The rates calculated in this report may be adopted by the Board for the fiscal year that extends from July 1, 2025 through June 30, 2026.

Valuation highlights

Funding measures

1. The funded ratio (the ratio of valuation value of assets to the actuarial accrued liability) increased from 85.1% to 85.9%. This ratio is one measure of funding status, and its history is a measure of funding progress. Using the market value of assets, the funded ratio increased from 81.9% to 85.8%. These measurements are not necessarily appropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan's benefit obligation or the need for, or the amount of, future contributions. A history of the plan's funded ratios is provided in *Section 2, Subsection G* on pages 40 and 41.
2. The unfunded actuarial accrued liability (the difference between the actuarial accrued liability and the valuation value of assets) decreased from $1.11 billion to $1.09 billion. The decrease in unfunded actuarial accrued liability (UAAL) is primarily due to contributions made to amortize the UAAL, offset somewhat by the investment return on the valuation value (i.e., after asset smoothing) less than the assumed rate of 6.50% used in the June 30, 2023 valuation, individual salary increases greater than expected for active members, and actual contributions less than expected. A reconciliation of the Association's UAAL from the prior year is provided in *Section 2, Subsection E* on page 30.

   A schedule of the current UAAL amortization balances and payments may be found in *Section 3, Exhibit H* starting on page 74. A graphical projection of the UAAL amortization balances and payments is provided in *Section 3, Exhibit I* starting on page 84.
3. The UAAL amortization layers established as of the June 30, 2009 valuation have been fully amortized as of June 30, 2024 which resulted in a decrease in the UAAL contribution rate of about 4.25% of payroll for the plan in total. For illustration we have continued to show the 2009 layers in *Section 3, Exhibit H*, but with zero "Outstanding Balance" and "Years Remaining". Note that the UAAL contributions are expected to continue to decline in the next few valuations as other layers are fully amortized, as shown in the graphical projection found in *Section 3, Exhibit I* on page 85.

Actuarial experience

4. The net actuarial loss of $91.1 million, or 1.18% of actuarial accrued liability, is due to an investment loss of $7.4 million, or 0.10% of actuarial accrued liability and a loss from sources other than investments of $83.7 million, or 1.08% of the actuarial accrued liability, prior to reflection of assumption changes, if applicable. The loss from sources other than investments was primarily due to individual salary increases greater than expected.

5. The rate of return on the market value of assets was 10.30% for the year ending June 30, 2024. The return on the valuation value of assets was 6.38% after recognizing a portion of this year's investment gain and a portion of prior years' investment gains and losses. This resulted in an actuarial loss when measured against the assumed rate of return of 6.50% used in the June 30, 2023 valuation. This actuarial investment loss (after asset smoothing) increased the average employer contribution rate by 0.11% of payroll.

Contributions

6. The average employer rate calculated in this valuation has decreased from 48.76% to 44.02% of payroll. This decrease is primarily due to effect of June 30, 2009 UAAL amortization layers becoming fully amortized and amortizing prior year's UAAL over a larger than expected projected total payroll, offset somewhat by the investment return on the valuation value (i.e., after asset smoothing) less than the assumed rate of 6.50% used in the June 30, 2023 valuation, individual salary increases greater than expected, and actual contributions less than expected. A complete reconciliation of the Association's aggregate employer rate is provided in *Section 2, Subsection F* on page 33.

   As noted on page 85, the UAAL contributions in the next five to ten years would continue to fluctuate. If all the actuarial assumptions were to be met, the UAAL contributions as determined in the June 30, 2024 valuation of $171 million would drop to $129 million in the June 30, 2025 valuation. Then, in the valuations between June 30, 2026 and 2032, the annual UAAL contributions would be expected to fluctuate in the range of $113 million to $144 million. The Board might want to consider discussing with the employers and potentially authorizing Segal to bring back a proposal to align certain gain and loss layers that, if approved by the Board, could result in more level UAAL contributions in the next five to ten years while continuing to fund the plan.[1]

7. The average member rate calculated in this valuation has decreased from 9.49% to 9.48% of payroll due to changes in active member demographics. A complete reconciliation of the Association's aggregate member rate is provided in *Section 2, Subsection F* on page 34.

   The detailed member rates by cost group are provided in *Section 4, Exhibit 3* of this report.

8. In preparing the breakdown of the total costs of the General Tier 1 plan into the cost to provide the "Regular" and the "Settlement" benefits, we have followed the FCERA practice of allocating the cost to provide a benefit under Section 31676.12 as the cost for the "Regular" benefit and allocating the difference between this "Regular" benefit cost and the cost to provide a benefit under Section 31676.14 plus Section 31627 as the "Settlement" benefit. In particular, this means that the difference between benefits under Sections 31676.12 and 31676.14 is considered "Settlement" and so under the Settlement Agreement could be funded out of future undistributed excess earnings. Based on discussions with Counsel, the Agreement might not be

[1] Under the Board's funding policy, the Board reserves the right to combine and/or restart amortization periods when the Board considers that it is appropriate to do so.

clear as to what should be considered the "Settlement" benefit. We will require guidance from the Board if and when the Board and Counsel consider the use of any future undistributed excess earnings to pay the cost of the "Settlement" benefit.

9. Segal strongly recommends an actuarial funding method that targets 100% funding of the actuarial accrued liability. Generally, this implies payments that are ultimately at least enough to cover normal cost, interest on the UAAL and the principal balance. The funding policy adopted by the Board meets this standard.

Future expectations

10. The total unrecognized net investment **loss** as of June 30, 2024 is $9.2 million as compared to an unrecognized net investment **loss** of $232.1 million in the previous valuation. This net deferred loss of $9.2 million will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years as shown in *Section 2, Subsection B* on page 23.

    The net deferred loss of $9.2 million represent about 0.1% of the market value of assets. Unless offset by future investment gains or other favorable experience, the recognition of the $9.2 million net market loss is expected to have an impact on the Association's future funded ratio and contribution rate requirements. This potential impact may be illustrated as follows:

    a. If the net deferred loss was recognized immediately in the valuation value of assets, the funded percentage would decrease from 85.9% to 85.8%.

       For comparison purposes, if the net deferred loss in the June 30, 2023 valuation had been recognized immediately in the June 30, 2023 valuation, the funded percentage would have decreased from 85.1% to 81.9%.

    b. If the net deferred loss was recognized immediately in the valuation value of assets, the average employer contribution rate would increase from 44.02% to 44.16% of payroll.

       For comparison purposes, if the net deferred loss in the June 30, 2023 valuation had been recognized immediately in the June 30, 2023 valuation, the average employer contribution rate would have increased from 49.26% to 53.04% of payroll.

11. Footnote 2 in the Determination of Actuarial Value of Assets for Year Ended June 30, 2024 on page 23 shows that under the asset smoothing method the $9 million in the net deferred loss will be recognized in the next four and a half years (i.e., nine semi-annual periods), but in a very uneven pattern. In particular, there will be a gain of $21 million recognized next year, followed in successive following years by a loss of $106 million, a loss of $21 million, a gain of $76 million, and finally a gain of $21 million. This means that, absent any new gains or losses in the future, there will be some relatively large swings in the employer contribution rate that are offsetting at the end of the four and a half years.

    In keeping with the Board's funding policy and consistent with a similar action taken by the Board in 2012 of combining net deferred gain as of June 30, 2011, the asset smoothing method could be adjusted by combining the net deferred loss of $9 million from the current valuation into a single four and a half year smoothing "layer" and thereby recognizing the net deferred loss of $9 million over the next four and a half years in nine level amounts of approximately $1 million each semi-annual period.

This would reduce the volatility associated with the current pattern of the deferred gain/loss recognition and thereby result in more stable funded ratios on an actuarial value basis and more level employer contribution rates.

Please note that this change would have no impact on the current June 30, 2024 valuation results as the total amount of the net deferred loss as of June 30, 2024 remains unchanged. Also, note that we recommend using a four-and-a-half-year smoothing period for the combined net deferred loss as that will complete the recognition of the net loss over the same time period as under the current separate smoothing layers. We will provide more discussion of this policy option during our presentation of the June 30, 2024 valuation.

Risk

12. It is important to note that this actuarial valuation is based on plan assets as of June 30, 2024. The Plan's funded status does not reflect short-term fluctuations of the market, but rather is based on the market values on the last day of the plan year. Segal is available to prepare projections of potential outcomes of market conditions and other demographic experience upon request.
13. Because the actuarial valuation results are dependent on a given set of assumptions, there is a risk that emerging results may differ significantly as actual experience proves to be different from the assumptions. While we have not been engaged to perform a detailed analysis of the potential range of the impact of risk to the Association's future financial condition, we have included a brief discussion of some risks that may affect the Association in *Section 2, Subsection I*, starting on page 43. This discussion of risks is included to satisfy the disclosures required by the Actuarial Standard of Practice No. 51 (ASOP 51).
14. The risk assessment in *Section 2, Subsection I* includes the disclosure of a "Low-Default-Risk Obligation Measure" (LDROM). This disclosure, along with commentary on the significance of the LDROM, is a new requirement under Actuarial Standard of Practice No. 4 (ASOP 4) for all pension funding actuarial valuation reports and can be found starting on page 45.
15. For a plan such as that offered by the Retirement Association that may utilize excess earnings to provide contribution rate offsets and additional settlement and non-statutory benefits, we are required to indicate in the valuation report that the possible impact of any such application of future excess earnings on the future financial condition of the Association has not been explicitly measured in the valuation. In particular, the balance of $1.86 billion (negative) in the Contra Tracking Account has to be fully restored before any excess earnings can be utilized in the future to provide any of the above offsets and benefits under the Board's interest crediting policy.

GASB

16. This report constitutes an actuarial valuation for the purpose of determining the actuarially determined contribution (ADC) under the Plan's funding policy and measuring the progress of that funding policy. The Net Pension Liability and Pension Expense under GASB Statements No. 67 and No. 68, for inclusion in the Plan's and employer's financial statements as of June 30, 2024,

will be provided separately. The accounting disclosures will utilize different methodologies from those employed in the funding valuation, as required by the GASB. However, the ADC in this valuation is expected to be used as the ADC for GASB financial reporting.

Summary of key valuation results

Average Employer Contribution as of June 30

($ in '000s)

Tier	2024 Contribution Rate	2024 Annual Amount[1]	2023 Contribution Rate	2023 Annual Amount[1]
General				
• General Tier 1	49.65%	$70,969	54.17%	$77,430
• General Tier 2	47.06%	3,451	51.59%	3,782
• General Tier 3	47.37%	13,729	51.80%	15,013
• General Tier 4	39.14%	6,516	43.41%	7,226
• General Tier 5	37.02%	106,622	41.44%	119,352
Safety				
• Safety Tier 1	65.97%	23,174	72.07%	25,317
• Safety Tier 2	65.77%	2,898	72.15%	3,179
• Safety Tier 4	53.83%	3,450	59.40%	3,807
• Safety Tier 5	48.82%	25,038	55.08%	28,250
All Categories Combined	**44.02%**	**$255,847**	**48.76%**	**$283,356**

[1] Amounts are based on June 30, 2024 projected annual compensation shown on the page 37.

Average Member Contribution as of June 30

($ in '000s)

Tier	2024 Contribution Rate	2024 Annual Amount[1]	2023 Contribution Rate	2023 Annual Amount[1]
General				
• General Tier 1	10.56%	$15,094	10.56%	$15,094
• General Tier 2	7.31%	536	7.33%	537
• General Tier 3	8.60%	2,493	8.58%	2,487
• General Tier 4	7.84%	1,305	7.80%	1,298
• General Tier 5	7.96%	22,926	7.95%	22,897
Safety				
• Safety Tier 1	13.75%	4,830	13.95%	4,900
• Safety Tier 2	12.26%	540	12.25%	540
• Safety Tier 4	11.12%	713	11.10%	711
• Safety Tier 5	13.00%	6,667	13.09%	6,714
All Categories Combined	**9.48%**	**$55,104**	**9.49%**	**$55,178**

[1] Amounts are based on June 30, 2024 projected annual compensation shown on the page 37.

Section 1: Actuarial Valuation Summary

Valuation Results as of June 30

($ in '000s)

Line Description	2024	2023
Actuarial accrued liability		
• Total actuarial accrued liability	$7,749,850	$7,442,829
– Retired members and beneficiaries	4,929,963	4,804,332
– Inactive members[1]	416,101	397,062
– Active members	2,403,786	2,241,435
• Normal cost for plan year beginning June 30[2]	135,498	126,672
Assets		
• Market value of assets (MVA)[3]	$6,650,853	$6,099,025
• Actuarial value of assets (AVA)[3]	6,660,013	6,331,112
• AVA as a percentage of MVA	100.14%	103.81%
• Valuation value of assets (VVA)[3]	$6,660,013	$6,331,112
Funded status		
• Unfunded actuarial accrued liability on MVA basis	$1,098,997	$1,343,804
• Funded percentage on MVA basis	85.82%	81.94%
• Unfunded actuarial accrued liability on VVA basis	$1,089,837	$1,111,717
• Funded percentage on VVA basis	85.94%	85.06%
Key assumptions		
• Net investment return	6.50%	6.50%
• Inflation rate	2.50%	2.50%
• Payroll growth	3.00%	3.00%
• Cost-of-living adjustments		
– Tiers with 3.00% COLA	2.75%	2.75%
– Tiers without COLA	0.00%	0.00%

[1] Includes inactive members with member contributions on deposit with less than five years of service.
[2] Includes administrative expense load.
[3] Excludes the balances in the following non-valuation reserves: (1) Supplemental COLA and (2) Retiree Health Benefit (BOR).

Demographic Data as of June 30

Demographic Data by Status	2024	2023	Change
Active members			
• Number of members	7,910	7,650	3.4%
• Average age	41.7	41.8	(0.1)
• Average service	9.8	10.0	(0.2)
• Total projected compensation	$581,141,061	$529,840,359	9.7%
• Average projected compensation	$73,469	$69,260	6.1%
Retired members and beneficiaries			
• Number of members	8,490	8,374	1.4%
– Service retired	6,807	6,756	0.8%
– Disability retired	420	413	1.7%
– Beneficiaries	1,263	1,205	4.8%
• Average age	71.0	70.7	0.3
• Average monthly benefit[1]	$3,579	$3,489	2.6%
Inactive members			
• Number of members[2]	5,404	5,187	4.2%
• Average age	43.9	43.7	0.2
Total members	**21,804**	**21,211**	**2.8%**

1 Benefits include regular and settlement benefits but exclude non-vested supplemental benefits, if any.
2 Includes inactive members with member contributions on deposit with less than five years of service.