ADMINISTRATIVE/ PERSONNEL COMMITTEE AGENDA

MONDAY, APRIL 29, 2024
3 p.m.

CVAG Conference Room
74-199 El Paseo, West Building, Suite 100
Palm Desert, CA 92260

Public comment is encouraged to be emailed to the Administrative/Personnel Committee prior to the meeting at cvag@cvag.org by 5:00 p.m. on the day prior to the committee meeting. Comments intended to be read aloud should be no more than 300 characters.

THIS MEETING IS HANDICAPPED ACCESSIBLE.
ACTION MAY RESULT ON ANY ITEMS ON THIS AGENDA

UNLESS OTHERWISE STATED, ALL ACTION ITEMS WILL BE PRESENTED TO THE EXECUTIVE COMMITTEE FOR FINAL APPROVAL.

1. **CALL TO ORDER** – Chair Scott Matas, Mayor, City of Desert Hot Springs

2. **ROLL CALL**

A. **Member Roster** **P4**

3. **PUBLIC COMMENTS ON AGENDA ITEMS**

This is the time and place for members of the public to address the Administrative/Personnel Committee on agenda items. At the discretion of the Chair, comments may be taken at the time items are presented. Please limit comments to three (3) minutes.

4. **CHAIR / EXECUTIVE DIRECTOR ANNOUNCEMENTS**

5. **CLOSED SESSION**

Pursuant to the provisions of Government Code Sections 54957(b)(1) and 54957.6, the Committee will adjourn to Closed Session.

Public Employee Performance Evaluation
Government Code Section 54957(b)(1)
Title: Executive Director

Conference with Labor Negotiator
Government Code Section 54957.6
Agency's designated representative: Chair Scott Matas
Unrepresented Employee: Executive Director

6. **CONSENT CALENDAR**

A. **Approval of the January 29, 2024 Administrative/Personnel Committee Minutes** **P5**

B. **Adopt Updated CVAG Policy No. 21-04 Procurement Policy & Procedures** **P8**

7. **DISCUSSION/ ACTION**

A. **Executive Director Employment Contract –** Erica Felci **P28**

Recommendation: Approve the Second Amendment to the Executive Director's employment contract, providing for future salary adjustments and extending the term through June 30, 2031

B. CVAG Officer Rotation for Fiscal Year 2024/2025 – Tom Kirk P32

Recommendation: Nominate the representative from the City of Rancho Mirage to serve as Fiscal Year 2024/2025 Chair and Riverside County's Fourth District Supervisor to serve as Fiscal Year 2024/2025 Vice Chair

C. Fiscal Year 2024/2025 Budgetary Items – Claude T. Kilgore P33

Recommendation: Provide direction to staff on CVAG's Fiscal Year 2024/2025 Budget

8. INFORMATION ITEMS

A. CalPERS Unfunded Accrued Liability P34

9. PUBLIC COMMENTS ON NON-AGENDA ITEMS

This is the time and place for members of the public to address the Administrative/Personnel Committee on items of general interest within the purview of this committee. Please limit comments to two (2) minutes.

10. ANNOUNCEMENTS

The next meeting of the **Executive Committee** will be held on Monday, April 29, 2024, at 4:30 p.m. at the CVAG conference room, 73-710 Fred Waring Drive, Suite 104, Palm Desert, CA 92260.

11. ADJOURNMENT

ADMINISTRATIVE/PERSONNEL COMMITTEE ROSTER

Jurisdiction	Seat on Committee	Members
City of Desert Hot Springs	CVAG Chair	**Scott Matas** Mayor
City of Rancho Mirage	CVAG Vice Chair	**Ted Weill** Mayor Pro Tem
City of Coachella	CVAG Past Chair	**Steven Hernandez** Mayor
City of Desert Hot Springs	CVCC Chair	**Gary Gardner** Councilmember
Agua Caliente Band of Cahuilla Indians	Chair Appointee	**Reid Milanovich** Tribal Chair
City of La Quinta	Chair Appointee	**Linda Evans** Mayor

ITEM 6A

ADMINISTRATIVE/ PERSONNEL COMMITTEE MINUTES OF MEETING January 29, 2024

1. CALL TO ORDER

The January 29, 2024 meeting of the Administrative/Personnel Committee was called to order at 6:02 p.m. by Chair Scott Matas, City of Desert Hot Springs, at the CVAG Conference Room, 74-199 El Paseo, West Building, Suite 100, Palm Desert, CA 92260.

2. ROLL CALL

MEMBERS PRESENT	AGENCY
Mayor Scott Matas, Chair	City of Desert Hot Springs
Mayor Pro Tem Ted Weill, Vice Chair	City of Rancho Mirage
Mayor Steven Hernandez, Past Chair	City of Coachella
Councilmember Gary Gardner, CVCC Chair	City of Desert Hot Springs
Mayor Linda Evans, CVCC Chair	City of La Quinta

MEMBERS ABSENT	AGENCY
Tribal Chair Reid Milanovich	Agua Caliente Band of Cahuilla Indians

3. PUBLIC COMMENTS

None.

4. CHAIR / EXECUTIVE DIRECTOR ANNOUNCEMENTS

None.

5. CONSENT CALENDAR

IT WAS MOVED BY MAYOR HERNANDEZ AND SECONDED BY MAYOR EVANS TO APPROVE THE CONSENT CALENDAR.

A. APPROVAL OF THE APRIL 24, 2023 ADMINISTRATIVE/PERSONNEL COMMITTEE MEETING MINUTES

THE MOTION CARRIED WITH 4 AYES, 1 MEMBER ABSENT AND 1 MEMBER ABSTAINING.

MAYOR MATAS	**AYE**
MAYOR PRO TEM WEILL	**AYE**
MAYOR HERNANDEZ	**AYE**
COUNCILMEMBER GARDNER	**ABSTAIN**
MAYOR EVANS	**AYE**
CHAIR MILANOVICH	**ABSENT**

6. DISCUSSION

A. Attendance at CVAG's Standing Committee Meetings

Chief Operating Officer Erica Felci presented the staff report and discussed recent attendance trends at committee meetings. Member discussion ensued, with members directing staff to highlight the ability to videoconference if logistics are included in the agenda attendance.

IT WAS MOVED BY MAYOR HERNANDEZ AND SECONDED BY MAYOR EVANS TO AUTHORIZE THE EXECUTIVE DIRECTOR TO WITHHOLD MEETING STIPENDS WHEN COMMITTEE MEETINGS DO NOT HAVE A QUORUM OF MEMBERS, AND DIRECT STAFF TO ISSUE WARNINGS TO MEMBER JURISDICTIONS THAT ARE OUT OF COMPLIANCE WITH THE MEETING ATTENDANCE POLICY

THE MOTION CARRIED WITH 5 AYES AND 1 MEMBER ABSENT.

MAYOR MATAS	**AYE**
MAYOR PRO TEM WEILL	**AYE**
MAYOR HERNANDEZ	**AYE**
COUNCILMEMBER GARDNER	**AYE**
MAYOR EVANS	**AYE**
CHAIR MILANOVICH	**ABSENT**

B. Update to Personnel Classification System

Ms. Felci presented the staff report and discussed the additional positions, particularly in Transportation. Member discussion ensued, with members noting the challenging recruitment environment and the impact on future budgets.

IT WAS MOVED BY MAYOR EVANS AND SECONDED BY COUNCILMEMBER GARDNER TO AUTHORIZE THE EXECUTIVE DIRECTOR TO TAKE THE FOLLOWING STEPS SO LONG AS THEY DO NOT INCREASE THE TOTAL BUDGET FOR PERSONNEL COSTS THIS FISCAL YEAR:

1. **ADD ALLOCATED POSITIONS TO EXPAND THE TRANSPORTATION DEPARTMENT, INCLUDING AN ADDITIONAL PROGRAM MANAGER I/II AND UP TO TWO ADDITIONAL MANAGEMENT ANALYSTS I/II;**
2. **AUTHORIZE THE ADDITION OF DEPARTMENTAL ASSISTANT DIRECTOR POSITIONS ACROSS THE AGENCY; AND**
3. **PROCURE A CONSULTANT TO ASSIST CVAG WITH RECRUITMENT OF MID-LEVEL AND DIRECTOR-LEVEL POSITIONS.**

THE MOTION CARRIED WITH 5 AYES AND 1 MEMBER ABSENT.

MAYOR MATAS	**AYE**
MAYOR PRO TEM WEILL	**AYE**
MAYOR HERNANDEZ	**AYE**
COUNCILMEMBER GARDNER	**AYE**
MAYOR EVANS	**AYE**
CHAIR MILANOVICH	**ABSENT**

C. Update on the Enterprise Resource Planning (ERP) System

Director of Finance Claude Kilgore provided the staff report. Member discussion ensued with staff addressing questions about the implementation timeline and potential staffing impacts.

There was no action taken on this informational item.

7. PUBLIC COMMENTS ON NON-AGENDA ITEMS

None.

8. ANNOUCEMENTS

The next meeting of the **Executive Committee** will be held on Monday, February 26, 2024, at 4:30 p.m. at the CVAG conference room, 73-710 Fred Waring Drive, Suite 104, Palm Desert, CA 92260.

9. CLOSED SESSION

Pursuant to the provisions of Government Code Sections 54956.8 and 54957.6, the Committee adjourned at 6:45 p.m. to Closed Session.

Conference with Real Property Negotiators
Government Code Section 54956.8

Property:	APN # 685-010-010
CVAG Negotiator:	Executive Director
Negotiating parties:	Agua Caliente Band of Cahuilla Indians
Under Negotiation:	Price and terms of Payment for Sale of Property

Conference with Labor Negotiator
Government Code Section 54957.6
Agency's designated representative: Chair Scott Matas
Unrepresented Employee: Executive Director

The closed session ended at 7:10 p.m. There was no reportable action.

10. ADJOURNMENT

Chair Matas adjourned the meeting at 7:11 p.m.

Respectfully submitted,

Erica Felci
Chief Operating Officer

ITEM 6B

Coachella Valley Association of Governments
Administrative/ Personnel Committee
April 29, 2024

STAFF REPORT

Subject: **Revisions to CVAG's Procurement Policy and Procedures**

Contact: Allen McMillen, Management Analyst II (amcmillen@cvag.org) and Claude Kilgore, Director of Finance (ckilgore@cvag.org)

Recommendation: Adopt Updated CVAG Policy No. 21-04 Procurement Policy & Procedures

Background: On February 29, 2024, the Executive Committee approved the establishment and use of the Qualified Vendor List (QVL). To establish the Qualified Vendor List, CVAG staff followed the procurement process established in the current CVAG Policy No. 21-04 Procurement Policy and Procedures and reported that a review of the policy was underway for needed updates including increased expenditure authority limits in light of post-pandemic inflation and other updates to clarify processes based on recent procurements.

Following a review of comparable procurement policies and procedures of 10 member agencies as well as regional agencies such as Riverside County Transportation Commission (RCTC), Southern California Association of Governments (SCAG) and Western Riverside Council Of Governments (WRCOG), a benchmark analysis of the agency policies was prepared (see attached). Staff recommends the following changes be made to the CVAG Policy No. 21-04 Procurement Policy & Procedures:

- Update definitions to clear up technical ambiguities;
- Incorporate the Qualified Vendor List authorized by the Executive Committee in February 2024;
- Update limits of expenditure authority and procurement thresholds to be comparable to regional agencies;
- Remove references to the Coachella Valley Conservation Commission (CVCC) and Desert Community Energy (DCE) as each agency has its own policies; and
- Remove repetitive language to streamline the document.

Staff is recommending an update to Policy 21-04 be adopted with changes to current procurement practices, thereby increasing transparency and continuing to ensure ethical standards are followed. The recommended changes are shown in the attachment "Policy 21-04 – Tracked Changes." The policy is also on the Executive Committee's agenda on April 29. With the Executive Committee's adoption, the changes will be incorporated and a clean copy will be available on CVAG's website.

The recommended update to CVAG Policy No. 21-04 will continue to provide uniform procedures and guidance for procuring construction contracts ("Public Projects"), contractual and professional services, and materials, supplies and equipment. The updates to the procurement policy establish clarified general parameters for CVAG in carrying out its responsibilities. The policy update incorporates practices currently used by other agencies as well as the Caltrans requirements.

Staff is also preparing similar updates to the procurement policies and procedures for CVCC and DCE and will present them for adoption at a future date.

Fiscal Analysis: There is no additional cost to updating CVAG Policy No. 21-04. The updated policy does provide increases to the Executive Director's expenditure signing authorities in line with other agencies.

Attachments:

1. Agency Benchmark Analysis
2. Updated CVAG Policy No. 21-04 Tracked Changes

Agency	Last Updated	Public Works Project Procurement Thresholds			Professional Services Procurement Thresholds			MS&E Procurement Thresholds			Top Executive Expenditure Authority		
		Single Quote	Informal	Formal	Single Quote	Informal	Formal	Single Quote	Informal	Formal	Public Works	Prof. Services	MS&E
CVAG EXISTING	**2021**	**Up to $5,000**	**$5,001 - $25,000**	**Over $25,000**	**Up to $5,001**	**$5,001 - $25,000**	**Over $25,000**	**Up to $5,001**	**$5,001 - $25,000**	**Over $25,000**	**$50,000**	**$25,000 / $50,000**	**$25,000**
CVAG PROPOSED		**Up to $10,000**	**$10,001 - $100,000**	**Over $100,000**	**Up to $10,000**	**$10,001 - $100,000**	**Over $100,000**	**Up to $10,000**	**$10,001 - $100,000**	**Over $100,000**	**$100,000**	**$100,000**	**$100,000**
Cathedral City	2018	No threshold	Under $250,000	Over $250,000	No threshold	Under $75,000	Over $75,000	No threshold	Under $75,000	Over $75,000		$75,000	$75,000
Coachella	2021												
County	2020	Under $1,000	$1,001 - $25,000	Over $25,000	Under $1,000	$1,001 - $25,000	Over $25,000	Under $1,000	$1,001 - $25,000	Over $25,000			$100,000
Desert Hot Springs	2019	Under $60,000	$60,001 - $200,000	Over $200,000	No threshold	No threshold	No threshold	No threshold	Under $50,000	Over $50,000	$50,000	$50,000	$50,000
Indian Wells	2021	Under $50,000	$5,001 - $200,000	Over $200,000	Under $5,000	$5,001 - $25,000	Over $25,000	Under $5,000	$5,001 - $25,000	Over $25,000			Budgeted Amounts
Indio	2012	Under $5,000	Under $125,000	Over $125,000	Under $5,000	$5,001 - $75,000	Over $75,000	Under $5,000	$5,001 - $75,000	Over $75,000	$75,000	$75,000	$75,000
La Quinta	2023	Under $5,000	$5,001 - $50,000	Over $50,000	Under $5,000	$5,001 - $50,000	Over $50,000	Under $5,000	$5,001 - $50,000	Over $50,000	$50,000	$50,000	$50,000
Palm Desert	2023	Under $2,000	$2,001 - $250,000	Over $250,000	Under $10,000	$10,001 - $75,000	Over $75,000	Under $2,000	$2,001 - $75,000	Over $75,000	$250,000	$250,000	$250,000
Palm Springs	2021	Under $60,000	$60,001 - $200,000	Over $200,000	Under $10,000	$10,001 - $75,000	Over $75,000	Under $10,000	$10,001 - $75,000	Over $75,000	$200,000	$75,000	$75,000
Rancho Mirage	2023	Under $6,000	$6,001 - $50,000	Over $50,000	Under $6,000	$6,001 - $50,000	Over $50,000	Under $6,000	$6,001 - $50,000	Over $50,000	$50,000	$50,000	$50,000
RCTC	2021	Under $1,000	$1,001 - $25,000	Over $25,000	Under $10,000	$10,001 - $250,000	Over $250,000	Under $1,000	$1,000 - $25,000	Over $25,000	$50,000	$250,000	$50,000
RCTC (WRC RCA)	2021	Under $1,000	$1,000 - $5,000	Over $5,000	Under $10,000	$10,001 - $250,000	Over $250,000	Under $10,000	$10,001 - $250,000	Over $250,000	$100,000	$100,000	$100,000
SCAG	2021	Under $10,000	$10,001 - $50,000	Over $50,000	Under $10,000	$10,001 - $50,000	Over $50,000	Under $10,000	$10,001 - $50,000	Over $50,000			Up to $200,000
WRCOG	2021				Under $100,000	Over $100,000	Over $100,000	Under $5,000	$5,000 - $10,000	Over $10,000			$100,000 *

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

PROCUREMENT POLICY & PROCEDURES

POLICY NO. 21-04

UPDATED APRIL 29, 2024

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1. Purpose and Scope

Coachella Valley Association of Governments (CVAG) is committed to fair, open, and transparent procurement of goods and services. All staff conducting procurement processes will do so in a professional and ethical manner, without any conflict of interest, to obtain maximum value for every public dollar spent. Except for contracts entered prior to the effective date of this Policy, all purchases of materials, equipment, supplies, and services to be paid by CVAG must adhere to the procedures, authority, and dollar limits set forth in this Policy – including subsequent versions of any cross referenced policies and documents.

2. **Definitions**

Addendum (sing.)/Addenda (pl.) – A written change, addition, alteration, correction, or revision to a solicitation or contract document. Commonly, the name given to the document used to revise a solicitation.

Amendment – An agreed addition to, deletion from, correction, or modification of a document or contract.

Architect or Engineer (A/E) Professional Services - Services that require performance by a registered architect or engineer. Professional services of an architectural or engineering nature that are associated with research, planning, development, and design for construction, alteration, or repair.

Awardee – A person or firm who is awarded a contract.

Committee Chair (Chair) – Serves as the head of the Executive Committee.

Contractual Services – means all services, other than professional services, including, but not limited to, janitorial, repairs, maintenance work, software subscriptions, catering, security, and rental equipment.

Cooperative Procurement – The action taken when two or more entities combine their requirements to obtain advantages of volume purchases, including administrative savings and other benefits. A variety of arrangements, whereby two or more public procurement entities purchase from the same supplier or multiple suppliers using a single Invitation for Bids (IFB) or Request for Proposals (RFP). Cooperative procurement efforts may result in contracts that other entities may "piggyback."

CVAG – Coachella Valley Association of Governments.

~~**CV Link** – CV Link is an active transportation project that will provide access for pedestrians, bicyclists, and low-speed electric vehicles (including golf carts) on a dual pathway that largely parallels Highway 111, the busiest corridor in the Coachella Valley.~~

~~**CV Sync** – CV Sync is Smart Region project that will synchronize signals on the regional corridors across the Coachella Valley, starting with Highway 111, Ramon Road and Washington Street.~~

Designee – A duly authorized representative.

Electronic Procurement (eProcurement) – Conducting all or some of the procurement function over the Internet.

~~**Staff** – The individual or department who uses a procured good or service.~~

Ethical Procurement – Prohibits the breach of the public's trust by discouraging a public employee from attempting to realize personal gain through conduct inconsistent with the proper discharge of the employee's duties.

Executive Director – The senior operating officer or manager of CVAG.

Formal Solicitation – A bid that must be submitted in a sealed envelope (or through an eProcurement site) and in conformance with a prescribed format to be opened in public at a specified date and time.

Informal Solicitation – A competitive bid, price quotation, or proposal for supplies or services that is conveyed by a letter, fax, e-mail, or other manner that does not require a formal sealed bid or proposal, public opening, or other formalities. Generally relegated to requirements that may be considered low value or fall under a stipulated price/cost threshold.

Invitation for Bids (IFB) – A procurement method used to solicit competitive sealed bid responses, sometimes called a formal bid, when price is the basis for award.

~~**Nonprofessional Services** – A contract for services where the service provided is not a solution to a problem and does not involve professionals. Examples include, but are not limited to, janitorial work, equipment rental, catering, and security.~~

Offeror – A generic term that refers to a person or business who submits an offer in response to a solicitation.

Piggyback – A form of intergovernmental cooperative purchasing in which an entity will be extended the pricing and terms of a contract entered into by another entity. Generally, an entity will competitively award a contract that will include language allowing for other entities to utilize the contract which may be to their advantage in terms of pricing, thereby gaining economies of scale that they normally would not receive if they competed on their own.

Procurement – Purchasing, renting, leasing, or otherwise acquiring any supplies, services, or construction; includes all functions that pertain to the acquisition, including description of requirements, selection, and solicitation of sources, preparation and award of contract, and all phases of contract administration. The combined functions of purchasing, inventory control, traffic and transportation, receiving, inspection, storekeeping, salvage, and disposal operations.

Procurement Card– A payment method whereby internal customers (requisitioners) are empowered to deal directly with suppliers for purchases using a credit card issued by a bank or major credit card provider. Generally, a pre-established credit limit is established for each card issued. CVAG's use of a Procurement Card is governed by a separate CVAG policy.

Procurement Representative – A person responsible for sourcing and buying products and services for CVAG as designated by the Executive Director.

Professional Services – Services rendered by members of a recognized profession or possessing a special skill. Such services are generally acquired to obtain information, advice, training, or direct assistance (e.g., financial, legal, economic, accounting, engineering, information services, technical, architectural, or other administrative professional matters).

Project ~~Manager~~ Lead~~(PM)~~ – Designated individual within ~~the entity~~CVAG to administer a specific task or contract.

Public Works – Construction, alteration, demolition, installation, or repair work done under contract and paid for in whole or in part out of public funds, except work done directly by a public utility company pursuant to order of the Public Utilities Commission or other public authority. For purposes of this paragraph, "construction" includes work performed during the design, site assessment, feasibility study, and other preconstruction phases of construction, including, but not limited to, inspection and land surveying work, regardless of whether any further construction work is conducted, and work performed during the postconstruction phases of construction, including, but not limited to, all cleanup work at the jobsite. For purposes of this paragraph, "installation" includes, but is not limited to, the assembly and disassembly of freestanding and affixed modular office systems.

Qualified Vendor List (QVL) – A list of qualified vendors maintained by CVAG to enable informal and formal bidding opportunities and provide a ready pool of vendors for recurring and routine goods and services.

Request for Information (RFI) – A document, which is issued by CVAG to obtain information necessary to complete a purchase or fulfill a contract. An RFI surveys the marketplace to understand what products or services may be available and to approximate the dollars that may be needed for procurement(s). A RFI may be used to validate information, project objectives, and functions for possible future solicitations.

Request for Proposals (RFP) – The document used to solicit proposals from potential providers (proposers) for goods and services. Price is usually not a primary evaluation factor. Provides for the negotiation of all terms, including price, prior to contract award. May include a provision for the negotiation of best and final offers. May be a single-step or multi-step process.

Request for Qualifications (RFQ) – A document, which is issued by a procurement entity to obtain statements of the qualifications of potential responders (development teams or consultants) to gauge potential competition in the marketplace, prior to issuing the solicitation.

Request for Quotation (RFQ) – A document which is issued by CVAG to obtain from suppliers price quotes typically, but not exclusively, for materials, supplies, equipment.

Responsible Bidder – A bidder that possesses the minimum qualifications, licensure, experience, financial stability, expertise and workforce to perform the work.

Responsive Bid/Proposer – A bid or proposal that fully conforms in all material respects to the Invitation for Bids (IFB)/Request for Proposals (RFP) ~~and,~~and all of its requirements, including all form and substance.

Scope of Work (SOW) – A scope of work is developed at the beginning of the procurement cycle and is a written description of the entity's needs and desired outcomes for the procurement and becomes the basis for any resulting solicitation. The scope of work helps to ensure that the product or service meets the stated outcome and establishes the parameters of the resulting contract.

Single Source Procurement – A non-competitive method of procurement used when, although two or more vendors supply the commodities or service(s), the department selects one for substantial reasons, eliminating the competitive bidding process. A written justification shall be required from staff explaining why only this ~~supplier~~ vendor fulfills the requirement.

Sole Source Procurement – A non-competitive method of procurement used when only one ~~supplier~~ vendor provides the needed public works project, contractual service, professional service or materials, supplies, and equipment or a product to ensure compatibility with other CVAG products and equipment, CVAG shall work to procure these items in the best interest of CVAG, or possesses the unique ability or capability to meet the particular requirements of the entity or because only one supplier vendor is practicably available. A written justification shall be required from staff explaining why only this ~~supplier~~ vendor can fulfill the requirement.

Staff – The individual or department who uses a procured good or service.

Standard Specification - A specification that is to be used for all or most purchases of an item; describes all required physical and functional characteristics of goods, services, or construction.

Task Order – Task order contract means a contract for services that does not procure or specify a firm quantity of services (other than a minimum or maximum quantity) and that provides for the issuance of orders for the performance of tasks during the period of the contract.

3. **Standards of Conduct**

Transactions relating to the expenditure of public funds require the highest degree of public trust and impeccable standards of conduct. CVAG's contracting activity shall be conducted in a manner above reproach, with the highest of ethical standards and, except as authorized by law, with complete impartiality and without preferential treatment. It is CVAG's policy to strictly avoid any conflict of interest or even the appearance of a conflict of interest in all of its procurement and contracting practices.

All staff shall comply with all applicable laws regarding conflicts of interest, including, but not limited to, the California Political Reform Act, and the provisions of the California Government Code regarding Prohibited Interests in Contracts, as these laws may be amended from time to time.

All staff shall also specifically comply with CVAG's Personnel Rules and Benefits Manual, including the policies addressing conflicts of interest and ethical standards.

Contracts/Procurement shall have adequate internal controls to ensure all contracts and purchases processed are in accordance with the policies specified in that:

All internal requests contain proper approvals before being converted into a contract or purchase order;

Staff have a mechanism to report unauthorized activities as well as any suspicions of fraud, waste, or abuse; and

Any violation of these standards may be cause for disciplinary action, including dismissal, if appropriate.

4. **Delegation of Authority**

The Executive Director has authority to approve expenditures up to the dollar ~~amounts shown~~amaounts shown in the following table:

TABLE 1		
PUBLIC WORKS PROJECTS	CONTRACTUAL AND PROFESSIONAL SERVICES	MATERIALS, SUPPLIES & EQUIPMENT
$100,000	$100,000	$100,000

~~AGENCY~~	~~CAPITAL EXPENDITURES~~	~~NON-CAPITAL EXPENDITURES~~	~~PROJECT- SPECIFIC EXPENDITURES*~~
~~CVAG~~	~~$50,000~~	~~$25,000~~	~~$50,000~~
~~CVCC~~	~~$25,000~~	~~$25,000~~	~~n/a~~
~~DCE~~	~~$100,000~~	~~$100,000~~	~~n/a~~

~~*The CVAG Executive Committee has approved project-specific spending authorities related to the CV Link and CV Sync projects.~~

Limits established in Table 1 may be modified by the CVAG Executive Committee~~, the CVCC or the DCE Board~~. The Executive Director may issue a contract up to $100,000 under his or her authority, which does not require approval by the CVAG Administration Committee or the CVAG Executive Committee. Contracts greater than $100,000 and up to $200,000 require approval of the CVAG Administration Committee but not the CVAG Executive Committee. All contracts greater than $200,000 require the approval of the CVAG Executive Committee.~~Expenditures above the limits in Table 1 must be approved by the agency's governing board.~~

Only the Executive Director (or designee) is authorized to sign contracts and agreements binding upon CVAG. Contracts or agreements in excess of the thresholds established in Table 1 above shall require approval of the CVAG ~~, CVCC or DCE governing board~~Executive Committee and the signature of the Chair, unless express authority is granted to the Executive Director by the CVAG Executive Committee.

The intent of this delegation of authority shall not be circumvented by breaking up an expenditure into smaller contract amounts or breaking up expenditures across more than one fiscal year. Expenditures shall be considered on an individual project basis in the aggregate for each fiscal year as well as across more than one fiscal year. For example, ~~three~~ four ~~non-capital~~ expenditures for contractual or professional services; or materials, supplies & equipment for CVAG~~/CVCC~~ in the amount of ~~$10,000~~$25,000 each to a single vendor for the same project during the same fiscal year shall not be provided without governing body approval. Likewise, ~~three~~ four ~~non-capital~~ expenditures for contractual or professional services; or materials, supplies & equipment for CVAG~~/CVCC~~ in the amount of ~~$10,000~~$25,000 each to a single vendor for the same project spanning three fiscal years shall not be provided without governing body approval. The intent of this delegation of authority shall apply similarly to public works project expenditures. The Agency's fiscal year is from July 1 to June 30. In the event the

Executive Director or Chair is absent or unavailable to sign the contract, the designee shall sign on that person's behalf.

5. **Competitive Procurement Thresholds and Methods**

To establish uniform thresholds and procedures for the acquisition of goods or services, subject to the exceptions set forth in Section ~~6 .~~6.

5.1. **Procurement Thresholds**

~~The table (~~Table 2~~)~~ below provides thresholds for competitive purchasing for public works projects; contractual and professional services; and materials, supplies & equipment. These thresholds shall supersede and replace thresholds for the Qualified Vendor List established prior to the adoption of this policy as updated.~~guidelines for competitive purchases for goods and services..~~

TABLE 2			
PROCUREMENT METHOD	**PUBLIC WORKS PROJECTS**	**CONTRACTUAL OR PROFESSIONAL SERVICES**	**MATERIALS, SUPPLIES & EQUIPMENT**
Informal, one (1) written quote	$0 - $10,000	$0 - $10,000	$0 - $10,000
Informal, three (3) written quotes	$10,001 - $100,000	$10,001 - $100,000	$10,001 - $100,000
Formal Solicitation	Over $100,000	Over $100,000	Over $100,000

~~Table 2~~

~~DOLLAR THRESHOLD~~	~~PROCUREMENT METHOD~~
~~$0 - $5,000~~	~~Informal, one (1) written quote~~
~~$5,001 - $25,000~~	~~Informal, three (3) written quotes~~
~~$25,001 and above~~	~~Formal Solicitation~~

Splitting of purchases ("fragmenting") in order to avoid competitive procurement requirements is prohibited.

The Executive Director (or designee) at his/her/their discretion shall have the authority to authorize a formal procurement method less than the limits established if it is deemed to be in the best interest of CVAG.

5.2. **Procurement Methods**

Informal Procurement ($0 - $10,000)~~($0 - $5000)~~: Staff shall make and ~~document a~~document a reasonable effort to solicit ~~and obtain~~ the ~~lowest~~ quote/proposal for the goods or services ~~desired.~~ that offer the best value to CVAG, in CVAG's sole and absolute discretion. Contracts for the acquisition of professional services shall be awarded to the best qualified vendor on the basis of demonstrated competence, professional qualifications, and at fair and reasonable prices to CVAG.

Informal Procurement ($10,001 - $100,000): ~~($5001 - $25,000)~~Staff shall –make a reasonable effort to solicit and obtain three (3) competitive quotes/proposals via email, mail, fax or any other reasonable solicitation method. When three (3) quotes/proposals are unable to be obtained, Staff must provide documentation as to how the quotes were requested and document its findings prior to the approval of any purchase.

Formal Procurement ~~($25,001 and above):~~ (over $100,000): Staff in consultation with the Director of Finance~~/Administration~~ (or designee) will determine the best method of solicitation (i.e., RFP, IFB, of RFQ) depending on the nature of the desired goods or services. The Director of Finance~~/Administration~~ (or designee) shall be the main point of contact for any formal solicitation to avoid any unethical practices. All formal procurement methods shall be publicly advertised for a minimum of fourteen (14) days and opened or received electronically and reviewed as described in the bid documents. Purchases of supplies and equipment of an estimated value of greater than ~~twenty-five~~one hundred thousand dollars ($~~25,000~~$100,000) shall be by written contract.

5.3. **~~Purchases of Supplies, Material~~Materials, Supplies, and Equipment**

Staff shall use the procurement methods ~~informal request for quote method~~ per Section 5.2. ~~for goods and/or supplies in an amount under twenty-five thousand dollars ($25,000) and award to the lowest bidder. For goods and/or supplies in an amount greater than twenty-five thousand dollars ($25,000), staff shall procure the goods and/or supplies through a formal procurement method per Section 5.2 and award to the lowest bidder. Bids shall be publicly opened at a date and time set forth in the bid documents.~~

5.4. **~~Nonprofessional Services~~ Contractual Services**

Staff shall use the procurement methods ~~Staff shall solicit a request for quote or request for proposal through an informal process~~ per Section 5.2. ~~for nonprofessional services in an amount under twenty-five thousand dollars ($25,000) and a formal process per Section 5.2 for nonprofessional services in an amount greater than twenty-five thousand dollars ($25,000). If an informal process is used, Staff shall award based on lowest bid. If a formal process is used, proposals received shall be evaluated based on qualifications and competence, where price is a criterion but not the determinative factor. Staff, in consultation with the Director of~~

~~Finance/Administration (or designee), shall determine the best method of evaluating proposals received based on the nonprofessional services needed.~~

5.5. **Professional Services – Government Code 4526**

Contracts for professional services such as private architectural, landscape architectural, professional engineering, environmental, land surveying, and construction project management services shall be engaged on the basis of demonstrated competence and qualifications for the types of services to be performed and at fair and reasonable prices to CVAG, pursuant to California Government Code Section 4526.

Staff shall use the procurement methods ~~solicit a request for proposal for professional services through an informal process for services under twenty-five thousand dollars ($25,000) and a formal process for services greater than twenty-five thousand dollars ($25,000)~~ per Section 5.2 and shall evaluate proposals received based on competence and qualifications. Costs shall be submitted and evaluated as described in the bid documents. The cost proposal shall be submitted separately from the balance of the proposal (in a sealed envelope) and opened for comparison only after evaluation and ranking of the proposals is complete. CVAG shall have the option ~~to negotiate~~to negotiate the cost with the top-ranked firm. Should CVAG and the top-rank firm fail to agree on a cost, CVAG shall have the option to reject the top rank firm's proposal and start negotiations with the next highest ranked firm and so on until an agreement is made.

The awarding ~~authority shall~~authority shall have the right to reject any quote, bid, or proposal if doing so is determined to be in the best interest of CVAG and to re-advertise for bids, and to waive any irregularity in any bid so long as doing so does not create an unfair advantage.

The above process may be utilized ~~in~~at the discretion of the Executive Director for the solicitation of professional services other than those enumerated above.

5.6. **Public Works Projects**

~~Pursuant to Section 1.2.3 of the Third Amendment and Restatement of Joint Powers Agreement of CVAG, CVAG shall exercise such powers that are imposed upon the City of Palm Desert, a charter city, in the exercise of similar powers; provided, however, that if the City of Palm Desert shall cease to be a member, then CVAG shall be restricted in the exercise of its power in the same manner as the County of Riverside, a general law county. Accordingly, the~~The procurement thresholds and methods governing CVAG public works projects ~~shall be those set forth in the City of Palm Desert Charter or Municipal Code and~~ are as follows:

~~Fifty~~ One hundred thousand dollars or less. For public works projects in an amount less than ~~fifty~~ one hundred thousand dollars (~~$50,000~~$100,000), staff shall solicit three price quotes and award to the lowest responsible and responsive bidder. If unable to obtain a minimum of three price quotes, staff shall document that reasonable efforts were made to obtain price quotes including, that a notice was posted for not less than seven business days; that there were no other vendors to solicit quotes from; or that they solicited other vendors and one or more declined to provide a quote. In lieu of soliciting three price quotes, staff may elect to procure by formal bidding procedures per Section 5.2.

~~More than~~ Over one hundred ~~fifty~~ thousand dollars. Public projects in an ~~amount more~~amount more than ~~fifty~~ one hundred thousand dollars (~~$50,000~~$100,000) shall be solicited pursuant to the formal bidding procedure (Section 5.2) and awarded to the lowest responsive and responsible bidder. The Executive Committee may reject any or all bids received and may waive any irregularities in each bid received.

5.7. Recycled, Energy Efficient or Environmentally Friendly Supply Products Specification

If in procuring supplies a recycled, energy efficient or environmentally friendly product can achieve the necessary CVAG performance standard, and if such recycled product is readily available, specifications should, if economically feasible, require products made with recycled, energy efficient or environmentally friendly materials be bid. If the Executive Director (or designee) determines that: (1) a recycled, energy efficient or environmentally friendly product lacks performance capabilities or needed quality levels; or (2) a sufficient amount of said product is not currently available in the market, then a reduced percentage can be required, or the supply specification can be limited to non-recycled, non-energy efficient or non-environmentally friendly materials.

5.8. Qualified Vendor List ("QVL")

As CVAG takes on more regional project delivery, establishing a bench of prequalified and vetted professional service vendors will reduce procurement and contracting time. Many public agencies, including some CVAG member jurisdictions, use this procurement method to streamline contracting for routine and project-related professional service needs.

CVAG has utilized the RFQ process to receive Statements of Qualifications ("SOQs") from professional service vendors interested in providing a variety of professional services CVAG may need. The CVAG Executive Committee approved establishing a Qualified Professional Services Vendor List ("QVL") on February 26, 2024. CVAG will use the QVL for contracting recurring and routine professional services for capital project and non-capital needs. While establishing and using a vendor list certainly reduces the time for procurement and contracting, it will not limit CVAG to only those listed vendors. CVAG will remain able to conduct formal and informal procurements outside the vendor list as unique needs arise.

The QVL will remain in effect until June 30, 2027, and then be re-procured by CVAG. The Executive Director is authorized to accept and approve SOQs on an ongoing basis with the Executive Committee ratifying updates on an annual basis.

6. **Exceptions to Competitive Procurement**

This Section 6 sets forth exceptions to competitive procurement. The following is a list of services and expenditures that fall outside the requirements of the competitive process:

- Utility Expenses
- Cooperative Purchases
- Piggyback Purchases
- Emergency Expenditure (further defined below)
- Association Fees
- Subscriptions
- Membership Dues
- Leases or Purchase of Real Property
- Government Permits & Fees, Advertisement
- Conferences & Seminars
- Office and Routine Program Supplies
- Environmental Permits & Fees
- Travel Expenses, Lodging, & Meals
- Insurance Premiums & Fees
- Application Fees
- Medical Services
- Taxes, such as property or payroll taxes
- Memoranda of Understanding (MOUs)

6.1. **Emergency Expenditures**

An emergency exists when life or property is in immediate danger due to an Act of God or other catastrophic circumstance and prevention of loss requires a deviation from normal competitive procurement procedures.

6.1.1. **Procedures for Emergency Expenditures**

The staff making the purchase must document (e-mail or memo) the specific reasons for the purchase.

The staff making the purchase must obtain approval from the Executive Director (or designee).

The use of the emergency purchase policy must not be considered a substitute for regular purchasing procedures or a method of circumventing established purchasing controls.

Staff may request expenditure reimbursements by submitting a Payment Request Form. Original receipts are required as proof of purchase and must be attached to the payment request form, approved by the Department Director, and submitted to the Accounting Department.

6.2. **Special Expertise Services**

A contract for professional services agreement may be awarded without competition when it is determined that an unusual or unique situation exists, in that due to experience and expertise demonstrated in prior contracts for professional services with CVAG's particular contractor is uniquely qualified for a particular task, that makes the application of all requirements of competitive sealed bidding or competitive sealed proposals contrary to the public interest. Any special procurement under this section shall be made with such competition as is practicable under the circumstances.

6.3. **Matters with Time Constraints**

Due to CVAG's meeting schedules, there could be instances where a good or service is needed in an exigent manner, and where a formal procurement method would not be in the best interest of CVAG. The Executive Director, in consultation with the Chair, may authorize an informal bid process for matters that fall within his authorized expenditure in such instances. Staff shall make every effort to obtain proposals/quotes from a minimum of three (3) firms. The term of the contract shall not exceed one (1) year or the Executive Director's expenditure authority. If it is determined the service or good will be reoccurring, exceed the maximum one (1) year, or exceed the Executive Director's expenditure authority, CVAG shall solicit with a formal procurement for said goods or service. CVAG shall notify the Executive Committee of such award at CVAG's next meeting.

6.4. **Cooperative Purchasing with Other Agencies**

The bidding requirements of Section 5.2 shall not apply to the purchasing of any equipment or supplies which the end user decides to obtain through a cooperative competitive bidding procedure, being prepared by and processed through another local, Tribal, State, or Federal governmental agency. If staff determines it to be in the best interest of CVAG, is authorized to "piggy-back" onto or join into an existing written purchase contract, which contract was obtained within the last 12 months through a competitive bidding process prepared by and awarded by another local, state or federal government agency. Approval of a "piggy-back" or cooperative purchase shall be obtained from the Executive Committee for an award exceeding the Executive Director's signing authority.

Multiple Awarded Bids. It is not uncommon to have multiple awarded bids. A competitive bidding process is conducted for a specified product. Several vendors whose product meets the specification are awarded the contract. Maximum item price and contract terms are established. If staff determines it to be in the CVAG's best interest, the staff is authorized to use Federal, state or other government agency multiple awarded contracts. Staff must obtain quotes from at least three vendors on the list and award the bid to the lowest responsible bidder. Approval shall be obtained from the Executive Committee for purchases exceeding the Executive Director's signing authority.

6.5. **Single Source or~~/~~ Sole Source Justification**

Procurement by single source or ~~/~~sole source for goods or services requires submission, vetting, and approval of a Single Source or ~~/~~Sole Source Justification form. Final approval of a single source or ~~/~~sole source procurement requires the signature of the Executive Director (or designee). A single~~/~~ source or sole source shall not be used to limit competition in any way. A letter or~~/~~ memo from the vendor explaining the product or service, or statement of geographic territory on a formal letter, shall be attached to the ~~single~~Single Source or ~~/s~~Sole ~~source~~ Source ~~justification~~ Justification form when applicable.

7. **Procurement Card (P-Card)**

The procurement card is an alternative payment method for acquiring goods and some services at a low dollar value while adhering to the procurement policy guidelines. Refer to Procurement Card Policy No. 21-05.

8. **Grant Funds**

Procurement of services or goods paid for with grant funds will be subject to the guidelines specified in the funding agreement(s) which supersedes this policy in such instances.

9. **Federal Funds**

When money has first been secured from a federal source, CVAG's ~~project manager~~ Project Lead for the project shall determine whether expenditures of said money are subject to any federal purchasing policies or procedures, which shall thereafter be adopted as restrictions on the administration of those funds.

10. **Caltrans Procurement Guidance – Federal and State Funded Transportation Projects**

Regional transportation projects must adhere to the contract management procedures as outlined in CVAG Policy 20-03, which was approved by the CVAG Executive Committee in October 2020 and complies with Caltrans requirements.

On December 4, 2017, CVAG Executive Committee adopted Caltrans' Chapter 10, Consultant Selection, as the procedures manual for the procurement of private consultants to perform architectural, engineering, environmental, land surveying, construction engineering or construction management and related services for federal-aid or state funded projects. CVAG will follow the selection and contracting procedures detailed in this chapter for federal-aid or state funded projects. See link below.

Chapter 10 Consultant Selection (ca.gov)

11. **Contracts (or Agreements) and Purchase Orders**

Contracts (or Agreements) shall be used when an initial expenditure exceeds $25,000 for goods and/or services. Prior to the issuance of any Contract (or Agreement), the Director of Finance/Administration (or designee) shall ensure the proper procurement methods established in this policy were followed.

When negotiating terms, it may be determined by the Director of Finance/Administration (or designee) that it is in the best interest of the agency to issue Purchase Orders for goods and services requested. Prior to the issuance of any Purchase Order, the department director shall ensure the proper procurement methods established in this policy were followed.

12. **Subsequent Contract Awards, Amendments, Extensions or Renewals**

Notwithstanding any extension clauses in a contract or anything herein to the contrary, the Executive Director (or designee) shall not award a subsequent contract to the same individual or entity for the same or similar services on the same project, or amend, extend or renew such a contract, without obtaining the next highest approval authority (i.e., the governing body), when the award, amendment, extension or renewal will result in CVAG paying an aggregate amount in excess of the approval authority of the Executive Director to the individual or entity in any given fiscal year or the cumulative total of the project. For purposes of this section, the phrase “same project” shall include an on-call or as-needed contract.

13. **Insurance**

Prior to the execution of a contract, evidence of proper insurance coverage is required for any procurement involving services that puts CVAG at risk. If a consultant request CVAG to waive or alter any of its insurance requirements, the Executive Director may elect to waive certain insurance requirements, depending upon his/her/their assessment of the risks and liabilities posed to CVAG’s.

14. **Performance and Payment Bonds**

<u>Payment Bond</u>. Per Civil Code §9550, a direct contractor that is awarded a public works contract involving an expenditure in excess of twenty-five thousand dollars ($25,000) shall, before commencement of work, give a payment bond to and approved by the CVAG by whom the contract was awarded.

<u>Performance Bond</u>. The Executive Director (or designee) shall have the authority to require, at his/her/their sole discretion, a performance bond for a direct contractor that is awarded a service contract involving in expenditure in excess of twenty-five thousand ($25,000) before commencement of work. The performance bond shall be provided to and approved by the officer or public entity by whom the contract was awarded when applicable. A performance bond in an amount equal to 100 percent of the contract amount shall be required for all public works contracts.

15. **Protests for Formal Solicitations**

This protest process applies only to contracts awarded through a formal bidding process (e.g., RFP or IFB). This does not apply to CVAG purchase orders.

Written protests must be filed with CVAG’s Executive Director within five (5) workdays after posting the Notice of Intent to Award on CVAG’s website. No verbal protest will be accepted. The protest must be detailed, referencing the solicitation number, project name, and the name of the administrator listed on the bid documents. The protest must be submitted to CVAG’s Executive Director via certified mail using the following address:

Executive Director
Coachella Valley Association of Governments
~~73-710 Fred Waring Dr., Suite 200~~74-199 El Paseo, Suite 100
Palm Desert, CA 92260

Any entity that submits a bid or proposal may protest a CVAG contract award.

There is no basis for protest if CVAG rejects all proposals/bids based on the best interest of CVAG.

The Executive Director shall respond to the offeror protesting the solicitation in writing and acknowledge receipt of the offerors protest. The Executive Director shall notify Contracts/Procurement and the ~~Project Manager~~Project Lead of the protest received. The Executive Director, in consultation with Contracts/Procurement, the ~~Project Manager~~Project Lead, and legal counsel, if necessary, shall determine whether the basis of the protest has merit and is permissible. If so, the Executive Director shall notify all offerors, including the awardee, that the protest will be decided by reviewing submissions of written material to support each party's position and sets the date of submission thereof. If the protest is deemed to be insufficient and without merit, the awarding authority shall notify the offeror protesting the solicitation the protest is denied.

16. **Pre-Bid/Pre-Proposal Meetings**

The ~~project manager~~Project Lead in consultation with the Director of Finance/Administration (or designee) shall determine if a pre-bid/proposal meeting is necessary. A pre-bid/pre-proposal meeting shall not be mandatory, unless stated in the bid documents. The meeting is held after the RFP or IFB is released and before bids/proposals are due. The meeting will allow the ~~project manager~~Project Lead to further elaborate on the Scope of Work in more detail and to answer questions from prospective bidders/proposers.

Except for questions raised during a pre-bid/pre-proposal meeting, prospective proposers shall submit all questions pertaining to the bid documents in writing.

ITEM 7A

Coachella Valley Association of Governments
Administrative/ Personnel Committee
April 29, 2024

CVAG

STAFF REPORT

Subject: **Executive Director Employment Contract**

Contact: Erica Felci, Chief Operating Officer (efelci@cvag.org)

Recommendation: Approve the Second Amendment to the Executive Director's employment contract, providing for future salary adjustments and extending the term through June 30, 2031

Background: Tom Kirk was hired to be the Executive Director of the Coachella Valley Association of Governments in June 2008. As Executive Director, Mr. Kirk runs three agencies: CVAG, the Coachella Valley Conservation Commission (CVCC) and Desert Community Energy (DCE). His initial contract was for five years. The contract has been amended and restated over the years, with the most recent amendment in June 2021.

In July 2023, CVAG employees were provided new benefits as a result of the implementation of an agency-wide classification and compensation study. This included the end of administrative leave and the addition of two vacation days. These changes did not apply to the Executive Director, who is hired by contract.

The Administrative/ Personnel Committee met in closed session in January 2024 and the Executive Committee met in closed session in February 2024. Attached is a Second Amendment to the Executive Director's employment contract, which will allow the Committee to consider future salary increases, address the inconsistency in benefits and extend the contract term to 2031.

Fiscal Analysis: The CVAG Executive Director's compensation is incorporated into the budgets of CVAG, CVCC and DCE.

SECOND AMENDMENT TO
EXECUTIVE DIRECTOR EMPLOYMENT AGREEMENT

This SECOND AMENDMENT TO EXECUTIVE DIRECTOR EMPLOYMENT AGREEMENT (hereinafter "Second Amendment") is made and entered into as of the 29th day of April, 2024, by and between the COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS, a California Joint Powers Agency (hereinafter "CVAG"), and THOMAS J. KIRK, an individual (hereinafter "Employee").

R E C I T A L S

A. On June 2, 2009, CVAG and Employee entered into a five-year agreement whereby Employee was hired as Executive Director of CVAG.

B. On June 2, 2014, CVAG and Employee amended the agreement to extend it an additional five years, expiring June 1, 2019, and to provide for an increase in salary and deferred compensation, addition of two floating leave days, and roll-over of unused training.

C. On December 3, 2018, CVAG and Employee executed an updated and restated Employment Agreement (hereinafter "Agreement") that extended the term of Employee's employment for an additional five years (through May 31, 2024) on the same terms as set forth in the 2014 amended agreement.

D. On June 7, 2021, CVAG and Employee executed a First Amendment to Employment Agreement adjusting Employee's compensation and extending the term for an additional two years to June 30, 2026.

E. The parties now desire to further amend the 2018 Employment Agreement by adjusting Employee's compensation and further extending the term thereof for an additional five years to June 30, 2031.

NOW, THEREFORE, in consideration of the foregoing, the parties agree to amend the Agreement as follows:

1. The first clause of Section 2 of the Agreement is amended to read:

"This Agreement is effective commencing June 1, 2019 and shall continue in effect until June 30, 2031 unless earlier terminated by either party as provided in Section 3 herein, and subject to the following:"

2. Section 5 of the Agreement is amended to read:

"Effective July 1, 2021, CVAG agreed to pay Employee for the services required by this Agreement a base annual salary of Two Hundred Ninety Thousand Dollars ($290,000.00) payable in installments at the same time as other employees of CVAG are paid. Said amount shall not be tied to the salary schedule, nor related merit or longevity steps, applicable to other employee grades/classifications. Employee's salary shall be adjusted annually by the cost of living (COLA) on the same basis as other employees of CVAG unless recommended otherwise by the Administrative /Personnel Committee. Following Employee's annual performance evaluation, the Administrative /Personnel Committee may in its discretion provide Employee with a merit based salary adjustment not to exceed 6% of his then current salary, exclusive of the COLA adjustment."

3. Section 8.A of the Agreement is amended to read:

"A. Vacation. Effective July 1, 2023, employee shall accrue vacation at a rate of 6.7692 hours for each full pay period as a CVAG employee."

4. Section 8.B of the Agreement is amended to read:

"B. Floating Leave. Effective July 1, 2023, employee shall be provided twelve (12) Floating Leave Days annually. The Floating Leave Days will be non-accruable."

In all other respects the Agreement is hereby reaffirmed and in full force and effect.

IN WITNESS THEREOF, the parties have executed this Second Amendment as of the day and year first above written.

EMPLOYEE

____
THOMAS J. KIRK

COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS

By:_____________________________
CHAIR OF EXECUTIVE COMMITTEE

ATTEST:

____
Secretary

ITEM 7B

Coachella Valley Association of Governments
Administrative/ Personnel Committee
April 29, 2024

STAFF REPORT

Subject: **CVAG Officer Rotation for Fiscal Year 2024/2025**

Contact: Tom Kirk, Executive Director (tkirk@cvag.org)

Recommendation: Nominate the representative from the City of Rancho Mirage to serve as Fiscal Year 2024/2025 Chair and Riverside County's Fourth District Supervisor to serve as Fiscal Year 2024/2025 Vice Chair

Background: The CVAG Executive Committee annually provides a nomination for the CVAG officers to the General Assembly, which meets each June. In 2019, the CVAG Executive Committee discussed the need for a more formal process of choosing the incoming officers. This led to an update to the CVAG By-Laws, which established a rotation that would elect a member jurisdiction's representative rather than a specific individual. The By-Laws also state that *"Based on a recommendation of the Administrative/Personnel Committee, the Executive Committee may in making its nominations deviate from the strict rotation set forth above if determined to be in CVAG's best interests."*

CVAG's officers are now based on jurisdiction and not individual elected officials. The rotation was last updated at the 2021 General Assembly meeting to reflect additional tribal members. The approved rotation is as follows: *Agua Caliente Band of Cahuilla Indians, Indio, Cabazon Band of Mission Indians, Torres Martinez Desert Cahuilla Indians, Twenty-Nine Palms Band of Mission Indians, Palm Springs, Coachella, Desert Hot Springs, Rancho Mirage, Riverside County's Fourth Supervisorial District, Blythe, La Quinta, Palm Desert, Cathedral City, Indian Wells, Riverside County's Fifth Supervisorial District.*

CVAG's current officers are the representative from the City of Desert Hot Springs serving as CVAG Chair and the representative from the City of Rancho Mirage serving as Vice Chair.

The By-laws include a stipulation that requires 75 percent attendance or more of the Executive Committee meetings "in the previous year." Representatives from both the City of Rancho Mirage and Riverside County's Fourth Supervisorial District have had perfect attendance in the past year. Therefore, staff is recommending the Administrative/ Personnel Committee confirm the representative from the City of Rancho Mirage will serve as FY 2024/2025 Chair and the supervisor from Riverside County's Fourth District will serve as the FY 2023/2024 Vice Chair.

CVAG staff will present the Administrative/Personnel Committee's recommendation to the Executive Committee and then to the General Assembly in June 2024.

Fiscal Analysis: There is no additional fiscal impact as CVAG officers receive the same per diem as other members.

ITEM 7C

Coachella Valley Association of Governments
Administrative/Personnel Committee
April 29, 2024

STAFF REPORT

Subject: **Fiscal Year 2024/2025 Budgetary Items**

Contact: Claude T. Kilgore, Director of Finance and Administration (ckilgore@cvag.org)

Recommendation: Provide direction to staff on CVAG's Fiscal Year 2024/2025 Budget

Background: The Administrative/Personnel Committee has historically met during the annual budget process to provide staff direction on various items that will be included in the fiscal year's budget as it relates to personnel matters and related budgetary information.

At the April 29 meeting of the Administrative/ Personnel Committee, CVAG staff will present pertinent information related to membership dues and budgeted staffing costs. Based on feedback from the Finance Committee, and as detailed in a separate staff report, staff is continuing the CalPERS Unfunded Accrued Liability (UAL) paydown approach from the prior year. In addition, staff will provide details on the annual Cost-of-Living Adjustment (COLA) increase to membership dues and salaries.

This is only an initial review of certain budgetary items. Based on any feedback and direction from the Committee, CVAG staff will finalize the remainder of the budget and present it to the Finance Committee in May 2024 and then to the Executive Committee for an initial review on June 3. CVAG staff notes that these discussions and recommendations also have an indirect impact on the Coachella Valley Conservation Commission (CVCC) and Desert Community Energy (DCE), which CVAG also staffs.

Fiscal Analysis: The fiscal impact will be built into CVAG's Fiscal Year 2024/2025 Budget, which will be presented for adoption by the Executive Committee and General Assembly on June 24, 2024.

ITEM 8A

Coachella Valley Association of Governments
Administrative/ Personnel Committee
April 29, 2024

STAFF REPORT

Subject: **CalPERS Unfunded Accrued Liability**

Contact: Claude T. Kilgore, Director of Finance/Administration (ckilgore@cvag.org)

Recommendation: Information

Background: In 2019, the Administrative/Personnel Committee and the Finance Committee (formerly known as the Audit Committee) requested that CVAG staff to look into the possibility of CVAG addressing the escalating cost of the CalPERS Unfunded Accrued Liability (UAL). It is well known that the UAL for almost all agencies has been on the rise and continues to soar, placing an increasingly tight fiscal burden on agencies throughout California.

Based on committees' direction, a paydown approach was developed beginning in Fiscal Year 2019/20 that included a one-time $1,000,000 payment in the first year and then full Minimum UAL Payments each fiscal year with an annual Additional Discretionary Payment (ADP) to bring the total UAL payment to around $200,000 annually. When this paydown was established, this formula would have allowed paying off CVAG's UAL over an approximate 10-year period. However, recent investment results at CalPERS and other factors have shifted UAL valuation input assumptions. In 2023, the Finance Committee provided direction to increase the total payment annually to $250,000 to combat current fluctuations in the funded status of CVAG UAL and recommended a similar look each year moving forward to proactively manage the paydown amount.

In February 2024, CVAG staff convened the Finance Committee and reviewed CVAG's most recently available CalPERS Valuation Reports, which are dated June 30, 2022 as CalPERS valuations are on a two year lag. At this valuation date, CVAG's funded ratio for the Classic plan was 83.6%, which is higher than the public agencies average of 73.5%, indicating that recent ADPs made by CVAG have been effective in lowering CVAG's overall future UAL costs. The UAL balance on the valuation date is $2,065,401. The Finance Committee also received a presentation directly from CVAG's CalPERS actuary, Kurt Schneider. At the meeting, the Finance Committee recommended to continue with the paydown approach with a total payment to the Classic plan for $250,000 in the upcoming Fiscal Year 2024/2025 Budget.

CVAG staff would like to share an interactive tool released from CalPERS. These interactive tools are available to the public and provide a format to view and compare the funded status of all CalPERS agencies and can be filtered by agency type, location, classification and more.

Summary of Valuation Results - CalPERS

Fiscal Analysis: CVAG's total annual required employer contribution set by CalPERS for Fiscal Year 2024/2025 is $141,946. Based on the direction from the Finance Committee, CVAG staff will incorporate a total $250,000 payment ($108,054 ADP) into the Fiscal Year 2024/2025 budget for consideration and adoption. CVAG will also make the minimum required payment of $3,745 towards its total UAL of the PEPRA Miscellaneous Plan, which is $89,985.

Attachments:

1. Miscellaneous Plan of the Coachella Valley Association of Governments (CalPERS ID: 3910122713) Annual Valuation Report as of June 30, 2022 (most recent report)
2. PEPRA Miscellaneous Plan of the Coachella Valley Association of Governments (CalPERS ID: 3910122713) Annual Valuation Report as of June 30, 2022

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

July 2023

Miscellaneous Plan of the Coachella Valley Association of Governments (CalPERS ID: 3910122713)
Annual Valuation Report as of June 30, 2022

Dear Employer,

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

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

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

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

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

Required Contributions

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

Fiscal Year	Employer Normal Cost Rate	Employer Amortization of Unfunded Accrued Liability
2024-25	13.31%	$141,946
Projected Results		
2025-26	*13.3%*	*$162,000*

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

Changes from Previous Year's Valuations

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

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

Questions

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

Sincerely,

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

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

Actuarial Valuation as of June 30, 2022

for the Miscellaneous Plan of the Coachella Valley Association of Governments

(CalPERS ID: 3910122713)

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

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Section 1 – Plan Specific Information

Section 2 – Risk Pool Actuarial Valuation Information

Section 1

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Plan Specific Information for the Miscellaneous Plan of the Coachella Valley Association of Governments

(CalPERS ID: 3910122713)
(Rate Plan ID: 1104)

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Actuarial Certification

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

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

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

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

KURT SCHNEIDER, MPA, ASA, EA, MAAA
Supervising Actuary, CalPERS

Highlights and Executive Summary

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

Introduction

This report presents the results of the June 30, 2022 actuarial valuation of the Miscellaneous Plan of the Coachella Valley Association of Governments of the California Public Employees' Retirement System (CalPERS). This actuarial valuation sets the minimum required contributions for fiscal year (FY) 2024-25.

Purpose of Section 1

This Section 1 report for the Miscellaneous Plan of the Coachella Valley Association of Governments of CalPERS was prepared by the Actuarial Office using data as of June 30, 2022. The purpose of the valuation is to:

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

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

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

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

Assessment and Disclosure of Risk

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

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

Required Contributions

Required Employer Contributions	Fiscal Year 2024-25
Employer Normal Cost Rate	**13.31%**
Plus	
Required Payment on Amortization Bases[1]	**$141,946**
Paid either as	
1) Monthly Payment	**$11,828.83**
Or	
2) Annual Prepayment Option*	**$137,353**

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

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

Development of Normal Cost as a Percentage of Payroll	Fiscal Year 2023-24	Fiscal Year 2024-25
Base Total Normal Cost for Formula	18.76%	18.81%
Surcharge for Class 1 Benefits[2]		
a) FAC 1	0.63%	0.64%
b) PRSA	0.79%	0.79%
Phase out of Normal Cost Difference[3]	0.00%	0.00%
Plan's Total Normal Cost	20.18%	20.24%
Offset Due to Employee Contributions	6.92%	6.93%
Employer Normal Cost Rate	13.26%	13.31%

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

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

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

Additional Discretionary Employer Contributions

The minimum required employer contribution towards the Unfunded Accrued Liability (UAL) for this rate plan for FY 2024-25 is $141,946. CalPERS allows agencies to make additional discretionary payments (ADPs) at any time and in any amount. These optional payments serve to reduce the UAL and future required contributions and can result in significant long-term savings. Agencies can also use ADPs to stabilize annual contributions as a fixed dollar amount, percent of payroll or percent of revenue.

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

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

Minimum Required Employer Contribution for Fiscal Year 2024-25

Estimated Normal Cost	Minimum UAL Payment	ADP	Total UAL Contribution	Estimated Total Contribution
$63,793	$141,946	$0	$141,946	$205,739

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

Funding Horizon	Estimated Normal Cost	Minimum UAL Payment	ADP[1]	Total UAL Contribution	Estimated Total Contribution
20 years	$63,793	$141,946	$50,303	$192,249	$256,042
15 years	$63,793	$141,946	$82,329	$224,275	$288,068
10 years	$63,793	$141,946	$149,878	$291,824	$355,617
5 years	$63,793	$141,946	$359,900	$501,846	$565,639

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

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

Funded Status – Funding Policy Basis

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

	June 30, 2021	June 30, 2022
1. Present Value of Benefits	$12,104,864	$12,840,143
2. Entry Age Accrued Liability	11,517,522	12,145,891
3. Market Value of Assets (MVA)	11,018,580	10,080,490
4. Unfunded Accrued Liability (UAL) [(2) – (3)]	$498,942	$2,065,401
5. Funded Ratio [(3) / (2)]	95.7%	83.0%

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	$13,572,340	$12,145,891	$10,953,863
2. Market Value of Assets (MVA)	10,080,490	10,080,490	10,080,490
3. Unfunded Accrued Liability (UAL) [(1) – (2)]	$3,491,850	$2,065,401	$873,373
4. Funded Ratio [(2) / (1)]	74.3%	83.0%	92.0%

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

Projected Employer Contributions

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

	Required Contribution	**Projected Future Employer Contributions (Assumes 6.80% Return for Fiscal Year 2022-23 and Beyond)**				
Fiscal Year	**2024-25**	**2025-26**	**2026-27**	**2027-28**	**2028-29**	**2029-30**
	Rate Plan 1104 Results					
Normal Cost %	13.31%	13.3%	13.3%	13.3%	13.3%	13.3%
UAL Payment	$141,946	$162,000	$181,000	$194,000	$220,000	$223,000

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

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

Other Pooled Miscellaneous Risk Pool Rate Plans

All of the results presented in this Section 1 report, except those shown on this page, correspond to rate plan 1104. In many cases, employers have additional rate plans within the same risk pool. For cost analysis and budgeting it is useful to consider contributions for these rate plans as a whole rather than individually. The estimated contribution amounts and rates for all of the employer's rate plans in the Miscellaneous Risk Pool are shown below and assume that the total employer payroll within the Miscellaneous Risk Pool will grow according to the overall payroll growth assumption of 2.80% per year for three years. In a refinement since the prior year's report, Classic members who are projected to terminate employment are assumed to be replaced by PEPRA members.

	Fiscal Year 2023-24	Fiscal Year 2024-25
Estimated Combined Employer Contributions for all Pooled Miscellaneous Rate Plans		
Projected Payroll for the Contribution Year	$1,817,733	$2,372,261
Estimated Employer Normal Cost	$176,746	$218,639
Required Payment on Amortization Bases	$101,343	$145,691
Estimated Total Employer Contributions	$278,089	$364,330
Estimated Total Employer Contribution Rate (illustrative only)	15.30%	15.36%

Cost

Actuarial Determination of Plan Cost

Contributions to fund the plan are comprised of two components:

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

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

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

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

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

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

Changes Since the Prior Year's Valuation

Benefits

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

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

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

Actuarial Methods and Assumptions

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

Subsequent Events

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

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

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

Assets and Liabilities

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

Breakdown of Entry Age Accrued Liability

Active Members	$2,143,035
Transferred Members	707,200
Separated Members	389,589
Members and Beneficiaries Receiving Payments	8,906,067
Total	$12,145,891

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

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

1.	Plan's Accrued Liability	$12,145,891
2.	Projected UAL Balance at 6/30/2022	331,361
3.	Other UAL Adjustments (Golden Handshake, Prior Service Purchase, etc.)	0
4.	Adjusted UAL Balance at 6/30/2022 for Asset Share	443,394
5.	Pool's Accrued Liability[1]	22,021,735,002
6.	Sum of Pool's Individual Plan UAL Balances at 6/30/2022[1]	2,453,954,297
7.	Pool's 2021-22 Investment (Gain)/Loss[1]	2,614,071,182
8.	Pool's 2021-22 Non-Investment (Gain)/Loss[1]	309,490,972
9.	Plan's Share of Pool's Investment (Gain)/Loss: [(1) - (4)] ÷ [(5) - (6)] × (7)	1,563,343
10.	Plan's Share of Pool's Non-Investment (Gain)/Loss: (1) ÷ (5) × (8)	170,697
11.	Plan's New (Gain)/Loss as of 6/30/2022: (9) + (10)	1,734,040
12.	Increase in Pool's Accrued Liability due to Change in Assumptions[1]	0
13.	Plan's Share of Pool's Change in Assumptions: (1) ÷ (5) × (12)	0
14.	Increase in Pool's Accrued Liability due to Funding Risk Mitigation[1]	0
15.	Plan's Share of Pool's Change due to Funding Risk Mitigation: (1) ÷ (5) × (14)	0
16.	Offset due to Funding Risk Mitigation	0
17.	Plan's Investment (Gain)/Loss: (9) – (16)	1,563,343

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

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

18.	Plan's UAL: (2) + (3) + (11) + (13) + (15)	$2,065,401
19.	Plan's Share of Pool's MVA: (1) - (18)	$10,080,490

Schedule of Amortization Bases

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

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

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

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

Reason for Base	Date Est.	Ramp Level 2024-25	Ramp Shape	Escala-tion Rate	Amort. Period	Balance 6/30/22	Expected Payment 2022-23	Balance 6/30/23	Expected Payment 2023-24	Balance 6/30/24	Minimum Required Payment 2024-25
Assumption Change	6/30/14	100%	Up/Down	2.80%	0	(19)	0	(20)	(21)	0	0
Investment (Gain)/Loss	6/30/15	100%	Up/Down	2.80%	17	473,825	39,239	465,494	39,488	456,339	40,594
Assumption Change	6/30/16	No Ramp		2.80%	4	61,226	16,536	48,300	13,878	37,242	10,180
Investment (Gain)/Loss	6/30/16	No Ramp		2.80%	4	20,763	1,751	20,365	4,537	17,061	4,663
Assumption Change	6/30/17	100%	Up/Down	2.80%	15	208,307	15,357	206,601	19,356	200,647	19,898
Investment (Gain)/Loss	6/30/17	100%	Up/Down	2.80%	0	303	0	324	335	0	0
Assumption Change	6/30/18	100%	Up/Down	2.80%	16	336,799	18,372	340,715	24,671	338,388	31,703
Investment (Gain)/Loss	6/30/18	100%	Up/Down	2.80%	0	91	0	97	100	0	0
Method Change	6/30/18	100%	Up/Down	2.80%	16	91,661	5,000	92,727	6,714	92,094	8,628
Investment (Gain)/Loss	6/30/19	80%	Up Only	0.00%	17	45,536	1,905	46,664	2,806	46,937	3,741
Non-Investment (Gain)/Loss	6/30/19	No Ramp		0.00%	17	44,784	4,197	43,492	4,124	42,188	4,124
Investment (Gain)/Loss	6/30/20	60%	Up Only	0.00%	18	241,455	5,289	252,408	10,376	258,849	15,564
Non-Investment (Gain)/Loss	6/30/20	No Ramp		0.00%	18	38,745	3,542	37,719	3,479	36,689	3,479
Assumption Change	6/30/21	No Ramp		0.00%	19	40,034	(4,279)	47,178	4,242	46,002	4,242
Net Investment (Gain)	6/30/21	40%	Up Only	0.00%	19	(1,218,207)	0	(1,301,045)	(27,966)	(1,360,615)	(55,931)
Non-Investment (Gain)/Loss	6/30/21	No Ramp		0.00%	19	(49,735)	0	(53,117)	(4,776)	(51,793)	(4,776)
Risk Mitigation	6/30/21	No Ramp		0.00%	0	297,283	(4,347)	321,991	332,759	0	0
Risk Mitigation Offset	6/30/21	No Ramp		0.00%	0	(301,490)	0	(321,991)	(332,759)	0	0

Schedule of Amortization Bases (continued)

Reason for Base	Date Est.	Ramp Level 2024-25	Ramp Shape	Escala-tion Rate	Amort. Period	Balance 6/30/22	Expected Payment 2022-23	Balance 6/30/23	Expected Payment 2023-24	Balance 6/30/24	Minimum Required Payment 2024-25
Investment (Gain)/Loss	6/30/22	20%	Up Only	0.00%	20	1,563,343	0	1,669,650	0	1,783,186	38,329
Non-Investment (Gain)/Loss	6/30/22	No Ramp		0.00%	20	170,697	0	182,304	0	194,701	17,508
Total						**2,065,401**	**102,562**	**2,099,856**	**101,343**	**2,137,915**	**141,946**

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

Amortization Schedule and Alternatives

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

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

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

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

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

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

Amortization Schedule and Alternatives (continued)

	Current Amortization Schedule		Alternate Schedules			
			15 Year Amortization		10 Year Amortization	
Date	**Balance**	**Payment**	**Balance**	**Payment**	**Balance**	**Payment**
6/30/2024	2,137,915	141,946	2,137,915	224,275	2,137,915	291,824
6/30/2025	2,136,602	161,668	2,051,518	224,275	1,981,710	291,824
6/30/2026	2,114,816	180,551	1,959,246	224,275	1,814,883	291,824
6/30/2027	2,072,036	194,335	1,860,700	224,275	1,636,712	291,824
6/30/2028	2,012,099	219,606	1,755,453	224,275	1,446,426	291,824
6/30/2029	1,921,973	222,759	1,643,049	224,275	1,243,200	291,824
6/30/2030	1,822,460	226,000	1,523,001	224,275	1,026,155	291,824
6/30/2031	1,712,830	229,334	1,394,790	224,275	794,351	291,825
6/30/2032	1,592,299	232,757	1,257,861	224,275	546,783	291,824
6/30/2033	1,460,034	236,279	1,111,621	224,275	282,381	291,824
6/30/2034	1,315,137	239,902	955,436	224,276		
6/30/2035	1,156,641	238,225	788,630	224,275		
6/30/2036	989,100	225,123	610,482	224,276		
6/30/2037	823,707	199,559	420,219	224,276		
6/30/2038	673,486	172,467	217,018	224,275		
6/30/2039	541,048	143,783				
6/30/2040	429,247	119,639				
6/30/2041	334,796	98,210				
6/30/2042	256,068	68,793				
6/30/2043	202,386	209,154				
6/30/2044						
6/30/2045						
6/30/2046						
6/30/2047						
6/30/2048						
6/30/2049						
Total		**3,760,090**		**3,364,128**		**2,918,241**
Interest Paid		**1,622,175**		**1,226,213**		**780,326**
Estimated Savings				**395,962**		**841,849**

Employer Contribution History

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

Fiscal Year	Employer Normal Cost	Unfunded Liability Payment ($)	Additional Discretionary Payments
2016 - 17	9.558%	$74,255	N/A
2017 - 18	9.599%	92,345	N/A
2018 - 19	10.152%	119,484	N/A
2019 - 20	10.868%	148,505	1,000,000
2020 - 21	11.746%	171,101	173,454
2021 - 22	11.60%	94,681	112,311
2022 - 23	11.61%	111,188	0
2023 - 24	13.26%	101,343	
2024 - 25	13.31%	141,946	

Funding History

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

Valuation Date	Accrued Liability (AL)	Share of Pool's Market Value of Assets (MVA)	Unfunded Accrued Liability (UAL)	Funded Ratio	Annual Covered Payroll
06/30/2013	$6,816,741	$5,459,677	$1,357,064	80.1%	$1,327,548
06/30/2014	7,514,725	6,306,012	1,208,713	83.9%	1,199,234
06/30/2015	8,195,328	6,616,100	1,579,228	80.7%	1,025,168
06/30/2016	8,586,612	6,417,445	2,169,167	74.7%	901,784
06/30/2017	9,158,688	7,004,925	2,153,763	76.5%	1,098,717
06/30/2018	9,855,402	7,336,984	2,518,418	74.4%	1,121,418
06/30/2019	10,409,973	7,743,202	2,666,771	74.4%	1,152,822
06/30/2020	10,837,022	8,947,047	1,889,975	82.6%	1,075,911
06/30/2021	11,517,522	11,018,580	498,942	95.7%	548,220
06/30/2022	12,145,891	10,080,490	2,065,401	83.0%	527,613

Risk Analysis

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

Future Investment Return Scenarios

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

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

Assumed Annual Return FY 2022-23 through 2041-42	**Projected Employer Contributions**				
	2025-26	**2026-27**	**2027-28**	**2028-29**	**2029-30**
3.0% (5th percentile)					
Normal Cost Rate	13.3%	13.3%	13.3%	13.3%	13.3%
UAL Contribution	$171,000	$209,000	$251,000	$315,000	$367,000
10.8% (95th percentile)					
Normal Cost Rate	13.6%	13.8%	14.1%	14.4%	14.6%
UAL Contribution	$154,000	$156,000	$143,000	$131,000	$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	13.31%	13.3%
UAL Contribution	$141,946	$221,000
(5.2)% (1 standard deviation loss)		
Normal Cost Rate	13.31%	13.3%
UAL Contribution	$141,946	$191,000

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

Discount Rate Sensitivity

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

Sensitivity to the Real Rate of Return Assumption

As of June 30, 2022	1% Lower Real Return Rate	Current Assumptions	1% Higher Real Return Rate
Discount Rate	**5.8%**	**6.8%**	**7.8%**
Price Inflation	2.3%	2.3%	2.3%
Real Rate of Return	**3.5%**	**4.5%**	**5.5%**
a) Total Normal Cost	25.47%	20.24%	16.26%
b) Accrued Liability	$13,572,340	$12,145,891	$10,953,863
c) Market Value of Assets	$10,080,490	$10,080,490	$10,080,490
d) Unfunded Liability/(Surplus) [(b) - (c)]	$3,491,850	$2,065,401	$873,373
e) Funded Ratio	74.3%	83.0%	92.0%

Sensitivity to the Price Inflation Assumption

As of June 30, 2022	1% Lower Price Inflation	Current Assumptions	1% Higher Price Inflation
Discount Rate	**5.8%**	**6.8%**	**7.8%**
Price Inflation	**1.3%**	**2.3%**	**3.3%**
Real Rate of Return	4.5%	4.5%	4.5%
a) Total Normal Cost	21.25%	20.24%	18.46%
b) Accrued Liability	$12,524,835	$12,145,891	$11,221,370
c) Market Value of Assets	$10,080,490	$10,080,490	$10,080,490
d) Unfunded Liability/(Surplus) [(b) - (c)]	$2,444,345	$2,065,401	$1,140,880
e) Funded Ratio	80.5%	83.0%	89.8%

Mortality Rate Sensitivity

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

As of June 30, 2022	10% Lower Mortality Rates	Current Assumptions	10% Higher Mortality Rates
a) Total Normal Cost	20.59%	20.24%	19.92%
b) Accrued Liability	$12,402,813	$12,145,891	$11,910,355
c) Market Value of Assets	$10,080,490	$10,080,490	$10,080,490
d) Unfunded Liability/(Surplus) [(b) - (c)]	$2,322,323	$2,065,401	$1,829,865
e) Funded Ratio	81.3%	83.0%	84.6%

Maturity Measures

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

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

Ratio of Retiree Accrued Liability to Total Accrued Liability	June 30, 2021	June 30, 2022
1. Retired Accrued Liability	$8,076,268	$8,906,067
2. Total Accrued Liability	11,517,522	12,145,891
3. Ratio of Retiree AL to Total AL [(1) / (2)]	0.70	0.73

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

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

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

Support Ratio	June 30, 2021	June 30, 2022
1. Number of Actives	4	4
2. Number of Retirees	30	31
3. Support Ratio [(1) / (2)]	0.13	0.13

Maturity Measures (continued)

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

Asset Volatility Ratio

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

Liability Volatility Ratio

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

Contribution Volatility	June 30, 2021	June 30, 2022
1. Market Value of Assets	$11,018,580	$10,080,490
2. Payroll	548,220	527,613
3. Asset Volatility Ratio (AVR) [(1) / (2)]	20.1	19.1
4. Accrued Liability	$11,517,522	$12,145,891
5. Liability Volatility Ratio (LVR) [(4) / (2)]	21.0	23.0

Maturity Measures History

Valuation Date	Ratio of Retiree Accrued Liability to Total Accrued Liability	Support Ratio	Asset Volatility Ratio	Liability Volatility Ratio
06/30/2017	0.54	0.33	6.4	8.3
06/30/2018	0.51	0.35	6.5	8.8
06/30/2019	0.51	0.33	6.7	9.0
06/30/2020	0.52	0.30	8.3	10.1
06/30/2021	0.70	0.13	20.1	21.0
06/30/2022	0.73	0.13	19.1	23.0

Funded Status – Termination Basis

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

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

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

	Discount Rate: 1.75% Price Inflation: 2.50%			Discount Rate: 4.50% Price Inflation: 2.75%		
Market Value of Assets (MVA)	**Termination Liability[1,2]**	**Funded Ratio**	**Unfunded Termination Liability**	**Termination Liability[1,2]**	**Funded Ratio**	**Unfunded Termination Liability**
$10,080,490	$23,641,611	42.6%	$13,561,121	$15,980,042	63.1%	$5,899,552

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

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

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

Participant Data

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

	June 30, 2021	June 30, 2022
Active Members		
Counts	4	4
Average Attained Age	53.7	50.8
Average Entry Age to Rate Plan	35.1	34.8
Average Years of Credited Service	15.7	13.0
Average Annual Covered Pay	$137,055	$131,903
Annual Covered Payroll	$548,220	$527,613
Present Value of Future Payroll	$3,117,208	$3,570,630
Transferred Members	6	7
Separated Members	11	10
Retired Members and Beneficiaries*		
Counts	30	31
Average Annual Benefits	$21,149	$22,950
Total Annual Benefits	$634,464	$711,462

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

* Values include community property settlements.

List of Class 1 Benefit Provisions

This plan has the additional Class 1 Benefit Provisions:

- One Year Final Compensation (FAC 1)
- Post-Retirement Survivor Allowance (PRSA)

Plan's Major Benefit Options

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

	Benefit Group		
Member Category	Misc	Misc	
Demographics			
Actives	Yes	No	
Transfers/Separated	Yes	No	
Receiving	Yes	Yes	
Benefit Provision			
Benefit Formula	2% @ 55		
Social Security Coverage	No		
Full/Modified	Full		
Employee Contribution Rate	7.00%		
Final Average Compensation Period	One Year		
Sick Leave Credit	Yes		
Non-Industrial Disability	Standard		
Industrial Disability	No		
Pre-Retirement Death Benefits			
Optional Settlement 2	Yes		
1959 Survivor Benefit Level	Level 3		
Special	No		
Alternate (firefighters)	No		
Post-Retirement Death Benefits			
Lump Sum	$2000	$2000	
Survivor Allowance (PRSA)	Yes	Yes	
COLA	2%	2%	

Section 2

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Risk Pool Actuarial Valuation Information

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

California Public Employees' Retirement System
Actuarial Office
400 Q Street, Sacramento, CA 95811 | Phone: (916) 795-3000 | Fax: (916) 795-2744
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July 2023

PEPRA Miscellaneous Plan of the Coachella Valley Association of Governments (CalPERS ID: 3910122713)
Annual Valuation Report as of June 30, 2022

Dear Employer,

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

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

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

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

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

Required Contributions

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

Fiscal Year	Employer Normal Cost Rate	Employer Amortization of Unfunded Accrued Liability	PEPRA Member Contribution Rate
2024-25	8.18%	$3,745	8.25%
Projected Results			
2025-26	*8.2%*	*$6,000*	*TBD*

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

Changes from Previous Year's Valuations

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

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

Questions

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

Sincerely,

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

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

Actuarial Valuation
as of June 30, 2022

for the
PEPRA Miscellaneous Plan
of the
Coachella Valley Association of Governments

(CalPERS ID: 3910122713)

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

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Section 2 – Risk Pool Actuarial Valuation Information

Section 1

Plan Specific Information for the PEPRA Miscellaneous Plan of the Coachella Valley Association of Governments

(CalPERS ID: 3910122713)
(Rate Plan ID: 26564)

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Actuarial Certification

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

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

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

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

KURT SCHNEIDER, MPA, ASA, EA, MAAA
Supervising Actuary, CalPERS

Highlights and Executive Summary

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

Introduction

This report presents the results of the June 30, 2022 actuarial valuation of the PEPRA Miscellaneous Plan of the Coachella Valley Association of Governments of the California Public Employees' Retirement System (CalPERS). This actuarial valuation sets the minimum required contributions for fiscal year (FY) 2024-25.

Purpose of Section 1

This Section 1 report for the PEPRA Miscellaneous Plan of the Coachella Valley Association of Governments of CalPERS was prepared by the Actuarial Office using data as of June 30, 2022. The purpose of the valuation is to:

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

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

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

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

Assessment and Disclosure of Risk

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

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

Required Contributions

Required Employer Contributions	Fiscal Year 2024-25
Employer Normal Cost Rate	**8.18%**
Plus	
Required Payment on Amortization Bases[1]	**$3,745**
Paid either as	
1) Monthly Payment	**$312.08**
Or	
2) Annual Prepayment Option*	**$3,624**
Required PEPRA Member Contribution Rate	**8.25%**

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

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

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

Development of Normal Cost as a Percentage of Payroll	Fiscal Year 2023-24	Fiscal Year 2024-25
Base Total Normal Cost for Formula	15.43%	15.62%
Surcharge for Class 1 Benefits[2]		
a) PRSA	0.82%	0.81%
Phase out of Normal Cost Difference[3]	0.00%	0.00%
Plan's Total Normal Cost	16.25%	16.43%
Offset Due to Employee Contributions	8.25%	8.25%
Employer Normal Cost Rate	8.00%	8.18%

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

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

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

Additional Discretionary Employer Contributions

The minimum required employer contribution towards the Unfunded Accrued Liability (UAL) for this rate plan for FY 2024-25 is $3,745. CalPERS allows agencies to make additional discretionary payments (ADPs) at any time and in any amount. These optional payments serve to reduce the UAL and future required contributions and can result in significant long-term savings. Agencies can also use ADPs to stabilize annual contributions as a fixed dollar amount, percent of payroll or percent of revenue.

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

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

Minimum Required Employer Contribution for Fiscal Year 2024-25

Estimated Normal Cost	Minimum UAL Payment	ADP	Total UAL Contribution	Estimated Total Contribution
$154,846	$3,745	$0	$3,745	$158,591

The minimum required contribution above is less than interest on the UAL. With no ADP the UAL is projected to increase over the following year. If the minimum UAL payment were split between interest and principal, the principal portion would be negative. This situation is referred to as **negative amortization**. If only the minimum required contribution is made, contributions are not expected to exceed interest on the UAL until FY **2027-28**, as shown in the "Amortization Schedule and Alternatives" section of the report (see columns labeled "Current Amortization Schedule").

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

Estimated Normal Cost	Minimum UAL Payment	ADP[1]	Total UAL Contribution	Estimated Total Contribution
$154,846	$3,745	$4,265	$8,010	$162,856

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

Funding Horizon	Estimated Normal Cost	Minimum UAL Payment	ADP[1]	Total UAL Contribution	Estimated Total Contribution
20 years	$154,846	$3,745	$7,202	$10,947	$165,793
15 years	$154,846	$3,745	$9,026	$12,771	$167,617
10 years	$154,846	$3,745	$12,872	$16,617	$171,463
5 years	$154,846	$3,745	$24,832	$28,577	$183,423

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

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

Funded Status – Funding Policy Basis

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

	June 30, 2021	June 30, 2022
1. Present Value of Benefits	$2,810,288	$3,828,479
2. Entry Age Accrued Liability	844,675	1,028,573
3. Market Value of Assets (MVA)	928,207	938,588
4. Unfunded Accrued Liability (UAL) [(2) – (3)]	($83,532)	$89,985
5. Funded Ratio [(3) / (2)]	109.9%	91.3%

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	$1,242,685	$1,028,573	$864,445
2. Market Value of Assets (MVA)	938,588	938,588	938,588
3. Unfunded Accrued Liability (UAL) [(1) – (2)]	$304,097	$89,985	($74,143)
4. Funded Ratio [(2) / (1)]	75.5%	91.3%	108.6%

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

Projected Employer Contributions

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

	Required Contribution	**Projected Future Employer Contributions (Assumes 6.80% Return for Fiscal Year 2022-23 and Beyond)**				
Fiscal Year	**2024-25**	**2025-26**	**2026-27**	**2027-28**	**2028-29**	**2029-30**
	Rate Plan 26564 Results					
Normal Cost %	8.18%	8.2%	8.2%	8.2%	8.2%	8.2%
UAL Payment	$3,745	$6,000	$8,300	$11,000	$13,000	$13,000

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

The required contribution for FY 2024-25 is less than interest on the UAL, a situation referred to as **negative amortization**, as explained in the “Additional Discretionary Employer Contributions” section earlier in this report. If only the minimum required contribution is made, contributions are not expected to exceed interest on the UAL until FY 2027-28, as shown in the “Amortization Schedule and Alternatives” section of the report (see columns labelled “Current Amortization Schedule”).

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

Other Pooled Miscellaneous Risk Pool Rate Plans

All of the results presented in this Section 1 report, except those shown on this page, correspond to rate plan 26564. In many cases, employers have additional rate plans within the same risk pool. For cost analysis and budgeting it is useful to consider contributions for these rate plans as a whole rather than individually. The estimated contribution amounts and rates for all of the employer's rate plans in the Miscellaneous Risk Pool are shown below and assume that the total employer payroll within the Miscellaneous Risk Pool will grow according to the overall payroll growth assumption of 2.80% per year for three years. In a refinement since the prior year's report, Classic members who are projected to terminate employment are assumed to be replaced by PEPRA members.

	Fiscal Year 2023-24	Fiscal Year 2024-25
Estimated Combined Employer Contributions for all Pooled Miscellaneous Rate Plans		
Projected Payroll for the Contribution Year	$1,817,733	$2,372,261
Estimated Employer Normal Cost	$176,746	$218,639
Required Payment on Amortization Bases	$101,343	$145,691
Estimated Total Employer Contributions	$278,089	$364,330
Estimated Total Employer Contribution Rate (illustrative only)	15.30%	15.36%

Cost

Actuarial Determination of Plan Cost

Contributions to fund the plan are comprised of two components:

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

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

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

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

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

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

Changes Since the Prior Year's Valuation

Benefits

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

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

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

Actuarial Methods and Assumptions

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

Subsequent Events

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

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

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

Assets and Liabilities

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

Breakdown of Entry Age Accrued Liability

Active Members	$595,208
Transferred Members	258,885
Separated Members	174,480
Members and Beneficiaries Receiving Payments	0
Total	$1,028,573

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

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

1.	Plan's Accrued Liability	$1,028,573
2.	Projected UAL Balance at 6/30/2022	(71,418)
3.	Other UAL Adjustments (Golden Handshake, Prior Service Purchase, etc.)	0
4.	Adjusted UAL Balance at 6/30/2022 for Asset Share	(71,418)
5.	Pool's Accrued Liability[1]	22,021,735,002
6.	Sum of Pool's Individual Plan UAL Balances at 6/30/2022[1]	2,453,954,297
7.	Pool's 2021-22 Investment (Gain)/Loss[1]	2,614,071,182
8.	Pool's 2021-22 Non-Investment (Gain)/Loss[1]	309,490,972
9.	Plan's Share of Pool's Investment (Gain)/Loss: [(1) - (4)] ÷ [(5) - (6)] × (7)	146,948
10.	Plan's Share of Pool's Non-Investment (Gain)/Loss: (1) ÷ (5) × (8)	14,455
11.	Plan's New (Gain)/Loss as of 6/30/2022: (9) + (10)	161,403
12.	Increase in Pool's Accrued Liability due to Change in Assumptions[1]	0
13.	Plan's Share of Pool's Change in Assumptions: (1) ÷ (5) × (12)	0
14.	Increase in Pool's Accrued Liability due to Funding Risk Mitigation[1]	0
15.	Plan's Share of Pool's Change due to Funding Risk Mitigation: (1) ÷ (5) × (14)	0
16.	Offset due to Funding Risk Mitigation	0
17.	Plan's Investment (Gain)/Loss: (9) – (16)	146,948
18.	Partial Fresh Start Base: (2) + (17)	75,530

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

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

19.	Plan's UAL: (2) + (3) + (11) + (13) + (15)	$89,985
20.	Plan's Share of Pool's MVA: (1) - (19)	$938,588

Schedule of Amortization Bases

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

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

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

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

Reason for Base	Date Est.	Ramp Level 2024-25	Ramp Shape	Escala-tion Rate	Amort. Period	Balance 6/30/22	Expected Payment 2022-23	Balance 6/30/23	Expected Payment 2023-24	Balance 6/30/24	Minimum Required Payment 2024-25
Non-Investment (Gain)/Loss	6/30/22	No Ramp		0.00%	20	14,455	0	15,438	0	16,488	1,483
Partial Fresh Start	6/30/22	20%	Up Only	0.00%	20	75,530	(17,306)	98,551	0	105,252	2,262
Total						**89,985**	**(17,306)**	**113,989**	**0**	**121,740**	**3,745**

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

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

Amortization Schedule and Alternatives

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

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

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

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

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

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

Amortization Schedule and Alternatives (continued)

			Alternate Schedules			
	Current Amortization Schedule		20 Year Amortization		15 Year Amortization	
Date	**Balance**	**Payment**	**Balance**	**Payment**	**Balance**	**Payment**
6/30/2024	121,740	3,745	121,740	10,947	121,740	12,771
6/30/2025	126,148	6,008	118,705	10,947	116,820	12,771
6/30/2026	128,518	8,270	115,464	10,947	111,566	12,771
6/30/2027	128,711	10,532	112,002	10,947	105,954	12,771
6/30/2028	126,579	12,795	108,305	10,947	99,961	12,771
6/30/2029	121,964	12,795	104,357	10,947	93,560	12,771
6/30/2030	117,034	12,795	100,140	10,947	86,724	12,771
6/30/2031	111,770	12,795	95,636	10,947	79,423	12,771
6/30/2032	106,147	12,794	90,826	10,947	71,626	12,771
6/30/2033	100,143	12,795	85,689	10,948	63,298	12,771
6/30/2034	93,729	12,794	80,202	10,948	54,404	12,771
6/30/2035	86,881	12,794	74,342	10,948	44,905	12,770
6/30/2036	79,567	12,794	68,083	10,947	34,762	12,771
6/30/2037	71,755	12,793	61,400	10,948	23,928	12,771
6/30/2038	63,414	12,794	54,261	10,947	12,357	12,770
6/30/2039	54,504	12,794	46,638	10,948		
6/30/2040	44,989	12,795	38,495	10,947		
6/30/2041	34,825	12,793	29,800	10,948		
6/30/2042	23,972	12,794	20,512	10,947		
6/30/2043	12,380	12,794	10,594	10,948		
6/30/2044						
6/30/2045						
6/30/2046						
6/30/2047						
6/30/2048						
6/30/2049						
Total		**233,263**		**218,947**		**191,563**
Interest Paid		**111,523**		**97,207**		**69,823**
Estimated Savings				**14,316**		**41,700**

Employer Contribution History

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

Fiscal Year	Employer Normal Cost	Unfunded Liability Payment ($)	Additional Discretionary Payments
2016 - 17	6.930%	$29	N/A
2017 - 18	6.908%	114	N/A
2018 - 19	7.266%	6,086	N/A
2019 - 20	7.072%	5,710	16,741
2020 - 21	7.874%	9,398	24,076
2021 - 22	7.73%	5,977	0
2022 - 23	7.76%	394	0
2023 - 24	8.00%	0	
2024 - 25	8.18%	3,745	

Funding History

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

Valuation Date	Accrued Liability (AL)	Share of Pool's Market Value of Assets (MVA)	Unfunded Accrued Liability (UAL)	Funded Ratio	Annual Covered Payroll
06/30/2014	$13,945	$14,565	($620)	104.5%	$175,312
06/30/2015	68,628	65,086	3,542	94.8%	458,528
06/30/2016	170,628	153,552	17,076	90.0%	774,862
06/30/2017	298,630	281,889	16,741	94.4%	532,037
06/30/2018	386,504	350,062	36,442	90.6%	512,409
06/30/2019	539,996	494,580	45,416	91.6%	624,435
06/30/2020	637,269	592,387	44,882	93.0%	741,522
06/30/2021	844,675	928,207	(83,532)	109.9%	1,124,991
06/30/2022	1,028,573	938,588	89,985	91.3%	1,656,038

Risk Analysis

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

Future Investment Return Scenarios

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

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

Assumed Annual Return FY 2022-23 through 2041-42	**Projected Employer Contributions**				
	2025-26	**2026-27**	**2027-28**	**2028-29**	**2029-30**
3.0% (5th percentile)					
Normal Cost Rate	8.2%	8.2%	8.2%	8.2%	8.2%
UAL Contribution	$6,900	$11,000	$16,000	$22,000	$26,000
10.8% (95th percentile)					
Normal Cost Rate	8.4%	8.6%	8.8%	9.0%	8.7%
UAL Contribution	$5,300	$6,000	$5,800	$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	8.18%	8.2%
UAL Contribution	$3,745	$12,000
(5.2)% (1 standard deviation loss)		
Normal Cost Rate	8.18%	8.2%
UAL Contribution	$3,745	$8,800

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

Discount Rate Sensitivity

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

Sensitivity to the Real Rate of Return Assumption

As of June 30, 2022	1% Lower Real Return Rate	Current Assumptions	1% Higher Real Return Rate
Discount Rate	**5.8%**	**6.8%**	**7.8%**
Price Inflation	2.3%	2.3%	2.3%
Real Rate of Return	**3.5%**	**4.5%**	**5.5%**
a) Total Normal Cost	20.55%	16.43%	13.30%
b) Accrued Liability	$1,242,685	$1,028,573	$864,445
c) Market Value of Assets	$938,588	$938,588	$938,588
d) Unfunded Liability/(Surplus) [(b) - (c)]	$304,097	$89,985	($74,143)
e) Funded Ratio	75.5%	91.3%	108.6%

Sensitivity to the Price Inflation Assumption

As of June 30, 2022	1% Lower Price Inflation	Current Assumptions	1% Higher Price Inflation
Discount Rate	**5.8%**	**6.8%**	**7.8%**
Price Inflation	**1.3%**	**2.3%**	**3.3%**
Real Rate of Return	4.5%	4.5%	4.5%
a) Total Normal Cost	17.34%	16.43%	14.93%
b) Accrued Liability	$1,088,426	$1,028,573	$933,514
c) Market Value of Assets	$938,588	$938,588	$938,588
d) Unfunded Liability/(Surplus) [(b) - (c)]	$149,838	$89,985	($5,074)
e) Funded Ratio	86.2%	91.3%	100.5%

Mortality Rate Sensitivity

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

As of June 30, 2022	10% Lower Mortality Rates	Current Assumptions	10% Higher Mortality Rates
a) Total Normal Cost	16.72%	16.43%	16.17%
b) Accrued Liability	$1,046,155	$1,028,573	$1,012,636
c) Market Value of Assets	$938,588	$938,588	$938,588
d) Unfunded Liability/(Surplus) [(b) - (c)]	$107,567	$89,985	$74,048
e) Funded Ratio	89.7%	91.3%	92.7%

Maturity Measures

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

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

Ratio of Retiree Accrued Liability to Total Accrued Liability	June 30, 2021	June 30, 2022
1. Retired Accrued Liability	$0	$0
2. Total Accrued Liability	844,675	1,028,573
3. Ratio of Retiree AL to Total AL [(1) / (2)]	0.00	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	June 30, 2021	June 30, 2022
1. Number of Actives	17	23
2. Number of Retirees	0	0
3. Support Ratio [(1) / (2)]	N/A	N/A

Maturity Measures (continued)

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

Asset Volatility Ratio

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

Liability Volatility Ratio

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

Contribution Volatility	June 30, 2021	June 30, 2022
1. Market Value of Assets	$928,207	$938,588
2. Payroll	1,124,991	1,656,038
3. Asset Volatility Ratio (AVR) [(1) / (2)]	0.8	0.6
4. Accrued Liability	$844,675	$1,028,573
5. Liability Volatility Ratio (LVR) [(4) / (2)]	0.8	0.6

Maturity Measures History

Valuation Date	Ratio of Retiree Accrued Liability to Total Accrued Liability	Support Ratio	Asset Volatility Ratio	Liability Volatility Ratio
06/30/2017	0.00	N/A	0.5	0.6
06/30/2018	0.00	N/A	0.7	0.8
06/30/2019	0.00	N/A	0.8	0.9
06/30/2020	0.00	N/A	0.8	0.9
06/30/2021	0.00	N/A	0.8	0.8
06/30/2022	0.00	N/A	0.6	0.6

Funded Status – Termination Basis

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

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

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

	Discount Rate: 1.75% Price Inflation: 2.50%			Discount Rate: 4.50% Price Inflation: 2.75%		
Market Value of Assets (MVA)	**Termination Liability[1,2]**	**Funded Ratio**	**Unfunded Termination Liability**	**Termination Liability[1,2]**	**Funded Ratio**	**Unfunded Termination Liability**
$938,588	$2,796,545	33.6%	$1,857,957	$1,484,459	63.2%	$545,871

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

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

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

Participant Data

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

	June 30, 2021	June 30, 2022
Active Members		
Counts	17	23
Average Attained Age	45.7	43.9
Average Entry Age to Rate Plan	43.1	42.3
Average Years of Credited Service	2.3	1.6
Average Annual Covered Pay	$66,176	$72,002
Annual Covered Payroll	$1,124,991	$1,656,038
Present Value of Future Payroll	$11,514,676	$16,559,877
Transferred Members	2	5
Separated Members	8	13
Retired Members and Beneficiaries*		
Counts	0	0
Average Annual Benefits	$0	$0
Total Annual Benefits	$0	$0

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

* Values include community property settlements.

List of Class 1 Benefit Provisions

This plan has the additional Class 1 Benefit Provisions:

- Post-Retirement Survivor Allowance (PRSA)

Plan's Major Benefit Options

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

	Benefit Group	
Member Category	Misc	
Demographics		
Actives	Yes	
Transfers/Separated	Yes	
Receiving	No	
Benefit Provision		
Benefit Formula	2% @ 62	
Social Security Coverage	No	
Full/Modified	Full	
Employee Contribution Rate	8.25%	
Final Average Compensation Period	Three Year	
Sick Leave Credit	Yes	
Non-Industrial Disability	Standard	
Industrial Disability	No	
Pre-Retirement Death Benefits		
Optional Settlement 2	Yes	
1959 Survivor Benefit Level	Level 3	
Special	No	
Alternate (firefighters)	No	
Post-Retirement Death Benefits		
Lump Sum	$2000	
Survivor Allowance (PRSA)	Yes	
COLA	2%	

PEPRA Member Contribution Rates

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

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

		Basis for Current Rate		**Rates Effective July 1, 2024**			
Rate Plan Identifier	**Benefit Group Name**	**Total Normal Cost**	**Member Rate**	**Total Normal Cost**	**Change**	**Change Needed**	**Member Rate**
26564	Miscellaneous PEPRA Level	16.25%	8.25%	16.43%	0.18%	No	8.25%

Section 2

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Risk Pool Actuarial Valuation Information

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