS

- Members of the audience who wish to address the JPA Board on matters within the jurisdiction of the Coastal Animal Services Authority, but not separately listed on the agenda, may do so during the Oral Communications portion of the meeting.

9. ADJOURNMENT

Next Regular JPA Meeting at the San Clemente City Hall, 910 Calle Negocio, Community Conference Room, San Clemente, CA, June 3, 2024 at 7:30 a.m..

____
Jamey Federico, Chairperson, CASA Board

COASTAL ANIMAL SERVICES AUTHORITY
JPA MEETING AGENDA REPORT

Meeting Date: April 29, 2024

Agency: Coastal Animal Services Authority

***Prepared By*:** Jake Rahn, Finance Manager, City of San Clemente
Subject: ***CASA PENSION PLAN ADMINISTRATION***

Recommended Action(s): ***STAFF RECOMMENDS THAT*** the Board:

1. Adopt the RESOLUTION OF INTENTION TO APPROVE A CONTRACT BETWEEN THE BOARD OF ADMINISTRATION CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM AND THE BOARD OF DIRECTORS COASTAL ANIMAL SERVICES AUTHORITY

Background: CASA is seeking to change its employment retirement benefit system from the City of San Clemente Employee Retirement Plan (CSCERP) to CalPERS. The first phase in establishing a contract with CalPERS was an eligibility and financial review conducted by CalPERS which concluded that CASA is eligible to establish a contract with CalPERS.

After the February 5, 2024 CASA Board meeting, staff completed the second phase of the transition to CalPERS by providing a questionnaire with census data to CalPERS for review and for CalPERS to complete actuarial valuation(s). Actuarial valuations dated March 12, 2024 were received from CalPERS and staff discussed the implementation timeline verbally with CalPERS representatives. As required by Government Code Section 7507, staff presented the valuations and a cost analysis to the Board at the April 1, 2024 Board meeting. The Actuarial Valuations previously presented are also discussed further within this report and attached as Exhibit I. During a report to the Board on April 1, staff presented on the anticipated timeline, valuations and costs, and discussed that a package from CalPERS would be received with the Resolution of Intention in early April. The Board directed staff to bring back the Resolution of Intention at a Special Meeting on April 29, 2024.

The CalPERS package, dated April 2, 2024, was received and includes steps and information related to CASA contracting with CalPERS. A copy of this package is attached as Exhibit II to this report.

Discussion: The CalPERS actuarial reports are separated into two different reports that are based on membership. The actuarial reports prepared are for 1) Classic employees and 2) PEPRA employees. As noted, the CalPERS actuarial reports are attached for the Board's reference. (Ex. I.) CalPERS Plan Specific Information includes information on employer contributions, funded status, projected employer contributions, risks, participant data, and benefit options in the Actuarial Reports (Exhibit I).

In order to inform the Board of the differences between CalPERS and CSCERP, below is staff's summary of information from the actuarial reports focusing on contribution rates, pension liability, and pension benefits.

Contribution Rates

Contributions, as a percentage of salary, based on the actuarial reports is below:

	CSCERP	CalPERS	Change
Employee Contribution (Classic)	7.0%	7.0%	-
Employer Contribution (Classic)	19.1%	12.5%	(6.60%)
Employee Contribution (PEPRA)	10.75%	7.75%	(3.00%)
Employer Contribution (PEPRA)	19.1%	7.70%	(11.40%)

Contribution rate decreases under CalPERS are due to the CalPERS higher discount rate (6.8%) as compared to the CSCERP plan rate (5.5%). The employer contribution percentage and the PEPRA employee contribution requirements, based on the actuarial salary amount, provide savings of about $30,000 annually. The annual cost will be $68,141 with CalPERS - $56,349 for Classic employees and $11,792 for PEPRA based on the valuations.

Pension Liability

The pension liability under the two plans follow:

Plan	Liability Amount
CSCERP – *actives only*	$1,950,000*
CalPERS (Classic and PEPRA)-actives only	$1,275,700

* CASA total liability at valuation date was $3.0 million for active *and* retirees.

The pension liability for CalPERS reflects existing active employees who would be transitioned to CalPERS. If a CalPERS transition occurs, the liability could be funded through a transfer of assets held in the CSCERP plan, with an estimated amount to achieve a funded level of 85% totaling $1.1 million. The amount transferred as part of the transition can be modified. Total CSCERP assets at March 2024 total $26 million encompassing both City and CASA assets.

Pension Benefits

Key information on the benefit structure based on the actuarial valuations is summarized below:

Benefit	CalPERS (Classic)	CSCERP (Classic)	CalPERS (PEPRA)	CSCERP (PEPRA)
Benefit Formula	2% @ 55	2% @ 55	2% @ 62	2% @ 62
Final Compensation	1 year	1 year*	3 year	3 year
Sick Leave Credit	Yes	No	Yes	No
Lump Sum	$2,000	$600	$2,000	$600
COLA	2%	2%	2%	2%

*If hired prior to 1/1/2013, on or after 1/1/2013 three year final compensation (section 20037)

The transition to CalPERS would be to risk-pools based on the small number of the participants. Risk pools benefits are standardized.

At the Board's direction, to pursue the transition to CalPERS, the below actions need to occur. As noted, some actions have been completed or will be completed at this meeting.

1. **Resolution of Intention (§ 20469).** Declares the agency's intent to contract.
   - *Timeframe: Special meeting on April 29, 2024 (this meeting)*
2. **Member Election by secret ballot (§20469).**
   a. Required whenever the employees' rate of contribution is impacted.
   b. The contract cannot take effect if a majority of the affected members vote to disapprove the proposed plan.
   - *Timeframe: Early May 2024*

3. **Publication of Costs (§ 20469).** Requires the future annual costs of the proposed contract be made public at a Board meeting at least two weeks prior to adoption of the final documents.
    - *Timeframe: At the April 1, 2024 meeting and this April 29, 2024 meeting*
4. **Adoption of Final Resolution and Final Action (§ 20471).**
    - *Timeframe: At the meeting of June 3, 2024.*
5. **Contract effective date (§ 20474):** Pay period following adoption of final resolution.
    - *Timeframe: Anticipated to be the pay period beginning July 8. This will coincide with the implementation of the new Heath contract which will be presented at the June 3, 2024 meeting.*

CASA transition consideration would also need to address the following:

- The Health contract between CalPERS and CASA would need to be modified.
- Assets would be transferred from CSCERP to CalPERS. Assistance to determine the amount would be in consultation with an actuary.

Options: Based on Government Code Section 20469, the Board could adopt the Resolution of Intention and initiate the contracting process with CalPERS. Alternatively, the Board could not approve the Resolution of Intention and instead continue employee participation in the CSCERP plan.

Fiscal Impact: Upon the change from CSCERP to the CalPERS retirement, the annual estimated savings is approximately $30,000 annually from existing pension costs.

Attachments: Exhibit I - CalPERS Actuarial Valuations
Exhibit II – CalPERS Package, including letter and documents
Exhibit III - RESOLUTION OF INTENTION TO APPROVE A CONTRACT BETWEEN THE BOARD OF ADMINISTRATION CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM AND THE BOARD OF DIRECTORS COASTAL ANIMAL SERVICES AUTHORITY

March 2024

Proposed Miscellaneous Plan for Coastal Animal Services Authority
(CalPERS ID: 2284618663)
New Agency Actuarial Valuation Report as of May 31, 2024
2% @ 55 Miscellaneous with 1-year Final Average Compensation, 100% Prior Service

Dear Employer,

Enclosed please find a copy of the actuarial valuation conducted to determine the required contributions if the Coastal Animal Services Authority elects to participate in the California Public Employees' Retirement System (CalPERS). This valuation is based on a valuation date and a contract start date of May 31, 2024. CalPERS staff actuaries are available to discuss the contents of this report with you.

Since your public agency has fewer than 100 active miscellaneous employees, your proposed plan would be required to participate in the Miscellaneous Pool Risk Pool. The following valuation report provides specific information for your proposed Miscellaneous Plan, including the development of your pooled employer contribution rate, a discussion of the potential volatility of future required contributions and other risks associated with the proposed plan, and an appendix with plan provisions and assumptions.

In the event your public agency elects to contract for CalPERS membership, your employees will be entitled to retirement benefits as provided by CalPERS per the Public Employees' Retirement Law. The contract for CalPERS membership will specify that, to the extent, if any, your employees may claim entitlement to additional benefits resulting from prior membership in a different retirement plan, such benefits will be the responsibility of your agency alone, and not of CalPERS.

Required Contributions

Fiscal Year	Employer Normal Cost Rate	Employer Amortization of Unfunded Accrued Liability
2023-24	12.47%	N/A
2024-25	12.52%	$22,588
Projected Results		
2025-26	*12.5%*	*$23,000*

The rates shown above will be in effect unless there are further benefit or funding changes. If the membership or asset information is significantly different at the actual contract date, or if the actual contract effective date is delayed beyond the proposed effective date of May 31, 2024 by more than 90 days, the employer contribution rates shown above may have to be recalculated. The contribution rates shown above were based on the results of the June 30, 2021 and June 30, 2022 valuations.

The Employer Amortization of Unfunded Accrued Liability will be invoiced monthly, in an amount equal to one-twelfth of the annual amount, beginning the July following the contract date. As such, the FY 2024-25 payment of $22,588 assumes a contract date during FY 2023-24. The Estimated Employer Normal Cost for FY 2023-24 will depend on the number of applicable payroll reporting periods during the Fiscal Year.

Risk Analysis

The actuarial calculations supplied in this communication are based on a number of assumptions about long-term demographic and economic behavior. Unless these assumptions (e.g., terminations, deaths, disabilities, retirements, salary growth, and investment return) are exactly realized each year, there will be differences on a year-to-year basis. The differences between actual experience and the assumptions are called actuarial gains and losses and serve to lower or raise the employer's rates from year to year. So, the rates will fluctuate, especially due to fluctuations in investment return.

The actuarial methods and assumptions used in determining your rate can be found in Section 2, Appendix A. A list of class 1 benefit provisions used in determining your rate is included in Section 1 of the report. A description of these provisions can be found in Section 2, Appendix B.

Please see the Contribution Volatility and Other Risks section of this report for a discussion of factors that can lead to volatility in actuarial valuation results, including required contributions, in the future.

If your agency would like to consider other benefit formulas or other combinations of benefit provisions, please contact us and we will be pleased to assist you.

Sincerely,

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

New Agency Actuarial Valuation as of May 31, 2024

For the Proposed Miscellaneous Plan of the Coastal Animal Services Authority, 2% @ 55 Miscellaneous Formula with 1-year Final Average Compensation and 100% Prior Service

Table of Contents

Section 1

Plan Specific Information for the Proposed Miscellaneous Plan of the Coastal Animal Services Authority

Table of Contents

Actuarial Certification

This report was prepared in order to provide the employer with information about the cost of benefits and the contributions required in order to assist in the decision as to whether or not to contract for the benefits.

Use of this report for other purposes is inappropriate.

Section 1 of this report is based on the member and financial data provided by your agency, the member and financial data contained in the CalPERS databases as of February 6, 2024 (provided by other CalPERS employers), and the benefit provisions under your proposed contract with CalPERS.

Section 2 of this report is based on the member and financial data as of June 30, 2022 provided by employers participating in the Miscellaneous Pool to which the proposed plan will belong and the benefit provisions under the CalPERS contracts for those agencies.

As set forth in Section 2 of this report, the pool actuaries have certified that, in their opinion, the valuation of the risk pool that will contain your Miscellaneous Plan has been performed in accordance with generally accepted actuarial principles consistent with standards of practice prescribed by the Actuarial Standards Board, and that the assumptions and methods are internally consistent and reasonable for the risk pool of the June 30, 2022 valuation date and as prescribed by the CalPERS Board of Administration according to provisions set forth in the California Public Employees' Retirement Law.

Having relied upon the information set forth in Section 2 of this report and based on the census and benefit provision information for the plan, it is my actuarial opinion that the proposed employer contribution as of May 31, 2024 has been properly and accurately determined in accordance with the principles and standards stated above.

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

Kerry J. Worgan, MAAA, FSA, FCIA
Supervising Actuary, CalPERS

Highlights and Executive Summary

- Introduction
- Purpose of Section 1
- Required Contributions
- Funded Status – Funding Policy Basis
- Projected Employer Contributions
- Subsequent Events

Introduction

This report presents the results of the May 31, 2024 new agency actuarial valuation of the Miscellaneous Plan of the Coastal Animal Services Authority of the California Public Employees' Retirement System (CalPERS). This actuarial valuation sets the required employer contributions for fiscal years (FY) 2023-24 and 2024-25.

Purpose of Section 1

This Section 1 report for the Miscellaneous Plan of the Coastal Animal Services Authority of CalPERS was prepared by the Actuarial Office. The purpose of the valuation is to:

- Set forth the assets and accrued liabilities of this plan as of May 31, 2024;
- Determine the minimum required employer contributions for this plan for FY July 1, 2023 through June 30, 2024 and July 1, 2024 through June 30, 2025;
- Determine the required member contribution rate for FY July 1, 2023 through June 30, 2024 and July 1, 2024 through June 30, 2025 for employees subject to the California Public Employees' Pension Reform Act of 2013 (PEPRA); and
- Provide actuarial information as of May 31, 2024 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 required.

The measurements shown in this actuarial valuation may not be applicable for other purposes. The employer should contact their 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; and changes in plan provisions or applicable law.

Estimated Asset Transfer of $1,056,225 was assumed from the existing plan in respect of the transfer of the accrued liabilities for the transferring members.

Assessment and Disclosure of Risk

This report includes the following risk disclosures consistent with the recommendations 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.

Required Contributions

Required Employer Contributions	Fiscal Year 2024-25
Employer Normal Cost Rate	**12.52%**
Plus	
Required Payment on Amortization Bases[1]	
1) Monthly Payment	**$1,882**
Or	
2) Annual Prepayment Option*	**$21,857**

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

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

	Fiscal Year 2023-24	Fiscal Year 2024-25
Development of Normal Cost as a Percentage of Payroll[1]		
Base Total Normal Cost for Formula	18.76%	18.81%
Surcharge for Class 1 Benefits[2]		
a) FAC 1	0.63%	0.64%
Plan's Total Normal Cost	19.39%	19.45%
Offset Due to Employee Contributions	6.92%	6.93%
Employer Normal Cost Rate	12.47%	12.52%
Projected Payroll for the Contribution Fiscal Year[3]	$262,313	$269,658
Estimated Employer Contributions Based on Projected Payroll		
Plan's Estimated Employer Normal Cost[4]	TBD	$33,761
Plan's Payment on Amortization Bases	0	22,588
Estimated Total Employer Contribution	TBD	$56,349

[1] The Monthly Employer Dollar UAL Payment will be charged beginning the July following the contract date. As such, the FY 2024-25 Monthly UAL payment of $1,882 assumes a contract date during FY 2023-24. This payment is only to pay for prior service

[2] Appendix C of Section 2 contains the list of class 1 benefits with their corresponding surcharges.

[3] Payroll from the prior year is assumed to increase by the 2.8% payroll growth assumption.

[4] The Plan's Estimated Employer Normal Cost for FY 2023-24 will depend on the number of applicable payroll reporting periods during the Fiscal Year. The FY 2024-25 amount assumes payments made for the entire Fiscal Year.

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.

	May 31, 2024
1. Present Value of Projected Benefits (PVB)	$1,675,838
2. Entry Age Normal Accrued Liability (AL)	1,242,618
3. Plan's Market Value of Assets (MVA)	1,056,225
4. Unfunded Accrued Liability (UAL) [(2) - (3)]	186,393
5. Funded Ratio [(3) / (2)]	85.0%

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

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

	1% Lower Average Return	**Current Assumption**	**1% Higher Average Return**
Discount Rate	5.8%	6.8%	7.8%
1. Entry Age Accrued Liability	$1,519,721	$1,242,618	$1,021,842
2. Market Value of Assets (MVA)	1,056,225	1,056,225	1,056,225
3. Unfunded Accrued Liability (UAL) [(1) – (2)]	$463,496	$186,393	($34,383)
4. Funded Ratio [(2) / (1)]	69.5%	85.0%	103.4%

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

Projected Employer Contributions

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

	Required Contribution	**Projected Future Employer Contributions (Assumes 6.80% Return for Fiscal Year 2022-23)**				
Fiscal Year	**2024-25**	**2025-26**	**2026-27**	**2027-28**	**2028-29**	**2029-30**
Normal Cost %	12.52%	12.5%	12.5%	12.5%	12.5%	12.5%
UAL Payment	$22,588	$23,000	$23,000	$23,000	$23,000	$23,000

For ongoing plans, investment gains and losses are amortized using a 5-year ramp up. For more information, please see “Amortization of the Unfunded Actuarial Accrued Liability” under “Actuarial Methods” in Appendix A of the Section 2 Report. This method phases in the impact of the change in UAL over a 5-year period in order to reduce employer cost volatility from year to year. As a result of this methodology, dramatic changes in the required employer contributions in any one year are less likely. However, required contributions can change gradually and significantly over the next five years. In years where there is a large increase in UAL the relatively small amortization payments during the ramp up period could result in a funded ratio that is projected to decrease initially 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” in the “Risk Analysis” section.

Subsequent Events

The contribution requirements determined in this actuarial valuation report are based on demographic and financial information as of May 31, 2024. Changes in the value of assets subsequent to that date are not reflected. Investment returns below the assumed rate of return will increase the required contribution, while investment returns above the assumed rate of return will decrease the required contribution.

This actuarial valuation report reflects statutory changes, regulatory changes and CalPERS Board actions through January 2024. Any subsequent changes or actions are not reflected.

Assets and Liabilities

- Development of the Plan's UAL
- Schedule of Plan's Amortization Bases
- Amortization Schedule and Alternatives

Development of the Plan’s UAL

1.	Plan’s Accrued Liability:	$1,242,618
2.	Plan’s Market Value Assets:	$1,056,225
3.	Plan’s Unfunded Accrued Liability: (1) - (2)	$186,393

Schedule of Plan's Amortization Bases

The schedule of the plan's amortization bases is below.

- The assets, liabilities, and funded status of the plan are measured as of the date the agency joins CalPERS: May 31, 2024.
- The required employer contributions determined by the valuation are for Fiscal Year 2024-25.

									Amounts for Fiscal 2024-25	
Reason for Base	**Date Established**	**Ramp Up/Down 2024-25**	**Escalation Rate**	**Amortization Period**	**Balance 6/30/22**	**Payment 2022-23**	**Balance 05/31/24**	**Payment 2023-24**	**Balance 6/30/24**	**Scheduled Payment for 2024-25**
PRIOR SERVICE	05/31/24	No Ramp	0.000%	12	N/A	N/A	$186,393	$0	$187,403	$22,588
TOTAL					**N/A**	**N/A**	**$186,393**	**$0**	**$187,403**	**$22,588**

If the total Unfunded Liability is negative (i.e., plan has a surplus), the scheduled payment is $0, because the minimum required contribution under PEPRA must be at least equal to the normal cost.

Amortization Schedule and Alternatives

The amortization schedule on the previous page shows the minimum contributions required according to the CalPERS amortization policy. Many agencies have expressed 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.

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 a reasonable period.

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

Amortization Schedule and Alternatives (continued)

	Current Amortization Schedule		Alternate Schedules			
			10 Year Amortization		N/A Year Amortization	
Date	Balance	Payment	Balance	Payment	Balance	Payment
6/30/2024	187,403	22,588	187,403	25,580	N/A	N/A
6/30/2025	176,803	22,588	173,711	25,580		
6/30/2026	165,482	22,588	159,088	25,581		
6/30/2027	153,391	22,588	143,470	25,581		
6/30/2028	140,478	22,588	126,790	25,581		
6/30/2029	126,687	22,588	108,975	25,580		
6/30/2030	111,958	22,588	89,950	25,581		
6/30/2031	96,228	22,588	69,630	25,580		
6/30/2032	79,428	22,588	47,929	25,580		
6/30/2033	61,486	22,588	24,753	25,581		
6/30/2034	42,324	22,589				
6/30/2035	21,858	22,589				
6/30/2036						
6/30/2037						
6/30/2038						
6/30/2039						
6/30/2040						
6/30/2041						
6/30/2042						
6/30/2043						
6/30/2044						
6/30/2045						
6/30/2046						
6/30/2047						
6/30/2048						
6/30/2049						
6/30/2050						
6/30/2051						
6/30/2052						
6/30/2053						
Totals		**271,058**		**255,805**		**N/A**
Interest Paid		**83,655**		**68,402**		**N/A**
Estimated Savings				**15,253**		**N/A**

Risk Analysis

- Future Investment Return Scenarios
- Discount Rate Sensitivity
- Mortality Rate Sensitivity
- Maturity Measures
- Funded Status — Termination Basis

Future Investment Return Scenarios

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

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

Assumed Annual Return FY 2022-23 through 2041-42	Projected Employer Contributions				
	2025-26	2026-27	2027-28	2028-29	2029-30
3.0% (5th percentile)					
Normal Cost Rate	12.5%	12.5%	12.5%	12.5%	12.5%
UAL Contribution	$23,000	$23,000	$25,000	$28,000	$32,000
10.8% (95th percentile)					
Normal Cost Rate	12.8%	13.0%	13.3%	13.5%	13.8%
UAL Contribution	$23,000	$22,000	$20,000	$0	$0

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

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

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

Assumed Annual Return for Fiscal Year 2022-23	Required Employer Contributions	Projected Employer Contributions
	2024-25	2025-26
(17.2)% (2 standard deviation loss)		
Normal Cost Rate	12.52%	12.5%
UAL Contribution	$22,588	$23,000
(5.2)% (1 standard deviation loss)		
Normal Cost Rate	12.52%	12.5%
UAL Contribution	$22,588	$23,000

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

Discount Rate Sensitivity

The discount rate assumption is calculated as the sum of the assumed real rate of return and the assumed annual price inflation, currently 4.5% and 2.3%, respectively. Changing either the price inflation assumption or the real rate of return assumption will change the discount rate. The sensitivity of the valuation results to the discount rate assumption depends on which component of the discount rate is changed. Shown below are various valuation results as of May 31, 2024 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 May 31, 2024	1% Lower Real Return Rate	Current Assumptions	1% Higher Real Return Rate
Discount Rate	**5.8%**	**6.8%**	**7.8%**
Inflation	2.3%	2.3%	2.3%
Real Rate of Return	**3.5%**	**4.5%**	**5.5%**
a) Total Normal Cost	24.48%	19.45%	15.62%
b) Accrued Liability	$1,519,721	$1,242,618	$1,021,842
c) Market Value of Assets	$1,056,225	$1,056,225	$1,056,225
d) Unfunded Liability/(Surplus) [(b) - (c)]	$463,496	$186,393	($34,383)
e) Funded Status	69.5%	85.0%	103.4%

Sensitivity to the Price Inflation Assumption

As of May 31, 2024	1% Lower Inflation Rate	Current Assumptions	1% Higher Inflation Rate
Discount Rate	**5.8%**	**6.8%**	**7.8%**
Inflation	**1.3%**	**2.3%**	**3.3%**
Real Rate of Return	4.5%	4.5%	4.5%
a) Total Normal Cost	20.42%	19.45%	17.74%
b) Accrued Liability	$1,289,955	$1,242,618	$1,136,554
c) Market Value of Assets	$1,056,225	$1,056,225	$1,056,225
d) Unfunded Liability/(Surplus) [(b) - (c)]	$233,730	$186,393	$80,329
e) Funded Status	81.9%	85.0%	92.9%

Mortality Rate Sensitivity

The following table looks at the change in the plan costs and funded ratio as of May 31, 2024 under two different longevity scenarios, namely assuming post-retirement rates of mortality are 10% lower or 10% higher than our current mortality assumptions adopted in 2021. This type of analysis highlights the impact on the plan of improving or worsening mortality over the long-term.

As of May 31, 2024	10% Lower Mortality Rates	Current Assumptions	10% Higher Mortality Rates
a) Total Normal Cost	19.78%	19.45%	19.14%
b) Accrued Liability	$1,262,161	$1,242,618	$1,224,455
c) Market Value of Assets	$1,056,225	$1,056,225	$1,056,225
d) Unfunded Liability/(Surplus) [(b) - (c)]	$205,936	$186,393	$168,230
e) Funded Status	83.7%	85.0%	86.3%

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 all CalPERS and its plans is to look at the ratio of a plan's retiree liability to its total liability. A pension plan in its infancy will have a very low ratio of retiree liability to total liability. As the plan matures, the ratio starts increasing. A mature plan will often have a ratio above 60%-65%.

Ratio of Retiree Accrued Liability to Total Accrued Liability	May 31, 2024
1. Retired Accrued Liability	0
2. Total Accrued Liability	1,242,618
3. Ratio of Retiree AL to Total AL [(1) / (2)]	0.00

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

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

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

Support Ratio	May 31, 2024
1. Number of Actives	3
2. Number of Retirees	0
3. Support Ratio [(1) / (2)]	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 growth, investment return) are exactly realized each year, there will be differences on a year-to-year basis. The year-to-year differences between actual experience and the assumptions are called actuarial gains and losses and serve to lower or raise required employer contributions from one year to the next. Therefore, employer contributions will inevitably fluctuate, especially due to the ups and downs of investment returns.

Asset Volatility Ratio

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

Liability Volatility Ratio

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

Contribution Volatility	May 31, 2024
1. Market Value of Assets	$1,056,225
2. Payroll	262,313
3. Asset Volatility Ratio (AVR) [(1) / (2)]	4.0
4. Accrued Liability	$1,242,618
5. Liability Volatility Ratio (LVR) [(4) / (2)]	4.7

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 May 31, 2024. The accrued liability on a termination basis (termination liability) is calculated differently compared to the plan's ongoing funding liability. For the termination liability calculation, both compensation and service are frozen as of the valuation date and no future pay increases or service accruals are assumed. This measure of funded status is not appropriate for assessing the need for future employer contributions in the case of an ongoing plan, that is, for an employer that continues to provide CalPERS retirement benefits to active employees. Unlike the actuarial cost method used for ongoing plans, the termination liability is the present value of the benefits earned through the valuation date.

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

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

	Discount Rate: 1.75% Price Inflation: 2.50%			Discount Rate: 4.50% Price Inflation: 2.75%		
Market Value of Assets (MVA)	**Termination Liability[1,2]**	**Funded Ratio**	**Unfunded Termination Liability**	**Termination Liability[1,2]**	**Funded Ratio**	**Unfunded Termination Liability**
$1,056,225	$2,601,052	40.6%	$1,544,826	$1,263,266	83.6%	$207,040

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

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

In order to terminate the plan, you must first contact our Retirement Services Contract Unit to initiate a Resolution of Intent to Terminate. The completed Resolution will allow the plan actuary to give you a preliminary termination valuation with a more up-to-date estimate of the plan liabilities. CalPERS advises you to consult with the plan actuary before beginning this process.

This information is intended to give the employer an estimate of the cost to terminate the plan. However, once a plan enters into contract with CalPERS, a plan is prohibited from terminating in the first five years.

Participant Data

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

	May 31, 2024
Reported Payroll	$262,313
Projected Payroll for Contribution Purposes	$269,658
Number of Members	
Active	3
Transferred	0
Separated	0
Retired	0

List of Class 1 Benefit Provisions

This plan has the additional Class 1 Benefit Provisions:

- One Year Final Compensation (FAC 1)

Plan's Major Benefit Options

Shown below is a summary of your agency's proposed major optional benefits. A description of principal standard and optional plan provisions can be found in Appendix B of Section 2.

	Benefit Group	
Benefit Provision	Misc	
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 2W	Yes	
1959 Survivor Benefit Level	Level 4	
Special	No	
Alternate (firefighters)	No	
Post-Retirement Death Benefits		
Lump Sum	$600	
Survivor Allowance (PRSA)	No	
COLA	2%	

* 1959 Survivor Benefit is provided by a separate program and will be billed separately.

Section 2

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

March 2024

Proposed PEPRA Miscellaneous Plan for Coastal Animal Services Authority
(CalPERS ID: 2284618663)
New Agency Actuarial Valuation Report as of May 31, 2024
2% @ 62 PEPRA Miscellaneous with 3-year Final Average Compensation, 100% Prior Service

Dear Employer,

Enclosed please find a copy of the actuarial valuation conducted to determine the required contributions if the Coastal Animal Services Authority elects to participate in the California Public Employees' Retirement System (CalPERS). This valuation is based on a valuation date and a contract start date of May 31, 2024. CalPERS staff actuaries are available to discuss the contents of this report with you.

In the event your public agency elects to contract for CalPERS membership, your employees will be entitled to retirement benefits as provided by CalPERS per the Public Employees' Retirement Law. The contract for CalPERS membership will specify that, to the extent, if any, your employees may claim entitlement to additional benefits resulting from prior membership in a different retirement plan, such benefits will be the responsibility of your agency alone, and not of CalPERS.

Required Contributions

Fiscal Year	Employer Normal Cost Rate	Employer Amortization of Unfunded Accrued Liability	PEPRA Employee Rate
2023-24	7.68%	N/A	7.75%
2024-25	7.87%	$601	7.75%
Projected Results			
2025-26	*7.9%*	*$600*	*TBD*

The rates shown above will be in effect unless there are further benefit or funding changes. If the membership or asset information is significantly different at the actual contract date, or if the actual contract effective date is delayed beyond the proposed effective date of May 31, 2024 by more than 90 days, the employer contribution rates shown above may have to be recalculated. The contribution rates shown above were based on the results of the June 30, 2021 and June 30, 2022 valuations.

The Employer Amortization of Unfunded Accrued Liability will be invoiced monthly, in an amount equal to one-twelfth of the annual amount, beginning the July following the contract date. As such, the FY 2024-25 payment of $601 assumes a contract date during FY 2023-24. The Estimated Employer Normal Cost for FY 2023-24 will depend on the number of applicable payroll reporting periods during the Fiscal Year.

In accordance with PEPRA, the member contribution rates shown above are set at 50% of the expected normal cost rate for the benefits that will apply to your PEPRA Miscellaneous Plan during the fiscal years provided. Note that the member contribution rate may change over time if the total normal cost for PEPRA members fluctuates by more than 1% of payroll in future valuations.

Risk Analysis

The actuarial calculations supplied in this communication are based on a number of assumptions about long-term demographic and economic behavior. Unless these assumptions (e.g., terminations, deaths, disabilities, retirements, salary growth, and investment return) are exactly realized each year, there will be differences on a year-to-year basis. The differences between actual experience and the assumptions are called actuarial gains and losses and serve to lower or raise the employer's rates from year to year. So, the rates will fluctuate, especially due to fluctuations in investment return.

The actuarial methods and assumptions used in determining your rate can be found in Section 2, Appendix A. A list of class 1 benefit provisions used in determining your rate is included in Section 1 of the report. A description of these provisions can be found in Section 2, Appendix B.

Please see the Contribution Volatility and Other Risks section of this report for a discussion of factors that can lead to volatility in actuarial valuation results, including required contributions, in the future.

If your agency would like to consider other benefit formulas or other combinations of benefit provisions, please contact us and we will be pleased to assist you.

Sincerely,

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

CalPERS

New Agency Actuarial Valuation as of May 31, 2024

For the Proposed PEPRA Miscellaneous Plan of the Coastal Animal Services Authority, 2% @ 62 PEPRA Miscellaneous Formula with 3-year Final Average Compensation and 100% Prior Service

Table of Contents

Section 1

Plan Specific Information
for the
Proposed PEPRA Miscellaneous Plan of
the
Coastal Animal Services Authority

Table of Contents

Actuarial Certification

This report was prepared in order to provide the employer with information about the cost of benefits and the contributions required in order to assist in the decision as to whether or not to contract for the benefits.

Use of this report for other purposes is inappropriate.

Section 1 of this report is based on the member and financial data provided by your agency, the member and financial data contained in the CalPERS databases as of February 6, 2024 (provided by other CalPERS employers), and the benefit provisions under your proposed contract with CalPERS.

Section 2 of this report is based on the member and financial data as of June 30, 2022 provided by employers participating in the Miscellaneous Pool to which the proposed plan will belong and the benefit provisions under the CalPERS contracts for those agencies.

As set forth in Section 2 of this report, the pool actuaries have certified that, in their opinion, the valuation of the risk pool that will contain your PEPRA Miscellaneous Plan has been performed in accordance with generally accepted actuarial principles consistent with standards of practice prescribed by the Actuarial Standards Board, and that the assumptions and methods are internally consistent and reasonable for the risk pool of the June 30, 2022 valuation date and as prescribed by the CalPERS Board of Administration according to provisions set forth in the California Public Employees' Retirement Law.

Having relied upon the information set forth in Section 2 of this report and based on the census and benefit provision information for the plan, it is my actuarial opinion that the proposed employer contribution as of May 31, 2024 has been properly and accurately determined in accordance with the principles and standards stated above.

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

Kerry J. Worgan, MAAA, FSA, FCIA
Supervising Actuary, CalPERS

Highlights and Executive Summary

- Introduction
- Purpose of Section 1
- Required Contributions
- Funded Status – Funding Policy Basis
- Projected Employer Contributions
- Subsequent Events

Introduction

This report presents the results of the May 31, 2024 new agency actuarial valuation of the PEPRA Miscellaneous Plan of the Coastal Animal Services Authority of the California Public Employees' Retirement System (CalPERS). This actuarial valuation sets the required employer contributions for fiscal years (FY) 2023-24 and 2024-25.

Purpose of Section 1

This Section 1 report for the PEPRA Miscellaneous Plan of the Coastal Animal Services Authority of CalPERS was prepared by the Actuarial Office. The purpose of the valuation is to:

- Set forth the assets and accrued liabilities of this plan as of May 31, 2024;
- Determine the minimum required employer contributions for this plan for FY July 1, 2023 through June 30, 2024 and July 1, 2024 through June 30, 2025;
- Determine the required member contribution rate for FY July 1, 2023 through June 30, 2024 and July 1, 2024 through June 30, 2025 for employees subject to the California Public Employees' Pension Reform Act of 2013 (PEPRA); and
- Provide actuarial information as of May 31, 2024 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 required.

The measurements shown in this actuarial valuation may not be applicable for other purposes. The employer should contact their 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; and changes in plan provisions or applicable law.

Estimated Asset Transfer of $28,120 was assumed from the existing plan in respect of the transfer of the accrued liabilities for the transferring members.

Assessment and Disclosure of Risk

This report includes the following risk disclosures consistent with the recommendations 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.

Required Contributions

Required Employer Contributions	Fiscal Year 2024-25
Employer Normal Cost Rate	**7.87%**
Plus	
Required Payment on Amortization Bases[1]	
1) Monthly Payment	**$50**
Or	
2) Annual Prepayment Option*	**$582**
Required PEPRA Member Contribution Rates	**7.75%**

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

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

	Fiscal Year 2023-24	Fiscal Year 2024-25
Development of Normal Cost as a Percentage of Payroll[1]		
Base Total Normal Cost for Formula	15.43%	15.62%
Surcharge for Class 1 Benefits[2]		
None	0.00%	0.00%
Plan's Total Normal Cost	15.43%	15.62%
Offset Due to Employee Contributions	7.75%	7.75%
Employer Normal Cost Rate	7.68%	7.87%
Projected Payroll for the Contribution Fiscal Year[3]	$138,326	$142,199
Estimated Employer Contributions Based on Projected Payroll		
Plan's Estimated Employer Normal Cost[4]	TBD	$11,191
Plan's Payment on Amortization Bases	0	601
Estimated Total Employer Contribution	TBD	$11,792

[1] The Monthly Employer Dollar UAL Payment will be charged beginning the July following the contract date. As such, the FY 2024-25 Monthly UAL payment of $50 assumes a contract date during FY 2023-24. This payment is only to pay for prior service

[2] Appendix C of Section 2 contains the list of class 1 benefits with their corresponding surcharges.

[3] Payroll from the prior year is assumed to increase by the 2.8% payroll growth assumption.

[4] The Plan's Estimated Employer Normal Cost for FY 2023-24 will depend on the number of applicable payroll reporting periods during the Fiscal Year. The FY 2024-25 amount assumes payments made for the entire Fiscal Year.

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.

	May 31, 2024
1. Present Value of Projected Benefits (PVB)	$286,103
2. Entry Age Normal Accrued Liability (AL)	33,082
3. Plan's Market Value of Assets (MVA)	28,120
4. Unfunded Accrued Liability (UAL) [(2) - (3)]	4,962
5. Funded Ratio [(3) / (2)]	85.0%

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	$41,785	$33,082	$26,395
2. Market Value of Assets (MVA)	28,120	28,120	28,120
3. Unfunded Accrued Liability (UAL) [(1) – (2)]	$13,665	$4,962	($1,725)
4. Funded Ratio [(2) / (1)]	67.3%	85.0%	106.5%

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.

Projected Employer Contributions

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

	Required Contribution	**Projected Future Employer Contributions (Assumes 6.80% Return for Fiscal Year 2022-23)**				
Fiscal Year	**2024-25**	**2025-26**	**2026-27**	**2027-28**	**2028-29**	**2029-30**
Normal Cost %	7.87%	7.9%	7.9%	7.9%	7.9%	7.9%
UAL Payment	$601	$600	$600	$600	$600	$600

For ongoing plans, investment gains and losses are amortized using a 5-year ramp up. For more information, please see “Amortization of the Unfunded Actuarial Accrued Liability” under “Actuarial Methods” in Appendix A of the Section 2 Report. This method phases in the impact of the change in UAL over a 5-year period in order to reduce employer cost volatility from year to year. As a result of this methodology, dramatic changes in the required employer contributions in any one year are less likely. However, required contributions can change gradually and significantly over the next five years. In years where there is a large increase in UAL the relatively small amortization payments during the ramp up period could result in a funded ratio that is projected to decrease initially 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” in the “Risk Analysis” section.

Subsequent Events

The contribution requirements determined in this actuarial valuation report are based on demographic and financial information as of May 31, 2024. Changes in the value of assets subsequent to that date are not reflected. Investment returns below the assumed rate of return will increase the required contribution, while investment returns above the assumed rate of return will decrease the required contribution.

This actuarial valuation report reflects statutory changes, regulatory changes and CalPERS Board actions through January 2024. Any subsequent changes or actions are not reflected.

Assets and Liabilities

- Development of the Plan’s UAL
- Schedule of Plan’s Amortization Bases
- Amortization Schedule and Alternatives

Development of the Plan’s UAL

1.	Plan’s Accrued Liability:	$33,082
2.	Plan’s Market Value Assets:	$28,120
3.	Plan’s Unfunded Accrued Liability: (1) - (2)	$4,962

Schedule of Plan's Amortization Bases

The schedule of the plan's amortization bases is below.

- The assets, liabilities, and funded status of the plan are measured as of the date the agency joins CalPERS: May 31, 2024.
- The required employer contributions determined by the valuation are for Fiscal Year 2024-25.

									Amounts for Fiscal 2024-25	
Reason for Base	**Date Established**	**Ramp Up/Down 2024-25**	**Escalation Rate**	**Amortization Period**	**Balance 6/30/22**	**Payment 2022-23**	**Balance 05/31/24**	**Payment 2023-24**	**Balance 6/30/24**	**Scheduled Payment for 2024-25**
PRIOR SERVICE	05/31/24	No Ramp	0.000%	12	N/A	N/A	$4,962	$0	$4,989	$601
TOTAL					**N/A**	**N/A**	**$4,962**	**$0**	**$4,989**	**$601**

If the total Unfunded Liability is negative (i.e., plan has a surplus), the scheduled payment is $0, because the minimum required contribution under PEPRA must be at least equal to the normal cost.

Amortizatio n Schedule and Alternatives

The amortization schedule on the previous page shows the minimum contributions required according to the CalPERS amortization policy. Many agencies have expressed 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.

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 a reasonable period.

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

Amortization Schedule and Alternatives (continued)

	Current Amortization Schedule		Alternate Schedules			
			10 Year Amortization		N/A Year Amortization	
Date	Balance	Payment	Balance	Payment	Balance	Payment
6/30/2024	4,989	601	4,989	681	N/A	N/A
6/30/2025	4,707	601	4,624	681		
6/30/2026	4,406	601	4,235	681		
6/30/2027	4,085	602	3,819	681		
6/30/2028	3,741	602	3,375	681		
6/30/2029	3,373	601	2,901	681		
6/30/2030	2,981	601	2,394	681		
6/30/2031	2,563	602	1,853	681		
6/30/2032	2,115	601	1,275	680		
6/30/2033	1,638	602	659	681		
6/30/2034	1,127	601				
6/30/2035	583	602				
6/30/2036	1					
6/30/2037	1					
6/30/2038	1					
6/30/2039	1					
6/30/2040	1					
6/30/2041	1					
6/30/2042	1					
6/30/2043	1					
6/30/2044	1					
6/30/2045	1					
6/30/2046	1					
6/30/2047	1					
6/30/2048	1					
6/30/2049	1					
6/30/2050	1					
6/30/2051	1					
6/30/2052	1					
6/30/2053	1					
Totals		**7,217**		**6,809**		**N/A**
Interest Paid		**2,228**		**1,820**		**N/A**
Estimated Savings				**408**		**N/A**

Risk Analysis

- Future Investment Return Scenarios
- Discount Rate Sensitivity
- Mortality Rate Sensitivity
- Maturity Measures
- Funded Status — Termination Basis

Future Investment Return Scenarios

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

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

Assumed Annual Return FY 2022-23 through 2041-42	Projected Employer Contributions				
	2025-26	2026-27	2027-28	2028-29	2029-30
3.0% (5th percentile)					
Normal Cost Rate	7.9%	7.9%	7.9%	7.9%	7.9%
UAL Contribution	$600	$630	$700	$830	$1,100
10.8% (95th percentile)					
Normal Cost Rate	8.1%	8.3%	8.5%	8.7%	8.4%
UAL Contribution	$600	$580	$510	$0	$0

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

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

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

Assumed Annual Return for Fiscal Year 2022-23	Required Employer Contributions	Projected Employer Contributions
	2024-25	2025-26
(17.2)% (2 standard deviation loss)		
Normal Cost Rate	7.87%	7.9%
UAL Contribution	$601	$600
(5.2)% (1 standard deviation loss)		
Normal Cost Rate	7.87%	7.9%
UAL Contribution	$601	$600

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

Discount Rate Sensitivity

The discount rate assumption is calculated as the sum of the assumed real rate of return and the assumed annual price inflation, currently 4.5% and 2.3%, respectively. Changing either the price inflation assumption or the real rate of return assumption will change the discount rate. The sensitivity of the valuation results to the discount rate assumption depends on which component of the discount rate is changed. Shown below are various valuation results as of May 31, 2024 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 May 31, 2024	1% Lower Real Return Rate	Current Assumptions	1% Higher Real Return Rate
Discount Rate	**5.8%**	**6.8%**	**7.8%**
Inflation	2.3%	2.3%	2.3%
Real Rate of Return	**3.5%**	**4.5%**	**5.5%**
a) Total Normal Cost	19.53%	15.62%	12.65%
b) Accrued Liability	$41,785	$33,082	$26,395
c) Market Value of Assets	$28,120	$28,120	$28,120
d) Unfunded Liability/(Surplus) [(b) - (c)]	$13,665	$4,962	($1,725)
e) Funded Status	67.3%	85.0%	106.5%

Sensitivity to the Price Inflation Assumption

As of May 31, 2024	1% Lower Inflation Rate	Current Assumptions	1% Higher Inflation Rate
Discount Rate	**5.8%**	**6.8%**	**7.8%**
Inflation	**1.3%**	**2.3%**	**3.3%**
Real Rate of Return	4.5%	4.5%	4.5%
a) Total Normal Cost	16.48%	15.62%	14.20%
b) Accrued Liability	$34,825	$33,082	$29,988
c) Market Value of Assets	$28,120	$28,120	$28,120
d) Unfunded Liability/(Surplus) [(b) - (c)]	$6,705	$4,962	$1,868
e) Funded Status	80.7%	85.0%	93.8%

Mortality Rate Sensitivity

The following table looks at the change in the plan costs and funded ratio as of May 31, 2024 under two different longevity scenarios, namely assuming post-retirement rates of mortality are 10% lower or 10% higher than our current mortality assumptions adopted in 2021. This type of analysis highlights the impact on the plan of improving or worsening mortality over the long-term.

As of May 31, 2024	10% Lower Mortality Rates	Current Assumptions	10% Higher Mortality Rates
a) Total Normal Cost	15.89%	15.62%	15.37%
b) Accrued Liability	$33,657	$33,082	$32,555
c) Market Value of Assets	$28,120	$28,120	$28,120
d) Unfunded Liability/(Surplus) [(b) - (c)]	$5,537	$4,962	$4,435
e) Funded Status	83.5%	85.0%	86.4%

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 all CalPERS and its plans is to look at the ratio of a plan's retiree liability to its total liability. A pension plan in its infancy will have a very low ratio of retiree liability to total liability. As the plan matures, the ratio starts increasing. A mature plan will often have a ratio above 60%-65%.

Ratio of Retiree Accrued Liability to Total Accrued Liability	**May 31, 2024**
1. Retired Accrued Liability	0
2. Total Accrued Liability	33,082
3. Ratio of Retiree AL to Total AL [(1) / (2)]	0.00

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

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

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

Support Ratio	**May 31, 2024**
1. Number of Actives	2
2. Number of Retirees	0
3. Support Ratio [(1) / (2)]	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 growth, investment return) are exactly realized each year, there will be differences on a year-to-year basis. The year-to-year differences between actual experience and the assumptions are called actuarial gains and losses and serve to lower or raise required employer contributions from one year to the next. Therefore, employer contributions will inevitably fluctuate, especially due to the ups and downs of investment returns.

Asset Volatility Ratio

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

Liability Volatility Ratio

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

Contribution Volatility	May 31, 2024
1. Market Value of Assets	$28,120
2. Payroll	138,326
3. Asset Volatility Ratio (AVR) [(1) / (2)]	0.2
4. Accrued Liability	$33,082
5. Liability Volatility Ratio (LVR) [(4) / (2)]	0.2

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 May 31, 2024. The accrued liability on a termination basis (termination liability) is calculated differently compared to the plan's ongoing funding liability. For the termination liability calculation, both compensation and service are frozen as of the valuation date and no future pay increases or service accruals are assumed. This measure of funded status is not appropriate for assessing the need for future employer contributions in the case of an ongoing plan, that is, for an employer that continues to provide CalPERS retirement benefits to active employees. Unlike the actuarial cost method used for ongoing plans, the termination liability is the present value of the benefits earned through the valuation date.

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

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

	Discount Rate: 1.75% Price Inflation: 2.50%			Discount Rate: 4.50% Price Inflation: 2.75%		
Market Value of Assets (MVA)	Termination Liability[1,2]	Funded Ratio	Unfunded Termination Liability	Termination Liability[1,2]	Funded Ratio	Unfunded Termination Liability
$28,120	$66,681	42.2%	$38,562	$28,483	98.7%	$364

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

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

In order to terminate the plan, you must first contact our Retirement Services Contract Unit to initiate a Resolution of Intent to Terminate. The completed Resolution will allow the plan actuary to give you a preliminary termination valuation with a more up-to-date estimate of the plan liabilities. CalPERS advises you to consult with the plan actuary before beginning this process.

This information is intended to give the employer an estimate of the cost to terminate the plan. However, once a plan enters into contract with CalPERS, a plan is prohibited from terminating in the first five years.

Participant Data

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

	May 31, 2024
Reported Payroll	$138,326
Projected Payroll for Contribution Purposes	$142,199
Number of Members	
Active	2
Transferred	0
Separated	0
Retired	0

List of Class 1 Benefit Provisions

This plan has the additional Class 1 Benefit Provisions:

- None

Plan's Major Benefit Options

Shown below is a summary of your agency's proposed major optional benefits. A description of principal standard and optional plan provisions can be found in Appendix B of Section 2.

	Benefit Group	
Benefit Provision	Misc	
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 2W	Yes	
1959 Survivor Benefit Level	Level 4	
Special	No	
Alternate (firefighters)	No	
Post-Retirement Death Benefits		
Lump Sum	$600	
Survivor Allowance (PRSA)	No	
COLA	2%	

* 1959 Survivor Benefit is provided by a separate program and will be billed separately.

PEPRA Member Contribution Rates

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

The table below shows the determination of the PEPRA member contribution rates effective July 1, 2023, based on 50% of the total normal cost rate as of the June 30, 2021 valuation.

		Basis for Current Rate		Rates Effective July 1, 2023			
Rate Plan Identifier	**Benefit Group Name**	**Total Normal Cost**	**Member Rate**	**Total Normal Cost**	**Change**	**Change Needed**	**Member Rate**
TBD	PEPRA Miscellaneous Plan	13.735%	6.75%	15.43%	1.695%	Yes	7.75%

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

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

Section 2

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

California Public Employees' Retirement System
Financial Office | Pension Contracts & Prefunding Programs Division
P.O. Box 942715, Sacramento, CA 94229-2715

www.calpers.ca.gov
888 CalPERS (or **888**-225-7377)
TTY: (877) 249-7442

CalPERS

Jake Rahn
Financial Services Officer
Coastal Animal Services Authority
221 Avenida Fabricante
San Clemente, CA 92672-7531

CalPERS ID 2284618663

April 2, 2024

Dear Jake Rahn,

Thank you for contacting CalPERS regarding a contract for retirement benefits. Enclosed you will find the Resolution of Intention and Exhibit Contract to provide:

Section 21354 (2% @ 55 Full formula), Section 20042 (One-Year Final Compensation), Section 20481 (Local System Members), Section 20530.1 (Credit for Employees' Local System Service), Section 20938 (Limit Prior Service to Members Employed on Contract Date), Section 21536 (Local System Service Included in Basic Death Benefit), and Section 21574.5 (Indexed Level of 1959 Survivor Benefits) with 100% prior service and include a local system transfer for classic local miscellaneous members; and

Section 7522.20 (2% @ 62 Full formula), Section 20481 (Local System Members), Section 20530.1 (Credit for Employees' Local System Service), Section 20938 (Limit Prior Service to Members Employed on Contract Date), Section 21536 (Local System Service Included in Basic Death Benefit), and Section 21574.5 (Indexed Level of 1959 Survivor Benefits) with 100% prior service and include a local system transfer for new local miscellaneous members.

Also provided are the following documents:

1. Resolution of Intention, Form CON-301.
2. Certification of Governing Body's Action, Form CON-12.
3. Certification of Compliance with Governance Code Section 7507, Form CON 12-A.
4. Summary of Major Provisions.
5. Employee Ballots.

6. Local System Ballots.
7. Certification of Employee Election, Form CON-15LS.
8. Waiver of Rights form.
9. Indexed Level of 1959 Survivor Benefits Ballot, Form CON-24d.
10. 1959 Survivor Benefits Certification of Employee Election, Form CON-18.
11. Pre-Tax Resolution Circular Letters.

After the governing body has adopted the enclosed Resolution of Intention declaring its intention to amend the contract, an election is required to permit the employees proposed to be included in this system to express by secret ballot their approval or disapproval of the retirement proposal, pursuant to Government Code Section 20469. A ballot for the employees' election is enclosed. The results of the election are to be certified on the enclosed Form CON-15LS, Certification of Employee Election. The contract shall not be approved if a majority of the affected members vote to disapprove the proposed plan.

A second election must be conducted only among the employees who are members of your local retirement plan. The enclosed Local System Ballot is to be distributed to and completed by all employees who are members of your local retirement plan. The results of this election are also certified on the enclosed Form CON-15LS, Certification of Employee Election. Two-thirds of the employees must vote to approve the proposed contract.

A Waiver of Rights form is to be distributed to all employees who are members of your local retirement plan. Employees who wish to waive their rights to the City of San Clemente Employees Retirement Plan and enter into membership with CalPERS must complete this form. Please return the completed forms along with a list of those employees joining CalPERS, their Social Security numbers, annual income and member contributions.

The employer normal cost rate for classic local miscellaneous members is estimated to be 12.47% in addition to the monthly Employer Unfunded Accrued Liability (AUL) payment of $0 or annual lump sum prepayment option $0.

Estimate the classic miscellaneous payroll for the next twelve months and multiply by 12.47%. Add this to the twelve monthly Employer Unfunded Accrued Liability (AUL) payments of $0 or annual lump sum prepayment option $0. This will calculate the estimated annual cost. As your contract reads, the employer rate is subject to change with future amendments and/or experience and other factors.

The employer normal cost rate for new local miscellaneous members is estimated to be 7.68%.

Estimate the new miscellaneous payroll for the next twelve months and multiply by 7.68% to calculate the estimated total cost. As your contract reads, the employer rate is subject to change with future amendments and/or experience and other factors.

For the Indexed Level of 1959 Survivor Benefits, the initial employer cost to join the 1959 Survivor program is the payment of the pool's annual employer normal cost, $6.75 per covered member per month (subject to annual change), for a period of five years. Agencies will be billed annually and the normal cost will be recalculated each year. After the first five years, the employer is required to pay the net premium for the Indexed Level pool, which will vary from year to year due to investment returns and experiences by the pool. In addition, members covered by the 1959 Survivor Benefits contribute $2.75 per month (subject to annual change).

Effective January 1, 2009 Government Code Section 7507 requires the following:

- **Future annual costs** of the proposed contract be made public at a public meeting at least two weeks prior to the adoption of the final Resolution.
- Expansion of the definition of the term "future annual costs" to include "normal cost and any change in accrued liability".
- Adoption of any retirement contract benefit increase or change cannot be placed on the consent calendar.

The agency is to certify compliance on the enclosed Certification of Compliance with Government Code Section 7507 (form CON-12A).

The classic local miscellaneous member contribution rate will be 7% of reportable earnings as of the effective date of the contract.

The new local miscellaneous member contribution rate will be 7.75% of reportable earnings as of the effective date of the contract.

After your governing body has adopted the Resolution of Intention, the next procedure with respect to the 1959 Survivor Benefits is to allow each current employee, proposed to be included in this system, to make an individual election. Members in employment on the effective date of the contract may elect whether to be covered. Participation is required of all future entrants into membership. The supervision of this election and the details of its conduct are under the control and direction of your agency.

A ballot, Form CON-24d, including the summary of benefits is to be distributed to all eligible employees to complete and sign. The original ballots must be returned to this office along with a listing, in duplicate, of the employees, their Social Security numbers and category (miscellaneous, fire, police, etc.) wherein the employees are grouped according to those: 1) who elected coverage; 2) who did not elect coverage; and 3) who did not return the ballot. Employees who do not return the ballot within the prescribed time limitation thereby elect not to be covered. The list should confirm the results of the election, which are certified on the enclosed Form CON-18, 1959 Survivor Benefits Certification of Employee Election. Any employees hired after the election or employed prior to or on the effective date of the contract must also be given the opportunity to elect coverage.

In summary, the following documents must be provided back to us before we can forward the actual contract and final documents necessary to complete the process. DO NOT HOLD THESE DOCUMENTS PENDING ADOPTION OF THE FINAL RESOLUTION.

1. Resolution of Intention, certified copy.
2. Certification of Governing Body's Action, Form CON-12.
3. Certification of Compliance with Government Code Section 7507, Form CON-12A.
4. Certification of Employee Election, Form CON-15LS.
5. Waiver of Rights Form and summary listing of employees.
6. Indexed Level of 1959 Survivor Benefits Ballot, Form CON-24d.
7. 1959 Survivor Benefits Certification of Employee Election, Form CON-18.
8. Summary listing of employees for 1959 Survivor Benefits.

There must be a 20 day period between the adoption of the Resolution of Intention and the adoption of the final Resolution pursuant to Government Code Section 20471. There are no exceptions to this law.

The effective date of this amendment cannot be earlier than the first day of a payroll period following the effective date of the final Resolution.

Please do not retype the Contract and/or agreement documents. Only documents provided by this office will be accepted. If you have any questions regarding any documents, please contact this office prior to presenting to your governing body for adoption.

If you plan to submit tax-deferred contributions on behalf of your members, please have your governing board adopt an appropriate resolution authorizing such employer pick-up of employee contributions. Your governing board may want to adopt the resolution at the same time it adopts the resolution of intention to contract. We have enclosed two circular letters which explain the employer "pick-up" federal tax reporting requirements, where to obtain sample resolutions and the mailing address for submitting the "pick-up" resolutions.

We are here to assist you. If you have any questions or would like additional information, please visit our website www.calpers.ca.gov, or you may contact us toll free at **888 CalPERS** or (**888**-225-7377).

Sincerely,

Christopher Keil

Christopher Keil
Pension Contracts Analyst
Financial Office | Pension Contracts & Prefunding Programs Division

CK:tp

Enclosures

RESOLUTION OF INTENTION

TO APPROVE A CONTRACT

BETWEEN THE

BOARD OF ADMINISTRATION
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

AND THE

BOARD OF DIRECTORS
COASTAL ANIMAL SERVICES AUTHORITY

WHEREAS, the Public Employees' Retirement Law permits the participation of public agencies in the Public Employees' Retirement System, making their employees members of said System, and sets forth the procedure by which participation may be accomplished; and

WHEREAS, one of the steps required in the procedure is the adoption by the governing body of the public agency of a resolution giving notice of intention to approve a contract for such participation of said agency in the Public Employees' Retirement System, which resolution shall contain a summary of the major provisions of the proposed retirement plan;

NOW, THEREFORE, BE IT RESOLVED, that the governing body of the above agency gives, and it does hereby give notice of intention to approve a contract between said governing body and the Board of Administration of the Public Employees' Retirement System, providing for participation of said agency in said retirement system, a copy of said contract and a copy of the summary of the major provisions of the proposed plan being attached hereto, as an "Exhibit", and by this reference made a part hereof.

By:______________________________
Presiding Officer

____
Title

____
Date adopted and approved

CalPERS

EXHIBIT

California
Public Employees' Retirement System

CONTRACT

Between the
Board of Administration
California Public Employees' Retirement System
and the
Board of Directors
Coastal Animal Services Authority

In consideration of the covenants and agreement hereafter contained and on the part of both parties to be kept and performed, the governing body of above public agency, hereafter referred to as "Public Agency", and the Board of Administration, Public Employees' Retirement System, hereafter referred to as "Board", hereby agree as follows:

1. All words and terms used herein which are defined in the Public Employees' Retirement Law shall have the meaning as defined therein unless otherwise specifically provided. "Normal retirement age" shall mean age for classic local miscellaneous members and age 62 for new local miscellaneous members.

2. Public Agency shall participate in the Public Employees' Retirement System from and after ____________________ making its employees as hereinafter provided, members of said System subject to all provisions of the Public Employees' Retirement Law except such as apply only on election of a contracting agency and are not provided for herein and to all amendments to said Law hereafter enacted except those, which by express provisions thereof, apply only on the election of a contracting agency.

3. Public Agency agrees to indemnify, defend and hold harmless the Public Employees' Retirement System and its trustees, agents and employees, the Public Employees' Retirement System Board of Administration, and the Public Employees' Retirement System Fund from any claims, demands, actions, losses, liabilities, damages, judgments, expenses and costs, including but not limited to interest, penalties and attorney fees that may arise as a result of any of the following:

   (a) Public Agency's election to provide retirement benefits, provisions or formulas under this Contract that are different than the retirement benefits, provisions or formulas provided under the Public Agency's prior non- Public Employees' Retirement System retirement program.

   (b) Any dispute, disagreement, claim, or proceeding (including without limitation arbitration, administrative hearing, or litigation) between Public Agency and its employees (or their representatives) which relates to Public Agency's election to amend this Contract to provide retirement benefits, provisions or formulas that are different than such employees' existing retirement benefits, provisions or formulas.

   (c) Public Agency's agreement with a third party other than CalPERS to provide retirement benefits, provisions, or formulas that are different than the retirement benefits, provisions or formulas provided under this Contract and provided for under the Public Employees' Retirement Law.

4. Employees of Public Agency in the following classes shall become members of said Retirement System except such in each such class as are excluded by law or this agreement:

   a. Employees other than local safety members (herein referred to as local miscellaneous members).

5. Any exclusion(s) shall remain in effect until such time as the Public Employees' Retirement System determines that continuing said exclusion(s) would risk a finding of non-compliance with any federal tax laws or regulations. If such a determination is contemplated, the Public Employees' Retirement System will meet with the Public Agency to discuss the matter and coordinate any required changes or amendments to the contract.

In addition to the classes of employees excluded from membership by said Retirement Law, the following classes of employees shall not become members of said Retirement System:

a. **SAFETY EMPLOYEES; AND**

b. **EMPLOYEES WHO ARE MEMBERS OF THE CITY OF SAN CLEMENTE EMPLOYEES RETIREMENT PLAN WHO DID NOT WAIVE THEIR RIGHTS UNDER THE CITY OF SAN CLEMENTE EMPLOYEES RETIRMENT PLAN AS OF THE EFFECTIVE DATE OF THIS CONTRACT.**

6. Public Agency's participation in the Public Employees' Retirement System is based on the Board's reasonable, good faith interpretation of current Internal Revenue Service Guidance that Public Agency as constituted at the time of this Agreement is eligible to participate in a governmental plan within the meaning of Internal Revenue Code Section 414(d). Public Agency's continued participation shall be subject to the Board's determination of Public Agency's status as an "agency or instrumentality of the state or political subdivision of a State" that is eligible to participate in a governmental plan within the meaning of Section 414(d), upon publication of final Treasury Regulations pursuant to such Section (the "Final Regulations"). If upon publication of the Final Regulations, the Board determines that Public Agency would not qualify as an agency or instrumentality of the state or political subdivision of a State, Public Agency shall take all necessary and applicable steps to comply with the Final Regulations, including making any necessary amendments to Public Agency's governing documents. If Public Agency fails to timely comply with the Final Regulations, the Board shall take any remedial corrections required under the Final Regulations, which may include the termination of Public Agency's participation in the Public Employees' Retirement System, and the cancellation of all benefits and any service credit accrued for Public Agency employees and retirees.

7. Assets heretofore accumulated with respect to members in the local retirement system upon contract date who waive their rights under that system shall be transferred to the Public Employees' Retirement System upon the effective date of this contract and applied against the liability for prior service incurred hereunder. That portion of the assets to be transferred which represent the accumulated contributions (plus interest thereupon) required of the employees under said local system shall be credited to the individual membership account of each such employee under the Public Employees' Retirement System.

8. The percentage of final compensation to be provided for each year of credited prior and current service as a classic local miscellaneous member shall be determined in accordance with Section 21354 of said Retirement Law (2% at age 55 Full).

9. The percentage of final compensation to be provided for each year of credited prior and current service as a new local miscellaneous member shall be determined in accordance with Section 7522.20 of said Retirement Law (2% at age 62 Full).

10. Public Agency elected and elects to be subject to the following optional provisions:

    a. Section 20042 (One-Year Final Compensation) for classic members only.

    b. Section 20938 (Limit Prior Service to Members Employed on Contract Date).

    c. Section 21536 (Local System Service Credit Included in Basic Death Benefit).

11. Public Agency shall contribute to said Retirement System the contributions determined by actuarial valuations of prior and future service liability with respect to local miscellaneous members of said Retirement System.

12. Public Agency shall also contribute to said Retirement System as follows:

    a. Contributions required per covered member on account of the 1959 Survivor Benefits provided under Section 21574.5 of said Retirement Law. (Subject to annual change.) In addition, all assets and liabilities of Public Agency and its employees shall be pooled in a single account, based on term insurance rates, for survivors of all local miscellaneous members.

    b. A reasonable amount, as fixed by the Board, payable in one installment within 60 days of date of contract to cover the costs of administering said System as it affects the employees of Public Agency, not including the costs of special valuations or of the periodic investigation and valuations required by law.

    c. A reasonable amount, as fixed by the Board, payable in one installment as the occasions arise, to cover the costs of special valuations on account of employees of Public Agency, and costs of the periodic investigation and valuations required by law.

13. Contributions required of Public Agency and its employees shall be subject to adjustment by Board on account of amendments to the Public Employees' Retirement Law, and on account of the experience under the Retirement System as determined by the periodic investigation and valuation required by said Retirement Law.

14. Contributions required of Public Agency and its employees shall be paid by Public Agency to the Retirement System within fifteen days after the end of the period to which said contributions refer or as may be prescribed by Board regulation. If more or less than the correct amount of contributions is paid for any period, proper adjustment shall be made in connection with subsequent remittances. Adjustments on account of errors in contributions required of any employee may be made by direct payments between the employee and the Board.

BOARD OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BY________________________________
MELODY BENAVIDES, CHIEF
PENSION CONTRACTS AND PREFUNDING
PROGRAMS DIVISION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BOARD OF DIRECTORS
COASTAL ANIMAL SERVICES
AUTHORITY

BY________________________________
PRESIDING OFFICER

____
Witness Date

Attest:

____
Clerk

California Public Employees' Retirement System
Financial Office | Pension Contracts & Prefunding Programs Division
P.O. Box 942715, Sacramento, CA 94229-2715

www.calpers.ca.gov
888 CalPERS (or **888**-225-7377)
TTY: (877) 249-7442

CalPERS

Certification of Governing Body's Action

I hereby certify that the foregoing is a true and correct copy of a Resolution adopted by the

____ of the
(governing body)

____
(public agency)

on ____________________.
(date)

____
Clerk/Secretary

____
Title

California Public Employees' Retirement System
Financial Office | Pension Contracts & Prefunding Programs Division
P.O. Box 942715, Sacramento, CA 94229-2715

www.calpers.ca.gov
888 CalPERS (or **888**-225-7377)
TTY: (877) 249-7442

CalPERS

Certification of Compliance with Government Code Section 7507

I hereby certify that in accordance with Government Code section 7507, the future annual costs as determined by the California Public Employees' Retirement System for the increase or change in retirement benefit(s) have been made public at a public meeting of the

______________________________ of the ____

(governing body) (public agency)

on ________________ which is at least two weeks prior to the adoption of the Resolution /

(date)

Ordinance. Adoption of the retirement benefit increase or change will not be placed on the consent calendar.

____

Clerk/Secretary

____

Title

Date ____________________

California Public Employees' Retirement System
Financial Office | Pension Contracts & Prefunding Programs Division
P.O. Box 942715, Sacramento, CA 94229-2715

www.calpers.ca.gov
888 CalPERS (or **888**-225-7377)
TTY: (877) 249-7442

CalPERS

CalPERS ID 2284618663

Employee Ballot

Active Miscellaneous Member Group

The Board of Directors of the Coastal Animal Services Authority shall not include in the contract with the Board of Administration of the California Public Employees' Retirement System any group if a majority of its members vote to disapprove the proposed plan. (Government Code Section 20470)

The proposed plan is described in Exhibit A of the Coastal Animal Service Authority's Resolution of Intention to Contract with CalPERS and is outlined in the attached Summary of Major Provisions.

Do you approve the proposed plan?	YES ☐ NO ☐

California Public Employees' Retirement System
Financial Office | Pension Contracts & Prefunding Programs Division
P.O. Box 942715, Sacramento, CA 94229-2715

www.calpers.ca.gov
888 CalPERS (or **888**-225-7377)
TTY: (877) 249-7442

CalPERS

CalPERS ID 2284618663

Local System Ballot

Active Miscellaneous Member Group

For use by employees in the Local Retirement Plan of the Coastal Animal Services Authority to determine their approval or disapproval of the proposal of said agency's governing body to transfer the Local Retirement Plan to the California Public Employees' Retirement System pursuant to Government Code Sections 20470 and 20481.

Shall the Public Agency named above transfer the Local Retirement Plan to the California Public Employees' Retirement System?	YES ☐ NO ☐

California Public Employees' Retirement System
Financial Office | Pension Contracts & Prefunding Programs Division
P.O. Box 942715, Sacramento, CA 94229-2715

www.calpers.ca.gov
888 CalPERS (or **888**-225-7377)
TTY: (877) 249-7442

CalPERS

CalPERS ID 2284618663

Waiver of Rights

I, ____, am employed in a position that qualifies me as a local miscellaneous member. I understand that a contract between the Board of Directors of the Coastal Animal Services Authority and the Board of Administration of the California Public Employees' Retirement System, proposed by a Resolution of Intention, to be adopted on or before ____________________ by said governing body of the public agency, is contingent on adoption of a final Resolution approving said contract. In consideration of my right to membership in the California Public Employees' Retirement System under this contract, I hereby waive all rights which I have under the City of San Clemente Employees Retirement Plan. This Waiver of Rights is contingent upon my being in the employment of a CalPERS agency on the effective date of the contract. I understand that this Waiver of Rights will completely terminate my membership in the City of San Clemente Employees Retirement Plan on the effective date of this contract. I have read and do understand the summary of the California Public Employees' Retirement System benefits attached hereto.

____
Signature

____
Social Security Number

Date ______________________

Attachment: Summary of Major Provisions

California Public Employees' Retirement System
Financial Office | Pension Contracts & Prefunding Programs Division
P.O. Box 942715, Sacramento, CA 94229-2715

www.calpers.ca.gov
888 CalPERS (or **888**-225-7377)
TTY: (877) 249-7442

CalPERS

Summary of Major Provisions

2% @ 55 Formula (Section 21354) for Local Miscellaneous Members

Service Retirement

To be eligible for service retirement, a member must be at least age 50 and have five years of CalPERS credited service. There is no compulsory retirement age.

The monthly retirement allowance is determined by age at retirement, years of service credit and final compensation. The basic benefit is 2% of final compensation for each year of credited service upon retirement at age 55. If retirement is earlier than age 55, the percentage of final compensation decreases for each quarter year of attained age to 1.426% at age 50. If retirement is deferred beyond age 55, the percentage of final compensation increases for each quarter year of attained age to 2.418% at age 63.

Final compensation is the average monthly pay rate during the last consecutive 36 months of employment, or 12 months if provided by the employer's contract, unless the member designates a different period of 36 or 12 consecutive months when the average pay rate was higher.

Disability Retirement

Members who are substantially incapacitated for the performance of their duties under the current employer **and** from performing the usual duties of the position for other CalPERS-covered employers (including State agencies, schools, and local public agencies) and where similar positions with these other employers with reasonably comparable in pay, benefits, and promotional opportunities are not available, would be eligible for disability retirement provided they have at least five years of service credit. The monthly retirement allowance is 1.8% of the final compensation for each year of service. The maximum percentage for members with 10.000 and 18.518 years of service credit is one-third of their final compensation. If the member is eligible for service retirement, the member will receive the highest allowance payable, service, or disability. If provided by the employer's contract, the benefit would be a minimum of 30% of final compensation for the first five years of service credit, plus 1% for each additional year of service to a maximum benefit of 50% of final compensation.

Industrial Disability Retirement

If provided by the employer's contract, members permanently incapacitated from performing their duties, as defined above under Disability Retirement, and the disability is a result of a job-related injury or illness may receive an Industrial Disability Retirement benefit equal to 50% of their final compensation. If provided in the employer's contract, the disability retirement allowance for disabled members will equal 75% of the member's final compensation instead of the disability retirement allowance otherwise provided. If the member is eligible for service retirement, the service retirement allowance is payable. The total allowance cannot exceed 90% of the final compensation.

Pre-Retirement Death Benefits

Basic Death Benefit

This benefit refunds the member's contributions plus interest and up to six months' pay (one month's salary rate for each year of current service up to a maximum of six months).

1957 Survivor Benefit

Eligible beneficiaries may elect to receive either the Basic Death Benefit or the 1957 Survivor Benefit. The 1957 Survivor Benefit provides a monthly allowance equal to one-half of the highest service retirement allowance members would have received had they retired on the date of death. It is payable to the surviving spouse or registered domestic partner until death or to eligible unmarried children until age 18.

1959 Survivor Benefit[1]

A surviving spouse or registered domestic partner and eligible children may receive a monthly allowance as determined by the level of coverage. This benefit is payable in addition to the Basic Death Benefit or 1957 Survivor Benefit. Children under age 22 and unmarried are eligible.

Pre-Retirement Optional Settlement 2 Death Benefit[2]

The spouse or registered domestic partner of deceased members eligible to retire from service at the time of death may elect to receive the Pre-Retirement Optional Settlement 2 Death Benefit instead of the lump sum Basic Death Benefit. This monthly benefit allowance equals the amount members would have received if they had retired from service on the date of death and elected Optional Settlement 2 (the highest monthly payable allowance for a spouse or registered domestic partner).

Cost-Of-Living Adjustments

The cost-of-living allowance increases are limited to a maximum of 2% compounded annually unless the employer's contract provides a 3, 4, or 5% increase.

Death After Retirement

The lump sum death benefit is $2000 (or $3,000, $4,000, or $5,000 if provided by the employer's contract) regardless of the retirement plan chosen by the member at retirement.

Termination of Employment

Members who have separated from employment may elect to leave their contributions on deposit or request a refund of contributions and interest. Those who leave their contributions on deposit may apply later for a monthly retirement allowance if the minimum service and age requirements are met. Members who request a refund of their contributions terminate their membership and are not eligible for any future benefits unless they return to CalPERS membership.

Employee Contributions

Miscellaneous members covered by the 2% @ 62 formula shall share the cost of this benefit with their employer. Each will be responsible for 50% of the normal cost of participating in this system.

The employer bears the entire cost of prior service benefits (the period before the employer-provided retirement coverage under CalPERS). The CalPERS Board of Administration may adjust all employer contribution rates.

---

[1] If provided by the employer's contract and the member is not covered under social security.

[2] If provided by the employer's contract.

California Public Employees' Retirement System
Financial Office | Pension Contracts & Prefunding Programs Division
P.O. Box 942715, Sacramento, CA 94229-2715

www.calpers.ca.gov
888 CalPERS (or **888**-225-7377)
TTY: (877) 249-7442

CalPERS

Summary of Major Provisions

2% @ 62 Formula (Section 7522.20) for New Local Miscellaneous Members

Service Retirement

To be eligible for service retirement, a member must be 52 or older and have accrued a minimum of five years of CalPERS credited service. There is no compulsory retirement age.

The monthly retirement allowance is determined by age at retirement, years of service credit, and final compensation. The basic benefit is 2% of final compensation for each year of credited service upon retirement at age 62. If retirement is earlier than age 62, the percentage of final compensation decreases for each quarter year of attained age until it reaches 1% at age 52. If retirement is deferred beyond age 62, the percentage of final compensation increases for each quarter year of attained age to 2.5% at age 67.

Final compensation is the average monthly pay rate during the last 36 consecutive months of employment unless the member designates a different period of 36 consecutive months during which the average pay rate was higher.

Disability Retirement

Members who are substantially incapacitated for the performance of their duties under the current employer **and** from performing the usual duties of the position for other CalPERS-covered employers (including State agencies, schools, and local public agencies) and where similar positions with these other employers with reasonably comparable in pay, benefits, and promotional opportunities are not available, would be eligible for disability retirement provided they have at least five years of service credit. The monthly retirement allowance is 1.8% of the final compensation for each year of service. The maximum percentage for members with 10.000 and 18.518 years of service credit is one-third of their final compensation. If the member is eligible for service retirement, the member will receive the highest allowance payable, service, or disability. If provided by the employer's contract, the benefit would be a minimum of 30% of final compensation for the first five years of service credit, plus 1% for each additional year of service to a maximum benefit of 50% of final compensation.

Industrial Disability Retirement

If provided by the employer's contract, members permanently incapacitated from performing their duties, as defined above under Disability Retirement, and the disability is a result of a job-related injury or illness may receive an Industrial Disability Retirement benefit equal to 50% of their final compensation. If provided in the employer's contract, the disability retirement allowance for disabled members will equal 75% of the member's final compensation instead of the disability retirement allowance otherwise provided. If the member is eligible for service retirement, the service retirement allowance is payable. The total allowance cannot exceed 90% of the final compensation.

Pre-Retirement Death Benefits

Basic Death Benefit

This benefit refunds the member's contributions plus interest and up to six months' pay (one month's salary rate for each year of current service up to a maximum of six months).

1957 Survivor Benefit
Eligible beneficiaries may elect to receive either the Basic Death Benefit or the 1957 Survivor Benefit. The 1957 Survivor Benefit provides a monthly allowance equal to one-half of the highest service retirement allowance members would have received had they retired on the date of death. It is payable to the surviving spouse or registered domestic partner until death or to eligible unmarried children until age 18.

1959 Survivor Benefit[1]
A surviving spouse or registered domestic partner and eligible children may receive a monthly allowance as determined by the level of coverage. This benefit is payable in addition to the Basic Death Benefit or 1957 Survivor Benefit. Children under age 22 and unmarried are eligible.

Pre-Retirement Optional Settlement 2 Death Benefit[2]
The spouse or registered domestic partner of deceased members eligible to retire from service at the time of death may elect to receive the Pre-Retirement Optional Settlement 2 Death Benefit instead of the lump sum Basic Death Benefit. This monthly benefit allowance equals the amount members would have received if they had retired from service on the date of death and elected Optional Settlement 2 (the highest monthly payable allowance for a spouse or registered domestic partner).

Cost-Of-Living Adjustments

The cost-of-living allowance increases are limited to a maximum of 2% compounded annually unless the employer's contract provides a 3, 4, or 5% increase.

Death After Retirement

The lump sum death benefit is $2000 (or $3,000, $4,000, or $5,000 if provided by the employer's contract) regardless of the retirement plan chosen by the member at retirement.

Termination of Employment

Members who have separated from employment may elect to leave their contributions on deposit or request a refund of contributions and interest. Those who leave their contributions on deposit may apply later for a monthly retirement allowance if the minimum service and age requirements are met. Members who request a refund of their contributions terminate their membership and are not eligible for any future benefits unless they return to CalPERS membership.

Employee Contributions

Miscellaneous members covered by the 2% @ 62 formula shall share the cost of this benefit with their employer. Each will be responsible for 50% of the normal cost of participating in this system.

The employer bears the entire cost of prior service benefits (the period before the employer-provided retirement coverage under CalPERS). The CalPERS Board of Administration may adjust all employer contribution rates.

---

[1] If provided by the employer's contract and the member is not covered under social security.
[2] If provided by the employer's contract.

California Public Employees' Retirement System
Financial Office | Pension Contracts & Prefunding Programs Division
P.O. Box 942715, Sacramento, CA 94229-2715

www.calpers.ca.gov
888 CalPERS (or **888**-225-7377)
TTY: (877) 249-7442

CalPERS

CalPERS ID 2284618663

Certification of Employee Election

I hereby certify that the following employees of the Coastal Animal Services Authority have expressed their approval or disapproval of the said agency's participation in the California Public Employees' Retirement System on the basis described in the Resolution of Intention passed by said agency's governing body on __________________________, ______, in such manner as to permit each employee to separately and secretly express his choice and that the outcome of such election was as follows:

	Number of employees eligible <u>to vote</u>	Number of votes approving said <u>contract</u>	Number of votes disapproving said <u>contract</u>
Local Miscellaneous Members as defined in Gov't. Code Section 20383	__________	__________	__________

With respect to all employees of the Local Retirement Plan, the outcome of such election was as follows:

	Number of employees eligible to vote	Number of votes approving said contract	Number of votes disapproving said contract
Local Miscellaneous Members	___________	___________	___________

____

Clerk/Secretary

____

Date

California Public Employees' Retirement System
Financial Office | Pension Contracts & Prefunding Programs Division
P.O. Box 942715, Sacramento, CA 94229-2715

www.calpers.ca.gov
888 CalPERS (or **888**-225-7377)
TTY: (877) 249-7442

CalPERS

1959 Survivor Benefit Program—Indexed Level

Employee Name: ____

Social Security Number: __________/__________/__________

For use by members employed by ______________________________ who are not covered by Social Security on the effective date of the enacting contract to elect to be covered by CalPERS 1959 Survivor Benefits or not to be covered by CalPERS 1959 Survivor Benefits.

Please be advised that your election to be covered by the 1959 Survivor Benefits is irrevocable and will remain in effect until you retire, change employers, terminate your membership in CalPERS, or come under Social Security coverage.

As an employee eligible to participate in this election, should you choose not to be covered by the 1959 Survivor Benefits at this time, you will be provided a second opportunity to elect the coverage within a three-month period beginning nine months following the effective date of the agency's contract for such coverage. This second election will provide an opportunity to elect the 1959 Survivor Benefits; however, it will not provide an opportunity to cancel a previous election for 1959 Survivor Benefits coverage.

BEFORE MAKING ELECTION PLEASE READ IMPORTANT INFORMATION ON PAGE 2

FAILURE TO EXECUTE AND RETURN THIS FORM TO YOUR AGENCY ON OR BEFORE ______________________ SHALL BE DEEMED AN ELECTION NOT TO BE COVERED BY CalPERS 1959 SURVIVOR BENEFITS.

Vote by marking only one of the spaces provided below which indicates your choice:

☐ I elect to be covered by CalPERS 1959 Survivor Benefits, as set forth in Section 21574.5.

☐ I elect not to be covered by CalPERS 1959 Survivor Benefits, as set forth in Section 21574.5.

______________________________ ______________

Signature Date

Plans New to 1959 Survivor Benefit Program

Indexed Level

The Indexed Level 1959 Survivor Benefit provides a monthly allowance for survivors of members who were covered for this benefit and who die before retirement. The benefit amounts for calendar year 2024 are $804, $1,608 and $2,413 for one, two and three eligible survivors, respectively. These amounts will increase by 2% on January 1 of each following year. The increased benefit amounts compounded by 2% annually are applicable to both current and future beneficiaries. This benefit coverage is available by contract amendment for those members who are not covered by Federal Social Security with their employer. The 1959 Survivor Benefit allowance is payable in addition to any other pre-retirement death benefit paid by CalPERS, with the exception of the Special Death Benefit. If the 1959 Survivor Benefit is greater than the Special Death Benefit, then the difference is paid as the 1959 Survivor Benefit. The Indexed Level assets are pooled.

The CalPERS Board of Administration has approved the Indexed Level 1959 Survivor per member, per month normal costs for the fiscal year beginning July 1, 2023 as follows:

Employer: $6.75
Employee: $2.75

The **employer** cost to initially join the 1959 Survivor program is the payment of the pool's annual employer normal cost for a period of five years. For example, if your plan has 65 members who elect the 1959 Survivor Indexed Level benefit at the time of contract and work every month of the first year, the employer cost would be $5,265.00 (member count x normal cost x 12) for the first year. The annual employer normal cost and member counts will be recalculated each year, thus the total employer cost will vary in subsequent years, even though the formula is the same. After the first five years, agencies will be required to pay the net premium for the Indexed Level pool (the pool's normal cost after amortization of the pool's surplus of unfunded liability). The annual payments are due in full at the end of each fiscal year; in general, your first payment will be due at the end of the first full year after the contract date. As a result, payment cycles may not necessarily correspond with contract anniversary dates.

The **employee** cost to fund the 1959 Survivor program is presently $2.75 per covered member, per month. In accordance with Section 21581 of the Public Employees' Retirement Law, if the total monthly premium is equal to, or less than, $4.00, the member contribution portion shall be $2.00 per month. If the total monthly premium required exceeds $4.00, the member and the employer shall evenly share the total required monthly premium. This cost will be recalculated each year.

CalPERS customarily approves new annual costs for the upcoming fiscal year at the April Finance and Administration Committee Meeting. Therefore, if your agency contracts with CalPERS and includes this provision after June 30, 2024, you must contact our office for updated cost information.

Additional information regarding the 1959 Survivor Benefit Program may be found at www.calpers.ca.gov.

California Public Employees' Retirement System
Financial Office | Pension Contracts & Prefunding Programs Division
P.O. Box 942715, Sacramento, CA 94229-2715

www.calpers.ca.gov
888 CalPERS (or **888**-225-7377)
TTY: (877) 249-7442

CalPERS

CalPERS ID 2284618663

1959 Survivor Benefits Certification of Employee Election

I hereby certify the following local miscellaneous employees of the Coastal Animal Services Authority were given an opportunity to elect to be subject to Government Code Section 21575.5, Indexed Level of 1959 Survivor Benefits, as described in the Resolution of Intention adopted by said Agency's governing body on ____________________________, ______:

Number of employees eligible to elect coverage	Number employees electing to be covered	Number of employees electing not to be covered
______________	______________	______________

The attached list identifies the names and Social Security numbers of the CalPERS members eligible to elect such coverage and indicates the choices made.

____ Clerk or Secretary

_________________________ Date

CalPERS
P.O. Box 942709
Sacramento, CA 94229-2709
888 CalPERS (or **888**-225-7377)
Telecommunications Device for the Deaf
No Voice (916) 795-3240
www.calpers.ca.gov

Date: April 14, 2010
Reference No.:
Circular Letter No.: 200-019-10
Distribution: VI, XII, XVI
Special:

Circular Letter

TO: **PUBLIC AGENCIES, COUNTY SUPERINTENDENT OF SCHOOLS, SCHOOL DISTRICTS**

SUBJECT: **EMPLOYER "PICK-UP" RESOLUTION UPDATE**

Circular Letter 200-049-08 was sent to advise employers of Revenue Ruling 2006-43 concerning the "pick-up" of employee contributions to CalPERS and to ensure the requirements of the "pick-up" were being met. Revenue Ruling 2006-43 provides in general that an employee contribution will not be treated as "picked-up" unless: (1) the employer specifies that the contributions, although designated as employee contributions, are being paid by the employer and (2) the employer does not permit participating employees to opt out of the pick-up or to receive the contributed amounts directly instead of having them paid by the employer to the plan. The information that was provided in the previous Circular Letter on requirements for an employer "pick-up" has not changed.

Some employers "pick-up" employee contributions for employees in specified groups or classes, but not necessarily for <u>all</u> employees in the organization. This Circular Letter clarifies that your "pick-up" resolution should identify whether <u>all</u> employees of the organization or all of the employees in specific groups or classes are subject to the "pick-up". Employers who only "pick up" employee contributions for all of the employees in certain groups or classes, should specify so in their resolution.

If you need to revise your resolution, you must submit a new one to CalPERS at the address below:

CalPERS
Employer Services Division
Compensation Review Unit
P.O. Box 942709
Sacramento CA 94229-2709

You may also fax your resolution to (916) 795-3005, attention Compensation Review Unit.

The Public Agency Procedures Manual, which is located on CalPERS On-Line contains a Resolution to Tax Defer Member Paid Contributions, Sample E, for your use. If you have any questions, or if you require assistance in preparing your resolution, please call our Employer Contact Center at **888 CalPERS** (or **888**-225-7377).

Lori McGartland, Chief
Employer Services Division

Attachment

RESOLUTION FOR EMPLOYER PICK-UP

WHEREAS, the ___________________________________ (Name of Agency) has the authority to implement the provisions of section 414(h)(2) of the Internal Revenue Code (IRC); and

WHEREAS, the Board of Administration of the Public Employees' Retirement System adopted its resolution re section 414(h)(2) IRC on September 18, 1985; and

WHEREAS, the Internal Revenue Service has stated in December 1985, that the implementation of the provisions of section 414(h)(2) IRC pursuant to the Resolution of the Board of Administration would satisfy the legal requirements of section 414(h)(2) IRC; and

WHEREAS, the ___________________________________ (Name of Agency) as determined that even though the implementation of the provisions of section 414(h)(2) IRC is not required by law, the tax benefit offered by section 414(h)(2) IRC should be provided to its employees who are members of the Public Employees' Retirement System:

NOW, THEREFORE, BE IT RESOLVED:

I. That the ___________________________________ (Name of Agency) will implement the provisions of section 414(h)(2) Internal Revenue Code by making employee contributions pursuant to California Government Code section 20691 to the Public Employees' Retirement System on behalf of its employees who are members of the Public Employees Retirement System. "Employee contributions" shall mean those contributions to the Public Employees' Retirement System which are deducted from the salary of employees and are credited to individual employee's accounts pursuant to California Government Code section 20691.

II. That the contributions made by the ___________________________________ (Name of Agency) to the Public Employees' Retirement System, although designated as employee contributions, are being paid by the Santa Cruz County Animal Services Authority (Name of Agency) in lieu of contributions by the employees who are members of the Public Employees' Retirement System.

III. That employees shall not have the option of choosing to receive the contributed amounts directly instead of having them paid by the ___________________________________ (Name of Agency) to the Public Employees' Retirement System.

IV. That the ___________________________________ (Name of Agency) shall pay to the Public Employees' Retirement System the contributions designated as employee contributions from the same source of funds as used in paying salary.

V. That the amount of the contributions designated as employee contributions and paid by the ___________________________________ (Name of Agency) to the Public Employees' Retirement System on behalf of an employee shall be the entire contribution required of the employee by the Public Employees' Retirement Law (California Government Code sections 20000, et seq.).

VI. That the contributions designated as employee contributions made by ___________________________________ (Name of Agency) to the Public Employees' Retirement System shall be treated for all purposes, other than taxation, in the same way that member contributions are treated by the Public Employees' Retirement System.

PASSED and ADOPTED by the governing body of the ___________________________________ this day of

_______________, ________

By:______________________________
Presiding Officer

____
Title

____
Date adopted and approved

CalPERS
P.O. Box 942709
Sacramento, CA 94229-2709
888 CalPERS (or **888**-225-7377)
Telecommunications Device for the Deaf
No Voice (916) 795-3240
www.calpers.ca.gov

Date: October 3, 2008
Reference No.:
Circular Letter No.: 200-049-08
Distribution: VI, XII, XVI
Special:

Circular Letter

TO: **PUBLIC AGENCIES, COUNTY SUPERINTENDENT OF SCHOOLS, SCHOOL DISTRICTS**

SUBJECT: **EMPLOYER "PICK-UP" - REVENUE RULING 2006-43 DECEMBER 31, 2008 DEADLINE FOR ACTION**

ATTENTION: **FINANCE DIRECTORS, HUMAN RESOURCE DIRECTORS**

This Circular Letter is being sent to advise employers of Revenue Ruling 2006-43 concerning the pick-up of employee contributions to California Public Employees Retirement System (CalPERS), and of actions that an employer may be required to take before December 31, 2008 to ensure compliance with pick-up requirements.

BACKGROUND AND PURPOSE

Internal Revenue Code (IRC) Section 414(h)(2) allows public agencies and school employers to designate required employee contributions as being "picked-up" by the employer and treated as employer contributions for tax purposes. The effect of a pick-up is to defer tax on employee contribution amounts until the member retires and receives retirement benefits, or separates from employment and takes a refund of contributions. Absent the 414(h)(2) provision applicable to governmental plans, employee contributions to a defined benefit pension plan qualified under Section 401(a) would automatically be after-tax contributions (e.g. taxable income to the employee at the time the contribution was made).

Since the early 1980s, CalPERS has taken steps to ensure that contracting agency and school employers have adopted and submitted to CalPERS appropriate written evidence of pick-ups prior to reporting tax-deferred member contributions to CalPERS. This Circular Letter is being sent as a reminder of the federal tax reporting requirements, to encourage each contracting agency and school employer who reports tax-deferred member contributions to review their documents and, if necessary, adopt conforming documentation prior to the deadline set by Revenue Ruling 2006-43. To view the ruling, visit CalPERS online.

REVENUE RULING 2006-43

Revenue Ruling 2006-43 provides, in general, that an employee contribution will not be treated as "picked-up" under IRC 414(h)(2) unless:

> (1) The employer specifies that the contributions, although designated as employee contributions, are being paid by the employer (this action must be memorialized in writing), and
>
> (2) The employer does not permit participating employees to opt out of the pick-up or to receive the contributed amounts directly instead of having them paid by the employer to the plan.

Revenue Ruling 2006-43 allows employers who do not have written evidence of a pick-up, but their actions show that they intended to establish and carry out a pick-up, to be treated as meeting the requirements of 414(h)(2) for past pre-tax contributions if the employer takes formal action in writing prior to December 31, 2008 with respect to future picked-up contributions. If formal action is not taken prior to December 31, 2008, only contributions taken after the written documentation is in place may be treated as picked-up.

WRITTEN DOCUMENTATION

Many of you offer a pick-up of employee contributions under a resolution approved by the IRS in a private letter ruling issued to CalPERS on December 6, 1985, (PLR 8609084). If your agency has adopted the approved resolution to implement 414(h)(2) pick-ups, you may continue to rely on that ruling and need not adopt a new resolution. This approved form, which is Sample E---Resolution for Employer Pick-up can be viewed at CalPERS online. If you have not previously sent a copy of the resolution to us, or if you did not complete Sample E, but have other written documentation, please send a copy of your document or resolution to us immediately.

After 1985, CalPERS provided additional pick-up resolutions for adoption by contracting agencies that distinguishes whether the pick-up was to be actually paid by the employer or by the employee. When an employer pays the employee contributions, it is referred to as Employer Paid Member Contributions (EPMC). The employer may also report the value of EPMC as special compensation. Contracting agencies that adopted any of these resolutions were requested to submit the resolutions to CalPERS. Samples of Resolutions A through D can be viewed at CalPERS online. You may continue to rely on these resolutions but you should review them and validate that the resolution covers all of the employees whose contributions are reported as tax-deferred. If you have not previously sent a copy of the resolution to us, please do so immediately.

CALPERS NEW BUSINESS ENVIRONMENT

CalPERS is in the process of building and installing a new business reporting system. One of the design features will enhance CalPERS ability to maintain accurate and up to date information about contracting agency and school employer pick-ups. As a way of ensuring that our system will accurately record your agency's pick-up provision, CalPERS requires all affected agencies to provide a copy of their existing or future pick-up resolutions or other written documentation. This will ensure ongoing compliance with federal tax reporting requirements. The new system will validate that you have documentation on file with CalPERS before accepting tax-deferred member contributions. If documentation is not on file, your records will be rejected and will be held until the appropriate documentation is received.

CONCLUSION

If you are submitting tax-deferred contributions on behalf of your members, we request that you review your files for documentary evidence authorizing such employer pick-up of employee contributions. If you do not have evidence, please take steps to have your governing board adopt an appropriate resolution prior to December 31, 2008.

Please send a copy of your pick-up documentation to:

CalPERS
Employer Services Division
Compensation Review Unit
P.O. Box 942709
Sacramento CA 94229-2709

If you have any questions, please call the Employer Contact Center at **888 CalPERS** or (**888** 225-7377).

Lori McGartland, Chief
Employer Services Division

Visit the CalPERS website at www.calpers.ca.gov (2008 Circular Letters) for more information on the following:

1 - Revenue Ruling 2006-43
2 - Sample Resolution E
3 - Sample Resolutions A - D

Revenue Ruling 2006-43

Table of Contents

Government pick-up plans; employer contributions; income tax; prospective application. This ruling describes the actions required for a state or its political subdivisions, etc., to "pick-up" or treat certain contributions as employer contributions to a plan qualified under section 401(a) of the Code. If certain criteria are met, this ruling will be applied prospectively. Rev. Ruls. 81-35, 81-36, and 87-10 amplified and modified.

ISSUES

What actions are required in order for a State or political subdivision thereof, or an agency or instrumentality of any of the foregoing, to "pick up" employee contributions to a plan qualified under § 401(a) of the Internal Revenue Code so that the contributions are treated as employer contributions pursuant to § 414(h)(2)?

FACTS

Employer M is a political subdivision of State N. Employer M participates in Plan A, a defined benefit pension plan qualified under § 401(a) and established by State N to provide retirement benefits to eligible employees of State N and any political subdivision of State N. Plan A requires each participating employee to make employee contributions to Plan A equal to a specified percentage of the participant's salary. These amounts, designated as employee contributions under § 414(h)(1), are deducted from the participant's salary. State N statutes governing Plan A permit any political subdivision to provide that the employee contributions will be paid by the employer in order to be picked up and treated as employer contributions under § 414(h)(2). On March 1, 2006, Employer M amends its governing laws to provide that the amounts designated as employee contributions under Plan A will be paid by Employer M for all of Employer M's employees in order to be treated as employer contributions under § 414(h)(2), as permitted under the statutes governing Plan A. The amendment is in writing, was adopted by persons authorized to amend Employer M's governing laws, and is effective for periods on or after April 1, 2006. Employer M, thereafter, treats the amounts as employer contributions, instead of as being employee contributions, for federal income tax purposes and does not include these amounts in the participating employees' gross income.

LAW AND ANALYSIS

Section 414(h)(1) provides that any amount contributed to a qualified plan is not treated as having been made by the employer if it is designated as an employee contribution.

Section 414(h)(2) provides a special rule for qualified plans established by a State government or political subdivision thereof, or by any agency or instrumentality of the foregoing. Under this rule, contributions, although designated as employee contributions, are nevertheless treated as employer contributions if the contributions are picked up by the employing unit.

Section 401(k) provides the rules relating to cash or deferred elections. Section 1.401(k)-1(a)(1) of the Income Tax Regulations provides that a plan, other than a profit-sharing, stock bonus, pre-ERISA money purchase pension or rural cooperative plan, does not satisfy the requirements of § 401(a) if the plan includes a cash or deferred arrangement. Thus, a qualified defined benefit plan is not permitted to include a cash or deferred arrangement.

Section 1.401(k)-1(a)(3) generally defines a cash or deferred election as any direct or indirect election (or modification of an earlier election) by an employee to have the employer (i) provide an amount that is not currently available to the employee in the form of cash or some other taxable benefit, or (ii) contribute an amount to a trust or provide an accrual for a plan deferring the receipt of compensation.

Rev. Rul. 77-462, 1977-2 C.B. 358, addresses the income tax treatment of contributions picked up by the employer within the meaning of § 414(h)(2). In Rev. Rul. 77-462, the employer school district agreed to "pick up" and pay the required contributions of the eligible employees under the plan. The revenue ruling holds that the contributions picked up by the school district are excluded from the gross income of employees until such time as they are distributed to the employees.

Rev. Rul. 81-35, 1981-1 C.B. 255, and Rev. Rul. 81-36, 1981-1 C.B. 255, address certain requirements for contributions to be picked up by an employer within the meaning of § 414(h)(2). These revenue rulings establish that the following criteria must be satisfied: (i) the employer must specify that the contributions, although designated as employee contributions, are being paid by the employer in lieu of contributions by the employee; and (ii) the employee must not be given the option of choosing to receive the contributed amounts directly instead of having them paid by the employer to the plan.Rev. Rul. 81-35 and Rev. Rul. 81-36 apply even if the employer picks up the contributions through either a reduction in salary or an offset against future salary increases.

Rev. Rul. 87-10, 1987-1 C.B. 136, addresses when contributions designated as employee contributions (designated employee contributions) under § 414(h)(1) to a qualified plan established by a State government (including a political subdivision thereof, or any agency or instrumentality of the foregoing) are excludable from the gross income of the employee. The ruling concludes that, to satisfy the criteria set forth in Rev. Rul. 81-35 and Rev. Rul. 81-36, the governmental action necessary to effectuate the "pick-up" must be completed before the period to which such contributions relate. Thus, designated employee contributions to a qualified plan established by a State government are excluded from gross income as "pick-up" contributions that are treated as employer contributions only to the extent the contributions relate to compensation for services rendered after the date of the last governmental action necessary to effectuate the "pick-up."

Based on the foregoing, a contribution to a qualified plan established by a State government will not be treated as picked up by the employing unit under § 414(h)(2) unless the employing unit:

(1) Specifies that the contributions, although designated as employee contributions, are being paid by the employer. For this purpose, the employing unit must take formal action to provide that the contributions on behalf of a specific class of employees of the employing unit, although designated as employee contributions, will be paid by the employing unit in lieu of employee contributions. A person duly authorized to take such action with respect to the employing unit must take such action. The action must apply only prospectively and be evidenced by a contemporaneous written document (*e.g.*, minutes of a meeting, a resolution, or an ordinance).

(2) Does not permit a participating employee from and after the date of the "pick-up" to have a cash or deferred election right (within the meaning of § 1.401(k)-1(a)(3)) with respect to designated employee contributions. Thus, for example, participating employees must not be permitted to opt out of the "pick-up", or to receive the contributed amounts directly instead of having them paid by the employing unit to the plan.

Employer M has taken formal action which was memorialized in a contemporaneous writing that provides that it will "pick up" all prospective contributions for the Employer M employees who are required to contribute to Plan A. Further, employees are required to participate in Plan A, do not have the option of choosing to receive the contributed amounts directly, and may not make a cash or deferred election with respect to such amounts. Employer M has met the requirements to have the designated employee contributions under Plan A picked up and treated as employer contributions pursuant to § 414(h)(2). Thus, contributions made to Plan A are not includible in a participant's gross income until distributed under § 402.

This revenue ruling applies only for federal income tax purposes. See §§ 3121(a)(5)(A) and 3121(v)(1)(B) of the Federal Insurance Contributions Act (FICA) for the treatment of amounts treated as an employer contributions under § 414(h)(2).

HOLDING

Because an authorized person has taken formal action in writing prospectively to have the employing unit pay previously designated employee contributions to a § 401(a) qualified plan, appropriate actions have been taken for the contributions to be picked up by the employing unit and treated as employer contributions pursuant to § 414(h)(2).

TRANSITION RELIEF FOR PRE-EXISTING "PICK-UPS"

Under the authority of § 7805(b)(8), the Service will not treat any plan that on or before August 28, 2006, includes designated employee contributions that were intended to be picked up as employer contributions pursuant to § 414(h)(2) as failing to meet the requirements of such section prior to January 1, 2009, solely on account of the failure to satisfy the requirement that the "pick-up" be pursuant to a formal action, by a person duly authorized to take such action with respect to the employing unit, that is evidenced by contemporaneous writing, but only if the following conditions are satisfied: (1) the employing unit has taken contemporaneous action evidencing an intent to establish a "pick-up" (*e.g.*, provided information to employees relating to the establishment of the "pick-up") and has operated the plan accordingly; and (2) the employing unit takes formal action in writing prior to January 1, 2009, with respect to future contributions to meet the requirements set forth above in paragraph (1) of *Law and Analysis* in this revenue ruling.

The relief provided above for “pick-ups” implemented prior to August 28, 2006, applies only if the actions taken otherwise complied with Rev. Rul. 81-35, Rev. Rul. 81-36, and Rev. Rul. 87-10, and only if the employing unit has not reported the contributions as wages subject to federal income tax withholding from and after the date of implementation of the intended “pick-up”.

In addition, under the authority of § 7805(b)(8), this revenue ruling does not modify or revoke any private letter ruling issued to any taxpayer prior to August 28, 2006. See § 601.201(l)(4).

EFFECT ON OTHER GUIDANCE

Rev. Rul. 81-35, Rev. Rul. 81-36, and Rev. Rul. 87-10 are amplified and modified.

DRAFTING INFORMATION

The principal drafter of this revenue ruling is Kathleen Herrmann of the Employee Plans, Tax Exempt and Government Entities Division. For further information regarding this revenue ruling, please contact the Employee Plans' taxpayer assistance telephone service at 1-877-829-5500 (a toll-free number) between the hours of 8:30 a.m. and 4:30 p.m. Eastern Time, Monday through Friday. Ms. Herrmann may be reached at (202) 283-9888 (not a toll-free number).

RESOLUTION OF INTENTION
TO APPROVE A CONTRACT
BETWEEN THE
BOARD OF ADMINISTRATION
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
AND THE
BOARD OF DIRECTORS
COASTAL ANIMAL SERVICES AUTHORITY

WHEREAS, the Public Employees' Retirement Law permits the participation of public agencies in the Public Employees' Retirement System, making their employees members of said System, and sets forth the procedure by which participation may be accomplished; and

WHEREAS, one of the steps required in the procedure is the adoption by the governing body of the public agency of a resolution giving notice of intention to approve a contract for such participation of said agency in the Public Employees' Retirement System, which resolution shall contain a summary of the major provisions of the proposed retirement plan;

NOW, THEREFORE, BE IT RESOLVED, that the governing body of the above agency gives, and it does hereby give notice of intention to approve a contract between said governing body and the Board of Administration of the Public Employees' Retirement System, providing for participation of said agency in said retirement system, a copy of said contract and a copy of the summary of the major provisions of the proposed plan being attached hereto, as an "Exhibit", and by this reference made a part hereof.

By:______________________________
Presiding Officer

____
Title

____
Date adopted and approved

CalPERS

EXHIBIT

California
Public Employees' Retirement System

CONTRACT

Between the
Board of Administration
California Public Employees' Retirement System
and the
Board of Directors
Coastal Animal Services Authority

In consideration of the covenants and agreement hereafter contained and on the part of both parties to be kept and performed, the governing body of above public agency, hereafter referred to as "Public Agency", and the Board of Administration, Public Employees' Retirement System, hereafter referred to as "Board", hereby agree as follows:

1. All words and terms used herein which are defined in the Public Employees' Retirement Law shall have the meaning as defined therein unless otherwise specifically provided. "Normal retirement age" shall mean age for classic local miscellaneous members and age 62 for new local miscellaneous members.

2. Public Agency shall participate in the Public Employees' Retirement System from and after ____________________ making its employees as hereinafter provided, members of said System subject to all provisions of the Public Employees' Retirement Law except such as apply only on election of a contracting agency and are not provided for herein and to all amendments to said Law hereafter enacted except those, which by express provisions thereof, apply only on the election of a contracting agency.

3. Public Agency agrees to indemnify, defend and hold harmless the Public Employees' Retirement System and its trustees, agents and employees, the Public Employees' Retirement System Board of Administration, and the Public Employees' Retirement System Fund from any claims, demands, actions, losses, liabilities, damages, judgments, expenses and costs, including but not limited to interest, penalties and attorney fees that may arise as a result of any of the following:

   (a) Public Agency's election to provide retirement benefits, provisions or formulas under this Contract that are different than the retirement benefits, provisions or formulas provided under the Public Agency's prior non- Public Employees' Retirement System retirement program.

   (b) Any dispute, disagreement, claim, or proceeding (including without limitation arbitration, administrative hearing, or litigation) between Public Agency and its employees (or their representatives) which relates to Public Agency's election to amend this Contract to provide retirement benefits, provisions or formulas that are different than such employees' existing retirement benefits, provisions or formulas.

   (c) Public Agency's agreement with a third party other than CalPERS to provide retirement benefits, provisions, or formulas that are different than the retirement benefits, provisions or formulas provided under this Contract and provided for under the Public Employees' Retirement Law.

4. Employees of Public Agency in the following classes shall become members of said Retirement System except such in each such class as are excluded by law or this agreement:

   a. Employees other than local safety members (herein referred to as local miscellaneous members).

5. Any exclusion(s) shall remain in effect until such time as the Public Employees' Retirement System determines that continuing said exclusion(s) would risk a finding of non-compliance with any federal tax laws or regulations. If such a determination is contemplated, the Public Employees' Retirement System will meet with the Public Agency to discuss the matter and coordinate any required changes or amendments to the contract.

In addition to the classes of employees excluded from membership by said Retirement Law, the following classes of employees shall not become members of said Retirement System:

a. **SAFETY EMPLOYEES; AND**

b. **EMPLOYEES WHO ARE MEMBERS OF THE CITY OF SAN CLEMENTE EMPLOYEES RETIREMENT PLAN WHO DID NOT WAIVE THEIR RIGHTS UNDER THE CITY OF SAN CLEMENTE EMPLOYEES RETIRMENT PLAN AS OF THE EFFECTIVE DATE OF THIS CONTRACT.**

6. Public Agency's participation in the Public Employees' Retirement System is based on the Board's reasonable, good faith interpretation of current Internal Revenue Service Guidance that Public Agency as constituted at the time of this Agreement is eligible to participate in a governmental plan within the meaning of Internal Revenue Code Section 414(d). Public Agency's continued participation shall be subject to the Board's determination of Public Agency's status as an "agency or instrumentality of the state or political subdivision of a State" that is eligible to participate in a governmental plan within the meaning of Section 414(d), upon publication of final Treasury Regulations pursuant to such Section (the "Final Regulations"). If upon publication of the Final Regulations, the Board determines that Public Agency would not qualify as an agency or instrumentality of the state or political subdivision of a State, Public Agency shall take all necessary and applicable steps to comply with the Final Regulations, including making any necessary amendments to Public Agency's governing documents. If Public Agency fails to timely comply with the Final Regulations, the Board shall take any remedial corrections required under the Final Regulations, which may include the termination of Public Agency's participation in the Public Employees' Retirement System, and the cancellation of all benefits and any service credit accrued for Public Agency employees and retirees.

7. Assets heretofore accumulated with respect to members in the local retirement system upon contract date who waive their rights under that system shall be transferred to the Public Employees' Retirement System upon the effective date of this contract and applied against the liability for prior service incurred hereunder. That portion of the assets to be transferred which represent the accumulated contributions (plus interest thereupon) required of the employees under said local system shall be credited to the individual membership account of each such employee under the Public Employees' Retirement System.

8. The percentage of final compensation to be provided for each year of credited prior and current service as a classic local miscellaneous member shall be determined in accordance with Section 21354 of said Retirement Law (2% at age 55 Full).

9. The percentage of final compensation to be provided for each year of credited prior and current service as a new local miscellaneous member shall be determined in accordance with Section 7522.20 of said Retirement Law (2% at age 62 Full).

10. Public Agency elected and elects to be subject to the following optional provisions:

    a. Section 20042 (One-Year Final Compensation) for classic members only.

    b. Section 20938 (Limit Prior Service to Members Employed on Contract Date).

    c. Section 21536 (Local System Service Credit Included in Basic Death Benefit).

11. Public Agency shall contribute to said Retirement System the contributions determined by actuarial valuations of prior and future service liability with respect to local miscellaneous members of said Retirement System.

12. Public Agency shall also contribute to said Retirement System as follows:

    a. Contributions required per covered member on account of the 1959 Survivor Benefits provided under Section 21574.5 of said Retirement Law. (Subject to annual change.) In addition, all assets and liabilities of Public Agency and its employees shall be pooled in a single account, based on term insurance rates, for survivors of all local miscellaneous members.

    b. A reasonable amount, as fixed by the Board, payable in one installment within 60 days of date of contract to cover the costs of administering said System as it affects the employees of Public Agency, not including the costs of special valuations or of the periodic investigation and valuations required by law.

    c. A reasonable amount, as fixed by the Board, payable in one installment as the occasions arise, to cover the costs of special valuations on account of employees of Public Agency, and costs of the periodic investigation and valuations required by law.

13. Contributions required of Public Agency and its employees shall be subject to adjustment by Board on account of amendments to the Public Employees' Retirement Law, and on account of the experience under the Retirement System as determined by the periodic investigation and valuation required by said Retirement Law.

14. Contributions required of Public Agency and its employees shall be paid by Public Agency to the Retirement System within fifteen days after the end of the period to which said contributions refer or as may be prescribed by Board regulation. If more or less than the correct amount of contributions is paid for any period, proper adjustment shall be made in connection with subsequent remittances. Adjustments on account of errors in contributions required of any employee may be made by direct payments between the employee and the Board.

BOARD OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BY______________________________
MELODY BENAVIDES, CHIEF
PENSION CONTRACTS AND PREFUNDING
PROGRAMS DIVISION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BOARD OF DIRECTORS
COASTAL ANIMAL SERVICES
AUTHORITY

BY______________________________
PRESIDING OFFICER

____
Witness Date

Attest:

____
Clerk