

**To:** Administration & Finance Committee

**Date:** July 30, 2026

**From:** Amber Johnson, Chief Financial Officer

**Reviewed by:** WC.

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**SUBJECT: OPEB Actuarial Valuation and GASB 75 Report for Fiscal Year Ending June 30, 2026**

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**Background:**

The Government Accounting Standards Board (GASB) issued reporting standards that require County Connection to prepare an actuarial valuation of our Other Post-Employment Benefits (OPEB) under GASB Statement No. 75 (GASB 75). The valuation assesses our OPEB liabilities that are recorded in the financial statements along with additional disclosure information as required by GASB 75. An OPEB actuarial valuation is required by GASB to be updated every two years with the last one completed in FY 2024.

**OPEB Valuation Report:**

The OPEB Actuarial Valuation report (Report) attached is for fiscal year ending June 30, 2026 (FY 2026) and will be used as the basis for determining plan contribution levels and the actuarial value of OPEB assets and liabilities for the Authority's financial statements. The Report was prepared by MacLeod Watts Inc., a firm that provides actuarial services for various public entities. A representative from MacLeod Watts will present the report and answer questions from Committee members.

County Connection's Net OPEB Liability (NOL) as of June 30, 2026, is \$1,054,758, a net decrease of \$1,093,140 from the prior measurement. The decrease was primarily the result of favorable plan experience, including lower than anticipated healthcare costs, fewer retirees electing retiree medical benefits than expected, higher employee separations, and changes in healthcare plan enrollment. Together, these factors reduced the projected future cost of benefits and resulted in a significantly lower OPEB liability.

In addition, the Authority's OPEB trust assets increased to \$6.3 million, and the plan's funded ratio improved from 72% to 86%, reflecting the Authority's continued practice of funding its actuarially determined contributions and strengthening the long-term financial position of the retiree medical program.

The Actuarially Determined Contribution (ADC) for FY 2027 is \$444,492. The valuation assumes a portion of this amount would be funded through reimbursements from the OPEB trust. However, County Connection's current practice is to preserve trust assets and not seek reimbursement for eligible retiree healthcare costs. As a result, actual Authority contributions may differ from the ADC level reflected in the valuation.

**Subsequent Events:**

It should also be noted that the Authority adopted revised PEMHCA retiree medical benefit resolutions in July 2025, after the June 30, 2025 measurement date used for this valuation. In accordance with GASB requirements, the impact of these benefit changes is not reflected in the FY 2026 valuation and will instead be recognized in the next valuation cycle. The actuary estimates that these changes will increase the future OPEB liability by approximately \$295,000.

**Financial Implications:**

Based on MacLeod Watts Inc actuarial valuation, the ADC net of implicit subsidy credits for FY 2027 and FY 2028 amounts to \$444,492 and \$456,605, respectively.

**Recommendation:**

Staff recommends that the A&F Committee accept the OPEB Actuarial Valuation and forward to the Board of Directors.

**Attachments:**

Attachment 1: Central Contra Costa Transit Authority Actuarial Valuation of Other Post-Employment Benefit Programs As of June 30, 2025 & GASB 75 Report for the Fiscal Year Ending June 30, 2026

July 30, 2026

Amber Johnson  
CFO  
Central Contra Costa Transit Authority  
2477 Arnold Industrial Way  
Concord, CA 94520

Re: Central Contra Costa Transit Authority Other Post-Employment Benefits  
June 30, 2025, Actuarial Valuation and GASB 75 Report for Fiscal Year Ending June 30, 2026

Dear Ms. Johnson:

We are pleased to enclose our actuarial report providing financial information about the other post-employment benefit (OPEB) liabilities of the Central Contra Costa Transit Authority (the Authority). 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 Authority's financial statements for the fiscal year ending June 30, 2026.
3. Develop Actuarially Determined Contributions for prefunding plan benefits.

The exhibits presented in this report reflect that the Authority is contributing, on average, 100% or more of the Actuarially Determined Contribution each year. We assumed that OPEB trust assets will remain in the PARS Moderately Conservative portfolio. We based the valuation on the employee data, details on plan benefits and retiree benefit payments reported to us by the Authority. Please review our summary of this information to be comfortable that it matches your records.

We appreciate the opportunity to work on this analysis and acknowledge the efforts of Authority 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



*Central Contra Costa Transit Authority*

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

Submitted July 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 Central Contra Costa Transit Authority (the Authority). 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; and 3) develop Actuarially Determined Contribution (ADC) levels for prefunding plan benefits.

A description of the valuation process can be found in the appendices. 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 Authority'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 Authority 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 Authority.

### 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)

**Summary of Results**

The plan's impact on Net Position will be the sum of the 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 Expense for the current fiscal year is shown below.

| <b>Summary of Results for<br/>Fiscal Year Ending June 30, 2026</b> | <b>CCCTA</b>         |
|--------------------------------------------------------------------|----------------------|
| Total OPEB Liability                                               | \$ 7,381,268         |
| Fiduciary Net Position                                             | (6,326,510)          |
| <b>Net OPEB Liability</b>                                          | <b>\$ 1,054,758</b>  |
| <i>Adjustment for Deferred Resources:</i>                          |                      |
| Deferred (Outflows)                                                | (1,072,451)          |
| Deferred Inflows                                                   | 1,900,634            |
| <b>Impact on Statement of Net Position</b>                         | <b>\$ 1,882,941</b>  |
| <br><b>OPEB Expense, FYE 6/30/2026</b>                             | <br><b>\$ 77,251</b> |

A summary of the changes to the Net OPEB Liability that have occurred since the prior measurement date is shown below. A more detailed reconciliation of changes can be found in the Valuation Results section.

| <b>Summary of Changes to<br/>Net OPEB Liability</b> |                     |
|-----------------------------------------------------|---------------------|
| <b>Net OPEB Liability (Asset), FYE 6/30/2025</b>    | \$ 2,147,898        |
| Plan Experience                                     | (910,479)           |
| CCCTA Contributions                                 | (604,692)           |
| Ongoing Plan Operations                             | 428,756             |
| Investment Experience                               | (195,222)           |
| Assumption Changes                                  | 188,497             |
| <b>Total Changes</b>                                | <b>(1,093,140)</b>  |
| <b>Net OPEB Liability (Asset), FYE 6/30/2026</b>    | <b>\$ 1,054,758</b> |

Ongoing plan operations include benefits earned during the year by active employees, interest on plan liabilities, expected return on assets, and administrative expenses.



## **Executive Summary**

### **(Concluded)**

### **OPEB Funding Policy**

The Authority'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 Authority's approval, we used 5.50% 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.

### **Updates Since the Prior Report**

The Authority reported a plan change adopted in July 2025, after the measurement date. For accounting purposes, this change won't be reflected until the fiscal year ending June 30, 2027, and the estimated additional cost that will be reflected is approximately \$295,000. This change was considered for funding purposes in this report and was considered when developing the Actuarially Determined Contributions for the fiscal years ending June 30, 2027, and June 30, 2028. The new benefits are summarized in the Retiree Benefit Provisions section of the report, and a description of the changes can be found in the Changes section of the Actuarial Methods and Assumptions section. The Authority provided an updated census of plan participants which was used in the valuation to determine "plan experience". See the Glossary for a definition of 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. 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.

### **Use and Reliance**

This report is intended to present actuarial information related to other post-employment benefits (OPEB) for the Authority's financial statements in accordance with GASB Statement No. 75. The results and conclusions are appropriate for this purpose but may not be suitable for other uses, as different assumptions, methods, or actuarial standards of practice may be required or more suitable.

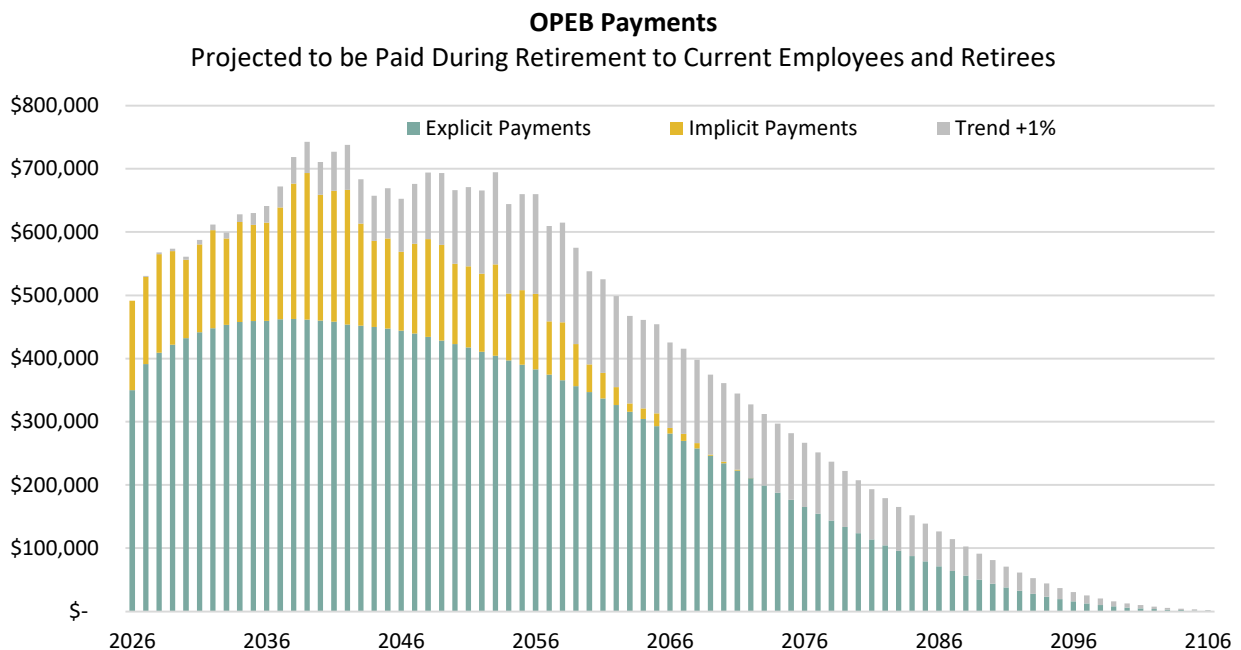
The actuarial valuation reflects plan provisions and related information as provided by the Authority. The Authority is assumed to have access to, and to rely upon, its own legal counsel for advice on legal matters, including the compliance of plan provisions with applicable laws, regulations, Board requirements, or other governing authorities. 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, any financial reporting information herein has been prepared in accordance with our understanding of applicable reporting requirements. The Authority should coordinate with its internal accounting staff and external auditors regarding the application of these results to the Authority's financial statements.



## B. Valuation Results

The Authority'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 Valuation Process described in the appendices. This process uses many assumptions which can be reviewed in the Actuarial Assumptions section of this report. We recommend the Authority 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 Authority 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 Authority (see the chart below).



Explicit payments represent direct payments by the Authority 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 Authority. 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                                        | 5.50%        |              |              | 5.50%        |              |              |
| <b>Number of Covered Employees</b>                   |              |              |              |              |              |              |
| Actives                                              | 200          |              |              | 206          |              |              |
| Retirees                                             | 67           |              |              | 70           |              |              |
| Total Participants                                   | 267          |              |              | 276          |              |              |
| OPEB Subsidy Type                                    | Explicit     | Implicit     | Total        | Explicit     | Implicit     | Total        |
| <b>Actuarial Present Value of Projected Benefits</b> |              |              |              |              |              |              |
| Actives                                              | \$ 4,327,867 | \$ 2,566,052 | \$ 6,893,919 | \$ 4,053,291 | \$ 2,073,002 | \$ 6,126,293 |
| Retirees                                             | 2,920,326    | 25,308       | 2,945,634    | 3,249,480    | 311,282      | 3,560,762    |
| Total APVPB                                          | 7,248,193    | 2,591,360    | 9,839,553    | 7,302,771    | 2,384,284    | 9,687,055    |
| <b>Total OPEB Liability (TOL)</b>                    |              |              |              |              |              |              |
| Actives                                              | 2,970,112    | 1,885,807    | 4,855,920    | 2,553,111    | 1,267,395    | 3,820,506    |
| Retirees                                             | 2,920,326    | 25,308       | 2,945,634    | 3,249,480    | 311,282      | 3,560,762    |
| TOL                                                  | 5,890,439    | 1,911,115    | 7,801,554    | 5,802,591    | 1,578,677    | 7,381,268    |
| Fiduciary Net Position                               |              |              | 5,653,656    |              |              | 6,326,510    |
| <b>Net OPEB Liability</b>                            |              |              | 2,147,898    |              |              | 1,054,758    |
| <b>Service Cost</b>                                  |              |              |              |              |              |              |
| For the period following the measurement date        | 211,024      | 99,166       | 310,190      | 203,913      | 96,885       | 300,798      |

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



## Valuation Results

(Continued)

### Reconciliation

Between the June 30, 2024, and June 30, 2025, measurement dates, the Net OPEB Liability (NOL) decreased by \$1,093,140. This change can be broadly grouped into expected changes and unexpected changes.

- **Expected changes** - The NOL was expected to decrease by \$175,936 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. Although the Authority reported a plan change since the prior valuation, it was adopted July 17, 2025, and won't be reflected in the NOL until the fiscal year ending June 30, 2027.
  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 \$910,479.
  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 \$188,497. 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 \$195,222.

The reconciliation chart appears on the following page.



**Valuation Results****(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<br>During Measurement Period                               | Total<br>OPEB<br>Liability<br>(a) | Fiduciary<br>Net<br>Position<br>(b) | Net<br>OPEB<br>Liability<br>(c) = (a) - (b) |
|--------------------------------------------------------------------------------------|-----------------------------------|-------------------------------------|---------------------------------------------|
| <b>Balance at Fiscal Year Ending 6/30/2025</b><br><i>Measurement Date 6/30/2024</i>  | \$ 7,801,554                      | \$ 5,653,656                        | \$ 2,147,898                                |
| <b>Expected Changes During the Period:</b>                                           |                                   |                                     |                                             |
| Service Cost                                                                         | 310,190                           |                                     | 310,190                                     |
| Interest Cost                                                                        | 433,978                           |                                     | 433,978                                     |
| Expected Investment Income                                                           |                                   | 315,412                             | (315,412)                                   |
| CCCTA Contributions                                                                  |                                   | 604,692                             | (604,692)                                   |
| Benefit Payments                                                                     | (442,472)                         | (442,472)                           | -                                           |
| <b>Total Expected Changes During the Period</b>                                      | 301,696                           | 477,632                             | (175,936)                                   |
| <b>Expected at Fiscal Year Ending 6/30/2026</b><br><i>Measurement Date 6/30/2025</i> | \$ 8,103,250                      | \$ 6,131,288                        | \$ 1,971,962                                |
| <b>Unexpected Changes During the Period:</b>                                         |                                   |                                     |                                             |
| Change Due to Investment Experience                                                  |                                   | 195,222                             | (195,222)                                   |
| <i>Plan Experience:</i>                                                              |                                   |                                     |                                             |
| Premiums and Estimated Claims Other Than Expected                                    | (298,134)                         |                                     |                                             |
| Termination and Retirement Rates Other Than Expected                                 | (491,327)                         |                                     |                                             |
| 2 Known Retirements After Valuation Date                                             | 38,315                            |                                     |                                             |
| Enrollment Changes                                                                   | (193,344)                         |                                     |                                             |
| Retiree Retention and Mortality Rates Other Than Expected                            | 36,711                            |                                     |                                             |
| New Employees Added                                                                  | 40,684                            |                                     |                                             |
| Other Plan Experience                                                                | (43,384)                          |                                     |                                             |
| Change Due to Plan Experience                                                        |                                   |                                     | (910,479)                                   |
| <i>Assumption Changes:</i>                                                           |                                   |                                     |                                             |
| Change in Healthcare Trend                                                           | 18,450                            |                                     |                                             |
| Updated Demographic Assumptions                                                      | 170,047                           |                                     |                                             |
| Change Due to Assumption Changes                                                     |                                   |                                     | 188,497                                     |
| <b>Total Unexpected Changes During the Period</b>                                    | (721,982)                         | 195,222                             | (917,204)                                   |
| <b>Balance at Fiscal Year Ending 6/30/2026</b><br><i>Measurement Date 6/30/2025</i>  | \$ 7,381,268                      | \$ 6,326,510                        | \$ 1,054,758                                |



**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**

*Measurement Date is June 30, 2025*

**CCCTA**

**Items Included in Net Position:**

|                            |              |
|----------------------------|--------------|
| Total OPEB Liability       | \$ 7,381,268 |
| Fiduciary Net Position     | (6,326,510)  |
| Net OPEB Liability (Asset) | 1,054,758    |

**Deferred items affecting Net Position:**

|                        |           |
|------------------------|-----------|
| Deferred Outflows      | (451,089) |
| Deferred Inflows       | 1,900,634 |
| Deferred Contributions | (621,362) |

**Impact on Statement of Net Position, FYE 6/30/2026** **\$ 1,882,941**

**Items Included in OPEB Expense:**

|                             |            |
|-----------------------------|------------|
| Service Cost                | \$ 310,190 |
| Interest Cost               | 433,978    |
| Expected Earnings on Assets | (315,412)  |

**Ongoing financial cost of the plan** **\$ 428,756**

Represents the recurring components of OPEB expense for the measurement period, before plan changes and deferred recognition.

**Adjustments to arrive at OPEB Expense:**

|                                     |           |
|-------------------------------------|-----------|
| Recognition of Cost of Plan Changes | -         |
| Recognition of Deferred Outflows    | 298,259   |
| Recognition of Deferred Inflows     | (649,764) |

**OPEB Expense, FYE 6/30/2026** **\$ 77,251**



## 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<br><i>Measurement Date</i> | 6/30/2025<br><i>6/30/2024</i> | 6/30/2026<br><i>6/30/2025</i> | Change<br>During<br>Period |
|-------------------------------------------------------------|-------------------------------|-------------------------------|----------------------------|
| Total OPEB Liability                                        | \$ 7,801,554                  | \$ 7,381,268                  | \$ (420,286)               |
| Fiduciary Net Position                                      | (5,653,656)                   | (6,326,510)                   | (672,854)                  |
| Net OPEB Liability (Asset)                                  | 2,147,898                     | 1,054,758                     | (1,093,140)                |
| <i>Deferred (Outflows) Due to:</i>                          |                               |                               |                            |
| Assumption Changes                                          | (189,440)                     | (257,985)                     | (68,545)                   |
| Plan Experience                                             | -                             | -                             | -                          |
| Investment Experience                                       | (371,411)                     | (193,104)                     | 178,307                    |
| Deferred Contributions                                      | (604,692)                     | (621,362)                     | (16,670)                   |
| <i>Deferred Inflows Due to:</i>                             |                               |                               |                            |
| Assumption Changes                                          | 1,043,843                     | 855,888                       | (187,955)                  |
| Plan Experience                                             | 275,269                       | 833,924                       | 558,655                    |
| Investment Experience                                       | 125,585                       | 210,822                       | 85,237                     |
| Impact on Statement of Net Position                         | <u>\$ 2,427,052</u>           | <u>\$ 1,882,941</u>           | <u>\$ (544,111)</u>        |

### Change in Net Position During the Fiscal Year

|                                                    |                     |
|----------------------------------------------------|---------------------|
| Impact on Statement of Net Position, FYE 6/30/2025 | \$ 2,427,052        |
| OPEB Expense                                       | 77,251              |
| CCCTA Contributions During Fiscal Year             | (621,362)           |
| Impact on Statement of Net Position, FYE 6/30/2026 | <u>\$ 1,882,941</u> |

### OPEB Expense

|                                             |                  |
|---------------------------------------------|------------------|
| CCCTA Contributions During Fiscal Year      | \$ 621,362       |
| Deterioration (Improvement) in Net Position | (544,111)        |
| OPEB Expense, FYE 6/30/2026                 | <u>\$ 77,251</u> |



## Accounting Information

(Continued)

### Change in Fiduciary Net Position During the Measurement Period

|                                                               |                     |
|---------------------------------------------------------------|---------------------|
| <b>Fiduciary Net Position at Fiscal Year Ending 6/30/2025</b> | <b>\$ 5,653,656</b> |
| <i>Measurement Date 6/30/2024</i>                             |                     |
| <b>Changes During the Period:</b>                             |                     |
| Investment Income                                             | 510,634             |
| CCCTA Contributions                                           | 604,692             |
| Benefit Payments                                              | (442,472)           |
| <b>Net Changes During the Period</b>                          | <b>672,854</b>      |
| <b>Fiduciary Net Position at Fiscal Year Ending 6/30/2026</b> | <b>\$ 6,326,510</b> |
| <i>Measurement Date 6/30/2025</i>                             |                     |

### Expected Long-term Return on Trust Assets

PARS last updated their projected future investment returns in July 2025. The expected return was determined for each major asset class. The target allocation and best estimates of geometric returns for each major class are summarized in this table.

| PARS Portfolio          | PARS<br>Moderately<br>Conservative | Expected Returns |               |
|-------------------------|------------------------------------|------------------|---------------|
|                         |                                    | Years<br>1-5     | Years<br>1-30 |
| US Large Cap Equity     | 17.1%                              | 7.0%             | 7.2%          |
| US Small Cap Equity     | 0.9%                               | 7.9%             | 7.9%          |
| Int'l. Developed Equity | 6.8%                               | 6.9%             | 6.9%          |
| Emerging Markets Equity | 2.3%                               | 7.4%             | 7.4%          |
| REITs                   | 1.5%                               | 7.2%             | 7.0%          |
| Listed Infrastructure   | 1.5%                               | 6.8%             | 7.4%          |
| Core Bonds              | 63.0%                              | 4.5%             | 5.0%          |
| High Yield              | 5.0%                               | 6.0%             | 6.1%          |
| Cash                    | 2.0%                               | 3.3%             | 2.9%          |

To derive the expected future trust return specifically for the Authority, we first analyzed the returns, risk, and correlations of each major asset class to produce the portfolio's long-term expected geometric rate of return over a 5-year and 30-year horizon. We then adjusted PARS' future return expectations to align with the 2.50% general inflation assumption used in this report and deducted n/a to account for investment expenses not incorporated in the published returns. Then applying the plan specific benefit payments (as determined from the June 30, 2025, valuation) to PARS' bifurcated return expectations, we determined the single equivalent long-term rate of return to be 5.50%.



**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 6.92 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. Details of deferred resources used in the current fiscal year are presented in the Schedule of Deferred Resources.

| Central Contra Costa Transit Authority                                 | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|------------------------------------------------------------------------|-----------------------------------|----------------------------------|
| Changes of Assumptions                                                 | \$ 257,985                        | \$ 855,888                       |
| Differences Between Expected<br>and Actual Experience                  | -                                 | 833,924                          |
| Net Difference Between Projected and<br>Actual Earnings on Investments | -                                 | 17,718                           |
| Deferred Contributions                                                 | 621,362                           | -                                |
| <b>Total</b>                                                           | <b>\$ 879,347</b>                 | <b>\$ 1,707,530</b>              |

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

| For the<br>Fiscal Year<br>Ending<br>June 30 | Recognized<br>Net Deferred<br>Outflows (Inflows)<br>of Resources |
|---------------------------------------------|------------------------------------------------------------------|
| 2027                                        | \$ (138,567)                                                     |
| 2028                                        | (319,553)                                                        |
| 2029                                        | (352,538)                                                        |
| 2030                                        | (334,326)                                                        |
| 2031                                        | (203,012)                                                        |
| Thereafter                                  | (101,549)                                                        |



**Accounting Information**

(Continued)

**Sensitivity of Liabilities**

The discount rate used for accounting purposes for the fiscal year ending June 30, 2026, is 5.50%. Future healthcare cost increases (i.e., healthcare trend rate) were assumed to start at 6.5% (increase effective January 1, 2027) and grade down to 3.9% for years 2075 and later. The impact of a 1% increase or decrease in these assumptions is shown in the chart below.

| Sensitivity to:                         |                       |                  |                       |
|-----------------------------------------|-----------------------|------------------|-----------------------|
| Change in<br>Discount Rate              | Current - 1%<br>4.50% | Current<br>5.50% | Current + 1%<br>6.50% |
| <b>Total OPEB Liability</b>             | 8,141,920             | 7,381,268        | 6,732,829             |
| Increase (Decrease)                     | 760,652               |                  | (648,439)             |
| % Increase (Decrease)                   | 10.3%                 |                  | -8.8%                 |
| <b>Net OPEB Liability (Asset)</b>       | 1,815,410             | 1,054,758        | 406,319               |
| Increase (Decrease)                     | 760,652               |                  | (648,439)             |
| % Increase (Decrease)                   | 72.1%                 |                  | -61.5%                |
| Change in<br>Healthcare Cost Trend Rate | Current Trend<br>- 1% | Current<br>Trend | Current Trend<br>+ 1% |
| <b>Total OPEB Liability</b>             | 6,971,603             | 7,381,268        | 7,953,735             |
| Increase (Decrease)                     | (409,665)             |                  | 572,467               |
| % Increase (Decrease)                   | -5.6%                 |                  | 7.8%                  |
| <b>Net OPEB Liability (Asset)</b>       | 645,093               | 1,054,758        | 1,627,225             |
| Increase (Decrease)                     | (409,665)             |                  | 572,467               |
| % Increase (Decrease)                   | -38.8%                |                  | 54.3%                 |



**Accounting Information**  
(Continued)**Schedule of Changes in the Net OPEB Liability**

| <b>Fiscal Year Ending</b>                                             | <b>2026</b>   | <b>2025</b>   | <b>2024</b>   | <b>2023</b>   | <b>2022</b>   | <b>2021</b>   | <b>2020</b>   | <b>2019</b>   | <b>2018</b>   |
|-----------------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Total OPEB Liability</b>                                           |               |               |               |               |               |               |               |               |               |
| Service Cost                                                          | \$ 310,190    | \$ 348,618    | \$ 323,596    | \$ 314,171    | \$ 328,799    | \$ 318,449    | \$ 331,211    | \$ 320,785    | \$ 350,850    |
| Interest Cost                                                         | 433,978       | 387,989       | 406,796       | 390,857       | 390,119       | 369,885       | 406,509       | 385,114       | 482,126       |
| Cost of Plan Changes                                                  | -             | -             | -             | -             | -             | -             | -             | -             | -             |
| Differences between expected and actual experience                    | (910,479)     | -             | (21,120)      | -             | (184,833)     | -             | (1,357,116)   | -             | (1,408,629)   |
| Changes of assumptions                                                | 188,497       | (655,123)     | (671,836)     | -             | 417,022       | -             | 205,894       | -             | (994,873)     |
| Benefit payments                                                      | (442,472)     | (372,774)     | (370,232)     | (387,567)     | (327,048)     | (276,823)     | (306,893)     | (286,733)     | (316,489)     |
| <b>Change in total OPEB liability</b>                                 | (420,286)     | (291,290)     | (332,796)     | 317,461       | 624,059       | 411,511       | (720,395)     | 419,166       | (1,887,015)   |
| <b>Total OPEB liability - beginning</b>                               | 7,801,554     | 8,092,844     | 8,425,640     | 8,108,179     | 7,484,120     | 7,072,609     | 7,793,004     | 7,373,838     | 9,260,853     |
| <b>Total OPEB liability - ending</b>                                  | \$ 7,381,268  | \$ 7,801,554  | \$ 8,092,844  | \$ 8,425,640  | \$ 8,108,179  | \$ 7,484,120  | \$ 7,072,609  | \$ 7,793,004  | \$ 7,373,838  |
| <b>Fiduciary Net Position</b>                                         |               |               |               |               |               |               |               |               |               |
| Contributions - employer                                              | \$ 604,692    | \$ 588,070    | \$ 532,189    | \$ 563,588    | \$ 546,415    | \$ 529,577    | \$ 606,839    | \$ 588,345    | \$ 748,139    |
| Net investment income                                                 | 510,634       | 335,947       | 157,059       | (567,544)     | 496,621       | 215,875       | 224,930       | 78,988        | 111,685       |
| Benefit payments                                                      | (442,472)     | (372,774)     | (370,232)     | (387,567)     | (327,048)     | (276,823)     | (306,893)     | (286,733)     | (316,489)     |
| <b>Change in fiduciary net position</b>                               | 672,854       | 551,243       | 319,016       | (391,523)     | 715,988       | 468,629       | 524,876       | 380,600       | 543,335       |
| <b>Fiduciary net position - beginning</b>                             | 5,653,656     | 5,102,413     | 4,783,397     | 5,174,920     | 4,458,932     | 3,990,303     | 3,465,427     | 3,084,827     | 2,541,492     |
| <b>Fiduciary net position - ending</b>                                | \$ 6,326,510  | \$ 5,653,656  | \$ 5,102,413  | \$ 4,783,397  | \$ 5,174,920  | \$ 4,458,932  | \$ 3,990,303  | \$ 3,465,427  | \$ 3,084,827  |
| <b>Net OPEB liability - ending</b>                                    | \$ 1,054,758  | \$ 2,147,898  | \$ 2,990,431  | \$ 3,642,243  | \$ 2,933,259  | \$ 3,025,188  | \$ 3,082,306  | \$ 4,327,577  | \$ 4,289,011  |
| <b>Covered-employee payroll</b>                                       | \$ 17,414,122 | \$ 16,804,066 | \$ 15,867,493 | \$ 15,287,627 | \$ 14,326,765 | \$ 15,543,046 | \$ 15,503,972 | \$ 14,836,604 | \$ 12,531,658 |
| <b>Net OPEB liability as a percentage of covered-employee payroll</b> | 6.06%         | 12.78%        | 18.85%        | 23.82%        | 20.47%        | 19.46%        | 19.88%        | 29.17%        | 34.23%        |



Accounting Information  
(Continued)

Notes to the Schedule of Changes in the Net OPEB Liability

| Used in Development of the NOL<br>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    | 7/1/2017     | 7/1/2017     |
| Discount rate                                                | 5.50%        | 5.50%        | 4.70%        | 4.75%        | 4.75%        | 5.10%        | 5.10%        | 5.10%        | 5.10%        |
| Investment rate of return                                    | 5.50%        | 5.50%        | 4.70%        | 4.75%        | 4.75%        | 5.10%        | 5.10%        | 5.10%        | 5.10%        |
| 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 | 6.5% in 2025 | 6.5% in 2025 | 5.8% in 2023 | 5.8% in 2023 | 6.5% in 2021 | 6.5% in 2021 | 7.5% in 2019 | 7.5% in 2019 |
|                                                              | 3.9% by 2075 | 3.9% by 2075 | 3.9% by 2075 | 3.9% by 2076 | 3.9% by 2076 | 5% by 2024   | 5% by 2024   | 5% by 2024   | 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 | 2017 CalPERS | 2017 CalPERS | 2017 CalPERS | 2017 CalPERS | 2014 CalPERS | 2014 CalPERS |
| Mortality Improvement                                        | MacLeod      | MacLeod      | MacLeod      | MacLeod      | MacLeod      | MacLeod      | MacLeod      | MacLeod      | MacLeod      |
|                                                              | Watts 2022   | Watts 2022   | Watts 2022   | Watts 2022   | Watts 2022   | Watts 2018   | Watts 2018   | Watts 2017   | Watts 2017   |



Accounting Information  
(Continued)

Schedule of Contributions

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

| Fiscal Year Ending                                        | 2026 |            | 2025 |            | 2024 |            | 2023 |            | 2022 |            | 2021 |            | 2020 |            | 2019 |            | 2018 |            |
|-----------------------------------------------------------|------|------------|------|------------|------|------------|------|------------|------|------------|------|------------|------|------------|------|------------|------|------------|
| Actuarially Determined Contribution (ADC)                 | \$   | 621,288    | \$   | 603,192    | \$   | 585,624    | \$   | 530,899    | \$   | 561,678    | \$   | 545,410    | \$   | 529,577    | \$   | 606,839    | \$   | 588,345    |
| Contributions in relation to the ADC                      |      | 621,362    |      | 604,692    |      | 588,070    |      | 532,189    |      | 563,588    |      | 546,415    |      | 529,577    |      | 606,839    |      | 588,345    |
| Contribution deficiency (excess)                          | \$   | (74)       | \$   | (1,500)    | \$   | (2,446)    | \$   | (1,290)    | \$   | (1,910)    | \$   | (1,005)    | \$   | -          | \$   | -          | \$   | -          |
| Covered-employee payroll                                  | \$   | 18,809,069 | \$   | 17,414,122 | \$   | 16,804,066 | \$   | 15,867,493 | \$   | 15,287,627 | \$   | 14,326,765 | \$   | 15,543,046 | \$   | 15,503,972 | \$   | 14,836,604 |
| Contributions as a percentage of covered-employee payroll |      | 3.30%      |      | 3.47%      |      | 3.50%      |      | 3.35%      |      | 3.69%      |      | 3.81%      |      | 3.41%      |      | 3.91%      |      | 3.97%      |

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                    | 6/30/2019                  | 6/30/2019                  | 6/30/2019                  | 7/1/2017                   | 7/1/2017                   |
| Discount rate/Trust return  | 4.70%                        | 4.70%                        | 4.70%                        | 4.75%                        | 5.10%                      | 5.10%                      | 5.10%                      | 5.10%                      | 5.10%                      |
| Inflation                   | 2.50%                        | 2.50%                        | 2.50%                        | 2.50%                        | 2.75%                      | 2.75%                      | 2.75%                      | 2.75%                      | 2.75%                      |
| Salary increases            | 3.00%                        | 3.00%                        | 3.00%                        | 3.00%                        | 3.25%                      | 3.25%                      | 3.25%                      | 3.25%                      | 3.25%                      |
| Healthcare cost trend rates | 6.5% in 2025<br>3.9% by 2075 | 6.5% in 2025<br>3.9% by 2075 | 6.5% in 2025<br>3.9% by 2075 | 5.8% in 2023<br>3.9% by 2076 | 6.5% in 2021<br>5% by 2024 | 6.5% in 2021<br>5% by 2024 | 6.5% in 2021<br>5% by 2024 | 7.5% in 2019<br>5% by 2024 | 7.5% in 2019<br>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                   | 2021 CalPERS                 | 2021 CalPERS                 | 2021 CalPERS                 | 2017 CalPERS                 | 2017 CalPERS               | 2017 CalPERS               | 2017 CalPERS               | 2014 CalPERS               | 2014 CalPERS               |
| Mortality Improvement       | MacLeod<br>Watts 2022        | MacLeod<br>Watts 2022        | MacLeod<br>Watts 2022        | MacLeod<br>Watts 2022        | MacLeod<br>Watts 2018      | MacLeod<br>Watts 2018      | MacLeod<br>Watts 2018      | MacLeod<br>Watts 2017      | MacLeod<br>Watts 2017      |
| Amortization method         | Level % of Pay               | Level % of Pay               | Level % of Pay               | Level % of Pay               | Level % of Pay             | Level % of Pay             | Level % of Pay             | Level % of Pay             | Level % of Pay             |
| Amortization period         | 14 years                     | 15 years                     | 16 years                     | 17 years                     | 18 years                   | 19 years                   | 20 years                   | 21 years                   | 22 years                   |
| Actuarial cost method       | Entry Age<br>Normal          | Entry Age<br>Normal          | Entry Age<br>Normal          | Entry Age<br>Normal          | Entry Age<br>Normal        | Entry Age<br>Normal        | Entry Age<br>Normal        | Entry Age<br>Normal        | Entry Age<br>Normal        |
| 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**

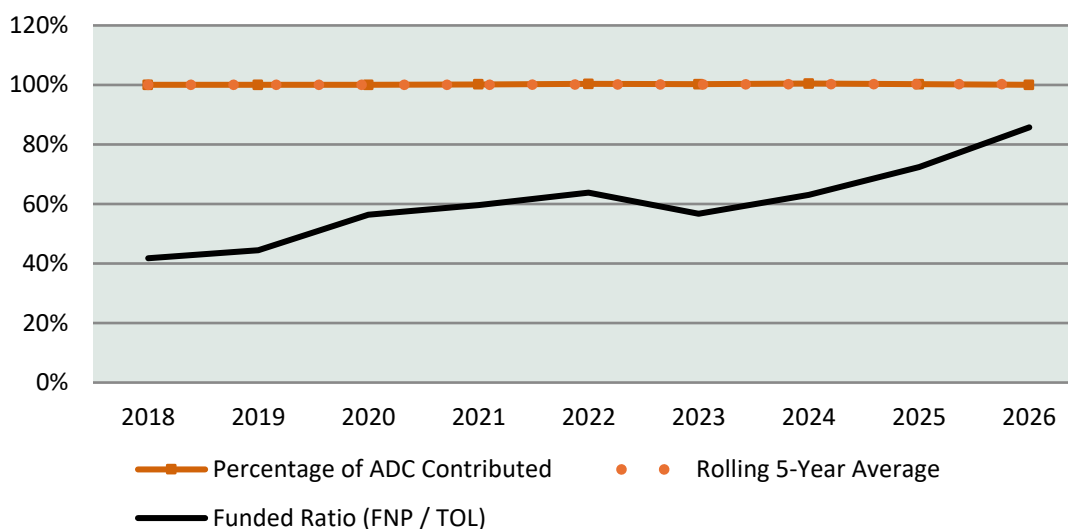
The Authority's contribution history and progress in funding is shown below. This chart itself is not a required disclosure but may assist the Authority in monitoring plan funding. The measures shown include:

- *Contribution Percentage:* Annual percentage of Actuarially Determined Contributions contributed by the Authority.
- *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) | Contribution | Percentage of ADC Contributed | Rolling 5-Year Average | Total OPEB Liability (TOL)    | Fiduciary Net Position (FNP) | Net OPEB Liability (Asset) | Funded Ratio (FNP / TOL) |
| 2018               | 588,345                                   | 588,345      | 100%                          | 100%                   | 7,373,838                     | 3,084,827                    | 4,289,011                  | 42%                      |
| 2019               | 606,839                                   | 606,839      | 100%                          | 100%                   | 7,793,004                     | 3,465,427                    | 4,327,577                  | 44%                      |
| 2020               | 529,577                                   | 529,577      | 100%                          | 100%                   | 7,072,609                     | 3,990,303                    | 3,082,306                  | 56%                      |
| 2021               | 545,410                                   | 546,415      | 100%                          | 100%                   | 7,484,120                     | 4,458,932                    | 3,025,188                  | 60%                      |
| 2022               | 561,678                                   | 563,588      | 100%                          | 100%                   | 8,108,179                     | 5,174,920                    | 2,933,259                  | 64%                      |
| 2023               | 530,899                                   | 532,189      | 100%                          | 100%                   | 8,425,640                     | 4,783,397                    | 3,642,243                  | 57%                      |
| 2024               | 585,624                                   | 588,070      | 100%                          | 100%                   | 8,092,844                     | 5,102,413                    | 2,990,431                  | 63%                      |
| 2025               | 603,192                                   | 604,692      | 100%                          | 100%                   | 7,801,554                     | 5,653,656                    | 2,147,898                  | 72%                      |
| 2026               | 621,288                                   | 621,362      | 100%                          | 100%                   | 7,381,268                     | 6,326,510                    | 1,054,758                  | 86%                      |

**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.

| Central Contra Costa Transit Authority                                       | Total<br>OPEB<br>Liability<br>(a) | Fiduciary<br>Net<br>Position<br>(b) | Net<br>OPEB<br>Liability<br>(c) = (a) - (b) | (d) Deferred Outflows: |                    |                          |                           | (e) Deferred Inflows: |                    |                          | Impact on<br>Statement of<br>Net Position<br>(f) = (c) - (d) + (e) |
|------------------------------------------------------------------------------|-----------------------------------|-------------------------------------|---------------------------------------------|------------------------|--------------------|--------------------------|---------------------------|-----------------------|--------------------|--------------------------|--------------------------------------------------------------------|
|                                                                              |                                   |                                     |                                             | Assumption<br>Changes  | Plan<br>Experience | Investment<br>Experience | Deferred<br>Contributions | Assumption<br>Changes | Plan<br>Experience | Investment<br>Experience |                                                                    |
| Balance at Fiscal Year Ending 6/30/2025<br><i>Measurement Date 6/30/2024</i> | \$ 7,801,554                      | \$ 5,653,656                        | \$ 2,147,898                                | \$ 189,440             | \$ -               | \$ 371,411               | \$ 604,692                | \$ 1,043,843          | \$ 275,269         | \$ 125,585               | \$ 2,427,052                                                       |
| Changes During the Period:                                                   |                                   |                                     |                                             |                        |                    |                          |                           |                       |                    |                          |                                                                    |
| Service Cost                                                                 | 310,190                           |                                     | 310,190                                     |                        |                    |                          |                           |                       |                    |                          | 310,190                                                            |
| Interest Cost                                                                | 433,978                           |                                     | 433,978                                     |                        |                    |                          |                           |                       |                    |                          | 433,978                                                            |
| Expected Investment Income                                                   |                                   | 315,412                             | (315,412)                                   |                        |                    |                          |                           |                       |                    |                          | (315,412)                                                          |
| CCCTA Contributions                                                          |                                   | 604,692                             | (604,692)                                   |                        |                    |                          |                           |                       |                    |                          | (604,692)                                                          |
| Cost of Plan Changes                                                         | -                                 |                                     | -                                           |                        |                    |                          |                           |                       |                    |                          | -                                                                  |
| Benefit Payments                                                             | (442,472)                         | (442,472)                           | -                                           |                        |                    |                          |                           |                       |                    |                          | -                                                                  |
| Assumption Changes                                                           | 188,497                           |                                     | 188,497                                     | 188,497                |                    |                          |                           |                       |                    |                          | -                                                                  |
| Plan Experience                                                              | (910,479)                         |                                     | (910,479)                                   |                        |                    |                          |                           |                       | 910,479            |                          | -                                                                  |
| Investment Experience                                                        |                                   | 195,222                             | (195,222)                                   |                        |                    |                          |                           |                       |                    | 195,222                  | -                                                                  |
| Recognized Deferred Resources                                                |                                   |                                     |                                             | (119,952)              | -                  | (178,307)                | (604,692)                 | (187,955)             | (351,824)          | (109,985)                | 253,187                                                            |
| Contributions After Measurement Date                                         |                                   |                                     |                                             |                        |                    |                          | 621,362                   |                       |                    |                          | (621,362)                                                          |
| Net Changes in Fiscal Year 2025-2026                                         | (420,286)                         | 672,854                             | (1,093,140)                                 | 68,545                 | -                  | (178,307)                | 16,670                    | (187,955)             | 558,655            | 85,237                   | (544,111)                                                          |
| Balance at Fiscal Year Ending 6/30/2026<br><i>Measurement Date 6/30/2025</i> | \$ 7,381,268                      | \$ 6,326,510                        | \$ 1,054,758                                | \$ 257,985             | \$ -               | \$ 193,104               | \$ 621,362                | \$ 855,888            | \$ 833,924         | \$ 210,822               | \$ 1,882,941                                                       |



Accounting Information  
(Continued)

Schedule of Deferred Resources

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

| Deferred Outflow or (Inflow) |                 |                   |                 |                       | Balance<br>as of<br>Jun 30, 2025 | Scheduled Recognition in Expense |                       |                       |                       |                       |                       |            |
|------------------------------|-----------------|-------------------|-----------------|-----------------------|----------------------------------|----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|------------|
| Source                       | Date<br>Created | Initial<br>Amount | Period<br>(Yrs) | Annual<br>Recognition |                                  | 2024-25<br>(FYE 2026)            | 2025-26<br>(FYE 2027) | 2026-27<br>(FYE 2028) | 2027-28<br>(FYE 2029) | 2028-29<br>(FYE 2030) | 2029-30<br>(FYE 2031) | Thereafter |
| Assumption<br>Changes        | 6/30/2019       | 205,894           | 6.97            | 29,540                | -                                | 28,654                           | -                     | -                     | -                     | -                     | -                     | -          |
|                              | 6/30/2021       | 417,022           | 6.51            | 64,059                | 96,727                           | 64,059                           | 64,059                | 32,668                | -                     | -                     | -                     | -          |
|                              | 6/30/2023       | (671,836)         | 7.06            | (95,161)              | (386,353)                        | (95,161)                         | (95,161)              | (95,161)              | (95,161)              | (95,161)              | (5,709)               | -          |
|                              | 6/30/2024       | (655,123)         | 7.06            | (92,794)              | (469,535)                        | (92,794)                         | (92,794)              | (92,794)              | (92,794)              | (92,794)              | (92,794)              | (5,565)    |
|                              | 6/30/2025       | 188,497           | 6.92            | 27,239                | 161,258                          | 27,239                           | 27,239                | 27,239                | 27,239                | 27,239                | 27,239                | 25,063     |
| Investment<br>Earnings       | 6/30/2021       | (263,622)         | 5.00            | (52,724)              | -                                | (52,726)                         | -                     | -                     | -                     | -                     | -                     | -          |
|                              | 6/30/2022       | 817,533           | 5.00            | 163,507               | 163,505                          | 163,507                          | 163,505               | -                     | -                     | -                     | -                     | -          |
|                              | 6/30/2023       | 73,999            | 5.00            | 14,800                | 29,599                           | 14,800                           | 14,800                | 14,799                | -                     | -                     | -                     | -          |
|                              | 6/30/2024       | (91,074)          | 5.00            | (18,215)              | (54,644)                         | (18,215)                         | (18,215)              | (18,215)              | (18,214)              | -                     | -                     | -          |
|                              | 6/30/2025       | (195,222)         | 5.00            | (39,044)              | (156,178)                        | (39,044)                         | (39,044)              | (39,044)              | (39,044)              | (39,046)              | -                     | -          |
| Plan<br>Experience           | 6/30/2019       | (1,357,116)       | 6.97            | (194,708)             | -                                | (188,868)                        | -                     | -                     | -                     | -                     | -                     | -          |
|                              | 6/30/2021       | (184,833)         | 6.51            | (28,392)              | (42,873)                         | (28,392)                         | (28,392)              | (14,481)              | -                     | -                     | -                     | -          |
|                              | 6/30/2023       | (21,120)          | 7.06            | (2,992)               | (12,144)                         | (2,992)                          | (2,992)               | (2,992)               | (2,992)               | (2,992)               | (176)                 | -          |
|                              | 6/30/2025       | (910,479)         | 6.92            | (131,572)             | (778,907)                        | (131,572)                        | (131,572)             | (131,572)             | (131,572)             | (131,572)             | (131,572)             | (121,047)  |



**Accounting Information**

(Continued)

**Contributions to the Plan**

Authority 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.

Authority contributions during the measurement period are shown below.

| <b>For the Measurement Period,<br/>Jul 1, 2024 through Jun 30, 2025</b> |  | <b>CCCTA</b> |
|-------------------------------------------------------------------------|--|--------------|
| <b>CCCTA</b>                                                            |  |              |
| (a) Contribution To PARS                                                |  | \$ 162,220   |
| (b) Benefits Paid Directly To or On Behalf of Retirees                  |  | 313,198      |
| (c) Implicit Subsidy Payment                                            |  | 129,274      |
| <b>PARS</b>                                                             |  |              |
| (d) Benefits Paid Directly To or On Behalf of Retirees                  |  | -            |
| (e) Reimbursements to CCCTA                                             |  | -            |
| <i>Total Benefits Paid During the MP, (b)+(c)+(d)</i>                   |  | 442,472      |
| <i>CCCTA Contribution During the MP, (a)+(b)+(c)-(e)</i>                |  | 604,692      |

Authority contributions during the fiscal year are shown below.

| <b>For the Fiscal Year,<br/>Jul 1, 2025 through Jun 30, 2026</b> |  | <b>CCCTA</b> |
|------------------------------------------------------------------|--|--------------|
| <b>CCCTA</b>                                                     |  |              |
| (f) Contribution To PARS                                         |  | \$ 129,908   |
| (g) Benefits Paid Directly To or On Behalf of Retirees           |  | 350,064      |
| (h) Implicit Subsidy Payment                                     |  | 141,390      |
| <b>PARS</b>                                                      |  |              |
| (i) Benefits Paid Directly To or On Behalf of Retirees           |  | -            |
| (j) Reimbursements to CCCTA                                      |  | -            |
| <i>Total Benefits Paid During the Current FY, (g)+(h)+(i)</i>    |  | 491,454      |
| <i>CCCTA Contribution During the Current FY, (f)+(g)+(h)-(j)</i> |  | 621,362      |



**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 Authority. 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).

| Fiscal Year<br>Ending<br>June 30 | Explicit Subsidy    |                    |           | Implicit Subsidy    |                    |           | Total      |
|----------------------------------|---------------------|--------------------|-----------|---------------------|--------------------|-----------|------------|
|                                  | Current<br>Retirees | Future<br>Retirees | Total     | Current<br>Retirees | Future<br>Retirees | Total     |            |
| 2026                             | \$350,064           | \$ -               | \$350,064 | \$141,390           | \$ -               | \$141,390 | \$ 491,454 |
| 2027                             | 324,792             | 66,512             | 391,304   | 78,988              | 58,883             | 137,871   | 529,175    |
| 2028                             | 314,744             | 94,359             | 409,103   | 66,818              | 88,812             | 155,630   | 564,733    |
| 2029                             | 304,277             | 117,456            | 421,733   | 49,855              | 98,128             | 147,983   | 569,716    |
| 2030                             | 291,816             | 140,414            | 432,230   | 18,001              | 106,021            | 124,022   | 556,252    |
| 2031                             | 280,474             | 161,117            | 441,591   | 20,836              | 118,307            | 139,143   | 580,734    |
| 2032                             | 268,754             | 179,190            | 447,944   | 24,001              | 131,181            | 155,182   | 603,126    |
| 2033                             | 256,713             | 196,600            | 453,313   | 12,559              | 123,993            | 136,552   | 589,865    |
| 2034                             | 244,325             | 213,482            | 457,807   | 14,361              | 143,754            | 158,115   | 615,922    |
| 2035                             | 231,549             | 227,493            | 459,042   | -                   | 152,505            | 152,505   | 611,547    |
| 2036                             | 218,437             | 241,245            | 459,682   | -                   | 155,346            | 155,346   | 615,028    |
| 2037                             | 206,865             | 255,190            | 462,055   | -                   | 176,949            | 176,949   | 639,004    |
| 2038                             | 195,178             | 267,334            | 462,512   | -                   | 214,097            | 214,097   | 676,609    |
| 2039                             | 183,631             | 278,073            | 461,704   | -                   | 231,559            | 231,559   | 693,263    |
| 2040                             | 172,058             | 288,282            | 460,340   | -                   | 198,652            | 198,652   | 658,992    |

The amounts shown in the explicit subsidy columns reflect the expected payment by the Authority toward retiree benefits in each of the years shown. The amounts shown in the implicit subsidy columns reflect the estimated excess of retiree 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**

| <b>OPEB Accounts at<br/>Beginning of Fiscal Year</b>   | <i>By Source</i> |               | <i>Sources Combined</i> |               |
|--------------------------------------------------------|------------------|---------------|-------------------------|---------------|
|                                                        | <b>Debit</b>     | <b>Credit</b> | <b>Debit</b>            | <b>Credit</b> |
| Net OPEB Liability                                     |                  | 2,147,898     |                         | 2,147,898     |
| <i>Deferred Outflow:</i>                               |                  |               |                         |               |
| Assumption Changes                                     | 189,440          |               |                         |               |
| Plan Experience                                        | -                |               |                         |               |
| Investment Experience                                  | 371,411          |               |                         |               |
| Contribution Subsequent to MD                          | 604,692          |               |                         |               |
| <b>Deferred Outflows</b>                               |                  |               | 1,165,543               |               |
| <i>Deferred Inflow:</i>                                |                  |               |                         |               |
| Assumption Changes                                     |                  | 1,043,843     |                         |               |
| Plan Experience                                        |                  | 275,269       |                         |               |
| Investment Experience                                  |                  | 125,585       |                         |               |
| <b>Deferred Inflows</b>                                |                  |               |                         | 1,444,697     |
| <b>Record Benefits Paid to Retirees</b>                | <b>Debit</b>     |               | <b>Credit</b>           |               |
| Net OPEB Liability                                     | 350,064          |               |                         |               |
| Cash                                                   |                  |               | 350,064                 |               |
| <b>Record Contributions to the Trust</b>               | <b>Debit</b>     |               | <b>Credit</b>           |               |
| Net OPEB Liability                                     | 129,908          |               |                         |               |
| Cash                                                   |                  |               | 129,908                 |               |
| <b>Record Implicit Subsidy Payment</b>                 | <b>Debit</b>     |               | <b>Credit</b>           |               |
| Net OPEB Liability                                     | 141,390          |               |                         |               |
| Premium Expense                                        |                  |               | 141,390                 |               |
| <b>Record End of Year<br/>Updates to OPEB Accounts</b> | <i>By Source</i> |               | <i>Sources Combined</i> |               |
|                                                        | <b>Debit</b>     | <b>Credit</b> | <b>Debit</b>            | <b>Credit</b> |
| Net OPEB Liability                                     | 471,778          |               | 471,778                 |               |
| <i>Deferred Outflow:</i>                               |                  |               |                         |               |
| Assumption Changes                                     | 68,545           |               |                         |               |
| Plan Experience                                        |                  |               |                         |               |
| Investment Experience                                  |                  | 178,307       |                         |               |
| Contribution Subsequent to MD                          | 16,670           |               |                         |               |
| <b>Deferred Outflows</b>                               |                  |               |                         | 93,092        |
| <i>Deferred Inflow:</i>                                |                  |               |                         |               |
| Assumption Changes                                     | 187,955          |               |                         |               |
| Plan Experience                                        |                  | 558,655       |                         |               |
| Investment Experience                                  |                  | 85,237        |                         |               |
| <b>Deferred Inflows</b>                                |                  |               |                         | 455,937       |
| OPEB Expense                                           | 77,251           |               | 77,251                  |               |



## 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 of 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 of 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 Authority 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 percent of pay basis; 14 years remain for the fiscal year ending June 30, 2026.

Actuarially Determined Contributions, developed as described above for the Authority'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 Authority by the trust; plus
- 2) each year's implicit subsidy payment, to the extent not reimbursed to the Authority 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 Authority 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.

| Funding valuation date                               | 6/30/2025                                                                           |                |                |
|------------------------------------------------------|-------------------------------------------------------------------------------------|----------------|----------------|
| Discount rate                                        | 5.50%                                                                               |                |                |
| <b>Number of Covered Employees</b>                   |                                                                                     |                |                |
| Actives                                              | 206                                                                                 |                |                |
| Retirees                                             | 70                                                                                  |                |                |
| Total Participants                                   | 276                                                                                 |                |                |
| Funding valuation results as of                      | 6/30/2025                                                                           | 6/30/2026      | 6/30/2027      |
| <b>Actuarial Present Value of Projected Benefits</b> | \$ 10,137,548                                                                       | \$ 10,169,248  | \$ 10,166,676  |
| <b>Actuarial Accrued Liability (AAL)</b>             |                                                                                     |                |                |
| Actives                                              | 3,918,761                                                                           | 4,466,419      | 5,054,162      |
| Retirees                                             | 3,757,835                                                                           | 3,438,651      | 3,065,897      |
| Total AAL                                            | 7,676,596                                                                           | 7,905,070      | 8,120,059      |
| Market Value of Assets                               | 6,326,510                                                                           | 6,807,949      | 7,077,222      |
| <b>Unfunded AAL (UAAL)</b>                           | 1,350,086                                                                           | 1,097,121      | 1,042,837      |
| For fiscal year ending                               | 6/30/2026                                                                           | 6/30/2027      | 6/30/2028      |
| UAAL Amortization method                             | <i>ADC Developed<br/>from the results<br/>of the 2023<br/>funding<br/>valuation</i> | Level % of Pay | Level % of Pay |
| Remaining amortization period (years)                |                                                                                     | 13             | 12             |
| Amortization Factor                                  |                                                                                     | 11.3031        | 10.5532        |
| <b>Actuarially Determined Contribution (ADC)</b>     |                                                                                     |                |                |
| Normal Cost                                          |                                                                                     | \$ 324,256     | \$ 333,984     |
| Amortization of UAAL                                 |                                                                                     | 97,063         | 98,817         |
| Interest to fiscal year end                          |                                                                                     | 23,173         | 23,804         |
| <b>Total ADC</b>                                     |                                                                                     | <b>444,492</b> | <b>456,605</b> |

| Projected Sources of ADC Funding                         |                   |                   |                   |
|----------------------------------------------------------|-------------------|-------------------|-------------------|
| <b>Total ADC</b>                                         | <b>\$ 621,288</b> | <b>\$ 444,492</b> | <b>\$ 456,605</b> |
| 1 Implicit subsidy contribution                          | \$ 141,390        | \$ 135,165        | \$ 151,658        |
| 2 Estimated Authority paid premiums for retirees         | 350,064           | 411,677           | 430,013           |
| 3 Estimated Authority contribution to OPEB trust         | 129,908           | -                 | -                 |
| 4 Estimated Authority refund from OPEB trust             | -                 | (102,350)         | (125,066)         |
| <b>Total Estimated Authority Contributions (1+2+3+4)</b> | <b>\$ 621,362</b> | <b>\$ 444,492</b> | <b>\$ 456,605</b> |
| Estimated shortfall (excess) relative to the ADC         | (74)              | -                 | -                 |

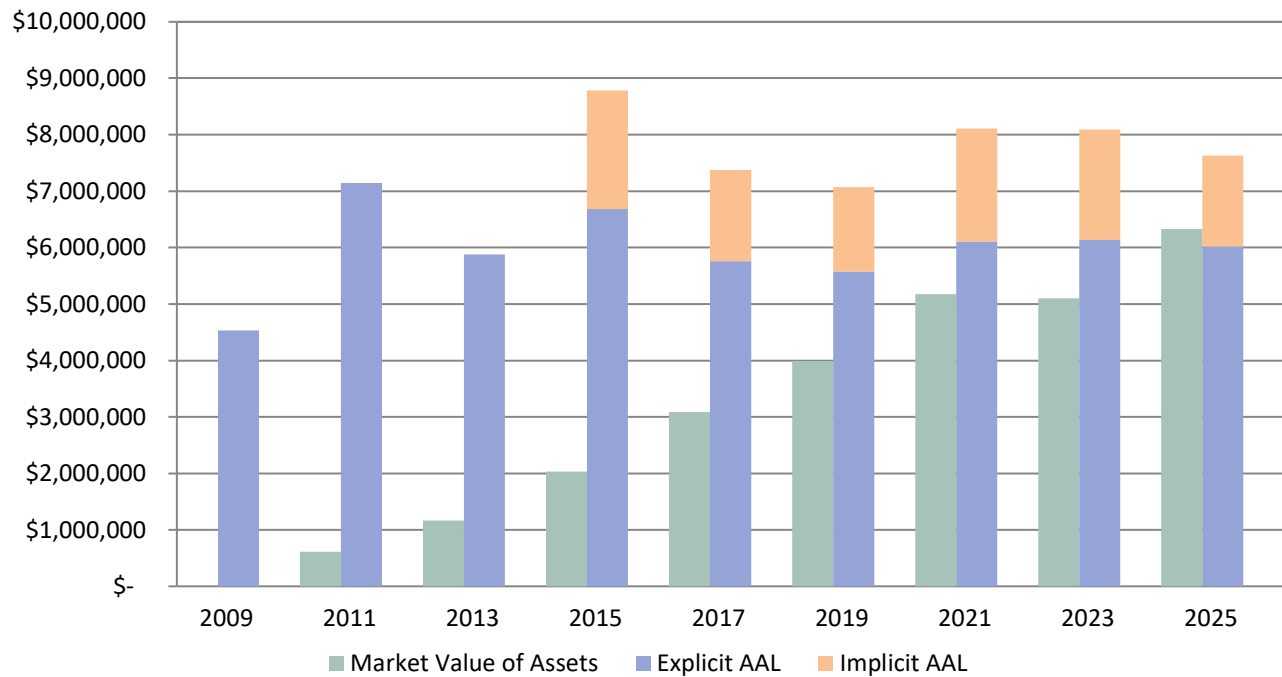
As described on the prior page, OPEB funding consists of different sources. Items 1-4 in the chart above estimates how these contribution sources would apply toward satisfying the ADC for each of these years.



**Funding Information****(Concluded)**

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

| 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 |
|--------------------------|----------------------------|---------------------------------|--------------------------------------------|--------------------|---------------------|---------------------------------------------------|---------------|
| 7/1/2009                 | \$ -                       | \$ 4,534,658                    | \$ 4,534,658                               | 0.0%               | \$ 15,219,990       | 29.8%                                             | 5.50%         |
| 7/1/2011                 | \$ 613,708                 | \$ 7,145,685                    | \$ 6,531,977                               | 8.6%               | \$ 13,510,453       | 48.3%                                             | 5.50%         |
| 7/1/2013                 | \$ 1,165,830               | \$ 5,875,942                    | \$ 4,710,112                               | 19.8%              | \$ 12,017,071       | 39.2%                                             | 5.50%         |
| 7/1/2015                 | \$ 2,032,180               | \$ 8,785,647                    | \$ 6,753,467                               | 23.1%              | \$ 11,784,880       | 57.3%                                             | 5.10%         |
| 7/1/2017                 | \$ 3,084,827               | \$ 7,373,838                    | \$ 4,289,011                               | 41.8%              | \$ 12,531,658       | 34.2%                                             | 5.10%         |
| 6/30/2019                | \$ 3,990,303               | \$ 7,072,609                    | \$ 3,082,306                               | 56.4%              | \$ 14,836,604       | 20.8%                                             | 5.10%         |
| 6/30/2021                | \$ 5,174,920               | \$ 8,108,180                    | \$ 2,933,260                               | 63.8%              | \$ 14,326,765       | 20.5%                                             | 4.75%         |
| 6/30/2023                | \$ 5,102,413               | \$ 8,092,844                    | \$ 2,990,431                               | 63.0%              | \$ 15,867,493       | 18.8%                                             | 4.70%         |
| 6/30/2025                | \$ 6,326,510               | \$ 7,630,323                    | \$ 1,303,813                               | 82.9%              | \$ 17,414,122       | 7.5%                                              | 5.50%         |



**E. Summary of Participant Data**

The data provided by the Authority 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 Authority for its completeness and accuracy.

**Active employees:** The Authority reported 206 active members for the June 30, 2025, valuation. Of these, 165 were enrolled in the medical program and 41 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                                           | 2                | 1      |        |          |          |         | 3           | 1%          |
| 25 to 29                                           |                  | 2      | 1      |          |          |         | 3           | 1%          |
| 30 to 34                                           | 4                | 6      | 4      |          |          |         | 14          | 7%          |
| 35 to 39                                           | 3                | 4      | 2      | 3        |          |         | 12          | 6%          |
| 40 to 44                                           | 2                | 5      | 3      | 3        | 2        |         | 15          | 7%          |
| 45 to 49                                           | 4                | 10     | 3      | 6        | 4        | 5       | 32          | 16%         |
| 50 to 54                                           | 3                | 4      | 7      | 2        | 3        | 7       | 26          | 13%         |
| 55 to 59                                           | 1                | 9      | 5      | 5        | 5        | 11      | 36          | 17%         |
| 60 to 64                                           | 6                | 6      | 6      | 4        | 5        | 15      | 42          | 20%         |
| 65 to 69                                           |                  | 1      | 3      | 6        | 1        | 8       | 19          | 9%          |
| 70 & Up                                            |                  | 2      |        |          |          | 2       | 4           | 2%          |
| <b>Total</b>                                       | 25               | 50     | 34     | 29       | 20       | 48      | <b>206</b>  | <b>100%</b> |
| <b>Percent</b>                                     | 12%              | 24%    | 17%    | 14%      | 10%      | 23%     | <b>100%</b> |             |

Valuation

Average Attained Age for Actives

Average Years of Service

June 2023

53.7

12.8

June 2025

52.5

11.9

**Retirees:** The Authority reported 61 retirees and 9 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            |           | 0%          |
| 55 to 59            | 1         | 1%          |
| 60 to 64            | 3         | 4%          |
| 65 to 69            | 10        | 14%         |
| 70 to 74            | 19        | 27%         |
| 75 to 79            | 21        | 30%         |
| 80 & up             | 16        | 23%         |
| <b>Total</b>        | <b>70</b> | <b>100%</b> |
| <b>Average Age:</b> |           |             |
| On 6/30/2025        | 75.7      |             |
| At retirement       | 64.1      |             |



**Summary of Participant Data****(Concluded)**

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.

| <b>Reconciliation of Authority Plan Members Between Valuation Dates</b> |                        |                        |                         |                                  |              |
|-------------------------------------------------------------------------|------------------------|------------------------|-------------------------|----------------------------------|--------------|
| <b>Status</b>                                                           | <b>Covered Actives</b> | <b>Waiving Actives</b> | <b>Covered Retirees</b> | <b>Covered Surviving Spouses</b> | <b>Total</b> |
| Number valued as of June 30, 2023                                       | 165                    | 35                     | 60                      | 7                                | 267          |
| New employees                                                           | 27                     | 16                     |                         |                                  | 43           |
| Separated employees                                                     | (12)                   | (5)                    |                         |                                  | (17)         |
| New retiree, elected coverage                                           | (5)                    |                        | 5                       |                                  | 0            |
| New retiree, waiving coverage                                           | (13)                   | (1)                    |                         |                                  | (14)         |
| Previously covered, now waiving                                         | (2)                    | 2                      |                         |                                  | 0            |
| Previously waiving, now covered                                         | 6                      | (6)                    |                         |                                  | 0            |
| Deceased                                                                | (1)                    |                        | (4)                     | 2                                | (3)          |
| <b>Number valued as of June 30, 2025</b>                                | <b>165</b>             | <b>41</b>              | <b>61</b>               | <b>9</b>                         | <b>276</b>   |

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 Authority 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.

| <b>Summary of Plan Member Counts</b>                                   |     |
|------------------------------------------------------------------------|-----|
| Number of active plan members                                          | 206 |
| Number of inactive plan members currently receiving benefits           | 70  |
| Number of inactive plan members entitled to but not receiving benefits | 130 |



## F. Retiree Benefit Provisions

**OPEB provided:** The Authority has indicated 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 (if Classic) or 52 (if PEPR) with 5 years of State or public agency service or (b) an approved disability retirement.

The employee must begin his or her retirement (pension) benefit within 120 days of terminating employment with the Authority to be eligible to continue medical coverage through the Authority and be entitled to the benefits described below. In other words, it is the timing of initiating CalPERS pension benefits and not timing of enrollment in the medical program which determines whether or not the retiree qualifies for lifetime medical coverage and any benefits defined in the PEMHCA resolution.

Once eligible, 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. 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.

**Benefits provided as of the Measurement Date:** As a condition of participation in the CalPERS medical program, the Authority is obligated to contribute toward the cost of retiree medical coverage for the retiree's lifetime or until coverage is discontinued. The Authority executed three resolutions, at differing dates, for the Administrative, Amalgamated Transit Union (ATU) and Teamster employee groups, respectively. Each of these resolutions was executed on an "unequal" contribution basis for retirees relative to the level of the Authority's contribution toward the cost of medical plan premiums.

- Under the unequal resolution, the employer's contribution toward *retiree* medical benefits is determined as follows: (1) 5% *multiplied by* (2) the number of prior years the agency group has been contracted with PEMHCA *multiplied by* (3) the contribution the employer makes toward active employee health benefits for that group.
- Note, however, that the monthly benefit may not be less than the required PEMHCA minimum employer contribution (MEC). The MEC is \$162 per month in 2026 and increases to \$167 per month in 2027.

The Administrative and Teamster groups have each participated in the CalPERS medical program under the unequal contribution resolutions for more than 20 years. Accordingly, contribution levels for these retirees are now equal to the applicable subsidy amounts stated in the PEMHCA resolutions for active employees. The first two charts at the top of the following page describe the subsidies provided to Administrative and Teamster actives and retirees, varying by group and CalPERS medical plan.

*Continued on the following page*



**Retiree Benefit Provisions**

(Continued)

| <b>Administrative Group</b>                  |           |           |               |
|----------------------------------------------|-----------|-----------|---------------|
| Active and Retiree Monthly Subsidies by Plan |           |           |               |
| Plan                                         | Self      | Self + 1  | Self + Family |
| Anthem HMO Select                            | \$ 270.71 | \$ 541.42 | \$ 703.85     |
| Anthem HMO Traditional                       | 494.86    | 989.71    | 1,286.63      |
| Blue Shield Access Advantage                 | 392.42    | 786.84    | 1,020.29      |
| Blue Shield Trio                             | 329.08    | 658.10    | 855.60        |
| Healthnet                                    | 450.78    | 901.55    | 1,172.12      |
| Kaiser                                       | 303.56    | 607.12    | 789.26        |
| PERS Gold                                    | 270.71    | 541.42    | 703.85        |
| PERS Platinum                                | 392.42    | 784.84    | 1,020.29      |
| United Healthcare                            | 392.42    | 784.84    | 1,090.29      |
| Western Health Advantage HMO                 | 383.51    | 767.01    | 997.12        |

| <b>Teamsters</b>                             |           |           |               |
|----------------------------------------------|-----------|-----------|---------------|
| Active and Retiree Monthly Subsidies by Plan |           |           |               |
| Plan                                         | Self      | Self + 1  | Self + Family |
| Anthem HMO Select                            | \$ 226.58 | \$ 453.16 | \$ 589.11     |
| Anthem HMO Traditional                       | 374.92    | 749.83    | 974.78        |
| Blue Shield Access Advantage                 | 308.08    | 616.55    | 801.01        |
| Blue Shield Trio                             | 254.45    | 508.30    | 660.79        |
| Healthnet                                    | 450.78    | 901.55    | 1,172.12      |
| Kaiser                                       | 254.15    | 508.30    | 660.79        |
| PERS Gold                                    | 226.58    | 453.16    | 589.11        |
| PERS Platinum                                | 308.08    | 616.55    | 801.01        |
| United Healthcare                            | 308.08    | 616.16    | 801.01        |
| Western Health Advantage HMO                 | 383.51    | 767.01    | 997.12        |

| <b>Amalgamated Transit Union (ATU)</b>       |           |           |               |
|----------------------------------------------|-----------|-----------|---------------|
| Active and Retiree Monthly Subsidies by Plan |           |           |               |
| Plan                                         | Self      | Self + 1  | Self + Family |
| Anthem HMO Select                            | \$ 233.59 | \$ 467.18 | \$ 607.34     |
| Anthem HMO Traditional                       | 374.92    | 749.83    | 974.78        |
| Blue Shield Access Advantage                 | 308.08    | 616.16    | 801.01        |
| Blue Shield Trio                             | 235.34    | 470.67    | 611.78        |
| Health Net                                   | 450.78    | 901.55    | 1,172.12      |
| Kaiser                                       | 235.34    | 470.67    | 611.87        |
| PERS Gold                                    | 233.59    | 467.18    | 607.34        |
| PERS Platinum                                | 308.08    | 616.16    | 801.01        |
| United Healthcare                            | 308.08    | 616.16    | 801.01        |
| Western Health Advantage HMO                 | 383.51    | 767.01    | 997.12        |



**Retiree Benefit Provisions****(Concluded)**

**Benefits Provided as of January 1, 2026:** The Authority adopted three new resolutions with PEMHCA in July 2025. Each of these resolutions was executed on an equal basis. These resolutions provide the same benefit to current and future retirees who are members of the Administrative, Amalgamated Transit Union (ATU) and Teamster employee groups. These resolutions provide for the Authority to pay premiums for the retiree and any eligible enrolled dependents, up to the caps shown in the chart below:

| Caps by Coverage Level |           |        |
|------------------------|-----------|--------|
| Single                 | Two Party | Family |
| \$ 310                 | \$ 620    | \$ 800 |

Note that the monthly benefit may not be less than the required PEMHCA minimum employer contribution (MEC). The MEC is \$162 per month in 2026 and increases to \$167 per month in 2027. If the current benefits are not increased in the future, eventually the MEC will overtake the fixed subsidies and become the operative benefit. The MEC is expected to overtake the current benefit for single party coverage in 2043, if the current benefit is not increased in the future.

**Current premium rates:** The 2026 CalPERS monthly medical plan rates in the Region 1 rate group 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 1 2026 Health Plan Rates |                              |             |             |                            |             |             |
|---------------------------------|------------------------------|-------------|-------------|----------------------------|-------------|-------------|
|                                 | Actives and Pre-Med Retirees |             |             | Medicare Eligible Retirees |             |             |
| Plan                            | Ee Only                      | Ee & 1      | Ee & 2+     | Ee Only                    | Ee & 1      | Ee & 2+     |
| Anthem Traditional HMO          | 1,612.08                     | 3,224.16    | 4,191.41    | 571.70                     | 1,143.40    | 2,110.65    |
| Blue Shield Access+ HMO         | 1,301.95                     | 2,603.90    | 3,385.07    | 539.43                     | 1,078.86    | 1,860.03    |
| Kaiser*                         | 1,168.86                     | 2,337.72    | 3,039.04    | 356.83                     | 701.32      | 1,402.64    |
| PERS Gold                       | \$ 1,120.58                  | \$ 2,241.16 | \$ 2,913.51 | \$ 597.57                  | \$ 1,195.14 | \$ 1,867.49 |
| PERS Platinum                   | 1,670.14                     | 3,340.28    | 4,342.36    | 665.50                     | 1,331.00    | 2,333.08    |
| UHC Alliance                    | 1,290.06                     | 2,580.12    | 3,354.16    | 481.29                     | 962.58      | 1,736.62    |
| UHC Harmony                     | 1,133.09                     | 2,266.18    | 2,946.03    | 481.29                     | 962.58      | 1,642.43    |
| Western Health                  | 969.58                       | 1,939.16    | 2,520.91    | Not Available              |             |             |

\*Medicare rates shown are for Kaiser Senior Advantage



## G. Actuarial Assumptions and Methods

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

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

### 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

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 Appendix.

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.

Representative claims 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 receiving benefits in excess of the PEMHCA minimum *and* covered by Medicare Supplement plans.



**Actuarial Assumptions and Methods**

(Continued)

Development of Age-related

Medical Premiums (continued)

| Expected Monthly Claims by Medical Plan for Selected Ages |                               |                                |       |       |       |       |
|-----------------------------------------------------------|-------------------------------|--------------------------------|-------|-------|-------|-------|
| Region                                                    | Medical Plan                  | Non-Medicare Retirees - Male   |       |       |       |       |
|                                                           |                               | 50                             | 53    | 56    | 59    | 62    |
| Region 1                                                  | Anthem Traditional HMO        | 1,456                          | 1,717 | 1,994 | 2,286 | 2,598 |
|                                                           | Blue Shield Access+ HMO & EPO | 1,271                          | 1,499 | 1,741 | 1,995 | 2,268 |
|                                                           | Kaiser                        | 1,058                          | 1,248 | 1,449 | 1,661 | 1,888 |
|                                                           | PERS Gold                     | 1,134                          | 1,338 | 1,554 | 1,781 | 2,024 |
|                                                           | PERS Platinum                 | 1,787                          | 2,108 | 2,448 | 2,806 | 3,190 |
|                                                           | UHC Alliance                  | 1,244                          | 1,466 | 1,703 | 1,952 | 2,219 |
|                                                           | Western Health Advantage HMO  | 896                            | 1,056 | 1,227 | 1,406 | 1,598 |
| Region 2                                                  | Kaiser                        | 906                            | 1,069 | 1,241 | 1,423 | 1,618 |
| Out of State                                              | Kaiser                        | 1,394                          | 1,644 | 1,909 | 2,188 | 2,488 |
|                                                           | PERS Platinum                 | 1,088                          | 1,282 | 1,490 | 1,707 | 1,941 |
| Region                                                    | Medical Plan                  | Non-Medicare Retirees - Female |       |       |       |       |
|                                                           |                               | 50                             | 53    | 56    | 59    | 62    |
| Region 1                                                  | Anthem Traditional HMO        | 1,804                          | 1,982 | 2,132 | 2,304 | 2,540 |
|                                                           | Blue Shield Access+ HMO & EPO | 1,575                          | 1,730 | 1,861 | 2,011 | 2,217 |
|                                                           | Kaiser                        | 1,311                          | 1,440 | 1,550 | 1,675 | 1,846 |
|                                                           | PERS Gold                     | 1,406                          | 1,544 | 1,661 | 1,795 | 1,979 |
|                                                           | PERS Platinum                 | 2,215                          | 2,433 | 2,618 | 2,829 | 3,118 |
|                                                           | UHC Alliance                  | 1,541                          | 1,693 | 1,821 | 1,968 | 2,170 |
|                                                           | Western Health Advantage HMO  | 1,110                          | 1,219 | 1,312 | 1,417 | 1,562 |
| Region 2                                                  | Kaiser                        | 1,123                          | 1,234 | 1,328 | 1,434 | 1,581 |
| Out of State                                              | Kaiser                        | 1,727                          | 1,897 | 2,042 | 2,206 | 2,432 |
|                                                           | PERS Platinum                 | 1,348                          | 1,480 | 1,593 | 1,721 | 1,897 |

| Expected Monthly Claims by Medical Plan for Selected Ages |               |                            |     |     |     |     |
|-----------------------------------------------------------|---------------|----------------------------|-----|-----|-----|-----|
| Region                                                    | Medical Plan  | Medicare Retirees - Male   |     |     |     |     |
|                                                           |               | 65                         | 70  | 75  | 80  | 85  |
| All Regions                                               | PERS Gold     | 513                        | 575 | 625 | 655 | 646 |
|                                                           | PERS Platinum | 566                        | 634 | 689 | 722 | 712 |
| Region                                                    | Medical Plan  | Medicare Retirees - Female |     |     |     |     |
|                                                           |               | 65                         | 70  | 75  | 80  | 85  |
| All Regions                                               | PERS Gold     | 492                        | 556 | 602 | 629 | 635 |
|                                                           | PERS Platinum | 542                        | 613 | 664 | 693 | 700 |

Claims not developed for Medicare Advantage plans

| Expected Monthly Claims by Medical Plan for Selected Ages |              |                                |       |       |       |       |
|-----------------------------------------------------------|--------------|--------------------------------|-------|-------|-------|-------|
| Region                                                    | Medical Plan | Non-Medicare Retirees - Male   |       |       |       |       |
|                                                           |              | 65                             | 70    | 75    | 80    | 85    |
| Region 1                                                  | Kaiser       | 2,147                          | 2,593 | 3,013 | 3,387 | 3,623 |
| Region                                                    | Medical Plan | Non-Medicare Retirees - Female |       |       |       |       |
|                                                           |              | 65                             | 70    | 75    | 80    | 85    |
| Region 1                                                  | Kaiser       | 2,057                          | 2,431 | 2,803 | 3,151 | 3,471 |



**Actuarial Assumptions and Methods**

(Continued)

**Economic Assumptions**Long Term Return on Assets  
& Discount Rate

| As of            | June 30, 2025 | June 30, 2024 |
|------------------|---------------|---------------|
| For Accounting   | 5.50%         | 5.50%         |
| For Plan Funding | 5.50%         | 4.70%         |

General Inflation Rate

2.5% per year

Salary Increase

3.0% per year; while benefits do not depend on salary, this is used to allocate the cost of benefits between service years and to develop the UAAL amortization of the Actuarially Determined Contribution.

Healthcare Trend

Medical plan premiums and estimated claims costs by age are assumed to increase once each year. Increases over the prior year's levels are assumed to be effective on the dates shown in the chart below.

| Effective<br>January 1 | Premium<br>Increase | Effective<br>January 1 | Premium<br>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 .9%; Expected Health Share of GDP in 2034 19%; Resistance Point 18%; Year after which medical growth is limited to growth in GDP 2075.

PEMHCA minimum increases

Assumed to increase by 4.0% per year.

Employer Cost Sharing

We have assumed no increase in the fixed dollar amounts contributed by the Authority for active employees.

Medicare Eligibility

Absent contrary data, all individuals are assumed to be eligible for Medicare Parts A and B at age 65. Those over age 65 and not on Medicare are assumed to remain ineligible.



**Actuarial Assumptions and Methods**

(Continued)

**Participant Election Assumptions**

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

**Retiree Participation Rates**

*Active employees:* The following chart shows the percent of current active employees are assumed to elect medical coverage in retirement:

| Percent of Current Active Employees<br>Assumed to Elect Medical Coverage in Retirement |                   |                                                |                                              |                          |
|----------------------------------------------------------------------------------------|-------------------|------------------------------------------------|----------------------------------------------|--------------------------|
| Group                                                                                  | Age at Retirement | With Medical Coverage and Retiring in FY 25/26 | Annual Decrease in Percent Electing Coverage | Minimum Percent Electing |
| Admin                                                                                  | Under 65          | 74.5%                                          | 1.5%                                         | 60%                      |
| Admin                                                                                  | 65 or older       | 93.5%                                          | 1.5%                                         | 75%                      |
| ATU                                                                                    | Under 65          | 58.5%                                          | 1.5%                                         | 48%                      |
| ATU                                                                                    | 65 or older       | 73.5%                                          | 1.5%                                         | 60%                      |
| Teamster                                                                               | Under 65          | 58.5%                                          | 1.5%                                         | 48%                      |
| Teamster                                                                               | 65 or older       | 73.5%                                          | 1.5%                                         | 60%                      |

The applicable percentages above are multiplied by 50% for those employees not currently enrolled in medical coverage through the Authority.

*Retired participants:* Existing medical plan elections are assumed to be continued until the retiree's death.

**Spouse Coverage**

*Active employees:* 20% are assumed to be married and elect spouse coverage in retirement prior to age 65 while 45% are assumed to elect spouse coverage after the age 65. 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 Assumptions and Methods****(Continued)****Dependent Coverage**

*Active employees:* 33% are assumed to cover eligible dependents other than a spouse at retirement; eligibility for coverage for the youngest dependent is assumed to end at the retiree's age 61.

*Retired participants* covering dependent children are assumed to end such coverage when the youngest currently covered dependent reaches age 26

**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 Authority members.*

**Mortality Improvement**

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

**Mortality Before Retirement**

| CalPERS 2025 Experience Study<br>Public Agency Miscellaneous<br>Pre-Retirement Mortality |         |         |
|------------------------------------------------------------------------------------------|---------|---------|
| Age                                                                                      | Male    | Female  |
| 15                                                                                       | 0.00018 | 0.00010 |
| 20                                                                                       | 0.00039 | 0.00014 |
| 30                                                                                       | 0.00044 | 0.00019 |
| 40                                                                                       | 0.00075 | 0.00039 |
| 50                                                                                       | 0.00134 | 0.00081 |
| 60                                                                                       | 0.00287 | 0.00179 |
| 70                                                                                       | 0.00594 | 0.00404 |
| 80                                                                                       | 0.01515 | 0.01149 |



**Actuarial Assumptions and Methods**

(Continued)

**Mortality After Retirement**

(before improvement applied)

**Healthy Lives****Disabled Miscellaneous**

| CalPERS 2025 Experience Study<br>Public Agency<br>Healthy Retiree Mortality |         |         | CalPERS 2025 Experience Study<br>Public Agency Miscellaneous<br>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 |

**Termination Rates**

| Male Miscellaneous Employees: Sum of Vested & Refund Termination<br>Rates CalPERS 2025 Experience Study |                  |        |        |        |        |        |
|---------------------------------------------------------------------------------------------------------|------------------|--------|--------|--------|--------|--------|
| Attained<br>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<br>Rates CalPERS 2025 Experience Study |                  |        |        |        |        |        |
|-----------------------------------------------------------------------------------------------------------|------------------|--------|--------|--------|--------|--------|
| Attained<br>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 |



**Actuarial Assumptions and Methods**

(Continued)

## Service Retirement Rates

The following miscellaneous retirement formulas apply:

If hired prior to 1/1/2013 or with prior PERS service: 2% @ 60

If hired on or after 1/1/2013, PEPR: 2% @ 62

| Miscellaneous Employees: 2% at 60 formula<br>CalPERS 2025 Experience Study |                  |        |        |        |        |        |
|----------------------------------------------------------------------------|------------------|--------|--------|--------|--------|--------|
| Current<br>Age                                                             | Years of Service |        |        |        |        |        |
|                                                                            | 5                | 10     | 15     | 20     | 25     | 30     |
| 50                                                                         | 0.0060           | 0.0140 | 0.0160 | 0.0230 | 0.0270 | 0.0270 |
| 55                                                                         | 0.0140           | 0.0270 | 0.0390 | 0.0710 | 0.0990 | 0.0990 |
| 60                                                                         | 0.0440           | 0.0500 | 0.0640 | 0.0920 | 0.1120 | 0.1340 |
| 65                                                                         | 0.1210           | 0.1590 | 0.1810 | 0.2160 | 0.2380 | 0.2480 |
| 70                                                                         | 0.2320           | 0.2320 | 0.2320 | 0.2320 | 0.2320 | 0.2320 |
| 75 & over                                                                  | 1.0000           | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 |

| Miscellaneous "PEPR" Employees: 2% at 62 formula<br>CalPERS 2025 Experience Study |                  |        |        |        |        |        |
|-----------------------------------------------------------------------------------|------------------|--------|--------|--------|--------|--------|
| Current<br>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<br>Miscellaneous Disability<br>CalPERS 2025<br>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 Assumptions and Methods****(Concluded)****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**

|                         |                                                                                                                                                                       |
|-------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Demographic Assumptions | Updated demographic assumptions from those in the 2021 CalPERS Experience Study to those recommended in the CalPERS 2024 Experience Study report issued November 2024 |
| Healthcare Trend        | Updated the base healthcare trend scale from Getzen Model 2023 to Getzen Model 2025, as published by the Society of Actuaries                                         |

**Funding Changes in Assumptions or Methods as of the Measurement Date**

|                                           |                                                                                                               |
|-------------------------------------------|---------------------------------------------------------------------------------------------------------------|
| Trust rate of return<br>and discount rate | Increased from 4.70% to 5.50%, reflecting updated long-term rates of return provided by CalPERS in June 2024. |
|-------------------------------------------|---------------------------------------------------------------------------------------------------------------|

**Plan Change for FYE 2027-2028 ADCs**

PEMCHA Caps

The Authority adopted a new resolution in July 2025 that became effective January 1, 2026. Under this resolution, the Authority will provide the same employee only, employee + one, and employee + family caps to retirees of all 3 bargaining groups, regardless of medical plan selection, as shown in the chart below.

| Caps by Coverage Level |           |        |
|------------------------|-----------|--------|
| Single                 | Two Party | Family |
| \$ 310                 | \$ 620    | \$ 800 |

Participation Rates

Now that caps are consistent between the 3 bargaining groups, participation rates were changed from those assumed to vary by employee group and retirement age (as shown on page 34) to 60% for all future retirees currently enrolled in an Authority medical plan and 30% for all future retirees currently waiving medical coverage.



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## H. Certification

The purpose of this report is to provide actuarial information for other postemployment benefits (OPEB) provided by the Central Contra Costa Transit Authority (the Authority) in compliance with Statement No. 75 of the Governmental Accounting Standards Board (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. It also develops the Actuarially Determined Contribution (ADC) for prefunding plan benefits and, where applicable, may be used to satisfy reporting or filing requirements of the plan's trust. The results are based on an actuarial valuation of the plan as of June 30, 2025.

We relied, without audit, on information supplied by the Authority, 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 results depend on the completeness and accuracy of that information; if any of the data provided was 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 the purposes of this report and consistent with generally accepted actuarial principles and practices. This report has been prepared in accordance with applicable Actuarial Standards of Practice. The results represent estimates of the plan's financial condition as of the valuation date. Actual future results may differ materially due to differences between actual and expected demographic or economic experience, changes in plan provisions, changes in applicable law, or other factors.

Alternative assumptions or methods may also be reasonable; evaluating such alternatives was beyond the scope of this engagement. These results are intended for financial reporting and funding purposes as described above 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 Central Contra Costa Transit Authority. It may not be distributed to third parties without the prior written consent of MacLeod Watts, except as required by law or to the Authority'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 the Qualification Standards to issue this opinion.

Signed: July 30, 2026

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Raegann E. Conner, ASA, ACA, MAAA

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Michael J. Papendieck, EA, 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.

|                                                                                                                                                                |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Present Value of Projected Benefit (PVPB)</b><br><i>Value on the valuation date of all future benefits expected to be paid to all current participants.</i> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------|

### 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.

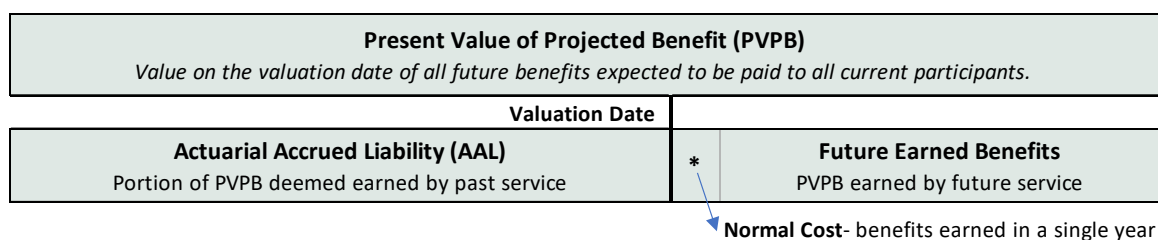


**Valuation Process****(Continued)**

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*.

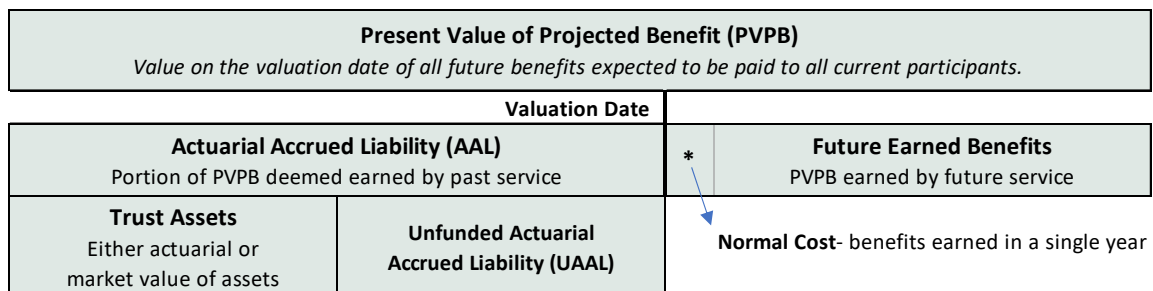
The chart below shows the PVPB split between past and future service.

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



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## 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.

