

MacLeod Watts

March 6, 2026

Gordon Copley
Director of Finance
Midway City Sanitary District
14451 Cedarwood Ave
Westminster, CA 92683

Re: Midway City Sanitary District Other Post-Employment Benefits
June 30, 2025, Actuarial Valuation and GASB 75 Report for Fiscal Year Ending June 30, 2026

Dear Mr. Copley:

We are pleased to enclose our actuarial report providing financial information about the other post-employment benefit (OPEB) liabilities of Midway City Sanitary District (the District). The report's text describes our analysis and assumptions in detail.

The primary purposes of this report are to:

1. Recalculate plan liabilities as of June 30, 2025, in accordance with GASB 75's biennial valuation requirement.
2. Provide information required by GASB 75 ("Accounting and Financial Reporting for Postemployment Benefits Other Than Pension") to be reported in the District's financial statements for the fiscal year ending June 30, 2026.
3. Develop Actuarially Determined Contributions levels for prefunding plan benefits,
4. Provide information to be submitted to the California Employers' Retiree Benefit Trust (CERBT) to satisfy filing requirements for the trust.

The exhibits presented in this report reflect that the District is contributing, on average, 100% or more of the Actuarially Determined Contribution each year. We assumed that OPEB trust assets will remain in CERBT Strategy 1. We based the valuation on the employee data, details on plan benefits and retiree benefit payments reported to us by the District. Please review our summary of this information to be comfortable that it matches your records. *We estimated OPEB contributions for the fiscal year. When actual contributions are known, we'd be happy to update the report.*

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

Sincerely,



Raegann E. Conner, ASA, ACA, MAAA
Consulting Actuary

Enclosure



Midway City Sanitary District

Actuarial Valuation of Other
Post-Employment Benefit Programs
As of June 30, 2025

Development of OPEB Prefunding Levels
& GASB 75 Report for the FYE June 30, 2026

Revised March 2026

MacLeod Watts

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A. Executive Summary

This report presents the results of the June 30, 2025, actuarial valuation and the accounting information for financial reporting of the other post-employment benefit (OPEB) program of the Midway City Sanitary District (the District). The purposes of this report are to: 1) summarize the results of the valuation; 2) provide disclosure information as required by Statement No. 75 of the Governmental Accounting Standards Board (GASB 75) for the fiscal year ending June 30, 2026; ; 3) develop Actuarially Determined Contribution (ADC) levels for prefunding plan benefits; and 4) provide information required by the California Employers' Retiree Benefit Trust (CERBT).

A description of the valuation process can be found in Appendix 1. We recommend users of the report read this information to familiarize themselves with the process and context of actuarial valuations. The glossary also contains descriptive definitions of terms you may see in this or other actuarial reports.

Results of this June 30, 2025, valuation may also be used to prepare the District's GASB 75 report for the fiscal year ending June 30, 2027. If there are any significant changes in plan members, plan benefits or eligibility and/or OPEB funding policy, an earlier valuation might be required or appropriate.

OPEB Obligations

The District provides continuation of certain types of post-employment coverage to its retiring employees. See Retiree Benefit Provisions for a description of these benefits. Post-employment coverage may create one or more types of OPEB liabilities:

- **Explicit subsidy liabilities:** An "explicit subsidy" exists when the employer contributes directly toward the cost of a retiree's coverage, such as contributing toward the cost of healthcare premiums.
- **Implicit subsidy liabilities:** An "implicit subsidy" may exist when premiums paid for retiree coverage are not expected to cover retiree claims, and the cost difference is expected to be borne by the employer. This commonly occurs when the employer is charged the same premium for active and retired employees, even though retirees generally incur higher claims.

We determine explicit subsidy liabilities using the expected direct payments promised by the plan toward retiree coverage. We determine the implicit subsidy liability as the projected difference between (a) estimated retiree claim costs by age and (b) premiums charged for retiree coverage, to the extent borne by the District.

Important Dates

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

Fiscal Year End	June 30, 2026
Measurement Date	June 30, 2025
Measurement Period	July 1, 2024 to June 30, 2025
Valuation Date	June 30, 2025



Executive Summary

(Continued)

OPEB Funding Policy

The District's OPEB funding pattern over the most recent 5-year period has been to contribute 100% or more of the Actuarially Determined Contribution each year. When fully funding, GASB 75 prescribes the expected long-term trust earnings rate as the discount rate for determining liabilities for plan disclosures.

With the District's approval, we used 6.25% as the discount rate to develop accounting disclosures and Actuarially Determined Contributions for plan funding. Information on how this rate was determined is provided in the Expected Return on Trust Assets section of Accounting Information.

Summary of Results

The plan's impact on Net Position will be the sum of difference between assets and liabilities as of the measurement date plus the unrecognized net outflows and inflows of resources. The plan's impact on Net Position and Pension Expense for the current fiscal year is shown below.

Summary of Results for Fiscal Year Ending June 30, 2026	MCS D
Total OPEB Liability	\$ 6,678,172
Fiduciary Net Position	(7,683,045)
Net OPEB Liability (Asset)	\$ (1,004,873)
<i>Adjustment for Deferred Resources:</i>	
Deferred (Outflows)	(1,094,828)
Deferred Inflows	1,106,743
Impact on Statement of Net Position	\$ (992,958)
 OPEB Expense, FYE 6/30/2026	 \$ 93,470

Updates Since the Prior Report

Since the prior valuation, the District adopted a PEMHCA vesting resolution for employees hired on or after January 1, 2025; however, because the change is prospective, it had no impact on the liability. The District provided an updated census of plan participants which was used in the valuation to determine "plan experience". A description of the components of plan experience and their impact on the liability can be found in the Reconciliation shown in Valuation Results. See the Glossary for a definition of Plan Experience. Certain assumptions were changed for this valuation. A description of the changes can be found in the Changes section of Actuarial Methods and Assumptions. The liability impact of the assumption changes can be found in the Reconciliation provided in Valuation Results. Investment experience (the difference between actual and expected trust earnings) was determined as well. The financial impact is shown in the Reconciliation provided in Valuation Results.



Executive Summary

(Concluded)

Use and Reliance

This report is intended to present certain actuarial information related to other postemployment benefits (OPEB) for the District. The results and conclusions are appropriate for the purposes stated in this report but may not be suitable for other uses, as different assumptions, methods, or actuarial standards of practice may be required or more suitable.

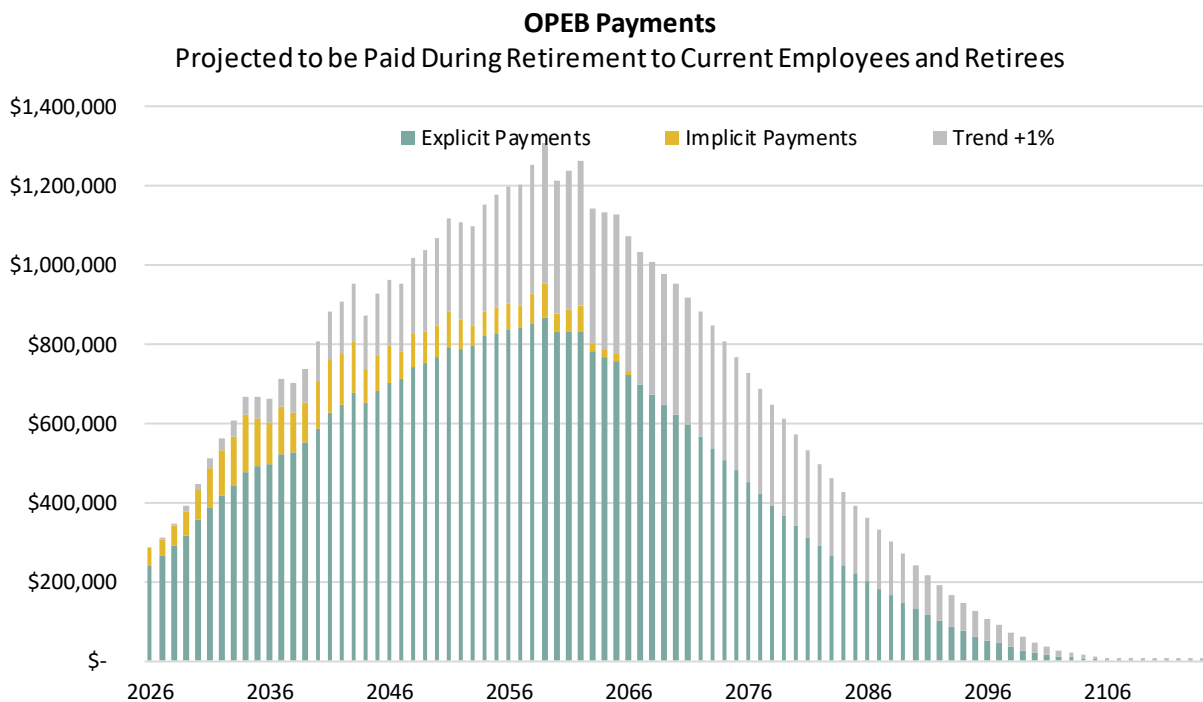
Certain issues discussed in this report may involve interpretations of applicable laws, regulations, or accounting standards. The District should consult its legal counsel regarding legal questions, as MacLeod Watts does not practice law and nothing in this report should be construed as legal advice. While MacLeod Watts is not a public accounting firm, the actuarial information herein has been prepared in accordance with our understanding of applicable financial reporting requirements. The District should coordinate with its internal accounting staff and external auditors regarding the application of these results to District financial statements.



B. Valuation Results

The District's OPEB liability as of June 30, 2025, was determined using the updated employee data, plan provisions and asset information provided to us for the valuation. The actuarial information was derived following the process described in Appendix 1. This process uses many assumptions which can be reviewed in the Actuarial Assumptions section of this report. We recommend the District review our understanding of retiree benefits found in the Retiree Benefits Provisions section of this report. Finally, the Summary of Employee Data section provides a summary of the data provided by the District for this valuation.

Using all the information provided for this report, we projected all future benefit payments expected to be paid on behalf of current retirees and current employees of the District (see the chart below).



Explicit payments represent direct payments by the District to or on behalf of retirees. Implicit payments reflect the difference between expected retiree claims and premiums paid for coverage, to the extent the cost difference is expected to be borne by the District. The grey area on the chart indicates the increase in projected payments if the assumption for healthcare cost inflation were 1% higher in all future years.

The first 15 years of projected benefit payments are shown in tabular form in the Projected Benefit Payments section of Accounting Information. Liabilities relating to these projected benefits are shown beginning on the following page.



Valuation Results

(Continued)

This chart compares the results measured as of June 30, 2024, with the new results measured as of June 30, 2025, based on the current valuation.

Valuation Date	6/30/2023			6/30/2025		
Fiscal Year Ending	6/30/2025			6/30/2026		
Measurement Date	6/30/2024			6/30/2025		
Discount rate	6.25%			6.25%		
Number of Covered Employees						
Actives	32			35		
Retirees	21			20		
Total Participants	53			55		
OPEB Subsidy Type	Explicit	Implicit	Total	Explicit	Implicit	Total
Actuarial Present Value of Projected Benefits						
Actives	\$ 4,781,547	\$ 994,321	\$ 5,775,868	\$ 5,608,996	\$ 1,079,902	\$ 6,688,898
Retirees	2,691,009	253,098	2,944,106	2,732,871	240,202	2,973,073
Total APVPB	7,472,556	1,247,418	8,719,974	8,341,867	1,320,104	9,661,971
Total OPEB Liability (TOL)						
Actives	2,922,583	620,102	3,542,685	3,083,464	621,635	3,705,099
Retirees	2,691,009	253,098	2,944,106	2,732,871	240,202	2,973,073
TOL	5,613,592	873,199	6,486,791	5,816,335	861,837	6,678,172
Fiduciary Net Position			7,038,266			7,683,045
Net OPEB Liability			(551,475)			(1,004,873)
Service Cost						
For the period following the measurement date	214,689	44,722	259,411	281,860	52,398	334,258

A reconciliation between the liabilities shown above begins on the following page.



Valuation Results

(Concluded)

Reconciliation

Between the June 30, 2024, and June 30, 2025, measurement dates, the Net OPEB Liability (NOL) decreased by \$453,398. This change can be broadly grouped into expected changes and unexpected changes.

- **Expected changes** - The NOL was expected to increase by \$184,444 through normal plan operation. These changes are shown in the first section of the reconciliation chart on the following page.
- **Unexpected changes** – The NOL experiences unexpected changes when results projected in the prior valuation are not exactly realized. These unexpected changes can be broadly grouped into one of these categories:
 1. *Changes in Benefit Provisions* – Changes in plan benefits since the prior valuation are reflected as an unexpected change. Since the prior valuation, the District adopted a PEMHCA vesting resolution applicable to employees hired on or after January 1, 2025. This change affects only employees hired after adoption and before the valuation date and resulted in no (\$0) change to the NOL.
 2. *Plan Experience* – Plan experience reflects unexpected changes in a plan’s actual demographic outcomes (see Glossary – Plan Experience). Unexpected plan experience caused the NOL to decrease by \$276,455.
 3. *Assumption Changes* – Each full valuation includes a review of assumptions to ensure current expectations are used in the future projection and discounting of plan benefits. Assumption changes caused the NOL to increase by \$61,347. For more details on the assumptions used in the current valuation, see Actuarial Methods and Assumptions later in the report.
 4. *Investment Experience* – Trust earnings deviating from the expected trust earnings rate decreased the NOL by \$422,734.

The reconciliation chart appears on the following page.



Valuation Results – Reconciliation

(Concluded)

This chart reconciles the Net OPEB Liability measured on June 30, 2024, to the Net OPEB Liability from the current valuation measured on June 30, 2025.

Reconciliation of Changes During Measurement Period	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (Asset) (c) = (a) - (b)
Balance at Fiscal Year Ending 6/30/2025 <i>Measurement Date 6/30/2024</i>	\$ 6,486,791	\$ 7,038,266	\$ (551,475)
Expected Changes During the Period:			
Service Cost	259,411		259,411
Interest Cost	413,510		413,510
Expected Investment Income		433,492	(433,492)
MCS D Contributions		57,171	(57,171)
Administrative expenses		(2,186)	2,186
Benefit Payments	(266,432)	(266,432)	-
Total Expected Changes During the Period	406,489	222,045	184,444
Expected at Fiscal Year Ending 6/30/2026 <i>Measurement Date 6/30/2025</i>	\$ 6,893,280	\$ 7,260,311	\$ (367,031)
Unexpected Changes During the Period:			
Change Due to Investment Experience		422,734	(422,734)
<i>Plan Experience:</i>			
Premiums and Estimated Claims Other Than Expected	216,714		
Terminations and Retirements Other Than Expected	(176,048)		
Inactive Retention Other Than Expected	(311,148)		
New Employees Added	41,803		
Other Plan Experience	(47,776)		
Change Due to Plan Experience			(276,455)
<i>Assumption Changes:</i>			
Change in Healthcare Trend	117,620		
Updated Demographic Assumptions	(56,273)		
Change Due to Assumption Changes			61,347
Total Unexpected Changes During the Period	(215,108)	422,734	(637,842)
Balance at Fiscal Year Ending 6/30/2026 <i>Measurement Date 6/30/2025</i>	\$ 6,678,172	\$ 7,683,045	\$ (1,004,873)



C. Accounting Information (GASB 75)

The following exhibits are designed to satisfy the reporting and disclosure requirements of GASB 75 for the fiscal year ending June 30, 2026.

Components of Net Position and Expense

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

Plan Summary Information for FYE June 30, 2026 <i>Measurement Date is June 30, 2025</i>	MCSD
Items Impacting Net Position:	
Total OPEB Liability	\$ 6,678,172
Fiduciary Net Position	(7,683,045)
	(1,004,873)
<i>Deferred (Outflows) Due to:</i>	
Assumption Changes	(251,849)
Plan Experience	(298,244)
Investment Experience	(285,313)
Deferred Contributions	(259,422)
<i>Deferred Inflows Due to:</i>	
Assumption Changes	181,176
Plan Experience	383,030
Investment Experience	542,537
	542,537
Impact on Statement of Net Position, FYE 6/30/2026	\$ (992,958)
Items Impacting OPEB Expense:	
Service Cost	\$ 259,411
Cost of Plan Changes	-
Interest Cost	413,510
Expected Earnings on Assets	(433,492)
Administrative expenses	2,186
<i>Recognition of Deferred Outflows:</i>	
Assumption Changes	91,097
Plan Experience	63,553
Investment Experience	285,315
<i>Recognition of Deferred (Inflows):</i>	
Assumption Changes	(41,299)
Plan Experience	(157,236)
Investment Experience	(389,575)
	(389,575)
OPEB Expense, FYE 6/30/2026	\$ 93,470



Accounting Information

(Continued)

Change in Net Position During the Fiscal Year

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

For Reporting at Fiscal Year End <i>Measurement Date</i>	6/30/2025 <i>6/30/2024</i>	6/30/2026 <i>6/30/2025</i>	Change During Period
Total OPEB Liability	\$ 6,486,791	\$ 6,678,172	\$ 191,381
Fiduciary Net Position	<u>(7,038,266)</u>	<u>(7,683,045)</u>	<u>(644,779)</u>
Net OPEB Liability (Asset)	(551,475)	(1,004,873)	(453,398)
<i>Deferred (Outflows) Due to:</i>			
Assumption Changes	(281,599)	(251,849)	29,750
Plan Experience	(361,797)	(298,244)	63,553
Investment Experience	(570,628)	(285,313)	285,315
Deferred Contributions	(57,171)	(259,422)	(202,251)
<i>Deferred Inflows Due to:</i>			
Assumption Changes	222,475	181,176	(41,299)
Plan Experience	263,811	383,030	119,219
Investment Experience	<u>509,378</u>	<u>542,537</u>	<u>33,159</u>
Impact on Statement of Net Position	<u>\$ (827,006)</u>	<u>\$ (992,958)</u>	<u>\$ (165,952)</u>

Change in Net Position During the Fiscal Year

Impact on Statement of Net Position, FYE 6/30/2025	\$ (827,006)
OPEB Expense (Income)	93,470
MCSD Contributions During Fiscal Year	<u>(259,422)</u>
Impact on Statement of Net Position, FYE 6/30/2026	<u>\$ (992,958)</u>

OPEB Expense

MCSD Contributions During Fiscal Year	\$ 259,422
Deterioration (Improvement) in Net Position	<u>(165,952)</u>
OPEB Expense (Income), FYE 6/30/2026	<u>\$ 93,470</u>



Accounting Information

(Continued)

Change in Fiduciary Net Position During the Measurement Period

Fiduciary Net Position at Fiscal Year Ending 6/30/2025	\$	7,038,266
<i>Measurement Date 6/30/2024</i>		
 Changes During the Period:		
Investment Income		856,226
MCSD Contributions		57,171
Administrative expenses		(2,186)
Benefit Payments		(266,432)
		644,779
 Net Changes During the Period		 644,779
 Fiduciary Net Position at Fiscal Year Ending 6/30/2026		
	\$	7,683,045
<i>Measurement Date 6/30/2025</i>		

Expected Long-term Return on Trust Assets

CalPERS last updated the projected future investment returns for CERBT in June 2024. The returns were determined using a building-block method and best-estimate ranges of expected future real rates of return for each major asset class (expected returns, net of OPEB plan investment expense and inflation). The target allocation and best estimates of geometric real rates of return published by CalPERS for each major class are split for years 1-5 and years 6-20. We assumed that the returns for years 6 through 20 would continue in later years.

CERBT Strategy 1		Years 1-5			Years 6-20		
Major Asset Classification	Target Allocation	General Inflation Rate Assumption	1-5 Year Expected Real Rate of Return	Compound Return Yrs 1-5	General Inflation Rate Assumption	6-20 Year Expected Real Rate of Return	Compound Return Years 6-20
Global Equity	49%	2.40%	3.90%	6.30%	2.40%	4.70%	7.10%
Fixed Income	23%	2.40%	2.70%	5.10%	2.40%	2.60%	5.00%
Global Real Estate (REITs)	20%	2.40%	3.70%	6.10%	2.40%	4.00%	6.40%
Treasury Inflation Protected Securities	5%	2.40%	1.70%	4.10%	2.40%	1.40%	3.80%
Commodities	3%	2.40%	2.90%	5.30%	2.40%	2.00%	4.40%
Volatility	11.5%		Portfolio	6.1%		Portfolio	6.6%

Portfolio compound return is time-weighted and net of administrative fees.

To derive the expected future trust return specifically for the District, we first adjusted CalPERS' future return expectations to align with the 2.50% general inflation assumption used in this report. Then applying the plan specific benefit payments (as determined from the June 30, 2025, valuation) to CalPERS' bifurcated return expectations, we determined the single equivalent long-term rate of return to be 6.55%. The District chose to be more conservative about future expected returns and approved 6.25% as the expected return on assets.



Accounting Information

(Continued)

Deferred Resources and Expected Future Recognition

The exhibit below shows deferred resources used in the current fiscal year. The plan's Expected Average Remaining Service Life ("EARSL") is 7.25 years. This period is used to recognize any non-investment related deferred resources established as of the measurement date. Investment related deferred resources are always recognized over five years. Detail of all deferred resources used in the current fiscal year can be found in the Schedule of Deferred Resources.

Midway City Sanitary District	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 251,849	\$ 181,176
Differences Between Expected and Actual Experience	298,244	383,030
Net Difference Between Projected and Actual Earnings on Investments	-	257,224
Deferred Contributions	259,422	-
Total	\$ 809,515	\$ 821,430

The District will recognize Deferred Contributions in the next fiscal year. The exhibit below shows future recognition of all other deferred resources.

For the Fiscal Year Ending June 30	Recognized Net Deferred Outflows (Inflows) of Resources
2027	\$ 122,483
2028	(141,390)
2029	(114,640)
2030	(89,866)
2031	(10,836)
Thereafter	(37,088)



Accounting Information

(Continued)

Sensitivity of Liabilities

The discount rate used for accounting purposes for the fiscal year ending June 30, 2026, is 6.25%. Future healthcare cost increases (i.e., healthcare trend rate) were assumed to start with a 6.5% increase effective January 1, 2027 and grade to 3.9% for years 2075 and later. The impact of a 1% increase or decrease in these assumptions is shown in the chart below.

Sensitivity to:			
Change in Discount Rate	Current - 1% 5.25%	Current 6.25%	Current + 1% 7.25%
Total OPEB Liability	7,545,708	6,678,172	5,958,864
Increase (Decrease)	867,536		(719,308)
% Increase (Decrease)	13.0%		-10.8%
Net OPEB Liability (Asset)	(137,337)	(1,004,873)	(1,724,181)
Increase (Decrease)	867,536		(719,308)
% Increase (Decrease)	86.3%		-71.6%
Change in Healthcare Cost Trend Rate	Current Trend - 1%	Current Trend	Current Trend + 1%
Total OPEB Liability	5,851,725	6,678,172	7,699,196
Increase (Decrease)	(826,447)		1,021,024
% Increase (Decrease)	-12.4%		15.3%
Net OPEB Liability (Asset)	(1,831,320)	(1,004,873)	16,151
Increase (Decrease)	(826,447)		1,021,024
% Increase (Decrease)	-82.2%		101.6%



Accounting Information
(Continued)

Schedule of Changes in the Net OPEB Liability

Fiscal Year Ending	2026	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability									
Service Cost	\$ 259,411	\$ 261,618	\$ 202,087	\$ 171,620	\$ 181,650	\$ 175,932	\$ 167,394	\$ 162,126	\$ 157,023
Interest Cost	413,510	366,326	350,112	333,422	339,606	317,915	351,202	329,262	307,649
Changes of benefit terms	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	(276,455)	332,062	108,993	-	(577,952)	-	(781,423)	-	-
Changes of assumptions	61,347	(192,994)	(77,148)	406,611	144,567	-	(57,184)	-	-
Benefit payments	(266,432)	(248,088)	(213,949)	(163,678)	(175,237)	(181,215)	(182,104)	(161,138)	(138,039)
Change in total OPEB liability	191,381	518,924	370,095	747,975	(87,366)	312,632	(502,115)	330,250	326,633
Total OPEB liability - beginning	6,486,791	5,967,867	5,597,772	4,849,797	4,937,163	4,624,531	5,126,646	4,796,396	4,469,763
Total OPEB liability - ending	\$ 6,678,172	\$ 6,486,791	\$ 5,967,867	\$ 5,597,772	\$ 4,849,797	\$ 4,937,163	\$ 4,624,531	\$ 5,126,646	\$ 4,796,396
Fiduciary Net Position									
Contributions - employer	\$ 57,171	\$ 54,292	\$ 213,949	\$ 97,558	\$ 38,567	\$ 181,215	\$ 182,104	\$ 1,567,225	\$ 6,972
Net investment income	856,226	714,760	393,466	(946,753)	1,560,478	195,303	321,380	299,068	350,153
Benefit payments	(266,432)	(248,088)	(213,949)	(163,678)	(175,237)	(181,215)	(182,104)	(161,138)	(138,039)
Administrative expenses	(2,186)	(2,121)	(1,780)	(1,798)	(2,145)	(2,700)	(1,116)	(6,703)	(1,771)
Change in fiduciary net position	644,779	518,843	391,686	(1,014,671)	1,421,663	192,603	320,264	1,698,452	217,315
Fiduciary net position - beginning	7,038,266	6,519,423	6,127,737	7,142,408	5,720,745	5,528,142	5,207,878	3,509,426	3,292,111
Fiduciary net position - ending	\$ 7,683,045	\$ 7,038,266	\$ 6,519,423	\$ 6,127,737	\$ 7,142,408	\$ 5,720,745	\$ 5,528,142	\$ 5,207,878	\$ 3,509,426
Net OPEB liability - ending	\$ (1,004,873)	\$ (551,475)	\$ (551,556)	\$ (529,965)	\$ (2,292,611)	\$ (783,582)	\$ (903,611)	\$ (81,232)	\$ 1,286,970
Covered-employee payroll	\$ 3,014,888	\$ 2,568,816	\$ 2,598,271	\$ 2,310,720	\$ 2,265,018	\$ 2,219,965	\$ 2,004,990	\$ 1,707,287	\$ 1,610,995
Net OPEB liability as a percentage of covered-employee payroll	-33.33%	-21.47%	-21.23%	-22.94%	-101.22%	-35.30%	-45.07%	-4.76%	79.89%



Accounting Information – Schedule of Changes in the Net OPEB Liability
(Concluded)

Used in Development of the NOL for the Fiscal Year Ending	2026	2025	2024	2023	2022	2021	2020	2019	2018
Measurement date	6/30/2025	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Valuation date	6/30/2025	6/30/2023	6/30/2023	6/30/2021	6/30/2021	6/30/2019	6/30/2019	6/30/2017	6/30/2017
Discount rate	6.25%	6.25%	6.00%	6.15%	6.75%	6.75%	6.75%	6.75%	6.75%
Investment rate of return	6.25%	6.25%	6.00%	6.15%	6.75%	6.75%	6.75%	6.75%	6.75%
Inflation	2.50%	2.50%	2.50%	2.50%	2.50%	2.75%	2.75%	2.75%	2.75%
Salary increases	3.00%	3.00%	3.00%	3.00%	3.00%	3.25%	3.25%	3.25%	3.25%
Healthcare cost trend rates	6.5% in 2027 3.9% by 2075	6.0% in 2026 3.9% by 2075	6.5% in 2025 3.9% by 2075	5.7% in 2022 4.0% by 2076	5.7% in 2022 4.0% by 2076	6.5% in 2021 5% by 2024	6.5% in 2021 5% by 2024	7.5% in 2019 5% by 2024	7.5% in 2019 5% by 2024
Retirement age	50 to 75	50 to 75	50 to 75	50 to 75	50 to 75	50 to 75	50 to 75	50 to 75	50 to 75
Mortality	CalPERS 2025	CalPERS 2021	CalPERS 2021	CalPERS 2017	CalPERS 2017	CalPERS 2017	CalPERS 2017	CalPERS 2014	CalPERS 2014
Mortality Improvement	MacLeod Watts 2022	MacLeod Watts 2022	MacLeod Watts 2022	MacLeod Watts 2020	MacLeod Watts 2020	MacLeod Watts 2018	MacLeod Watts 2018	MacLeod Watts 2017	MacLeod Watts 2017



Accounting Information
(Continued)

Schedule of Contributions

The chart below shows the Actuarially Determined Contribution (ADC), the District's contribution, and the excess or shortfall.

Fiscal Year Ending	2026	2025	2024	2023	2022	2021	2020	2019	2018
Actuarially Determined Contribution (ADC)	\$ 259,422	\$ 251,123	\$ 231,595	\$ 58,057	\$ 52,539	\$ 138,060	\$ 136,307	\$ 176,711	\$ 256,997
Contributions in relation to the ADC	259,422	57,171	54,292	213,949	97,558	38,567	181,215	182,104	1,567,225
Contribution deficiency (excess)	\$ -	\$ 193,952	\$ 177,303	\$ (155,892)	\$ (45,019)	\$ 99,493	\$ (44,908)	\$ (5,393)	\$ (1,310,228)
Covered-employee payroll	\$ 3,105,000	\$ 3,014,888	\$ 2,568,816	\$ 2,598,271	\$ 2,310,720	\$ 2,265,018	\$ 2,219,965	\$ 2,004,990	\$ 1,707,287
Contributions as a percentage of covered-employee payroll	8.35%	1.90%	2.11%	8.23%	4.22%	1.70%	8.16%	9.08%	91.80%
Used in Development of the ADC									
for the Fiscal Year Ending	2026	2025	2024	2023	2022	2021	2020	2019	2018
Valuation Date	6/30/2023	6/30/2023	6/30/2023	6/30/2021	6/30/2021	6/30/2019	6/30/2019	6/30/2017	6/30/2017
Discount rate/Trust return	6.00%	6.00%	6.00%	6.75%	6.75%	6.75%	6.75%	6.75%	6.75%
Inflation	2.50%	2.50%	2.50%	2.50%	2.50%	2.75%	2.75%	2.75%	2.75%
Salary increases	3.00%	3.00%	3.00%	3.00%	3.00%	3.25%	3.25%	3.25%	3.25%
Healthcare cost trend rates	6.0% in 2026 3.9% by 2075	6.0% in 2026 3.9% by 2075	6.5% in 2025 3.9% by 2075	5.7% in 2022 4.0% by 2076	5.7% in 2022 4.0% by 2076	6.5% in 2021 5% by 2024	6.5% in 2021 5% by 2024	7.5% in 2019 5% by 2024	7.5% in 2019 5% by 2024
Retirement age	50 to 75	50 to 75	50 to 75	50 to 75	50 to 75	50 to 75	50 to 75	50 to 75	50 to 75
Mortality	CalPERS 2021 Exper Study	CalPERS 2021 Exper Study	CalPERS 2021 Exper Study	CalPERS 2017 Exper Study	CalPERS 2017 Exper Study	CalPERS 2017 Exper Study	CalPERS 2017 Exper Study	CalPERS 2014 Exper Study	CalPERS 2014 Exper Study
Mortality Improvement	MacLeod Watts 2022	MacLeod Watts 2022	MacLeod Watts 2022	MacLeod Watts 2020	MacLeod Watts 2020	MacLeod Watts 2018	MacLeod Watts 2018	MacLeod Watts 2017	MacLeod Watts 2017
Amortization method	Level Dollar	Level Dollar	Level Dollar	Level % of Pay	Level % of Pay	Level % of Pay	Level % of Pay	Level % of Pay	Level % of Pay
Amortization period	30 years	30 years	30 years	19 years	20 years	21 years	22 years	23 years	24 years
Actuarial cost method	EAN Level %	EAN Level %	EAN Level %	EAN Level %	EAN Level %	EAN Level %	EAN Level %	EAN Level %	EAN Level %
Asset valuation method	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value



Accounting Information
 (Continued)

Progress in Plan Funding

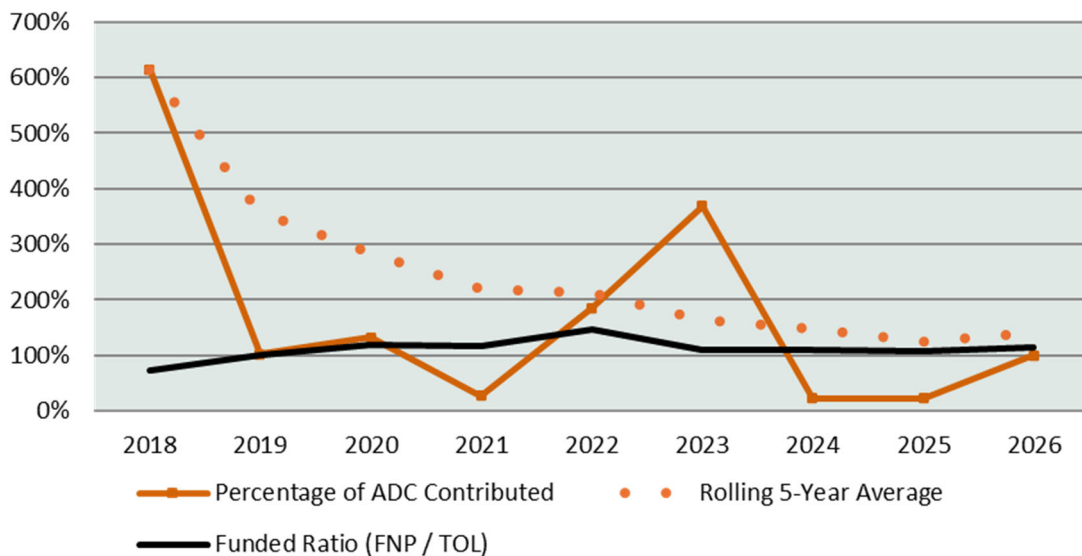
The District’s contribution history and progress in funding is shown below. This chart itself is not a required disclosure but may assist the District in monitoring plan funding. The measures shown include:

- *Contribution Percentage:* Annual percentage of Actuarially Determined Contributions contributed by the District.
- *Average Contribution Ratio:* The rolling 5-year average of the Contribution Percentage above. Paragraph 38 of GASB 75 states that the most recent 5-year history of contributions should be considered when developing the liability discount rate in partially funded plans.
- *Funded ratio:* The ratio of plan assets (Fiduciary Net Position) to the Total OPEB Liability is a standard measure of plan funded status at a point in time. See Funded Status in the Glossary.

Fiscal Year Ending	Contribution History				GASB 75 Funded Status History			
	Actuarially Determined Contribution (ADC)		Percentage of ADC Contributed	Rolling 5-Year Average	Total OPEB Liability (TOL)	Fiduciary Net Position (FNP)	Net OPEB Liability	Funded Ratio (FNP / TOL)
	ADC	Contribution						
2018	256,997	1,579,105	614%	614%	4,796,396	3,509,426	1,286,970	73%
2019	176,711	182,104	103%	359%	5,126,646	5,207,878	(81,232)	102%
2020	136,307	181,215	133%	283%	4,624,531	5,528,142	(903,611)	120%
2021	138,060	38,567	28%	220%	4,937,163	5,720,745	(783,582)	116%
2022	52,539	97,558	186%	213%	4,849,797	7,142,408	(2,292,611)	147%
2023	58,057	213,949	369%	164%	5,597,772	6,127,737	(529,965)	109%
2024	231,595	54,292	23%	148%	5,967,867	6,519,423	(551,556)	109%
2025	251,123	57,171	23%	126%	6,486,791	7,038,266	(551,475)	109%
2026	259,422	259,422	100%	140%	6,678,172	7,683,045	(1,004,873)	115%

Note: Rolling average based on latest 5 years, or maximum number available if less.

The relevant ratios shown above are provided in the chart below.



Accounting Information
 (Continued)

Detail of Changes to Net Position

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

Midway City Sanitary District	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (Asset) (c) = (a) - (b)	(d) Deferred Outflows:				(e) Deferred Inflows:			Impact on Statement of Net Position (f) = (c) - (d) + (e)
				Assumption Changes	Plan Experience	Investment Experience	Deferred Contributions	Assumption Changes	Plan Experience	Investment Experience	
Balance at Fiscal Year Ending 6/30/2025 <i>Measurement Date 6/30/2024</i>	\$ 6,486,791	\$ 7,038,266	\$ (551,475)	\$ 281,599	\$ 361,797	\$ 570,628	\$ 57,171	\$ 222,475	\$ 263,811	\$ 509,378	\$ (827,006)
Changes During the Period:											
Service Cost	259,411		259,411								259,411
Interest Cost	413,510		413,510								413,510
Expected Investment Income		433,492	(433,492)								(433,492)
MCS D Contributions		57,171	(57,171)								(57,171)
Changes of Benefit Terms	-		-								-
Administrative expenses		(2,186)	2,186								2,186
Benefit Payments	(266,432)	(266,432)	-								-
Assumption Changes	61,347		61,347	61,347							-
Plan Experience	(276,455)		(276,455)						276,455		-
Investment Experience		422,734	(422,734)							422,734	-
Recognized Deferred Resources				(91,097)	(63,553)	(285,315)	(57,171)	(41,299)	(157,236)	(389,575)	(90,974)
Contributions After Measurement Date							259,422				(259,422)
Net Changes in Fiscal Year 2025-2026	191,381	644,779	(453,398)	(29,750)	(63,553)	(285,315)	202,251	(41,299)	119,219	33,159	(165,952)
Balance at Fiscal Year Ending 6/30/2026 <i>Measurement Date 6/30/2025</i>	\$ 6,678,172	\$ 7,683,045	\$ (1,004,873)	\$ 251,849	\$ 298,244	\$ 285,313	\$ 259,422	\$ 181,176	\$ 383,030	\$ 542,537	\$ (992,958)



Accounting Information
(Continued)

Schedule of Deferred Resources

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

Source	Deferred Outflow or (Inflow)				Balance as of Jun 30, 2025	Scheduled Recognition in Expense						
	Date Created	Initial Amount	Period (Yrs)	Annual Recognition		2024-25 (FYE 2026)	2025-26 (FYE 2027)	2026-27 (FYE 2028)	2027-28 (FYE 2029)	2028-29 (FYE 2030)	2029-30 (FYE 2031)	Thereafter
Assumption Changes	6/30/2019	(57,184)	6.26	(9,135)	-	(2,374)	-	-	-	-	-	-
	6/30/2021	144,567	6.67	21,674	36,197	21,674	21,674	14,523	-	-	-	-
	6/30/2022	406,611	6.67	60,961	162,767	60,961	60,961	60,961	40,845	-	-	-
	6/30/2023	(77,148)	6.94	(11,116)	(43,800)	(11,116)	(11,116)	(11,116)	(11,116)	(10,452)	-	-
	6/30/2024	(192,994)	6.94	(27,809)	(137,376)	(27,809)	(27,809)	(27,809)	(27,809)	(27,809)	(26,140)	-
	6/30/2025	61,347	7.25	8,462	52,885	8,462	8,462	8,462	8,462	8,462	8,462	10,575
Investment Earnings	6/30/2021	(1,179,013)	5.00	(235,803)	-	(235,801)	-	-	-	-	-	-
	6/30/2022	1,426,573	5.00	285,315	285,313	285,315	285,313	-	-	-	-	-
	6/30/2023	(16,665)	5.00	(3,333)	(6,666)	(3,333)	(3,333)	(3,333)	-	-	-	-
	6/30/2024	(329,472)	5.00	(65,894)	(197,684)	(65,894)	(65,894)	(65,894)	(65,896)	-	-	-
	6/30/2025	(422,734)	5.00	(84,547)	(338,187)	(84,547)	(84,547)	(84,547)	(84,547)	(84,546)	-	-
Plan Experience	6/30/2019	(781,423)	6.26	(124,828)	-	(32,455)	-	-	-	-	-	-
	6/30/2021	(577,952)	6.67	(86,649)	(144,707)	(86,649)	(86,649)	(58,058)	-	-	-	-
	6/30/2023	108,993	6.94	15,705	61,878	15,705	15,705	15,705	15,705	14,763	-	-
	6/30/2024	332,062	6.94	47,848	236,366	47,848	47,848	47,848	47,848	47,848	44,974	-
	6/30/2025	(276,455)	7.25	(38,132)	(238,323)	(38,132)	(38,132)	(38,132)	(38,132)	(38,132)	(38,132)	(47,663)



Accounting Information

(Continued)

Contributions to the Plan

District contributions to the Plan occur as benefits are paid to or on behalf of retirees and/or as contributions are made to the OPEB trust. Benefit payments may occur in the form of direct payments for retiree benefits (“explicit subsidies”) and/or indirect payments to retirees in the form of indirect payments to retirees for claims costs not expected to be fully supported by retiree premiums (“Implicit subsidies”). Note that the implicit subsidy contribution does not represent cash payments to retirees, but rather the reclassification of a portion of active healthcare expense to be recognized as a retiree healthcare cost. For more details, see the Implicit Subsidy definition in the Glossary.

District contributions during the measurement period are shown below.

For the Measurement Period, Jul 1, 2024 through Jun 30, 2025	MCS D
MCS D	
(a) Contribution To CERBT	\$ -
(b) Benefits Paid Directly To or On Behalf of Retirees	209,261
(c) Implicit Subsidy Payment	57,171
CERBT	
(d) Benefits Paid Directly To or On Behalf of Retirees	-
(e) Reimbursements to MCS D	209,261
<i>Total Benefits Paid During the MP, (b)+(c)+(d)</i>	266,432
<i>MCS D Contribution During the MP, (a)+(b)+(c)-(e)</i>	57,171

Estimated District contributions during the fiscal year are shown below. **When actual contributions are known, we’d be happy to update the report.**

For the Fiscal Year, Jul 1, 2025 through Jun 30, 2026	MCS D
MCS D	
(f) Contribution To CERBT	\$ 213,253
(g) Benefits Paid Directly To or On Behalf of Retirees	241,410
(h) Implicit Subsidy Payment	46,169
CERBT	
(i) Benefits Paid Directly To or On Behalf of Retirees	-
(j) Reimbursements to MCS D	241,410
<i>Total Benefits Paid During the Current FY, (g)+(h)+(i)</i>	287,579
<i>MCS D Contribution During the Current FY, (f)+(g)+(h)-(j)</i>	259,422



Accounting Information

(Continued)

Projected Benefit Payments

The following is a 15-year projection of other post-employment benefits to be paid on behalf of current retirees and current employees expected to retire from the District. Expected annual benefits have been projected based on the actuarial assumptions outlined in Actuarial Methods and Assumptions.

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

Projected Annual Benefit Payments							
Fiscal Year Ending June 30	Explicit Subsidy			Implicit Subsidy			Total
	Current Retirees	Future Retirees	Total	Current Retirees	Future Retirees	Total	
2026	241,410	-	241,410	46,169	-	46,169	287,579
2025	216,744	49,169	265,913	24,325	19,227	43,552	309,465
2026	214,472	76,211	290,683	19,189	33,379	52,568	343,251
2027	219,172	99,446	318,618	23,196	38,284	61,480	380,098
2028	223,552	132,305	355,857	27,630	49,189	76,819	432,676
2029	227,595	160,456	388,051	32,549	68,992	101,541	489,592
2030	231,232	187,230	418,462	37,999	76,944	114,943	533,405
2031	229,400	215,122	444,522	44,013	78,969	122,982	567,504
2032	221,521	257,181	478,702	35,809	106,616	142,425	621,127
2033	215,195	276,797	491,992	26,121	96,341	122,462	614,454
2034	202,748	296,596	499,344	13,673	89,767	103,440	602,784
2035	189,212	332,540	521,752	-	119,085	119,085	640,837
2036	178,768	348,695	527,463	-	102,417	102,417	629,880
2037	177,148	375,571	552,719	-	98,370	98,370	651,089
2038	175,075	413,399	588,474	-	118,107	118,107	706,581

The amounts shown in the explicit subsidy columns reflect the expected payment by the District toward retiree benefits in each of the years shown. The amounts shown in the implicit subsidy columns reflect the estimated excess of retiree medical and prescription drug claims over the premiums expected to be charged during the year for retirees' coverage. These amounts are also shown separately and in total for those currently retired on the valuation date and for those expected to retire in the future.



Accounting Information

(Concluded)

Sample Journal Entries

OPEB Accounts at Beginning of Fiscal Year	By Source		Sources Combined	
	Debit	Credit	Debit	Credit
Net OPEB Liability	551,475		551,475	
<i>Deferred Outflow:</i>				
Assumption Changes	281,599			
Plan Experience	361,797			
Investment Experience	570,628			
Contribution Subsequent to MD	57,171			
Deferred Outflows			1,271,195	
<i>Deferred Inflow:</i>				
Assumption Changes		222,475		
Plan Experience		263,811		
Investment Experience		509,378		
Deferred Inflows				995,664
Record Benefits Paid to Retirees		Debit		Credit
Net OPEB Liability		241,410		
Cash				241,410
Record Contributions to the Trust		Debit		Credit
Net OPEB Liability		213,253		
Cash				213,253
Record Reimbursements from the Trust		Debit		Credit
Cash		241,410		
Net OPEB Liability				241,410
Record Implicit Subsidy Payment		Debit		Credit
Net OPEB Liability		46,169		
Premium Expense				46,169
Record End of Year Updates to OPEB Accounts		By Source		Sources Combined
		Debit		Debit
		Credit		Credit
Net OPEB Liability		193,976		193,976
<i>Deferred Outflow:</i>				
Assumption Changes				29,750
Plan Experience				63,553
Investment Experience				285,315
Contribution Subsequent to MD		202,251		
Deferred Outflows				176,367
<i>Deferred Inflow:</i>				
Assumption Changes		41,299		
Plan Experience				119,219
Investment Experience				33,159
Deferred Inflows				111,079
OPEB Expense		93,470		93,470



D. Funding Information

The employer's OPEB funding policy and level of contributions to an irrevocable OPEB trust directly affects the discount rate which is used to calculate the OPEB liability to be reported in the employer's financial statements. Prefunding (setting aside funds to accumulate in an irrevocable OPEB trust) has certain advantages, one of which is the ability to (potentially) use a higher discount rate in the determination of liabilities for GASB 75 reporting purposes. Prefunding also improves the security of benefits for current and potential future recipients and contributes to intergenerational taxpayer equity by better matching the cost of the benefits to the service years in which they are "earned" and which correspond to years in which taxpayers benefit from those services.

Paying Down the UAAL

Once an employer decides to prefund, a decision must be made about how to pay for benefits related to accumulated prior service that have not yet been funded (the Unfunded Actuarial Accrued Liability, or UAAL). This is most often, though not always, handled through structured amortization payments. The period and method chosen for amortizing this unfunded liability can significantly affect the Actuarially Determined Contribution (ADC) or other basis selected for funding the OPEB program.

Much like paying off a mortgage, when the Actuarial Accrued Liability (AAL) exceeds plan assets, choosing a longer amortization period to pay off the UAAL means smaller payments, but the payments will be required for more years; plan investments will have less time to work toward helping reduce required contribution levels. When the plan is in a surplus position, the reverse is true, and a longer amortization period is usually preferable.

There are several ways the amortization payment can be determined. The most common methods are calculating the amortization payment as a level dollar amount or as a level percentage of payroll. The employer might also choose to apply a shorter period when the UAAL is positive, i.e., when trust assets are lower than the AAL, but opt for a longer period or to exclude amortization of a negative UAAL, when assets exceed the AAL. The entire UAAL may be amortized as one single component or may be broken into multiple components reflecting the timing and source of each change, such as those arising from assumption changes, benefit changes and/or liability or investment experience.

The amortization period(s) should not exceed the number of years which would allow current trust assets plus future contributions and earnings to be sufficient to pay all future benefits and trust expenses each year. Prefunding OPEB is optional and contributions at any level are permitted. However, if trust sufficiency is not expected, a discount rate other than the assumed trust return will likely be required for accounting purposes.

Funding and Prefunding the Implicit Subsidy

An implicit subsidy liability is created when retiree medical claims are expected to exceed the premiums charged for retiree coverage. Recognition of the estimated implicit subsidy each year is handled by an accounting entry, reducing the amount paid for active employees and shifting that amount to be treated as a retiree healthcare expense/contribution (see Sample Journal Entries). The implicit subsidy is a true benefit to the retiree but can be difficult to see when medical premiums are set as a flat rate for both actives and pre-Medicare retirees.



Funding Information

(Continued)

This might lead some employers to believe the benefit is not real or is merely an accounting construct, and thus to forgo prefunding of retiree implicit benefits.

Consider what would happen if the retiree premiums were based only on expected retiree claims experience. Almost certainly, retiree premiums would increase while premiums for active employees would go down if the active premiums no longer had to help support the higher retiree claims. *Who would pay the increases in retiree premiums?* Current plan documents and bargaining agreements would have to be consulted. Depending on circumstances, the increase in retiree premiums might remain the responsibility of the employer, pass entirely to the retirees, or some blending of the two. The answer would determine whether separate retiree-only premium rates would result in a higher or lower employer OPEB liability. In the current premium structure, with blended active and pre-Medicare retiree premiums, the employer is clearly, though indirectly, paying the implicit retiree cost.

The prefunding decision is complex. OPEB materiality, budgetary concerns, desire to use the full trust rate in developing the liability for GASB 75, and other factors must be weighed by each employer. Since prefunding OPEB benefits is not required, each employer's OPEB prefunding strategy will depend on how they balance these competing perspectives.

Development of the Actuarially Determined Contributions

The District has approved development of ADCs based on the following two components, which are then adjusted with interest to each fiscal year end:

- The amounts attributed to service performed in the current fiscal year (the normal cost) and
- Amortization of the unfunded actuarial accrued liability (UAAL) over a 30-year period. Amortization payments are determined on a level dollar basis; 30 years remain for the fiscal year ending June 30, 2026.

Actuarially Determined Contributions, developed as described above for the District's fiscal years ending June 30, 2026, 2027, and 2028 are shown the exhibit on the next page. Contributions credited toward meeting the ADC will be comprised of:

- 1) direct payments to insurers toward retiree premiums, to the extent not reimbursed to the District by the trust; plus
- 2) each year's implicit subsidy payment, to the extent not reimbursed to the District by the trust; and
- 3) contributions to the OPEB trust.

ADCs determined on this basis should provide for trust sufficiency, based on the current plan provisions and census data, provided all assumptions are exactly realized and if the District contributes 100% or more of the ADC each year. When an agency commits to funding the trust at or above the ADC, the expected long-term trust return may be used as the discount rate in determining the plan liability for accounting purposes. Trust sufficiency cannot be guaranteed to a certainty, however, because of the non-trivial risk that the assumptions used to project future benefit liabilities may not be realized.



Funding Information

(Continued)

We developed the Actuarially Determined Contributions (ADCs) for fiscal years ending June 30, 2027, and June 30, 2028, from the results of this valuation. The ADC for fiscal year end June 30, 2026, was developed from the prior valuation and is included for reference as well.

Valuation date	6/30/2023		6/30/2025	
Discount rate	6.00%		6.25%	
Number of Covered Employees				
Actives	32		35	
Retirees	21		20	
Total Participants	53		55	
For fiscal year ending	6/30/2026	6/30/2027	6/30/2028	
Actuarial Present Value of Projected Benefits	\$ 8,950,789	\$ 9,985,503	\$ 10,290,461	
Actuarial Accrued Liability (AAL)				
Actives	4,043,366	4,291,818	4,925,861	
Retirees	2,655,417	2,878,549	2,739,323	
Total AAL	6,698,783	7,170,367	7,665,184	
Market Value of Assets	7,084,009	8,134,198	8,626,534	
Unfunded AAL (UAAL)	(385,226)	(963,831)	(961,350)	
UAAL Amortization method	Level Dollar	Level Dollar	Level Dollar	
Remaining amortization period (years)	30	30	30	
Amortization Factor	14.5907	14.2421	14.2421	
Actuarially Determined Contribution (ADC)				
Normal Cost	\$ 277,551	\$ 344,287	\$ 354,616	
Amortization of UAAL	(26,402)	(67,675)	(67,501)	
Interest to fiscal year end	8,273	17,288	17,945	
Total ADC	259,422	293,900	305,060	

Funding of the ADC

1 Implicit subsidy contribution	\$ 46,169	\$ 43,552	\$ 52,568
Additional payments needed to meet ADC	213,253	250,348	252,492
2 <i>Estimated District paid premiums for retirees</i>	\$ 241,410	\$ 265,913	\$ 290,683
3 <i>Estimated District contribution to OPEB trust</i>	(28,157)	(15,565)	(38,191)
Total Expected District Contributions (1+2+3)	\$ 259,422	\$ 293,900	\$ 305,060
Expected shortfall (excess) relative to the ADC	\$ -	\$ -	\$ -

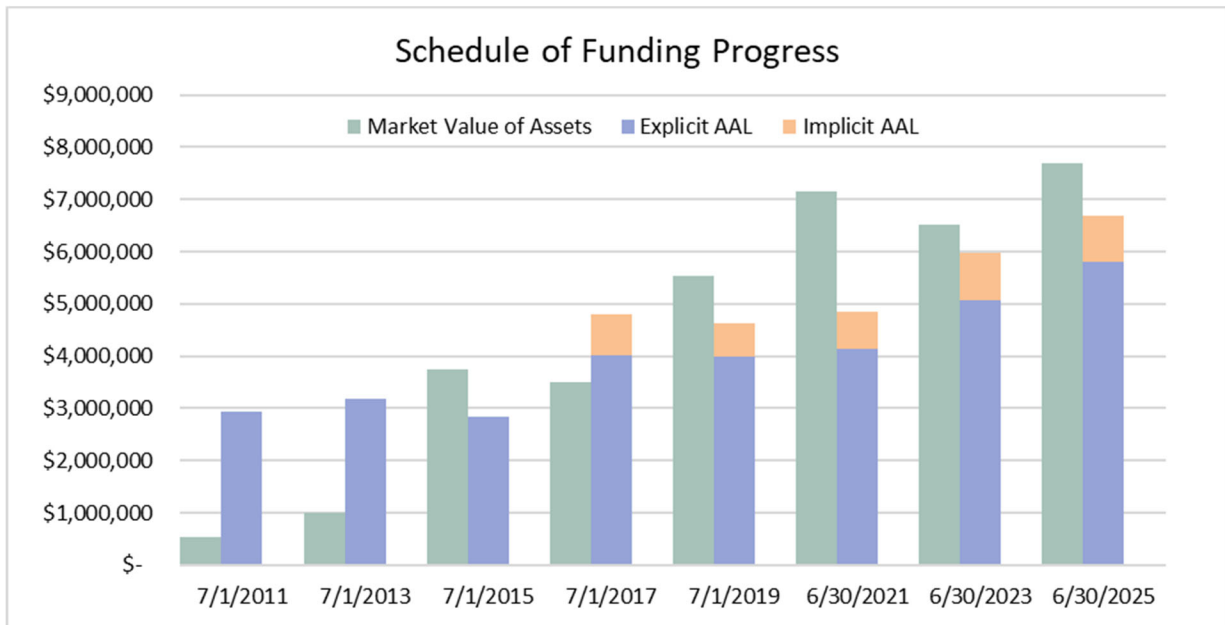
As described on the prior page, OPEB funding consists of 3 different sources. Items 1-3 in the chart above estimates how these 3 contribution sources would apply toward satisfying the ADC for each of these years.



Funding Information
(Concluded)

The charts below provide key measures of the progress in plan funding.

Schedule of Funding Progress							
Actuarial Valuation Date	Market Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)	Discount Rate
7/1/2011	\$ 526,085	\$ 2,925,475	\$ 2,399,390	18.0%	\$ 1,592,879	150.6%	7.50%
7/1/2013	\$ 997,620	\$ 3,187,342	\$ 2,189,722	31.3%	\$ 1,505,332	145.5%	7.00%
7/1/2015	\$ 3,751,818	\$ 2,839,996	\$ (911,822)	132.1%	\$ 1,550,911	-58.8%	7.00%
7/1/2017	\$ 3,507,041	\$ 4,796,396	\$ 1,289,355	73.1%	\$ 1,610,995	80.0%	6.75%
7/1/2019	\$ 5,528,142	\$ 4,624,531	\$ (903,611)	119.5%	\$ 2,004,990	-45.1%	6.75%
6/30/2021	\$ 7,142,408	\$ 4,849,797	\$ (2,292,611)	147.3%	\$ 2,265,018	-101.2%	6.75%
6/30/2023	\$ 6,519,423	\$ 5,967,867	\$ (551,556)	109.2%	\$ 2,598,271	-21.2%	6.00%
6/30/2025	\$ 7,683,045	\$ 6,678,171	\$ (1,004,874)	115.0%	\$ 3,014,888	-33.3%	6.25%



E. Summary of Participant Data

The data provided by the District for use in this valuation is summarized below. We reviewed and updated the data as needed and found it reasonably accurate and consistent for the purpose of the current valuation. The review does not constitute an audit and, therefore, we relied on the District for its completeness and accuracy.

Active employees: The District reported 35 active members for the June 30, 2025, valuation. Of these, 33 were enrolled in the medical program and 2 employees were waiving coverage. The exhibit below summarizes the distribution of reported employees by age and service.

Distribution of Benefits-Eligible Active Employees								
Current Age	Years of Service						Total	Percent
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 & Up		
Under 25	1						1	3%
25 to 29		1					1	3%
30 to 34		1	2				3	9%
35 to 39		2	1				3	9%
40 to 44	1	3	1				5	14%
45 to 49		1	2	1		2	6	17%
50 to 54		4		2			6	17%
55 to 59				1	2	3	6	17%
60 to 64					2	1	3	9%
65 to 69	1						1	3%
70 & Up							0	0%
Total	3	12	6	4	4	6	35	100%
Percent	9%	34%	17%	11%	11%	17%	100%	

<u>Valuation</u>	<u>June 2023</u>	<u>June 2025</u>
Average Attained Age for Actives	45.9	47.7
Average Years of Service	9.5	9.6

Retirees: The District reported 16 retirees and 4 surviving spouses receiving benefits on the valuation date. Their ages are summarized in the chart below.

Retirees by Age		
Current Age	Number	Percent
Below 50		0%
50 to 54	1	5%
55 to 59	2	10%
60 to 64		0%
65 to 69	6	30%
70 to 74	3	15%
75 to 79	1	5%
80 & up	7	35%
Total	20	100%
Average Age:		
On 6/30/2025	74.0	
At retirement	57.3	



Summary of Participant Data

(Continued)

The chart below reconciles the number of actives and retirees included in the June 30, 2023, valuation with those included in the current June 30, 2025, valuation.

Reconciliation of Plan Members Between Valuation Dates					
Status	Covered Actives	Waiving Actives	Covered Retirees	Covered Surviving Spouses	Total
Number reported as of June 30, 2023	29	3	16	5	53
New employees	5	1			6
Separated employees	(1)	(1)			(2)
New retiree, elected coverage	(1)		1		0
Previously covered, now waiving			(1)		(1)
Previously waiving, now covered	1	(1)			0
Deceased				(1)	(1)
Number reported as of June 30, 2025	33	2	16	4	55

The various categories of change between the counts reported for the prior valuation and the counts reported for the current valuation should be reviewed for consistency with District records.

Finally, GASB 75 requires the employer to report specific plan member counts. The chart below shows the required counts as of the June 30, 2025, valuation date.

Summary of Plan Member Counts	
Number of active plan members	35
Number of inactive plan members currently receiving benefits	20
Number of inactive plan members entitled to but not receiving benefits	9



F. Retiree Benefit Provisions

OPEB provided: The District reported to us that the only OPEB provided is medical coverage.

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

The employee must begin his or her **pension benefit** within 120 days of terminating employment with the District to be eligible to continue medical coverage through the District and be entitled to the benefits described below. It is the timing of initiating pension benefits and not timing of enrollment in the medical program which determines whether the retiree qualifies for lifetime medical coverage and benefits defined in the PEMHCA resolution.¹ Once eligible, coverage may be continued at the retiree's option for his or her lifetime. A surviving spouse and other eligible dependents may also continue coverage. If an eligible employee is not already enrolled in the medical plan, he or she may enroll within 60 days of retirement, during any future open enrollment period or with a qualifying life event.

Retiree medical benefits provided: The District currently maintains two different PEMHCA resolutions with CalPERS defining the level of the District's contribution. The resolutions apply to those eligible for coverage (as described above) based on an employee's hire date as follows:

Retirees hired before January 1, 2025 are covered by an equal contribution resolution. For any retiree who meets the requirements under "Access to coverage" above, the District contributes 100% of medical premiums for the retiree, spouse and other eligible covered dependents up to a stated monthly maximum. Retirees pay the remainder of the premium, if any, in excess of this amount. The maximum monthly benefit amounts in effect during the term of the current MOU are:

Calendar Year	District Paid Maximum
2025	\$ 2,175
2026	\$ 2,275
2027	\$ 2,375

Retirees hired on or after January 1, 2025 are covered by a PEMHCA Vesting resolution. This resolution provides that the District will pay the monthly medical premium for the retiree and any dependents, up to the *vested percent of maximum benefits* (caps) which vary by coverage level (single, two-party or family).

- The maximum benefits are set annually and often referred to as the "100/90 formula" caps. The monthly caps for 2026 are \$1,084 (single), \$2,057 (two-party) and \$2,638 (family).
- Each retiree's vested percent is based on his or her total years of PERS service, though a minimum of 5 years of District service is required to be eligible for any premium subsidy from the District. The vesting percentage is 50% after 10 years of PERS membership, increasing by 5% for each additional year, reaching 100% after 20 years of PERS service.

¹ Employees covered by the PEMHCA Vesting Resolution who work at least 20 years for the Agency are not subject to the requirement to begin their pension benefit within 120 days of leaving Agency employment.



Retiree Benefit Provisions

(Concluded)

Other Special Circumstances under the Vesting Resolution: The vested percent is automatically set to 100% if the employee receives an approved disability retirement. In addition, employees who work at least 20 years for the District may end their employment with the District prior to retirement and retain the right to receive fully vested benefits once they begin their retirement warrant from CalPERS.

Premium rates: The 2026 CalPERS monthly medical plan rates in Region 2 are shown in the table below. If different rates apply where the member resides outside of this area, those rates are reflected in the valuation but not listed here. The CalPERS administration fee is assumed to be expensed each year and has not been projected as an OPEB liability in this valuation.

Region 2 2026 Health Plan Rates						
Plan	Actives and Pre-Med Retirees			Medicare Eligible Retirees		
	Ee Only	Ee & 1	Ee & 2+	Ee Only	Ee & 1	Ee & 2+
Anthem Select HMO	1,016.32	2,032.64	2,642.43	571.70	1,143.40	1,753.19
Blue Shield Access+ HMO & EPO	1,052.89	2,105.78	2,737.51	539.43	1,078.86	1,710.59
Health Net Salud y Más	879.57	1,759.14	2,286.88	<i>Not Available</i>		
Kaiser*	987.69	1,975.38	2,567.99	426.31	852.62	1,445.23
PERS Gold	956.28	1,912.56	2,486.33	597.57	1,195.14	1,768.91
PERS Platinum	1,426.24	2,852.48	3,708.22	665.50	1,331.00	2,186.74
UHC Alliance	950.99	1,901.98	2,472.57	481.29	962.58	1,533.17

**Medicare rates shown are for Kaiser Senior Advantage Summit*



G. Actuarial Methods and Assumptions

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

Important Dates

Fiscal Year End	June 30, 2026
GASB 75 Measurement Date	June 30, 2025 (last day of the prior fiscal year)
Valuation Date	June 30, 2025

Valuation Methods

Funding Method	Entry Age Normal Cost, level percent of pay
Asset Valuation Method	Market value of assets
Participants Valued	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation.
Development of Age-related Medical Premiums	<p>Actual premium rates for retirees and their spouses were adjusted to an age-related basis by applying medical claim cost factors developed from the data presented in the report, “Health Care Costs – From Birth to Death”, sponsored by the Society of Actuaries. A description of the use of claims cost curves can be found in MacLeod Watts’s Age Rating Methodology (see Appendices).</p> <p>Pre-Medicare retiree premiums are blended with premiums for active members. Medicare-eligible retirees are covered by plans which are rated solely on the experience of Medicare retirees with no subsidy by active employee premiums.</p> <p>Monthly baseline premium costs were set equal to the active single premiums shown in the chart in Section 2. Representative claim costs derived from the dataset provided by CalPERS are shown in the chart on the following page. Estimated age-based claims were applied (a) for all retirees not yet eligible for Medicare and (b) for Medicare retirees covered by Medicare.</p>



Actuarial Methods and Assumptions

(Continued)

Development of Age-related
Medical Premiums (continued)

Expected Monthly Claims by Medical Plan for Selected Ages - Male						
Region	Medical Plan	Non-Medicare Retirees				
		50	53	56	59	62
Region 1	PERS Platinum	1,787	2,108	2,448	2,806	3,190
Region 2	Anthem Select HMO	\$ 985	\$ 1,162	\$ 1,349	\$ 1,546	\$ 1,758
	Blue Shield Access+ HMO & EPO	1,040	1,227	1,425	1,633	1,856
	Health Net Salud y Más	822	969	1,125	1,290	1,466
	Kaiser	906	1,069	1,241	1,423	1,618
	PERS Gold	984	1,161	1,348	1,545	1,756
	PERS Platinum	1,447	1,706	1,982	2,272	2,582
	UHC Alliance	923	1,088	1,264	1,449	1,647
Region 3	Blue Shield Access+ HMO	914	1,078	1,252	1,435	1,631
	Blue Shield Trio HMO	702	828	962	1,103	1,253
	Kaiser	898	1,059	1,231	1,410	1,603
	PERS Platinum	1,484	1,750	2,033	2,330	2,649
	UHC Alliance	832	981	1,140	1,306	1,485
OOS	PERS Platinum	1,088	1,282	1,490	1,707	1,941
Expected Monthly Claims by Medical Plan for Selected Ages - Female						
Region	Medical Plan	Non-Medicare Retirees				
		50	53	56	59	62
Region 1	PERS Platinum	2,215	2,433	2,618	2,829	3,118
Region 2	Anthem Select HMO	\$ 1,221	\$ 1,341	\$ 1,443	\$ 1,559	\$ 1,719
	Blue Shield Access+ HMO & EPO	1,289	1,416	1,524	1,646	1,815
	Health Net Salud y Más	1,018	1,118	1,204	1,300	1,434
	Kaiser	1,123	1,234	1,328	1,434	1,581
	PERS Gold	1,220	1,339	1,441	1,557	1,717
	PERS Platinum	1,793	1,969	2,119	2,290	2,525
	UHC Alliance	1,144	1,256	1,352	1,461	1,610
Region 3	Blue Shield Access+ HMO	1,133	1,244	1,338	1,446	1,594
	Blue Shield Trio HMO	870	956	1,029	1,112	1,225
	Kaiser	1,113	1,223	1,316	1,422	1,567
	PERS Platinum	1,839	2,020	2,174	2,349	2,590
	UHC Alliance	1,031	1,132	1,219	1,317	1,452
OOS	PERS Platinum	1,348	1,480	1,593	1,721	1,897



Actuarial Methods and Assumptions

(Continued)

Development of Age-related
Medical Premiums (continued)

Expected Monthly Claims by Medical Plan for Selected Ages - Male								
Region	Medical Plan	Medicare Retirees						
		65	70	75	80	85	90	95
Region 1	PERS Platinum	566	634	689	722	712	680	675
Region 2	Anthem Select HMO	<i>Claims not developed for Medicare Advantage plans</i>						
	Blue Shield Access+ HMO & EPO	<i>Claims not developed for Medicare Advantage plans</i>						
	Health Net Salud y Más	<i>Plan not available to Medicare retirees</i>						
	Kaiser	<i>Claims not developed for Medicare Advantage plans</i>						
	PERS Gold	513	575	625	655	646	617	612
	PERS Platinum	566	634	689	722	712	680	675
Region 3	UHC Alliance	<i>Claims not developed for Medicare Advantage plans</i>						
	Blue Shield Access+ HMO	<i>Claims not developed for Medicare Advantage plans</i>						
	Blue Shield Trio HMO	<i>Claims not developed for Medicare Advantage plans</i>						
	Kaiser	<i>Claims not developed for Medicare Advantage plans</i>						
	PERS Platinum	566	634	689	722	712	680	675
OOS	UHC Alliance	<i>Claims not developed for Medicare Advantage plans</i>						
OOS	PERS Platinum	566	634	689	722	712	680	675
Expected Monthly Claims by Medical Plan for Selected Ages - Female								
Region	Medical Plan	Medicare Retirees						
		65	70	75	80	85	90	95
Region 1	PERS Platinum	542	613	664	693	700	685	674
Region 2	Anthem Select HMO	<i>Claims not developed for Medicare Advantage plans</i>						
	Blue Shield Access+ HMO & EPO	<i>Claims not developed for Medicare Advantage plans</i>						
	Health Net Salud y Más	<i>Plan not available to Medicare retirees</i>						
	Kaiser	<i>Claims not developed for Medicare Advantage plans</i>						
	PERS Gold	492	556	602	629	635	622	611
	PERS Platinum	542	613	664	693	700	685	674
Region 3	UHC Alliance	<i>Claims not developed for Medicare Advantage plans</i>						
	Blue Shield Access+ HMO	<i>Claims not developed for Medicare Advantage plans</i>						
	Blue Shield Trio HMO	<i>Claims not developed for Medicare Advantage plans</i>						
	Kaiser	<i>Claims not developed for Medicare Advantage plans</i>						
	PERS Platinum	542	613	664	693	700	685	674
OOS	UHC Alliance	<i>Claims not developed for Medicare Advantage plans</i>						
OOS	PERS Platinum	542	613	664	693	700	685	674



Actuarial Methods and Assumptions

(Continued)

Economic Assumptions

Long Term Return on Assets	As of June 30, 2025: 6.25% As of June 30, 2024: 6.25% Assumed returns above are net of plan investment expenses
Discount Rate	As of June 30, 2025: 6.25% (accounting) and 6.25% (funding) As of June 30, 2024: 6.25% (accounting) and 6.0% (funding)
Salary Increase	3.0% per year; since benefits do not depend on salary, this is used to allocate the cost of benefits between service years.
Healthcare Trend	Medical plan premiums and claims costs by age are assumed to increase once each year. Increases over the prior year's levels are assumed to be effective on the dates shown below.

Effective January 1	Premium Increase	Effective January 1	Premium Increase
2026	Actual	2035	4.7%
2027	6.5%	2036-2044	4.6%
2028	6.3%	2045-2058	4.5%
2029	6.0%	2059-2066	4.4%
2030	5.8%	2067-2068	4.3%
2031	5.6%	2069-2070	4.2%
2032	5.3%	2071-2072	4.1%
2033	5.1%	2073-2074	4.0%
2034	4.9%	2075 & Later	3.9%

The healthcare trend shown above was developed using the Getzen Model 2025 published by the Society of Actuaries using the following settings: CPI 2.5%; Real GDP Growth 1.4%; Excess Medical Growth 0.9%; Expected Health Share of GDP in 2034 19%; Resistance Point 18%; Year after which medical growth is limited to growth in GDP 2075.

Employer Cost Sharing	Maximum District-paid benefits are assumed to increase at the Healthcare Trend rates shown above.
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Actuarial Methods and Assumptions

(Continued)

Participant Election Assumptions

Unless otherwise noted, demographic assumptions in this section were selected based on the District’s historical patterns, the plan’s eligibility rules, and our experience with similar California public-sector OPEB plans.

Participation Rate

Actives hired prior to 1/1/2025: 100% are assumed to continue their current plan election in retirement pre-65. 90% are assumed to continue their current enrollment post-65.

Actives hired on or after 1/1/2025: The percentage of eligible employees assumed to elect coverage in retirement varies based on their years of PERS service, as shown below.

Future Retiree Participation Rates		
PEMHCA Vesting Resolution		
Years of Service	Retiree Under Age 65	Retiree at 65 or Older
Less than 5	0%	0%
5 but under 10	10%	0%
10	75%	90%
11	80%	90%
12	85%	90%
13	90%	90%
14	95%	90%
15 or more	100%	90%

Employees currently enrolled in coverage are assumed to remain in the current plan selected; those not yet enrolled are assumed to elect coverage in the Kaiser Region 2 plan.

Retired participants: If currently under 65, 90% are assumed to continue after reaching age 65 until their death. If currently over 65, all are assumed to continue for life.

Spouse Coverage

Active employees: 75% are assumed to be married and elect coverage for their spouse in retirement. Surviving spouses are assumed to retain coverage until their death. Husbands are assumed to be 3 years older than their wives.

Retired participants: Existing elections for spouse coverage are assumed to be continued until the spouse’s death. Actual spouse ages are used, where known; if not, husbands are assumed to be 3 years older than their wives.

Spouse gender is assumed to be the opposite of the employee.



Actuarial Methods and Assumptions

(Continued)

Dependent Coverage An existing election for coverage of dependent children for current active employees and current retirees is assumed to continue until the youngest child is age 26.

Medicare Eligibility Absent contrary data, all individuals are assumed to be eligible for Medicare Parts A and B at age 65.

Demographic Assumptions

Demographic actuarial assumptions used in this valuation are based on the 2025 experience study of the California Public Employees Retirement System using data from 2000 to 2023, except for a different basis used to project future mortality improvements. Rates for selected age and service are shown below and on the following pages. The representative mortality rates were the published CalPERS rates, projected as described below. Demographic assumptions based on the CalPERS experience study were selected because they reflect the actual experience of the population covered by this plan and therefore provide the most relevant and current representation of expected future experience for the District members.

**Mortality Before Retirement
(before improvement applied)** None assumed, due to the small size of the employee group and low likelihood of occurrence

**Mortality After Retirement
(before improvement applied)**

CalPERS 2025 Experience Study Public Agency Healthy Retiree Mortality			CalPERS 2025 Experience Study Public Agency Miscellaneous Disabled Retiree Mortality		
Age	Male	Female	Age	Male	Female
40	0.00075	0.00039	20	0.00411	0.00240
50	0.00266	0.00197	30	0.00482	0.00319
60	0.00578	0.00458	40	0.00807	0.00729
70	0.01333	0.00989	50	0.01701	0.01424
80	0.04371	0.03401	60	0.02708	0.01983
90	0.14539	0.11086	70	0.04001	0.02854
100	0.36198	0.31582	80	0.07936	0.06051
110	1.00000	1.00000	90	0.16608	0.14301

Mortality Improvement MacLeod Watts Scale 2022 applied generationally from 2017 (see MacLeod Watts Mortality Projection Methodology appendix)



Actuarial Methods and Assumptions

(Continued)

Termination Rates

Male Miscellaneous Employees: Sum of Vested & Refund Termination Rates CalPERS 2025 Experience Study						
Attained Age	Years of Service					
	0	5	10	20	25	30
25	0.1698	0.0825	0.0366	0.0000	0.0000	0.0000
30	0.1600	0.0793	0.0366	0.0000	0.0000	0.0000
35	0.1502	0.0723	0.0358	0.0147	0.0000	0.0000
40	0.1404	0.0653	0.0330	0.0147	0.0086	0.0000
45	0.1433	0.0557	0.0302	0.0147	0.0086	0.0054
50	0.1463	0.0523	0.0246	0.0115	0.0086	0.0054
55	0.1492	0.0507	0.0200	0.0083	0.0069	0.0054

Female Miscellaneous Employees: Sum of Vested & Refund Termination Rates CalPERS 2025 Experience Study						
Attained Age	Years of Service					
	0	5	10	20	25	30
25	0.1779	0.1000	0.0468	0.0000	0.0000	0.0000
30	0.1729	0.0972	0.0468	0.0000	0.0000	0.0000
35	0.1678	0.0868	0.0460	0.0183	0.0000	0.0000
40	0.1628	0.0763	0.0425	0.0183	0.0112	0.0000
45	0.1665	0.0704	0.0389	0.0183	0.0112	0.0060
50	0.1702	0.0683	0.0312	0.0138	0.0112	0.0060
55	0.1740	0.0629	0.0242	0.0092	0.0081	0.0060

Service Retirement Rates

Miscellaneous Employees: 2% at 55 formula CalPERS 2025 Experience Study						
Current Age	Years of Service					
	5	10	15	20	25	30
50	0.0070	0.0140	0.0170	0.0230	0.0280	0.0280
55	0.0160	0.0310	0.0460	0.0830	0.1160	0.1160
60	0.0560	0.0650	0.0830	0.1180	0.1450	0.1730
65	0.1490	0.1950	0.2230	0.2650	0.2930	0.3070
70	0.2750	0.2750	0.2750	0.2750	0.2750	0.2750
75 & over	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000



Actuarial Methods and Assumptions

(Continued)

Miscellaneous Employees: 3.0% at 60 formula CalPERS 2025 Experience Study						
Current Age	Years of Service					
	5	10	15	20	25	30
50	0.0090	0.0190	0.0230	0.0310	0.0370	0.0370
55	0.0150	0.0310	0.0450	0.0810	0.1140	0.1140
60	0.0960	0.1120	0.1410	0.2040	0.2490	0.2950
65	0.1610	0.2110	0.2410	0.2870	0.3170	0.3320
70	0.2780	0.2780	0.2780	0.2780	0.2780	0.2780
75 & over	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Miscellaneous "PEPRA" Employees: 2% at 62 formula CalPERS 2025 Experience Study						
Current Age	Years of Service					
	5	10	15	20	25	30
52	0.0080	0.0130	0.0150	0.0190	0.0230	0.0230
55	0.0130	0.0250	0.0370	0.0660	0.0920	0.0920
60	0.0350	0.0410	0.0500	0.0740	0.0900	0.1070
65	0.1020	0.1330	0.1530	0.1810	0.2010	0.2100
70	0.2120	0.2120	0.2120	0.2120	0.2120	0.2120
75 & over	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Disability Retirement Rates

Public Agency Miscellaneous Disability CalPERS 2025 Experience Study	
Age	Male & Female
20	0.00005
30	0.00029
40	0.00097
50	0.00250
60	0.00171
70	0.00170
80	0.00170



Actuarial Methods and Assumptions

(Continued)

Software and Models Used in the Valuation

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

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

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

Changes in assumptions or methods since the prior Measurement Date

Discount Rate	<i>For funding (ADCs):</i> increased from 6.0% to 6.25% reflecting a change in the long term expected return on trust assets since the June 30, 2023 valuation date
Demographic Assumptions	Updated demographic assumptions from those in the 2021 CalPERS experience study to those recommended in the CalPERS 2025 Experience Study report issued November 2025
Healthcare Trend	Updated the healthcare trend from Getzen Model 2023 to Getzen Model 2025, as published by the Society of Actuaries

Plan changes since the prior Measurement Date

PEMHCA Vesting Resolution	Adopted a PEMHCA vesting resolution for employees hired on or after January 1, 2025. Participation assumptions were adjusted for employees assumed to retire under this resolution.
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H. Certification

The purpose of this report is to provide actuarial information in compliance with Statement No. 75 of the Governmental Accounting Standards Board (GASB 75) for other postemployment benefits (OPEB) provided by the Midway City Sanitary District (the District). The results presented herein are based on a full actuarial valuation of the plan as of the June 30, 2025, valuation date.

We relied, without audit, on information supplied by the District, including but not limited to participant census data, plan provisions, and financial information. We performed limited reviews for reasonableness and internal consistency and found the information suitable for valuation purposes. The accuracy of this report depends on the completeness and accuracy of that information; if any data provided were incomplete or inaccurate, the results herein may differ materially.


We consider the actuarial methods and assumptions used in this valuation to be reasonable and appropriate for purposes of complying with GASB 75 and consistent with generally accepted actuarial principles and practices. The results represent estimates of the plan's financial condition as of the valuation date; actual future results may differ materially due to demographic or economic experience, changes in plan provisions, applicable law, or other factors.

Alternative assumptions or methods may also be reasonable; evaluating such alternatives was beyond the scope of this engagement except as required by GASB 75. These results are intended solely for financial reporting purposes and may be materially different from results that would be obtained under alternative measurement objectives, such as plan termination, liability settlement, or an assessment of the economic value of the promises made by the plan.

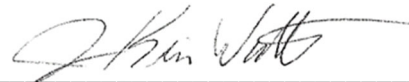
This report has been prepared solely for the use and benefit of the Midway City Sanitary District. It may not be distributed to third parties without the prior written consent of MacLeod Watts, except as required by law or to the District's professional accounting or legal advisors who are subject to confidentiality obligations. No part of this report may be used as the basis for any representation or warranty in any contract or agreement without the written consent of MacLeod Watts.

The undersigned actuaries are unaware of any relationship that would impair the objectivity of this work. Nothing in this report should be construed as legal or accounting advice. The signing actuaries are members of the American Academy of Actuaries and meet its qualification standards to issue this opinion.

Signed: March 6, 2026



Raegann E. Conner, ASA, ACA, MAAA



J. Kevin Watts, FSA, FCA, MAAA



Catherine L. MacLeod, FSA, FCA, MAAA



Appendix 1: Valuation Process

The valuation process begins with the collection of participant data and a description of the plan's benefit provisions. These materials are reviewed for completeness and reasonableness, though the review is not a formal audit. The results of the valuation therefore rely on the accuracy of the information provided.

The following steps outline how these data are transformed into the key valuation measures.

Projecting Future Benefits

We begin by estimating the future stream of benefit payments (e.g., premiums) for each current retiree and active employee, incorporating both:

- **Explicit subsidies** – direct employer payments toward retiree benefits or premiums; and
- **Implicit subsidies** – indirect employer payments occurring when retiree claims costs are not expected to be fully supported by retiree premiums, and the cost difference is expected to be borne by the employer.

To develop these projections, assumptions are applied about future benefit cost trends, the ages at which benefits will end, and the likelihood that employees will continue working and elect coverage for themselves and their dependents.

Calculating Present Values

Each projected payment is then discounted to the valuation date using a discount rate. This produces the *Present Value of Projected Benefits (PVPB)* – the current value of all expected future benefit payments for participants who are already in the plan. Anticipated future participants are not included in this measure.

The chart below represents the present value of all benefits expected to be paid to current employees, beneficiaries, and retirees of the plan.

<p style="text-align: center;">Present Value of Projected Benefit (PVPB) <i>Value on the valuation date of all future benefits expected to be paid to all current participants.</i></p>
--

Attributing Benefits to Service

When accounting for the plan, or determining contributions to the plan, it's necessary to divide the value of all expected future benefits into two pieces:

1. Past service benefits -- the value of benefits already earned through past service, and
2. Future service benefits -- the value of benefits expected to be earned through future service of current employees.

An *attribution method* – also referred to as the actuarial cost method -- is used to divide the PVPB into past service and future service components.



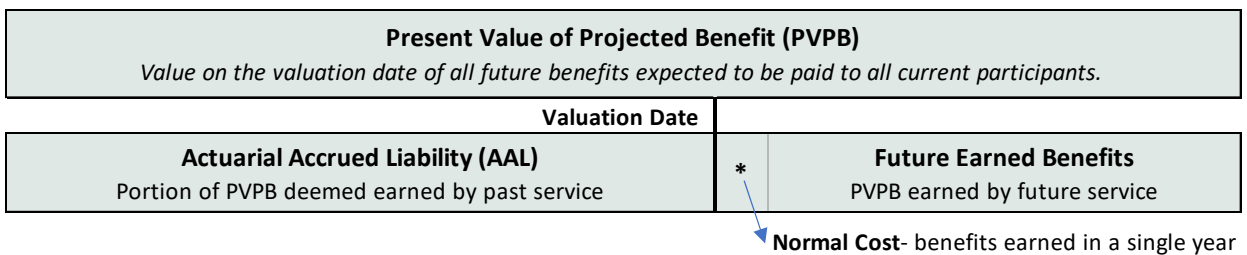
Valuation Process

(Continued)

For public-sector financial reporting, GASB requires use of the *Entry Age Normal (EAN)* attribution method. The EAN method spreads total expected future costs for an individual as a level percentage of pay so that the value of compensation earned to date over the value of all expected pay earned over an individual’s career represents the fraction of the PVPB earned to date.

The portion of all future benefits attributed to past service is called the *Actuarial Accrued Liability (AAL)*. In GASB statements, the AAL is called the Total OPEB Liability or Total Pension Liability. The portion of the PVPB attributed to a single additional year of employee service is called the *Normal Cost* or *Service Cost*.

The chart below shows the PVPB split between past and future service.

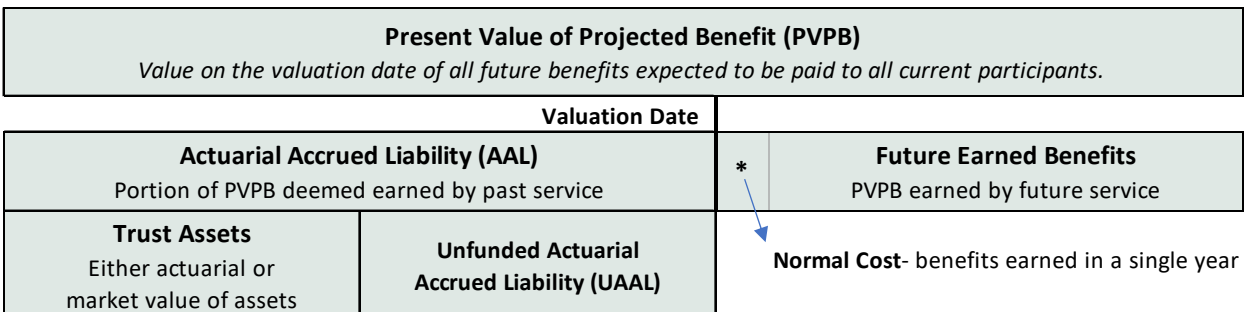


Funding Liabilities

When contributions are set aside in a trust, those funds and their investment earnings accumulate to pay future benefits or to reimburse the employer for benefit payments made directly. One measure of the plan’s funding progress — the *Unfunded Actuarial Accrued Liability (UAAL)* — is found by subtracting the trust’s *Market Value of Assets (MVA)* or *Actuarial Value of Assets (AVA)* from the Actuarial Accrued Liability (AAL). The UAAL shows, at a single point in time, how much of the benefits earned to date are already funded by the trust.

A plan is considered *fully funded* when the UAAL equals zero (i.e., past service benefits are covered by current trust assets). Even then, however, new contributions are needed each year to fund benefits earned by continued employee service. If no trust assets are held, the Unfunded Actuarial Accrued Liability equals the Actuarial Accrued Liability itself, since all benefits earned to date remain unfunded.

The chart below adds the split of the accrued liability between trust assets and the unfunded liability. Note that if assets exceed the Actuarial Accrued Liability, then the unfunded liability is negative, and a “surplus” exists.



Valuation Process

(Concluded)

Contributing to a Trust

When a trust is present, future trust contributions are generally designed to:

1. Fund the annual Normal Cost, the value of benefits earned by current service, and
2. Pay down (or, if applicable, recognize credits for) any difference between assets and actuarial accrued liabilities.

In terms of the chart shown on the previous page, funding contributions generally are the sum of the Normal Cost plus a slice of the unfunded actuarial accrued liability (with interest and administrative expenses, if applicable). The timing and pattern of these contributions can vary, but spreading the recognition of funding deficits or surpluses over a number of years helps maintain long-term stability in funding levels.

Managing Uncertainty

Actuarial valuations rely on long-term projections — often extending 70 years or more — and depend on many economic and demographic assumptions. Actual plan experience will differ from these assumptions, so plan costs evolve over time.

The methods and assumptions used in an actuarial valuation are intended to be reasonable and consistent with professional standards. However, valuation results should be viewed as point-in-time estimates rather than precise forecasts.

Plan sponsors assume certain risks when providing long-term post-retirement benefits. Frequent actuarial valuations and monitoring of results can help manage these risks, though unplanned variation in results cannot be eliminated.

Understanding Terminology

Certain actuarial and accounting terms describe the same underlying concepts and may be used interchangeably for discussion purposes. The table below summarizes common actuarial measures and their corresponding terms used in GASB statements for OPEB and pension plans.

Actuarial Term	GASB 68 / 75 Equivalent
Present Value of Projected Benefits (PVPB)	No equivalent term
Actuarial Accrued Liability (AAL)	Total Pension Liability (TPL) / Total OPEB Liability (TOL)
Market Value of Assets (MVA)	Fiduciary Net Position (FNP)
Actuarial Value of Assets (AVA)	No equivalent term
Unfunded Actuarial Accrued Liability (UAAL)	Net Pension Liability (NPL) / Net OPEB Liability (NOL)
Normal Cost	Service Cost

While terminology varies between actuarial and accounting contexts, these measures describe the same fundamental relationships between plan benefits, assets, and liabilities. The Glossary has more detailed definitions for these and other topics.



Appendix 2: MacLeod Watts Age Rating Methodology

Accounting standards such as GASB 75 and actuarial standards such as ASOP No. 6 require actuaries to measure retiree healthcare liabilities using expected claims, not premiums. In many valuations, credible claims experience is unavailable or too limited to rely on directly. In these cases, actuaries estimate expected claims by “age rating” the premiums paid by the plan sponsor.

Premiums for active employees and non-Medicare retirees are typically uniform across most ages and sexes. Though total premiums are designed to cover total expected costs, they do not capture the variations in healthcare costs typically incurred at older ages or the variation by sex. Younger participants generally pay more in premiums than their expected cost; older participants generally pay less. Age rating reallocates the total premium to approximate the expected claims at each age and sex.

The process involves three steps:

1. Develop relative age/sex cost factors.

Claims cost curves show how expected costs vary by age and sex (e.g., a factor of 1.00 for a 50-year-old male, 1.25 for a 50-year-old female, 0.40 for a 30-year-old male, etc.). These factors come from industry studies or other credible sources.

2. Identify the covered population and premiums.

The participants enrolled in coverage, their coverage elections, and their applicable premiums are used to model the group supporting the premium rates. Dependents are included for rating purposes; when dependent data is incomplete, assumptions about spouse age and child demographics are applied.

3. Allocate total premium dollars based on expected claims.

Total premiums for the group are spread across participants in proportion to their age/sex cost factors, producing **estimated per-capita claims** for the current year. These estimates are then projected using the valuation’s medical trend assumptions.

This approach provides a reasonable estimate of expected claims when plan-specific experience is not credible, or not available, and aligns with applicable actuarial standards.



Appendix 3: MacLeod Watts Mortality Projection Methodology

Actuarial standards (ASOP No. 35, Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations, and ASOP No. 6, Measuring Retiree Group Benefits Obligations) require actuaries to reflect future mortality improvement when valuing long-term retiree obligations. Because credible improvement rates must be based on large national datasets, actuaries rely on published research rather than plan-specific experience.

Best practices for building mortality improvement scales generally recommend that the actuary:

1. Set **short-term** improvement rates using recent mortality experience.
2. Set **long-term** improvement rates using expert judgment.
3. Join short- and long-term rates smoothly over an **appropriate transition period**.

MacLeod Watts Scale 2022 follows these principles. In developing the scale, we relied on sources from the Society of Actuaries (SOA) and the Social Security Administration (SSA).

Society of Actuaries (SOA) – For historical and short-term improvement rates we used the SOA’s MP-2021 Improvement scale, published in October 2021. We duplicate MP-2021’s historical rates of improvement from 1951-2017 and utilize their projected improvement rates for years 2018-2020.

Social Security Administration (SSA) – To set long-term expected mortality improvement rates, we looked to the 2021 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance (OASDI) Trust Funds (August 2021), specifically the SSA’s Intermediate mortality improvement assumptions. This report uses constant long-term improvement rates for various age bands for the years 2030-2044 with a final step down for years 2045 and beyond.

The short-term and long-term rates were joined by a linear transition over the 10-year period 2021-2030. For ages 95 to 117, we graded improvement rates to zero.

The SOA’s MP-2021 materials and the SSA Trustees Report assumptions are available on their respective public websites.



Appendix 4: Funding Considerations

This appendix outlines key considerations in financing retiree benefit obligations. Public employers generally use one of three approaches: (1) Pay-As-You-Go (PAYGO), (2) designated reserves, or (3) prefunding through an irrevocable trust. Each approach affects financial reporting, long-term costs, and budget flexibility. The following discussion summarizes these differences to support long-term planning and budgeting.

Pay-As-You-Go (PAYGO) Financing

Under PAYGO financing, retiree benefits are paid from current revenues as they come due. PAYGO requires minimal administration and provides maximum near-term budget flexibility. Because no assets are set aside, employer costs track the pattern of benefit payments directly.

Over time, PAYGO costs typically rise as retiree populations increase or healthcare trend elevates premiums. For financial reporting, unfunded OPEB and pension liabilities must be discounted using a municipal bond index rate under GASB Statements 67, 68, 74, and 75, which typically produces higher reported liabilities and annual expense than under a prefunded arrangement. Also, rating agencies may view large unfunded liabilities as an indicator of long-term fiscal stress.

PAYGO may be reasonable when obligations are small, stable, or diminishing, or when the employer provides benefits solely through an implicit subsidy (see Glossary). In these cases, annual costs may remain manageable without establishing a trust.

Potentially Beneficial For:

- Employers with small, stable, or declining liabilities.
- Plans providing short-term benefits or those offering only an implicit subsidy.
- Closed plans with short remaining duration.
- Employers requiring maximum near-term budget flexibility.
- Agencies without capacity for trust governance, investment oversight, or formal funding policy development.

Informal Funding Through Designated Reserves

Some employers set aside resources within governmental funds—such as the General Fund or an Internal Service Fund—as designated reserves for future retiree benefit payments. These reserves can help smooth future PAYGO volatility, support multi-year planning, and demonstrate internal fiscal discipline while preserving budget flexibility.

Designated reserves remain employer assets and are not plan assets under GASB. They do not reduce reported liabilities or allow use of the trust discount rate when measuring obligations. Rating agencies generally view such reserves as part of available liquidity rather than evidence of prefunding and may note that designated funds can be repurposed or borrowed during fiscal stress or changing priorities



Funding Considerations

(Continued)

Even with these limitations, designated reserves can be useful when employers anticipate rising costs but are not prepared to commit assets to an irrevocable trust. They also provide a practical transitional step toward prefunding.

Potentially Beneficial For:

- Employers seeking planning structure without irrevocable commitment.
- Agencies accumulating resources before establishing a trust.
- Organizations valuing flexibility while preparing for rising costs.
- Plans with modest obligations where GASB benefits of prefunding may be limited.
- Employers adopting a gradual or transitional funding strategy.

Formal Prefunding Through an Irrevocable Trust

Prefunding involves contributing assets to an irrevocable trust dedicated exclusively to retiree benefits. Trust assets may be invested for long-term growth, allowing investment earnings to offset future employer contributions and enhance cost stability.

Under GASB 67, 68, 74, and 75, projected benefit payments expected to be covered by trust assets may be discounted using the trust's long-term expected rate of return, which is typically higher than the municipal bond rate applied to unfunded periods. As a result, prefunding generally produces lower reported liabilities, lower annual expense, and improved funded ratios. Rating agencies often view ongoing prefunding as evidence of disciplined financial management and long-range planning.

Prefunding supports intergenerational equity by better matching benefit costs to the periods in which those benefits are earned. It may be especially valuable when retiree populations are expected to grow, producing steeply rising retiree benefit payments in future years.

Prefunding requires maintaining a funding policy, adopting an investment policy, providing governance oversight, and making regular contributions. Trust assets are legally restricted and may not be redirected for other purposes; however, under the terms of most OPEB trusts, the employer may request reimbursement from the trust for eligible retiree benefit payments made directly to or on behalf of retirees during the fiscal year.

Potentially Beneficial For:

- Employers with material, ongoing obligations and long time horizons
- Agencies prioritizing cost stability, intergenerational equity, and long-term planning
- Employers seeking to reduce reported liabilities and annual expense
- Organizations aiming to strengthen their credit profile
- Employers able to sustain regular, structured contributions
- Plans with growing retiree populations or rising subsidy costs
- Employers seeking greater assurance that resources will be available to pay retiree benefits over the long term



Funding Considerations

(Continued)

Hybrid Approaches

Employers are not limited to choosing exclusively among PAYGO, designated reserves, or full prefunding. Many agencies use hybrid approaches that apply different strategies to different segments of the obligation or phase in prefunding over time.

One common hybrid method treats the plan as having two components—current retirees and current active employees. Because retiree obligations are a shorter duration and already in pay status, some employers continue to finance these payments on a PAYGO basis. At the same time, they establish an irrevocable trust for active employees, prefunding Normal Cost and amortizing the portion of the actuarial accrued liability attributable to active service.

Another hybrid approach applies different funding strategies to different benefit tiers. For example, a plan may include a higher-cost legacy tier and a lower-cost tier for newer hires. An employer might prefund the newer tier while using PAYGO for the legacy tier, gradually improving the plan's overall funding outlook as legacy benefits decline over time.

Other hybrid strategies include prefunding a portion of annual costs, contributing to a trust in surplus years, or combining trust contributions with designated reserves. Hybrid methods allow employers to balance long-term planning with near-term flexibility and support gradual movement toward stronger funding practices without requiring an abrupt transition to full prefunding.

Potentially Beneficial For:

- Employers tailoring funding approaches to specific goals or constraints
- Agencies seeking to prefund long-duration obligations while managing short-duration liabilities on a PAYGO basis
- Employers transitioning from pay-as-you-go financing toward prefunding over time
- Plans with multiple tiers or differing benefit structures
- Organizations balancing budget flexibility with long-term cost control

Funding Approaches and Long-Term Financial Risk

The funding approaches described above differ not only in administration and accounting treatment, but also in how benefit costs are distributed across time and which revenue sources—current or future—are expected to bear those costs. From a long-term financial perspective, these differences influence the timing of cash outlays, the degree of reliance on future operating revenues, and the variability of required budgetary resources over time.

Pay-As-You-Go Financing

Under a pay-as-you-go approach, benefit costs are largely deferred to future operating budgets as payments come due. This structure places primary reliance on future revenues to absorb both expected benefit costs and any adverse experience. As a result, long-term affordability depends on the employer's future revenue capacity and its ability to accommodate rising benefit payments alongside other budget priorities. Effective use of a PAYGO approach therefore requires an understanding of the full projected path of benefit payments, rather than a focus limited to near-term costs.



Funding Considerations

(Continued)

Designated Reserves

Designated reserves alter the timing of cash flows by setting aside current resources to support future benefit payments. When used consistently, reserves can moderate year-to-year budget volatility and reduce short-term pressure during periods of rising costs or constrained revenues. However, because these assets remain available for other employer purposes, designated reserves generally do not change the extent to which long-term benefit costs ultimately depend on future operating revenues. Their primary effect is on budget smoothing rather than on the long-term allocation of plan costs across periods.

Prefunding Through an Irrevocable Trust

Prefunding through an irrevocable trust shifts a greater portion of plan costs toward periods in which benefits are earned or recognized, reducing reliance on future operating revenues to finance benefit payments. Investment earnings on trust assets can offset a portion of future cash outlays, contributing to more stable contribution patterns over time. While prefunding does not alter the underlying benefit obligations, it can improve predictability by spreading funding requirements more evenly across periods and by reducing the concentration of plan costs in future budgets.

Hybrid Funding Approaches

Hybrid funding approaches combine elements of these strategies by allocating different portions of the obligation to different revenue sources. By determining which costs are funded in advance and which are paid as incurred, employers can tailor the timing of benefit costs to their fiscal capacity, risk tolerance, and planning objectives. Hybrid approaches provide flexibility to manage long-term budget exposure without committing to a single funding method for all components of the plan.

Long-Term Perspective

Regardless of the funding strategy adopted, long-term benefit obligations require long-term planning. In practice, funding decisions for retiree benefit plans are often made in the context of an employer's broader financial obligations, including the funding status and contribution requirements of multiple benefit plans and other long-term commitments. Understanding how these funding choices affect the timing of costs and reliance on future revenues is central to managing financial uncertainty and maintaining budgetary sustainability.



Funding Considerations

(Concluded)

Comparison Summary

The table below summarizes key differences among PAYGO financing, designated reserves, and formal trust prefunding. Hybrid approaches are not shown in a separate column because they blend elements of the three methods in ways that vary by employer policy and plan design.

Feature / Consideration	1. PAYGO	2. Designated Reserves	3. Irrevocable Trust
Asset Status	No assets accumulated	Earmarked but unrestricted	Legally restricted
Legal Restrictions	None	None (policy only)	Irrevocable; For plan benefit only
GASB Discount Rate	Municipal bond rate	Municipal bond rate	Long-term expected return
Impact on Reported Liabilities & Expense	Highest liability and expense	Same as PAYGO	Lower reported liability and expense
Long-Term Cost Profile	Usually rising costs over time	Rising costs Reserves provide smoothing	Investment earnings reduce long-term contributions
Deferral of Plan Costs	High in early years; None once benefits mature	Moderate; reduced to extent reserves offset future costs	Minimal - trust funding aligns costs with periods of accrual
Intergenerational Cost Allocation	Costs largely borne by future taxpayers or ratepayers	Partial alignment; depends on reserve use consistency	Strong alignment of costs with periods of service
Governance & Oversight Requirements	Minimal	Minimal	Requires funding investment policies; Investment oversight
Investment Return	None	Typically low pooled returns	Potential for higher long-term returns
Rating Agency Perspective	Unfunded liability may be a credit risk	Viewed as liquidity, not prefunding	Viewed favorably as structured prefunding



Glossary

Actuarial Accrued Liability (AAL) – The portion of the actuarial present value of projected benefits that is not covered by future normal costs; the accumulated value of benefits attributed to past service under the actuarial cost method. See also: Service Cost; Total OPEB Liability; Total Pension Liability

Actuarial Cost Method – A procedure used to allocate the present value of projected benefits to periods of employee service. It determines how benefit costs and liabilities are assigned over time, based on actuarial assumptions about future events such as salary increases, retirement, and mortality.

Actuarial cost methods are defined in actuarial standards (such as ASOP Nos. 4 and 6) and may be used for various purposes, including funding, accounting, or plan design. In accounting standards such as GASB 68 & 75, this concept is referred to as the attribution method.

See also: Attribution Method; Actuarial Funding Method

Actuarial Funding Method – An actuarial funding method determines the pattern of contributions required to finance a benefit plan’s obligations over time. It combines the actuarial cost method, which allocates the present value of projected benefits between past and future service, with an additional step specifying how any unfunded actuarial accrued liability (UAAL) will be recognized and amortized.

Under a funding method, the normal cost (the cost of benefits accruing for active employees during the year) is added to an amortization payment designed to eliminate the UAAL over a prescribed period. The resulting total is the Actuarially Determined Contribution (ADC).

Actuarial funding methods are typically used for funding valuations, not for financial reporting under GASB 68 & 75. GASB 68 & 75 focuses solely on the measurement of liabilities using the actuarial cost method (referred to in the standard as the attribution method) and does not prescribe contribution requirements.

See also: Actuarial Cost Method; Attribution Method

Actuarial Present Value of Projected Benefits (APVPB) – The amount currently required to fund all projected plan benefits of current employees and retirees. This value is determined by discounting expected future benefit payments using an appropriate interest rate and the estimated probability of payment.

Actuarial Valuation Report – A formal report prepared by an actuary that presents the results of an actuarial valuation of plan liabilities.

Actuarial Value of Assets (AVA) – A smoothed measure of plan assets sometimes used in valuations to limit the impact of short-term investment swings. The AVA averages market gains and losses over several years to show a steadier trend in the plan’s funding progress. Under GASB standards, a plan’s financial reporting must use market value of assets, but an AVA may be used in the determination of funding contributions. See also: Market Value of Assets

Actuarially Determined Contribution (ADC) – The contribution amount calculated by the actuary for a given fiscal period to fund the employer’s obligations for Pension or Other Post-Employment Benefits (OPEB). It generally consists of the normal cost (the portion of benefits earned during the current year) plus an amortization payment to reduce the unfunded actuarial accrued liability. Actuarial Standards of Practice No. 4 and No. 6 require the ADC to be determined consistent with the trust being able to pay plan benefits when due (see ASOP No. 4 §3.11 and ASOP No. 6 §3.12). Note that the ADC represents a recommended contribution level based on actuarial methods and assumptions and may or may not be a required contribution depending on the plan and its governing authority.



Glossary

(Continued)

Amortization Policy – Amortization Policy refers to a prescribed or adopted set of rules governing how unfunded actuarial accrued liabilities (UAALs) are paid down over time through a series of contributions or, for accounting, a series of expense recognition. The policy defines the amortization method, amortization period, and treatment of new gains and losses (e.g., whether separate “bases” are established for each year’s changes). Common amortization methods include level dollar (a fixed annual payment) and level percentage of payroll (a payment that grows with expected payroll). A well-designed amortization policy balances intergenerational equity, contribution stability, and funding progress, ensuring that unfunded liabilities are reduced systematically and within a reasonable timeframe.

Assumption Changes – Revisions to the demographic or economic actuarial assumptions used in determining a plan’s liabilities, reflecting updated expectations of future plan experience. Assumption changes may involve updates to the discount rate, mortality tables, retirement or termination rates, salary or payroll growth, retiree participation rates, healthcare cost trends, or other relevant assumptions.

Under GASB 68 & 75, the changes in liability resulting from assumption changes are recognized as deferred outflows or inflows of resources and amortized as expense over the Expected Average Remaining Service Lifetime (EARSL) of active and inactive members.

Attribution Method – The attribution method is the term used in accounting standards—such as GASB Statements No. 68 and 75 or FASB ASC 715-30 and 715-60—to describe how the total projected benefit, and therefore the related cost, is assigned or *attributed*, to periods of employee service for financial reporting purposes.

Conceptually, this is equivalent to the actuarial cost method used in actuarial practice. GASB 68 & 75 specifies the Entry Age Normal (level percentage of pay) method as the required attribution method for OPEB and pension plans.

See also: Actuarial Cost Method; Actuarial Funding Method

Closed Group – A closed group actuarial valuation includes only the current members of the plan as of the valuation date—active, inactive, retired, and beneficiaries—and does not assume any future entrants. The valuation projects future benefit payments, contributions, and liabilities solely for this fixed population, reflecting assumptions regarding future terminations, retirements, or deaths, without regard to future workforce growth. Closed group valuations are commonly used for establishing near-term plan contributions and for financial reporting purposes (e.g., under GASB 67, 68, 74, or 75).

Covered Payroll – The payroll on which contributions to the plan are based, typically representing the pensionable or contributory earnings of employees currently covered by the plan. Under GASB Statement No. 82, covered payroll replaced covered-employee payroll for use in certain ratios presented in financial statement disclosures when plan contributions are determined with reference to payroll.



Glossary

(Continued)

Covered-Employee Payroll – The total payroll of employees who are eligible, or who through continued service can become eligible, for retirement benefits through the plan, regardless of whether contributions are based on payroll or whether the benefits themselves are related to pay. For plans whose contributions are not payroll-based (for example, most OPEB plans), this measure represents the aggregate payroll of employees potentially eligible for retirement benefits and remains the appropriate denominator for certain ratios in financial statement disclosures required by GASB.

Because GASB does not prescribe a specific payroll measure, covered-employee payroll generally reflects the employer’s total gross or W-2 payroll for employees potentially eligible for OPEB. Consultation with auditors may be appropriate to consider whether employee-specific or nonrecurring items included in gross payroll could materially affect reported ratios. Whatever measure is adopted should be documented, applied consistently, administratively sustainable, and reflect the spirit of the GASB concept of ‘total payroll of covered employees.

Crossover Test – Also called the Trust Sufficiency Test, the Crossover Test is a projection required under GASB 68 & 75 to determine whether a plan’s fiduciary net position (trust assets) is expected to be sufficient to make all projected benefit payments given the sponsor’s pattern of contributions. The Crossover Test is only required for plans whose funding policy provides for contributions that are less than the Actuarially Determined Contribution (ADC). When the sponsor contributes the full ADC—calculated in accordance with Actuarial Standards of Practice—the actuarial funding method itself ensures that, if all assumptions are realized, assets will be sufficient to pay benefits when due. When a Crossover Test is required, the projection determines the effective discount rate to be used in valuing plan liabilities, based on a blend between the long-term expected trust earnings rate and the municipal bond rate, reflecting the relative periods during which plan assets are and are not projected to be sufficient. See GASB 68 paragraphs 29–31 and GASB 75 paragraphs 30-32.

Deferred Resources – Deferred Resources represent the difference between the timing of recognition of certain events and their impact on expense. They include Deferred Outflows of Resources (assets consumed before they are recognized as expenses) and Deferred Inflows of Resources (resources received before they are recognized as revenue or reductions in expense). In the context of GASB 68 & 75, deferred resources are established for actuarial gains or losses (i.e., plan and investment experience), and assumption changes. For cost-sharing plans, deferred resources are also established for changes in proportions and the difference between actual and proportionate share of employer contributions. Deferred resources are recognized over time in the calculation of benefit expense.

Defined Benefit (DB) Plan – A pension or OPEB plan that specifies the amount of benefits a plan member will receive, typically based on factors such as age, years of service, and salary history.

Defined Contribution (DC) Plan – A pension or OPEB plan that establishes an individual account for each member and specifies how contributions are determined and distributed after separation from employment.



Glossary

(Continued)

Demographic Assumptions – Rates and patterns used to model how members enter, move through, and exit the plan. They reflect expected future experience and may vary by age, service, benefit tier, and (when relevant) sex. Typical components include mortality (pre and post retirement) and mortality improvement, retirement, termination of employment, disability incidence, benefit option elections (e.g., form of payment), participation in coverage at and after retirement, spouse & dependent coverage and spouse-age differentials, and marriage assumptions. Demographic assumptions are selected using plan experience, relevant industry tables or studies, and professional judgment, and are reviewed periodically for continued reasonableness.

Discount Rate (GASB) – The interest rate used to convert projected future benefit payments into present values as of the valuation date. Under GASB standards, the discount rate depends on the plan’s funding policy. For prefunded plans that consistently contribute the Actuarially Determined Contribution (ADC), the rate is based on the long-term expected return on plan investments. For pay-as-you-go plans, the rate is based on a 20-year, tax-exempt, AA/Aa-rated municipal bond index composed of general obligation bonds (not revenue or other special-purpose bonds). When contributions are made at levels below the ADC, GASB requires a blended discount rate—reflecting both the expected return on trust assets and the municipal bond rate—determined through a crossover test that measures when projected trust assets are expected to be depleted. See also: Crossover Test

Economic Assumptions – Financial variables that affect the timing and amount of projected benefits and contributions. Core elements typically include the discount rate (and, where applicable, the long-term expected return on assets), general price inflation, salary-increase scale (merit and longevity plus inflation), payroll growth, cost-of-living adjustments (COLAs) if provided, and (for OPEB) the health care cost trend. Economic assumptions are selected to be internally consistent and appropriate for the measurement objective and are reviewed periodically alongside demographic assumptions.

Entry Age Normal Actuarial Cost Method – An actuarial cost allocation method in which, for each individual, the actuarial present value of benefits is levelly spread over the individual’s projected earnings or service from entry age to the last potential retirement age at which benefits are paid. Under GASB 68 & 75, the Entry Age Normal (Level Percent of Pay) method is required for financial reporting.

Expected Average Remaining Service Lifetime (EARSL) – The average of the expected remaining service lives of all current and former employees covered by the plan. Former employees receiving or expected to receive benefits are included in the average with zero future service. Used to determine the period over which certain deferred resources are recognized under GASB standards.

Expense – The annual accounting recognition of the cost of benefits under applicable GASB standards. Expense includes the normal cost (service cost), interest on the total liability, expected earnings on plan assets, and the amortization of deferred items such as differences between expected and actual experience or assumption changes.

Experience Study – A periodic (commonly 3–5 year) statistical review of actual plan experience versus current assumptions, conducted to assess the continued appropriateness of demographic (and, where applicable, economic) assumptions. The study summarizes observed rates (e.g., retirement, termination, mortality, disability, elections), evaluates credibility, and recommends assumption updates to better reflect expected future experience. Results are documented, adopted by the appropriate authority, and incorporated prospectively into valuations.



Glossary

(Continued)

Explicit Subsidy – An explicit subsidy occurs when an employer makes a direct contribution toward the cost of retiree health coverage. This may take the form of a fixed dollar amount, a percentage of premium, or payment of the entire premium on behalf of the retiree. The value of these payments represents a direct employer cost and is recognized as part of the employer’s Other Postemployment Benefits (OPEB) liability under GASB 75.

Explicit subsidies are typically easier to measure and track than implicit subsidies because they are typically defined in plan documents, labor agreements, or employer policy, and the payments are made directly by or on behalf of the employer.

Fiduciary Net Position – The value of assets held in trust for the payment of benefits, reduced by any liabilities of the trust. It represents the net position restricted for future benefit payments and is measured at fair value.

Fully Funded – Fully Funded describes a plan whose assets are sufficient to cover the actuarial present value of accrued or projected benefit obligations as of a specific measurement date, based on the valuation method and assumptions in use. The term applies differently under various measurement bases:

- In funding valuations, a plan is fully funded when the Actuarial Value of Assets equals or exceeds the Actuarial Accrued Liability (AAL).
- For financial reporting, a plan is fully funded when the Plan Fiduciary Net Position equals or exceeds the Total Pension or OPEB Liability under GASB standards.

However, *fully funded* does not mean that no further contributions will be required. Even when a plan is fully funded on the valuation date, future normal cost accruals (i.e., employees earning additional benefits due to service), investment experience, assumption changes, or demographic events typically create new funding needs. Accordingly, “fully funded” reflects a momentary actuarial condition rather than a permanent financial destination.

Funded Ratio – A point-in-time measure of funding status. Under GASB financial reporting, it is typically defined as Plan Fiduciary Net Position ÷ Total Pension (or OPEB) Liability at the measurement date. In funding valuations, a comparable measure may be shown as Actuarial Value of Assets ÷ Actuarial Accrued Liability.



Glossary

(Continued)

Funded Status – Represents the relationship between a plan’s assets and its benefit obligations at a specific measurement date, based on the applicable actuarial or accounting valuation. It is typically expressed as the difference between plan assets and the actuarial present value of liabilities, or as a ratio comparing those two values.

Funded status is commonly presented using either the Actuarial Value of Assets and Actuarial Accrued Liability (AAL) for funding purposes, or the Plan Fiduciary Net Position and Total Pension or OPEB Liability (TPL/TOL) for financial reporting under GASB Statements No. 67, 68, 74, and 75. Funded status provides a point-in-time measure of a plan’s financial position.

The degree of funding can be described using the following generalized categories.

- *Underfunded* - Assets are less than the AAL. The shortfall represents the Unfunded Actuarial Accrued Liability (UAAL). In this category, assets do not yet cover the value of benefits earned by past service.
- *Fully Funded* - Assets equal the AAL. The plan’s assets cover benefits earned to date.
- *Overfunded* - Assets exceed the AAL but are less than the Present Value of Projected Benefits (PVPB). The plan holds a surplus relative to the Actuarial Accrued Liability so that current assets cover a portion of expected benefits that will be earned by future employee service.
- *Super-Funded* - Assets equal or exceed the Present Value of Projected Benefits (PVPB). The plan’s assets are expected to be sufficient to cover all expected future benefits for current participants if the plan were frozen to new entrants.

If Assets			
< AAL	= AAL	> AAL but < PVPB	>= PVPB
Underfunded	Fully Funded	Overfunded	Super-funded

A plan sponsor may shift these relationships to meet their particular view on plan funding. For example, “fully funded” could be viewed as anywhere between 95% and 110% of the Actuarial Accrued Liability. In this case, each category could be used to change the funding strategy depending on the funding level.

Funding Policy – The formal strategy adopted by a plan sponsor or governing board to determine how contributions will be made to systematically fund benefit obligations. The funding policy establishes the principles and methods used to calculate the Actuarially Determined Contribution (ADC), including the actuarial cost method, amortization policy, and asset valuation method.

A sound funding policy aims to achieve and maintain a sustainable, fully funded plan over the long term while balancing the need for predictable and affordable contribution levels. Under ASOP No. 4 (Measuring Pension Obligations and Determining Pension Plan Costs or Contributions) and 6 (Measuring Retiree Group Benefits Obligations and Determining Retiree Group Benefits Plan Costs or Contributions), an actuarially sound funding policy should be designed so that, if contributions are made as intended and all assumptions are realized, plan assets will be sufficient to pay benefits when due.

Funding policy decisions often reflect both actuarial considerations (such as risk, smoothing, and amortization) and budgetary or statutory constraints.



Glossary

(Continued)

Gain/Loss Analysis – A reconciliation that decomposes period-to-period changes in liabilities and assets into expected changes (based on prior assumptions) and experience gains/losses. Typical components include demographic experience (e.g., retirements, terminations, mortality), economic experience (e.g., actual salary growth, actual health claims or premiums), assumption changes, plan/method changes, investment gains/losses relative to expectation, and contribution differences. For GASB reporting, many of these items create deferred outflows/inflows of resources recognized in expense over prescribed periods; for funding, they may establish new amortization bases that affect the Actuarially Determined Contribution.

Governmental Accounting Standards Board (GASB) – A private, not-for-profit organization that establishes generally accepted accounting principles (GAAP) for U.S. state and local governments.

Health Care Trend – The assumed annual rate(s) of increase in future dollar values of premiums or healthcare claims, attributable to medical inflation, utilization, and technological advancements.

Implicit Subsidy – An implicit subsidy occurs when retiree benefit claims are expected to exceed the premiums charged for retiree coverage. The difference must be paid from another source of funds that is said to implicitly subsidize the retiree benefit. GASB 75 and applicable actuarial standards specify when such a subsidy must be recognized as an employer liability and how that liability is recognized in expense and extinguished over time as retiree benefits are paid.

The simplest situation creating an implicit subsidy arises when active and retired employees are covered under the same medical plan, the employer's actives and retirees are the only experience used to determine premiums, and a single blended premium rate is charged for both groups even though retirees generally have higher expected health costs. In these cases, employer premiums for active employees indirectly subsidize retiree coverage. Although the subsidy is not a separate or explicitly identified payment, it represents a real economic transfer from the employer to retirees—hidden within the plan's blended rate structure.

Under GASB 75, this type of implicit subsidy is recognized as an OPEB liability during employees' active service as the benefit is earned over their careers. When retirees later participate in the plan and their estimated claims exceed their premiums, the difference represents an implicit benefit payment to retirees and is treated as a benefit paid by the plan. To the extent the employer is not reimbursed by a trust for these payments, the employer is credited with a plan contribution.

Other, more complex situations can also create implicit subsidies, but those arrangements do not lend themselves to a simple general definition.

Intergenerational Equity – Intergenerational Equity refers to the principle that the cost of benefits should be borne equitably by the generations of taxpayers, employers, and employees who receive the benefit of associated services or compensation. In the context of pension and OPEB funding, it means that each generation's contributions should be sufficient to cover the benefits earned during that generation's period of employment, without shifting significant costs to future participants or taxpayers. Funding policies that align contributions closely with benefit accruals—such as those using the Entry Age Normal actuarial cost method and level percentage of payroll amortization—are designed to promote intergenerational equity. Conversely, policies that defer or extend payments long after the associated services are provided potentially violate intergenerational equity principles by transferring costs from current to future taxpayers or employees.



Glossary

(Continued)

Investment experience – Investment experience reflects the difference between actual investment returns on plan assets and the expected returns based on the assumptions used in the prior valuation. Favorable differences produce investment gains; unfavorable differences produce losses.

For GASB 68 & 75 reporting, plan assets are measured at market value. Investment gains or losses are recognized as deferred outflows or inflows of resources and are amortized as expense over a period of five years.

Level Dollar Amortization – An amortization method in which the annual payment toward unfunded actuarial accrued liabilities (UAAL) is a fixed dollar amount each year over the amortization period. This approach results in declining payments as a percentage of payroll if payroll is expected to grow, since the dollar payment remains constant while payroll increases. This method is generally most appropriate for benefit programs not directly tied to payroll, such as OPEB plans where benefits are based on fixed-dollar medical subsidies or premium-sharing arrangements rather than a percentage of salary.

Level Percentage of Payroll Amortization – An amortization method in which the annual payment toward unfunded actuarial accrued liabilities (UAAL) is a constant percentage of expected payroll over the amortization period. As payroll is assumed to grow each year, the dollar amount of the contribution increases, maintaining a stable contribution rate relative to payroll. This method is generally most appropriate for benefit programs that are payroll-related, such as defined benefit pension plans where liabilities and normal costs are expressed as a percentage of covered payroll. When both benefits and contributions are tied to payroll, using a constant contribution rate as a percent of payroll better maintains intergenerational equity between current and future taxpayers or employers. However, this approach may be less suitable for OPEB plans or flat-dollar benefit structures, where payroll growth is not related to benefit growth.

Market Value of Assets (MVA) – The Market Value of Assets (MVA) represents the fair value of plan assets as of the measurement date. Fair value is the amount that could be realized if all plan assets were sold in an orderly transaction between willing market participants on that date. In most cases fair value is determined by market or quoted prices.

In contrast to a smoothed or actuarial value of assets (AVA) — which averages asset gains and losses over time to reduce short-term volatility — the MVA represents the plan’s assets at actual market value on the reporting date. GASB 68 & 75 requires use of the MVA for financial reporting purposes.

Measurement Date – The date as of which the Total OPEB Liability or Total Pension Liability and the plan’s Fiduciary Net Position are measured for financial reporting. Under GASB Statements 67, 68, 74, and 75, the measurement date must fall within the employer’s reporting period and cannot rely on an actuarial valuation older than 30 months and 1 day before the employer’s fiscal year-end. When the valuation date precedes the measurement date, results must be updated to the measurement date using roll-forward procedures. See also: Valuation Date; Roll-Forward Valuation

Net OPEB Liability (NOL) – The total OPEB liability minus the fiduciary net position. This represents the employer’s liability for OPEB benefits provided through a defined benefit plan.

Net Pension Liability (NPL) – The Total Pension Liability minus the fiduciary net position. This represents the employer’s liability for Pension benefits provided through a defined benefit plan.



Glossary

(Continued)

Net Position – The residual of all other elements presented in a statement of financial position. In the context of OPEB reporting, it reflects the impact of the Net OPEB Liability adjusted for deferred inflows and outflows of resources.

Normal Cost – The portion of the actuarial present value of projected benefits that is allocated to a given year under the actuarial cost method. For a valuation year, Normal Cost is equal to the Service Cost, representing the value of benefits expected to be earned by active employees during that year. See also: Service Cost

Open Group – An open group actuarial valuation considers both current plan participants and future entrants who are expected to join the plan in the future. The projection of liabilities and assets assumes the ongoing operation of the plan as a continuing entity, with new members entering according to specified demographic, economic, and plan participation assumptions.

Open group valuations require additional demographic and economic assumptions beyond those used in closed-group studies, including 1) population entry and exit assumptions (e.g., expected new hires, turnover, retirements, and mortality), 2) payroll growth and new entrant profiles (age, service, pay), 3) plan participation rates among new hires, and 4) future contribution and benefit accrual patterns consistent with long-term plan sustainability.

Open group valuations are often used for funding policy analysis, long-range financial projections, long-term plan risk assessment, or plan design studies, rather than for current financial reporting or establishing near-term contribution levels of the current plan.

Other Post-Employment Benefits (OPEB) – Post-employment benefits other than pensions, most commonly healthcare benefits, but may also include life insurance or other non-pension benefits provided separately from a pension plan.

Overfunded – Overfunded describes a plan whose assets exceed the actuarial present value of accrued or projected benefit obligations as of the measurement date, based on the chosen actuarial or accounting method. This condition occurs when the Actuarial Value of Assets or Plan Fiduciary Net Position is greater than the Actuarial Accrued Liability (AAL) or Total Pension or OPEB Liability (TPL/TOL). An overfunded status typically reflects favorable investment performance, assumption experience, or past contribution patterns, but it does not necessarily eliminate the need for future contributions to fund benefits expected to be earned by active employees or to maintain the plan's funding target over time.

Participation Rate – The assumed proportion of eligible members who will elect to participate in a plan or a specific benefit/coverage option when first eligible (for example, electing retiree medical coverage, Medicare coordination, or a particular tier). Participation rates are commonly stratified by age, service, subsidy level, union/class, or coverage tier, and can materially affect projected benefit payments (especially for OPEB). For pensions, "participation" may also refer to elections such as optional forms of payment or DROP participation where applicable.

Pay-As-You-Go (PAYGO) – A funding arrangement under which contributions to the plan are made when benefit payments and expenses come due.



Glossary

(Continued)

Plan Experience – Plan experience reflects unexpected changes in a plan’s actual demographic outcomes. Plan experience is distinct from differences in investment performance, assumption changes, or plan amendments, each of which is recognized separately.

Common sources of plan experience gains or losses include:

- Retirements, terminations, disability rates, or mortality rates differing from the assumptions used in a prior valuation.
- Salary progression, service accrual, or payroll growth deviating from expected patterns.
- Coverage or benefit elections (e.g., dependent participation, healthcare plan selection, Medicare coordination) differing from assumptions.
- Data updates, corrections, or retroactive changes in participant status.

Under GASB 68 & 75, plan-experience gains or losses are recognized as deferred outflows or inflows of resources and amortized as expense over the Expected Average Remaining Service Lifetime (EARSL) of active and inactive members.

Present Value of Projected Benefits (PVPB) – The actuarial present value of all benefits expected to be paid to current plan participants, based on both service to date and projected future service, with benefits determined according to the plan provisions and actuarial assumptions in effect as of the measurement date.

The PVPB encompasses benefits for existing active, inactive, and retired members, discounted to the valuation date. It includes both the portion attributable to past service (the Actuarial Accrued Liability, AAL) and the portion expected to be earned through future service of current employees (the value of future normal costs).

The PVPB provides the broadest measure of a plan’s obligations with respect to its current participants.

Reporting Date – The employer’s fiscal year-end to which financial statement disclosures apply (for example, June 30, 2025). Under GASB reporting, amounts are measured as of the measurement date (which may precede the reporting date by up to one year) and then reported as of the reporting date in the notes and required supplementary information. Distinguishing reporting date from valuation date and measurement date is essential for reconciling year-over-year changes.



Glossary

(Continued)

Roll-Forward Valuation – A simplified actuarial process that estimates liabilities as of a measurement date by projecting results from a prior full actuarial valuation forward. Rather than collecting new census data and fully re-measuring liabilities, the actuary updates the earlier valuation to reflect expected changes such as the passage of time, benefit payments, and updated plan assets.

Roll-forward valuations are used to reduce the time and cost of performing a full valuation each year while providing a reasonable interim estimate of liabilities. Under a roll-forward, demographic events (such as retirements, deaths, or new entrants) and other plan experience are assumed to occur as expected, rather than being explicitly measured.

Because of these simplifications, a roll-forward valuation is less detailed than a full actuarial valuation and is appropriate only when no material changes to the plan or membership have occurred since the prior valuation. GASB 68 & 75 specifically permits roll-forward valuations for OPEB plans to support consistent annual reporting.

A full actuarial valuation, by contrast, uses current participant data and a complete review of plan provisions and assumptions to recalculate all liabilities and costs, and serves as the foundation for subsequent roll-forward measurements.

Section 115 Trust – An irrevocable trust established under Section 115 of the Internal Revenue Code, which permits state and local government agencies to set aside funds for essential governmental purposes—such as the prefunding of Other Post-Employment Benefits (OPEB) and pension obligations. To qualify for tax-exempt status, the trust must serve a recognized governmental purpose and remain under the substantial control of the sponsoring public agency. Assets held in a Section 115 Trust are legally segregated from the employer’s general funds, may be invested pursuant to the agency’s adopted investment policy, and are restricted to use for the designated governmental purpose. Because the trust is separate from general assets, its balances may be recognized as plan assets for financial reporting under GASB standards.

Select and Ultimate – A type of actuarial assumption that applies varying rates for an initial “select” period, followed by a long-term stable “ultimate” rate.

Sensitivity Analysis – A required GASB disclosure showing how the Net Pension or Net OPEB Liability would change if the discount rate or healthcare cost trend rate (for OPEB plans) were 1% higher or lower.

Service Cost – The portion of the actuarial present value of projected benefits that is assigned to the current valuation year under the actuarial cost method. Service Cost represents the value of benefits earned by active employees during that year. See also: Normal Cost; Actuarial Cost Method.

Total OPEB Liability (TOL) – The total value of all plan benefits attributable to service rendered as of the valuation date for current plan members and vested former members. Equivalent to Actuarial Accrued Liability determined under the Entry Age Normal (percent of pay) funding method. See also: Actuarial Accrued Liability

Total Pension Liability (TPL) – The total value of all plan benefits attributable to service rendered as of the valuation date for current plan members and vested former members. Equivalent to Actuarial Accrued Liability determined under the Entry Age Normal (percent of pay) funding method. See also: Actuarial Accrued Liability



Glossary (Concluded)

Trust – A separate legal entity established to hold assets for the purpose of paying benefits to participants. To qualify as a trust for GASB reporting, assets must be held for the exclusive benefit of plan members and their beneficiaries, be legally protected from the creditors of the employer, and be used solely to provide benefits and related administrative expenses.

Trust Sufficiency Test – See Crossover Test

Underfunded – Underfunded describes a plan whose assets are less than the actuarial present value of accrued or projected benefit obligations at the valuation date, based on the applicable actuarial or accounting measurement basis. Underfunding indicates that the Actuarial Value of Assets (for funding valuations) or the Plan Fiduciary Net Position (for financial reporting) is less than the corresponding liability measure—the Actuarial Accrued Liability (AAL) or the Total Pension or OPEB Liability (TPL/TOL). An underfunded position does not imply insolvency; rather, it represents the portion of benefits earned to date that are not yet covered by current assets and will need to be funded over time through future contributions, investment returns, or both.

Unfunded Actuarial Accrued Liability (UAAL) – On a funding (actuarial) basis, the excess of the Actuarial Accrued Liability (AAL) over the Actuarial Value of Assets (AVA). The UAAL reflects past service costs not yet funded under the adopted funding policy and is commonly amortized over a closed period using level-dollar or level-percent-of-pay methods. UAAL is distinct from the GASB accounting measures Net Pension Liability (NPL) or Net OPEB Liability (NOL), which are defined as Total Liability – Plan Fiduciary Net Position at fair value.

Valuation Date – The date as of which the actuarial valuation is performed. The valuation date may precede the measurement date. See also: Measurement Date

Vesting – Requirements, as defined by the plan, which when met make a benefit nonforfeitable upon separation from service.

