

# Imperial County Employees' Retirement System

**Governmental Accounting Standards Board  
Statement No. 67 (GASB 67) Actuarial Valuation  
as of June 30, 2025**



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December 5, 2025

Board of Retirement  
Imperial County Employees' Retirement System  
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Dear Board Members:

We are pleased to submit this Governmental Accounting Standards Board Statement No. 67 (GASB 67) Actuarial Valuation as of June 30, 2025 for the Imperial County Employees' Retirement System ("ICERS" or "the System" or "the Plan"). It contains various information that will need to be disclosed in order to comply with GASB 67. Please refer to ICERS' Actuarial Valuation and Review as of June 30, 2024 for the data and ICERS' Actuarial Valuation and Review as of June 30, 2025 for the assumptions and plan of benefits underlying these calculations.

This report has been prepared in accordance with generally accepted actuarial principles and practices for the exclusive use and benefit of the Board of Retirement (the Board), based upon information provided by the staff of the Plan and the Plan's other service providers.

The measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and changes in plan provisions or applicable law.

The actuarial calculations were completed under the supervision of Molly Calcagno, ASA, MAAA, Enrolled Actuary. We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of our knowledge, the information supplied in the actuarial valuation is complete and accurate. The assumptions used in this actuarial valuation were selected by the Board based upon our analysis and recommendations. In our opinion, the assumptions are reasonable and take into account the experience of ICERS and reasonable expectations. In addition, in our opinion, the combined effect of these assumptions is expected to have no significant bias.

Board of Retirement  
Imperial County Employees' Retirement System  
December 5, 2025

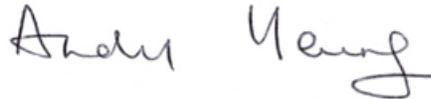
Segal makes no representation or warranty as to the future status of the Plan and does not guarantee any particular result. This document does not constitute legal, tax, accounting or investment advice or create or imply a fiduciary relationship. The Board is encouraged to discuss any issues raised in this report with the Plan's legal, tax and other advisors before taking, or refraining from taking, any action.

We look forward to reviewing this report with you and to answering any questions.

Segal



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Senior Vice President and Actuary



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AW/jl

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# Section 1: Actuarial Valuation Summary

## Purpose and basis

This report has been prepared by Segal to present certain disclosure information required by Governmental Accounting Standards Board Statement No. 67 (GASB 67) as of June 30, 2025. This report is based on:

- The benefit provisions of ICERS, as administered by the Board;
- The characteristics of covered active, inactive, and retired members and beneficiaries as of June 30, 2024, provided by the staff of ICERS;
- The assets of the Plan as of June 30, 2025, provided by the staff of ICERS;
- Economic assumptions regarding future salary increases and investment earnings adopted by the Board for the June 30, 2025 funding valuation; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc. adopted by the Board for the June 30, 2025 funding valuation.

## General observations on a GASB 67 actuarial valuation

1. The Governmental Accounting Standards Board (GASB) rules only define pension liability and expense for financial reporting purposes, they do not apply to contribution amounts for pension funding purposes. Employers and plans should continue to develop and adopt funding policies under current practices.
2. When measuring pension liability, GASB uses the same actuarial cost method (Entry Age method) and the same type of discount rate (expected return on assets) as ICERS uses for funding. This means that the Total Pension Liability (TPL) measure for financial reporting shown in this report is generally determined on the same basis as ICERS' actuarial accrued liability (AAL) measure for funding. We note that the same is generally true for the service cost for financial reporting shown in this report and the normal cost component of the annual plan cost for funding.
3. The Net Pension Liability (NPL) is equal to the difference between the TPL and the Plan Fiduciary Net Position (FNP). The Plan FNP is equal to the fair value of assets and therefore, the NPL measure is very similar to an unfunded actuarial accrued liability (UAAL) on a fair value basis. The NPL reflects all investment gains and losses as of the measurement date. This is different from the UAAL on a valuation value of assets basis in the funding valuation that reflects investment gains and losses over a five-year period.

## Section 1: Actuarial Valuation Summary

### Highlights of the valuation

1. The reporting date for the Plan is June 30, 2025 and the NPL was measured as of the same date. The TPL was determined based upon rolling forward the TPL from the actuarial funding valuation as of June 30, 2024 while the Plan FNP was valued as of the measurement date. In addition, any changes in actuarial assumptions or plan provisions that occurred between the valuation date and the measurement date have been reflected.
2. The NPL decreased from \$126.3 million as of June 30, 2024 to \$61.7 million as of June 30, 2025 primarily due to a return on the fair value of assets of 10.7% during fiscal year 2024-2025 that was greater than the assumption of 6.75% used in the June 30, 2024 valuation (a gain of about \$46.4 million). Changes in these values during the last two fiscal years can be found in *Section 2, Exhibit 3: Schedule of changes in Net Pension Liability* on page 19.
3. The discount rate used to measure the TPL and NPL as of June 30, 2025 was 6.75%, following the same assumptions used by ICERS in the actuarial funding valuation as of June 30, 2025. The detailed calculations used in the derivation of the 6.75% discount rate can be found in *Appendix A*. Various other information that is required to be disclosed can be found throughout *Section 2*.
4. The pension expense decreased from \$28.3 million as of June 30, 2024 to \$7.7 million as of June 30, 2025. The primary cause of the decrease is the recognition of a credit of \$9.3 million in this year's pension expense that is associated with the \$46.4 million asset gain and the full recognition of a charge of \$7.1 million from last year's pension expense that is associated with the \$35.7 million asset loss that was identified in the June 30, 2020 valuation.
5. *Appendix B* and *Appendix C* contain two schedules that the American Institute of Certified Public Accountants (AICPA) recommends be prepared by cost sharing pension plans. These two schedules contain summary information related to GASB 68 and are based on many of the results that will be shown in a separate GASB 68 report. *Appendix B* shows the method used for allocating the NPL along with the NPL amounts allocated amongst all of the employers in ICERS. *Appendix C* is a summary that shows the allocated NPL, deferred outflows and inflows of resources and pension expense by employer. Further information regarding GASB 68 including additional information that employers will need to disclose will be provided in a separate report that is anticipated to be completed during the first quarter of 2026.
6. At this time, there has been no resolution to the Deputy Sheriffs' Association, et. al., v. County of Imperial and Imperial County Employees' Retirement System litigation. We will reflect any outcome, once it is known, in future actuarial valuations.

## Section 1: Actuarial Valuation Summary

### Summary of key valuation results

| Line Description                            | Current Year  | Prior Year    |
|---|---------------|---------------|
| Reporting and Measurement Date              | June 30, 2025 | June 30, 2024 |
| <b>Disclosure elements</b>                  |               |               |
| Service cost <sup>1</sup>                   | \$34,451,256  | \$33,366,276  |
| Total Pension Liability                     | 1,370,521,375 | 1,323,302,205 |
| Plan Fiduciary Net Position                 | 1,308,837,826 | 1,197,046,152 |
| Net Pension Liability                       | 61,683,549    | 126,256,053   |
| <b>Schedule of contributions</b>            |               |               |
| Actuarially determined contributions        | \$30,523,595  | \$27,366,348  |
| Actual contributions                        | 30,523,595    | 27,366,348    |
| Contribution deficiency / (excess)          | 0             | 0             |
| <b>Demographic data<sup>2</sup></b>         |               |               |
| Number of retired members and beneficiaries | 1,494         | 1,446         |
| Number of inactive members <sup>3</sup>     | 906           | 874           |
| Number of active members                    | 2,358         | 2,326         |
| <b>Key assumptions</b>                      |               |               |
| Investment rate of return                   | 6.75%         | 6.75%         |
| Inflation rate                              | 2.50%         | 2.50%         |
| "Across-the-board" salary increase          | 0.50%         | 0.50%         |

<sup>1</sup> The service cost is based on the previous year's valuation, meaning the service cost as of the June 30, 2025 and June 30, 2024 measurement dates are based on the valuations as of June 30, 2024 and June 30, 2023, respectively. Both service costs have been calculated using the assumptions shown in the Prior Year column, as there had been no changes in the actuarial assumptions between the June 30, 2024 and June 30, 2023 valuations.

<sup>2</sup> Data as of June 30, 2024 is used in the measurement of the TPL as of June 30, 2025.

<sup>3</sup> Includes inactive members due a refund of member contributions.

## Section 1: Actuarial Valuation Summary

| Line Description                        | Current Year               | Prior Year                 |
|---|----------------------------|----------------------------|
| Projected salary increases <sup>4</sup> |                            |                            |
| • General                               | 4.00% to 10.00%            | 4.00% to 10.00%            |
| • Safety                                | 4.25% to 10.75%            | 4.25% to 10.75%            |
| Cost-of-living adjustments              | 2.00% of retirement income | 2.00% of retirement income |

<sup>4</sup> Includes inflation at 2.50% plus “across-the-board” salary increase of 0.50% plus merit and promotion increases that vary by service.

## Section 1: Actuarial Valuation Summary

### Important information about actuarial valuations

In order to prepare a valuation, Segal relies on a number of input items. These include:

| Input Item                   | Description   |
|------------------------------|---|
| <b>Plan provisions</b>       | Plan provisions define the rules that will be used to determine benefit payments, and those rules, or the interpretation of them, may change over time. Even where they appear precise, outside factors may change how they operate. It is important to keep Segal informed with respect to plan provisions and administrative procedures, and to review the plan summary included in our report (as well as the plan summary included in our funding valuation report) to confirm that Segal has correctly interpreted the plan of benefits.   |
| <b>Member information</b>    | An actuarial valuation for a plan is based on data provided to the actuary by the staff of ICERS. Segal does not audit such data for completeness or accuracy, other than reviewing it for obvious inconsistencies compared to prior data and other information that appears unreasonable. It is important for Segal to receive the best possible data and to be informed about any known incomplete or inaccurate data.  |
| <b>Financial information</b> | The valuation is based on the fair value of assets as of the measurement date, as provided by the staff of ICERS.   |
| <b>Actuarial assumptions</b> | In preparing an actuarial valuation, Segal starts by developing a forecast of the benefits to be paid to existing plan members for the rest of their lives and the lives of their beneficiaries. This requires actuarial assumptions as to the probability of death, disability, withdrawal, and retirement of members in each year, as well as forecasts of the plan's benefits for each of those events. In addition, the benefits forecasted for each of those events in each future year reflect actuarial assumptions as to salary increases and cost-of-living adjustments (if applicable). The forecasted benefits are then discounted to a present value, typically based on an estimate of the rate of return that will be achieved on the plan's assets. All of these factors are uncertain and unknowable. Thus, there will be a range of reasonable assumptions, and the results may vary materially based on which assumptions are selected within that range. That is, there is no right answer (except with hindsight). It is important for any user of an actuarial valuation to understand and accept this constraint. The actuarial model may use approximations and estimates that will have an immaterial impact on our results. In addition, the actuarial assumptions may change over time, and while this can have a significant impact on the reported results, it does not mean that the previous assumptions or results were unreasonable or wrong. |
| <b>Actuarial models</b>      | Segal valuation results are based on proprietary actuarial modeling software. The actuarial valuation models generate a comprehensive set of liability and cost calculations that are presented to meet regulatory, legislative and client requirements. Deterministic cost projections are based on a proprietary forecasting model. Our Actuarial Technology and Systems unit, comprised of both actuaries and programmers, is responsible for the initial development and maintenance of these models. The models have a modular structure that allows for a high degree of accuracy, flexibility and user control. The client team programs the assumptions and the plan provisions, validates the models, and reviews test lives and results, under the supervision of the responsible actuary. The discount rate used for calculating Total Pension Liability is based on a model developed by our Actuarial Technology and Systems unit, comprised of both actuaries and programmers. The model allows the client team, under the supervision of the responsible actuary, control over the entry of future expected contribution income, benefit payments and administrative expenses. The projection of fiduciary net position and the discounting of benefits is part of the model.  |

## Section 1: Actuarial Valuation Summary

The user of Segal's actuarial valuation (or other actuarial calculations) should keep the following in mind:

- The actuarial valuation is prepared at the request of the Board. Segal is not responsible for the use or misuse of its report, particularly by any other party.
- An actuarial valuation is a measurement at a specific date — it is not a prediction of a plan's future financial condition. Accordingly, Segal did not perform an analysis of the potential range of financial measurements, except where otherwise noted.
- If ICERS is aware of any event or trend that was not considered in this valuation that may materially change the results of the valuation, Segal should be advised, so that we can evaluate it.
- Segal does not provide investment, legal, accounting or tax advice and is not acting as a fiduciary to the Plan. This valuation is based on Segal's understanding of applicable guidance in these areas and of the Plan's provisions, but they may be subject to alternative interpretations. The Board should look to their other advisors for expertise in these areas.
- While Segal maintains extensive quality assurance procedures, an actuarial valuation involves complex computer models and numerous inputs. In the event that an inaccuracy is discovered after presentation of Segal's valuation, Segal may revise that valuation or make an appropriate adjustment in the next valuation.
- Segal's report shall be deemed to be final and accepted by ICERS upon delivery and review. ICERS should notify Segal immediately of any questions or concerns about the final content.

# Section 2: GASB 67 Information

## General information about the pension plan

### Plan administration

The Imperial County Employees' Retirement System (ICERS) was established by the County of Imperial in 1951. ICERS is administered by the Board of Retirement and governed by the County Employees' Retirement Law of 1937 (California Government Code Section 31450 et seq.). ICERS is a cost-sharing multiple employer public employee retirement system whose main function is to provide service retirement, disability, death and survivor benefits to the Safety and General members employed by the County of Imperial. ICERS also provides retirement benefits to the employee members of the Imperial County Courts, LAFCO, and ICTC.

The management of ICERS is vested with the Imperial County Board of Retirement. The Board consists of nine members and two alternate members.

- The County Treasurer is a member of the Board of Retirement by law;
- Four members are appointed by the Board of Supervisors, one of whom may be a County Supervisor;
- Two members are elected by the General membership;
- One member and one alternate are elected by the Safety membership; and
- One member and one alternate are elected by the retired members of the System.

All members of the Board of Retirement serve terms of three years except for the County Treasurer whose term runs concurrent with their term as County Treasurer.

## Section 2: GASB 67 Information

### Plan membership<sup>5</sup>

At June 30, 2025, pension plan membership consisted of the following:

| Membership                        | Count        |
|-----------------------------------|--------------|
| Retired members and beneficiaries | 1,494        |
| Inactive members <sup>6</sup>     | 906          |
| Active members                    | 2,358        |
| <b>Total</b>                      | <b>4,758</b> |

### Benefits provided

ICERS provides service retirement, disability, death and survivor benefits to eligible employees. All regular full-time employees of the County of Imperial or contracting districts who work a minimum of 30 hours per week become members of ICERS effective on the first day of the first full pay period after employment.

There are separate retirement plans for General and Safety member employees. Safety membership is extended to those involved in active law enforcement, fire suppression, and certain probation officers. All other employees are classified as General members. Any new Safety member or General member who becomes a member on or after January 1, 2013 is designated as PEPRA Safety or PEPRA General, respectively, and is subject to the provisions of California Public Employees' Pension Reform Act of 2013 (PEPRA) and California Government Code 7522 et seq.

The retirement benefit the member will receive is based upon age at retirement, final average compensation, years of retirement service credit and retirement plan and tier.

Final average compensation consists of the highest 12 consecutive months for a General or Safety member and the highest 36 consecutive months for a PEPRA General or PEPRA Safety member.

For members with membership dates before January 1, 2013, the maximum monthly retirement allowance is 100% of final compensation. However, for members with membership dates on or after January 1, 2013 the maximum amount of pensionable compensation that can be taken into account for 2025 is equal to \$186,096 (reference Section 7522.10). This limit is adjusted on an annual basis. Members are exempt from paying member contributions and employers are exempt from paying employer contributions on compensation in excess of the annual cap.

<sup>5</sup> Data as of June 30, 2024 is used in the measurement of the TPL as of June 30, 2025.

<sup>6</sup> Includes inactive members with member contributions on deposit.

## Section 2: GASB 67 Information

The member may elect an unmodified retirement allowance or choose an optional retirement allowance. The unmodified retirement allowance provides the highest monthly benefit and a 60% continuance to an eligible surviving spouse or domestic partner. An eligible surviving spouse or domestic partner is one married to or registered with the member one year prior to the effective retirement date. Certain surviving spouses or domestic partners may also be eligible if marriage or domestic partnership was at least two years prior to the date of death and the surviving spouse or domestic partner has attained age 55. There are four optional retirement allowances the member may choose. Each of the optional retirement allowances requires a reduction in the unmodified retirement allowance in order to allow the member the ability to provide certain benefits to a surviving spouse, domestic partner, or named beneficiary having an insurable interest in the life of the member.

ICERS provides an annual cost-of-living benefit to all retirees. The cost-of-living adjustment, based upon the ratio of the past two annual Consumer Price Indices for the Western Region, is capped at 2.0%.

### General members

General members hired prior to January 1, 2013, are eligible to retire once they attain the age of 70 regardless of service or attain age 50 with 10 or more years of retirement service credit. A member with 30 years of service is eligible to retire regardless of age. General members who are first hired on or after January 1, 2013, are eligible to retire once they attain the age of 70 regardless of service or attain the age of 52 with five years of retirement service credit.

General member benefits are calculated pursuant to the provisions of Sections 31676.11 and 31676.14 for Regular and Regular plus Supplemental Benefits, respectively. The monthly allowance is equal to 1/60th of final compensation for Regular and Regular plus Supplemental Benefits, times years of accrued retirement service credit times age factor from either Section 31676.11 (Regular Benefit) or Section 31676.14 (Regular plus Supplemental Benefit). General member benefits for those who are first hired on or after January 1, 2013, are calculated pursuant to the provision of California Government Code Section 7522.20(a). The monthly allowance is equal to the final compensation multiplied by years of accrued retirement credit multiplied by the age factor from Section 7522.20(a).

### Safety members

Safety members hired prior to January 1, 2013, are eligible to retire once they attain the age of 60 regardless of service or attain age 50 with 10 or more years of retirement service credit. A member with 20 years of service is eligible to retire regardless of age. Safety members who are first hired on or after January 1, 2013, are eligible to retire once they attain the age of 70 regardless of service or attain the age of 50 with five years of retirement service credit.

Safety member benefits are calculated pursuant to the provisions of California Government Code Sections 31664 and 31664.1 for Regular and Regular plus Supplemental Benefits, respectively. The monthly allowance is equal to 1/50th (or 2%) of final compensation times years of accrued retirement service credit times age factor from Section 31664 (Regular Benefit) or 3% of final

## Section 2: GASB 67 Information

compensation times years of accrued retirement service credit times age factor from Section 31664.1 (Regular plus Supplemental Benefit). Safety member benefits for those who are first hired on or after January 1, 2013, are calculated pursuant to the provision of California Government Code Section 7522.25(d). The monthly allowance is equal to the final compensation multiplied by years of accrued retirement credit multiplied by the age factor from Section 7522.25(d).

### **Contributions**

The County of Imperial and contracting districts contribute to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Retirement. Employer contribution rates are adopted annually based upon recommendations received from ICERS' actuary after the completion of the annual actuarial valuation. The average employer contribution rate as of June 30, 2025 for 2024-2025 (based on the June 30, 2023 valuation) was 21.28% of compensation.

All members are required to make contributions to ICERS regardless of the retirement plan or tier in which they are included. The average member contribution rate as of June 30, 2025 for 2024-2025 (based on the June 30, 2023 valuation) was 13.07% of compensation.

## Section 2: GASB 67 Information

### Exhibit 1: Net Pension Liability

| Line Description  | Current Year        | Prior Year           |
|---|---------------------|----------------------|
| Reporting and Measurement Date  | June 30, 2025       | June 30, 2024        |
| <b>Components of the Net Pension Liability</b>  |                     |                      |
| Total Pension Liability   | \$1,370,521,375     | \$1,323,302,205      |
| Plan Fiduciary Net Position   | (1,308,837,826)     | (1,197,046,152)      |
| <b>Net Pension Liability</b>  | <b>\$61,683,549</b> | <b>\$126,256,053</b> |
| Plan Fiduciary Net Position as a percentage of the Total Pension Liability <sup>7</sup> | 95.50%              | 90.46%               |

The NPL for the Plan in this valuation was measured as of June 30, 2025. The Plan FNP was valued as of the measurement date and the TPL was determined based upon rolling forward the TPL from the actuarial funding valuation as of June 30, 2024.

### Plan provisions

The plan provisions used in the measurement of the NPL as of June 30, 2025 are the same as those used in ICERS' actuarial funding valuation as of June 30, 2025.

### Actuarial assumptions

The TPL as of June 30, 2025 uses the same actuarial assumptions as the actuarial funding valuation as of June 30, 2025. The actuarial assumptions used in that funding valuation were based on the results of an experience study for the period July 1, 2019 through June 30, 2022. In particular, the following actuarial assumptions were applied to all periods included in the measurement:

<sup>7</sup> These funded percentages 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.

## Section 2: GASB 67 Information

| Assumption Type                    | Assumption  |
|------------------------------------|---|
| Investment rate of return          | 6.75%, net of pension plan investment expense, including inflation.   |
| Inflation rate                     | 2.50%   |
| “Across-the-board” salary increase | 0.50%   |
| Projected salary increases         | General: 4.00% to 10.00%<br>Safety: 4.25% to 10.75%<br>The above salary increases vary by service and include inflation and “across-the-board” salary increase.   |
| Cost-of-living adjustments         | 2.00%   |
| Administrative expenses            | 2.10% of payroll allocated to both the employer and member based on the components of the total contribution rate (before expense) for the employer and member.   |
| Other assumptions                  | Same as those used in the June 30, 2025 funding valuation. These assumptions were developed in the July 1, 2019 through June 30, 2022 Actuarial Experience Study. |

Detailed information regarding all actuarial assumptions can be found in the June 30, 2025 Actuarial Valuation and Review.

## Section 2: GASB 67 Information

### Exhibit 2: Discount rate

#### Determination of discount rate and investment rates of return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected arithmetic real rates of return (expected returns, net of inflation and any applicable investment management expenses) are developed for each major asset class. These returns are combined to produce the long-term expected arithmetic rate of return for the portfolio by weighting the expected arithmetic real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses<sup>8</sup> and a risk margin. This portfolio return is also adjusted to an expected geometric real rate of return for the portfolio.

The target allocation (approved by the Board) and projected arithmetic real rates of return for each major asset class (after deducting inflation and applicable investment management expenses), are shown in the following table. This information was used in the derivation of the long-term expected investment rate of return assumption for the actuarial funding valuation as of June 30, 2025. This information will be subject to change every three years based on the results of an actuarial experience study.

| Asset Class                         | Target Allocation | Long-Term Expected Arithmetic Real Rate of Return <sup>9</sup> |
|-------------------------------------|-------------------|--|
| U.S. Large-Cap Equity               | 26%               | 6.00%  |
| U.S. Small/Mid-Cap Equity           | 7%                | 6.65%  |
| Non-U.S. Developed Equity           | 14%               | 7.01%  |
| Non-U.S. Developed Small-Cap Equity | 6%                | 8.80%  |
| Emerging Market Equity              | 22%               | 1.97%  |
| Global Equity                       | 5%                | 1.77%  |
| Private Equity                      | 5%                | 3.86%  |
| U.S. Aggregate Bond                 | 5%                | 6.70%  |
| Private Debt                        | 5%                | 6.69%  |
| U.S. Treasury Bond                  | 5%                | 10.12%   |
| <b>Total</b>                        | <b>100%</b>       | <b>5.43%</b>   |

<sup>8</sup> Investment expenses include investment consulting fees, custodian fees and other miscellaneous investment expenses and fees, and exclude investment manager fees.

<sup>9</sup> Arithmetic real rates of return are net of inflation.

## Section 2: GASB 67 Information

### Discount rate

The discount rate used to measure the TPL was 6.75% as of June 30, 2025.

The projection of cash flows used to determine the discount rate assumes plan member contributions will be made at the current contribution rates for the Regular and PEPRAs benefits and at rates equal to the actuarially determined contribution rates for the Supplemental benefits. The projection of cash flows used to determine the discount rate assumes that employer contributions will be made at rates equal to the actuarially determined contribution rates.<sup>10</sup> Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Plan FNP was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL as of June 30, 2025.

### Discount rate sensitivity

The following presents the NPL of ICERS as of June 30, 2025 calculated using the current discount rate of 6.75%, as well as what the NPL would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate.

| Line Description      | 1% Decrease in Discount Rate (5.75%) | Current Discount Rate (6.75%) | 1% Increase in Discount Rate (7.75%) |
|-----------------------|--------------------------------------|-------------------------------|--------------------------------------|
| Net Pension Liability | \$258,003,195                        | \$61,683,549                  | \$(97,564,928)                       |

<sup>10</sup> For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included.

## Section 2: GASB 67 Information

### Exhibit 3: Schedule of changes in Net Pension Liability

| Line Description   | Current Year           | Prior Year             |
|--|------------------------|------------------------|
| Reporting and Measurement Date   | June 30, 2025          | June 30, 2024          |
| <b>Total Pension Liability</b>   |                        |                        |
| Service cost   | \$34,451,256           | \$33,366,276           |
| Interest   | 89,567,372             | 85,454,228             |
| Change of benefit terms  | 0                      | 0                      |
| Differences between expected and actual experience                         | (15,140,572)           | 765,780                |
| Changes of assumptions   | 0                      | 0                      |
| Benefit payments, including refunds of member contributions                | (61,658,886)           | (57,812,721)           |
| <b>Net change in Total Pension Liability</b>                               | <b>\$47,219,170</b>    | <b>\$61,773,563</b>    |
| Total Pension Liability — beginning  | 1,323,302,205          | 1,261,528,642          |
| <b>Total Pension Liability — ending</b>                                    | <b>\$1,370,521,375</b> | <b>\$1,323,302,205</b> |
| <b>Plan Fiduciary Net Position</b>   |                        |                        |
| Contributions — employer   | \$30,523,595           | \$27,366,348           |
| Contributions — member   | 18,748,342             | 17,329,798             |
| Net investment income  | 126,726,922            | 108,790,192            |
| Benefit payments, including refunds of member contributions                | (61,658,886)           | (57,812,721)           |
| Administrative expense   | (2,548,299)            | (3,000,826)            |
| <b>Net change in Plan Fiduciary Net Position</b>                           | <b>\$111,791,674</b>   | <b>\$92,672,791</b>    |
| Plan Fiduciary Net Position — beginning                                    | 1,197,046,152          | 1,104,373,361          |
| <b>Plan Fiduciary Net Position — ending</b>                                | <b>\$1,308,837,826</b> | <b>\$1,197,046,152</b> |
| <b>Net Pension Liability — ending</b>                                      | <b>\$61,683,549</b>    | <b>\$126,256,053</b>   |
| Plan Fiduciary Net Position as a percentage of the Total Pension Liability | 95.50%                 | 90.46%                 |
| Covered payroll <sup>11</sup>  | \$143,425,000          | \$136,508,000          |
| Plan Net Pension Liability as percentage of covered payroll                | 43.01%                 | 92.49%                 |

<sup>11</sup> Covered payroll represents payroll on which contributions to the pension plan are based.

## Section 2: GASB 67 Information

### Exhibit 4: Schedule of employer contributions

(\$ in millions)

| Year Ended<br>June 30 | Actuarially<br>Determined<br>Contributions | Contributions in<br>Relation to the<br>Actuarially<br>Determined<br>Contributions | Contribution<br>Deficiency /<br>(Excess) | Covered Payroll <sup>12</sup> | Contributions as<br>a Percentage of<br>Covered Payroll |
|-----------------------|--|---|--|-------------------------------|--|
| 2016                  | \$21                                       | \$21  | \$0                                      | \$107                         | 19.25%   |
| 2017                  | 21   | 21  | 0  | 115                           | 18.34%   |
| 2018                  | 21   | 21  | 0  | 113                           | 18.60%   |
| 2019                  | 26   | 26  | 0  | 117                           | 22.28%   |
| 2020                  | 26   | 26  | 0  | 122                           | 21.63%   |
| 2021                  | 28   | 28  | 0  | 125                           | 22.24%   |
| 2022                  | 34 <sup>13</sup>                           | 34 <sup>13</sup>  | 0  | 125                           | 27.01%   |
| 2023                  | 29   | 29  | 0  | 129                           | 22.71%   |
| 2024                  | 27   | 27  | 0  | 137                           | 20.05%   |
| 2025                  | 31   | 31  | 0  | 143                           | 21.28%   |

See accompanying notes to this schedule on next page.

<sup>12</sup> Covered payroll represents payroll on which contributions to the pension plan are based.

<sup>13</sup> Includes \$3,100,034 paid by the County in a single lump sum on July 1, 2021 to defray the cost of the Golden Handshake. If these contributions were disregarded, the average employer contribution rate would be 24.52% of compensation.

## Section 2: GASB 67 Information

### **Methods and assumptions used to establish the actuarially determined contribution for the year ended June 30, 2025**

#### **Valuation date**

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (i.e., for fiscal year 2024-2025, the contribution rates are based on the June 30, 2023 valuation).

#### **Actuarial cost method**

Entry age actuarial cost method

#### **Amortization method**

Level percent of payroll (3.00% payroll growth assumed in the June 30, 2023 valuation)

#### **Remaining amortization period**

UAAL established as of June 30, 2012 is amortized over a declining period (with 8 years remaining as of the June 30, 2023 valuation which set the rates for fiscal year 2024-2025).

Effective with the June 30, 2013 valuation, any change in UAAL that arises due to actuarial gains or losses will be amortized over a 15-year closed period. Any change in UAAL as a result of a change in actuarial assumptions or methods will be amortized over a 20-year closed period. Any change in UAAL that arises due to plan amendments will be amortized over a 15-year closed period and any change in UAAL due to temporary retirement incentive programs will be amortized over a 5-year closed period. If ICERS becomes over 120% funded, such surplus and any subsequent surpluses will be amortized over an open amortization period of 30 years.

#### **Asset valuation method**

The actuarial value of assets is equal to the market value (or fair value) of assets less unrecognized returns from each of the last five years (or 10 six-month interest crediting periods). The unrecognized return each year is equal to the difference between the actual and expected returns on the market value of assets, recognized over a five-year period. The actuarial value of assets is further adjusted, if necessary, to be within 30% of the market value of assets. The valuation value of assets is the actuarial value of assets reduced by the value of the non-valuation reserves.

## Section 2: GASB 67 Information

### Other information

All members with membership dates on or after January 1, 2013 enter the new tiers created by the California Public Employees' Pension Reform Act of 2013 (PEPRA).

### Actuarial assumptions

The actuarially determined contribution for the year ended June 30, 2025 is based on the results of the ICERS June 30, 2023 Actuarial Valuation and Review. The actuarial assumptions used in that valuation are as follows:

| Assumption Type                    | Assumptions Used in the June 30, 2023 Valuation   |
|------------------------------------|---|
| Investment rate of return          | 6.75%, net of pension plan investment expense, including inflation  |
| Inflation rate                     | 2.50%   |
| "Across-the-board" salary increase | 0.50%   |
| Projected salary increases         | General: 4.00% to 10.00%<br>Safety: 4.25% to 10.75%<br>The above salary increases vary by service and include inflation and "across-the-board" salary increase.                   |
| Cost-of-living adjustments         | 2.00%   |
| Administrative expenses            | 2.10% of payroll allocated to both the employer and member based on the components of the total contribution rate (before expense) for the employer and member.                   |
| Other assumptions                  | Same as those used in the actuarial funding valuation as of June 30, 2023. These assumptions were developed in the July 1, 2019 through June 30, 2022 Actuarial Experience Study. |

# Appendix A: Projection of Plan Fiduciary Net Position

Projection of Plan Fiduciary Net Position for use in the Calculation of Discount Rate as of June 30, 2025  
 (\$ in millions)

| Year Beginning July 1 | Beginning Plan Fiduciary Net Position (a) | Total Contributions (b) | Benefit Payments (c) | Administrative Expenses (d) | Investment Earnings (e) | Ending Plan Fiduciary Net Position (a) + (b) – (c) – (d) + (e) |
|-----------------------|---|-------------------------|----------------------|-----------------------------|-------------------------|--|
| 2024                  | \$1,197                                   | \$49                    | \$62                 | \$3                         | \$127                   | \$1,309  |
| 2025                  | 1,309                                     | 44                      | 65                   | 3                           | 87                      | 1,372  |
| 2026                  | 1,372                                     | 44                      | 69                   | 3                           | 91                      | 1,436  |
| 2027                  | 1,436                                     | 43                      | 72                   | 3                           | 96                      | 1,500  |
| 2028                  | 1,500                                     | 40                      | 75                   | 3                           | 100                     | 1,562  |
| 2029                  | 1,562                                     | 40                      | 78                   | 3                           | 104                     | 1,624  |
| 2030                  | 1,624                                     | 39                      | 82                   | 3                           | 108                     | 1,687  |
| 2031                  | 1,687                                     | 30                      | 86                   | 2                           | 111                     | 1,740  |
| 2032                  | 1,740                                     | 28                      | 90                   | 2                           | 115                     | 1,791  |
| 2033                  | 1,791                                     | 29                      | 94                   | 2                           | 118                     | 1,842  |
| 2057                  | 2,145                                     | 4                       | 176                  | 0 <sup>14</sup>             | 138                     | 2,111  |
| 2058                  | 2,111                                     | 3                       | 178                  | 0 <sup>14</sup>             | 136                     | 2,072  |
| 2059                  | 2,072                                     | 3                       | 179                  | 0 <sup>14</sup>             | 133                     | 2,029  |
| 2060                  | 2,029                                     | 2                       | 180                  | 0 <sup>14</sup>             | 130                     | 1,981  |
| 2086                  | 475                                       | 0                       | 63                   | 0                           | 30                      | 442  |
| 2087                  | 442                                       | 0                       | 57                   | 0                           | 28                      | 412  |
| 2088                  | 412                                       | 0                       | 51                   | 0                           | 26                      | 386  |
| 2089                  | 386                                       | 0                       | 46                   | 0                           | 24                      | 365  |
| 2109                  | 630                                       | 0                       | 0 <sup>14</sup>      | 0                           | 42                      | 672  |
| 2110                  | 672                                       | 0                       | 0 <sup>14</sup>      | 0                           | 45                      | 717  |
| 2129                  | 2,323                                     | 0                       | 0 <sup>14</sup>      | 0                           | 157                     | 2,480 <sup>15</sup>  |

<sup>14</sup> Less than \$1 million when rounded.

<sup>15</sup> The Plan FNP of \$2,480 million has a value of about \$3 million as of June 30, 2025 when discounted with interest at the rate of 6.75% per annum.

## Appendix A: Projection of Plan Fiduciary Net Position

### Notes

1. Amounts may not total exactly due to rounding.
2. Amounts shown in the year beginning July 1, 2024 row are actual amounts, based on the financial statements provided by the staff of ICERS.
3. Certain years have been omitted from this table.
4. **Column (a):** None of the Plan FNP amounts shown have been adjusted for the time value of money.
5. **Column (b):** Projected total contributions include member and employer normal cost contributions based on closed group payroll (based on covered active members as of June 30, 2024); plus member and employer contributions to the UAAL; plus employer and member contributions to fund each year's annual administrative expenses. Contributions are assumed to occur halfway through the year, on average.
6. **Column (c):** Projected benefit payments have been determined in accordance with paragraph 39 of GASB Statement No. 67, and are based on the closed group of active, inactive, and retired members and beneficiaries as of June 30, 2024. The projected benefit payments reflect the cost-of-living increase assumptions used in the June 30, 2025 report. Benefit payments are assumed to occur halfway through the year, on average.
7. **Column (d):** Projected administrative expenses are assumed to be 2.10% of closed group projected payroll and are assumed to occur halfway through the year, on average.
8. **Column (e):** Projected investment earnings are based on the assumed investment rate of return of 6.75% per annum and reflect the assumed timing of cashflows, as noted above.
9. As illustrated in this appendix, the Plan FNP was projected to be available to make all projected future benefit payments for current Plan members. In other words, there is no projected "cross-over date" when projected benefits are **not** covered by projected assets. Therefore, the long-term expected rate of return on Plan investments of 6.75% per annum was applied to all periods of projected benefit payments to determine the TPL as of June 30, 2025 shown earlier in this report, pursuant to paragraph 44 of GASB Statement No. 67.

# Appendix B: Determination of Proportionate Share

## Actual Total (Employer and Member) Contributions by Employer and Membership Class July 1, 2024 to June 30, 2025

| Employer                       | General Contributions | General Percentage <sup>16</sup> | Safety Contributions | Safety Percentage | Total Contributions | Total Percentage |
|--------------------------------|-----------------------|----------------------------------|----------------------|-------------------|---------------------|------------------|
| County                         | \$33,376,078          | 94.007%                          | \$13,768,156         | 100.000%          | \$47,144,234        | 95.682%          |
| Courts                         | 1,818,679             | 5.122%                           | 0                    | 0.000%            | 1,818,679           | 3.691%           |
| ICTC                           | 192,383               | 0.542%                           | 0                    | 0.000%            | 192,383             | 0.390%           |
| LAFCO                          | 116,641               | 0.329%                           | 0                    | 0.000%            | 116,641             | 0.237%           |
| <b>Total for all Employers</b> | <b>\$35,503,781</b>   | <b>100.000%</b>                  | <b>\$13,768,156</b>  | <b>100.000%</b>   | <b>\$49,271,937</b> | <b>100.000%</b>  |

## Allocation of June 30, 2025 Net Pension Liability (NPL)

| Employer                       | General             | General Percentage | Safety              | Safety Percentage | Total NPL           | Employer Allocation Percentage |
|--------------------------------|---------------------|--------------------|---------------------|-------------------|---------------------|--------------------------------|
| County                         | \$33,627,118        | 94.007%            | \$25,912,725        | 100.000%          | \$59,539,843        | 96.525%                        |
| Courts                         | 1,832,358           | 5.122%             | 0                   | 0.000%            | 1,832,358           | 2.970%                         |
| ICTC                           | 193,830             | 0.542%             | 0                   | 0.000%            | 193,830             | 0.314%                         |
| LAFCO                          | 117,518             | 0.329%             | 0                   | 0.000%            | 117,518             | 0.191%                         |
| <b>Total for all Employers</b> | <b>\$35,770,824</b> | <b>100.000%</b>    | <b>\$25,912,725</b> | <b>100.000%</b>   | <b>\$61,683,549</b> | <b>100.000%</b>                |

<sup>16</sup> The unrounded percentages are used in the allocation of the NPL amongst the General employers.

## Appendix B: Determination of Proportionate Share

### Notes

1. Based on the July 1, 2024 through June 30, 2025 contributions as provided by the staff of ICERS.
2. The NPL for each membership class is the TPL minus the Plan FNP. The TPL for each membership class is obtained from internal valuation results. The Plan FNP for each membership class was determined by adjusting the VVA for each membership class by the ratio of the total ICERS Plan FNP to total ICERS VVA. Based on this methodology, any non-valuation reserves are allocated amongst the membership classes based on the VVA for each membership class.
3. The Safety membership class has only one employer (the County), so all of the NPL for Safety is allocated to the County.
4. For General, the NPL is allocated based on the actual contributions within the General membership class.
  - a. Calculate ratio of employer's and member's contributions to the total contributions for the membership class.
  - b. Multiply this ratio (unrounded) by the NPL for the membership class to determine the employer's proportionate share of the NPL for the membership class.
  - c. If the employer is in both membership classes, the employer's total allocated NPL is the sum of its allocated NPL from each membership class.
5. Proportionate share of total plan NPL is then the ratio of the employer's total allocated NPL to the total NPL of all employers.
6. For purposes of the above results, the reporting date for the employer under GASB 68 is June 30, 2026. The reporting date and measurement date for the plan under GASB 67 are June 30, 2025. Consistent with the provisions of GASB 68, the assets and liabilities measured as of June 30, 2025 are not adjusted or "rolled forward" to June 30, 2026 for employer reporting under GASB 68. Other results, such as the total deferred inflows and outflows would also be allocated based on the same proportionate shares determined above.

# Appendix C: Pension Amounts by Employer as of June 30, 2025

| Line Description  | County General      | County Safety       | County Total        | Courts             |
|---|---------------------|---------------------|---------------------|--------------------|
| <b>Deferred outflows of resources</b>   |                     |                     |                     |                    |
| Differences between actual and expected experience  | \$983,151           | \$405,348           | \$1,388,499         | \$53,572           |
| Net excess of projected over actual earnings on pension plan investments (if any)   | 0                   | 0                   | 0                   | 0                  |
| Changes of assumptions  | 12,260,525          | 7,701,658           | 19,962,183          | 668,082            |
| Changes in proportion and differences between employer contributions and proportionate share of contributions   | 353,901             | 0                   | 353,901             | 331,493            |
| <b>Total deferred outflows of resources</b>   | <b>\$13,597,577</b> | <b>\$8,107,006</b>  | <b>\$21,704,583</b> | <b>\$1,053,147</b> |
| <b>Deferred inflows of resources</b>  |                     |                     |                     |                    |
| Differences between expected and actual experience  | \$19,763,466        | \$10,808,905        | \$30,572,371        | \$1,076,921        |
| Net excess of actual over projected earnings on pension plan investments (if any)   | 20,734,831          | 7,050,290           | 27,785,121          | 1,129,851          |
| Changes of assumptions  | 0                   | 0                   | 0                   | 0                  |
| Changes in proportion and differences between employer contributions and proportionate share of contributions   | 369,453             | 0                   | 369,453             | 401,862            |
| <b>Total deferred inflows of resources</b>  | <b>\$40,867,750</b> | <b>\$17,859,195</b> | <b>\$58,726,945</b> | <b>\$2,608,634</b> |
| <b>Net Pension Liability</b>  |                     |                     |                     |                    |
| Net Pension Liability as of June 30, 2024   | \$76,117,852        | \$45,192,300        | \$121,310,152       | \$4,303,449        |
| Net Pension Liability as of June 30, 2025   | \$33,627,118        | \$25,912,725        | \$59,539,843        | \$1,832,358        |
| <b>Pension expense</b>  |                     |                     |                     |                    |
| Proportionate share of allocable plan pension expense   | \$4,885,225         | \$2,547,607         | \$7,432,832         | \$218,689          |
| Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions | (1,934)             | 0                   | (1,934)             | (26,144)           |
| <b>Total employer pension expense excluding that attributable to employer-paid member contributions</b>   | <b>\$4,883,291</b>  | <b>\$2,547,607</b>  | <b>\$7,430,898</b>  | <b>\$192,545</b>   |

## Appendix C: Pension Amounts by Employer as of June 30, 2025

| Line Description  | ICTC             | LAFCO            | Total               |
|---|------------------|------------------|---------------------|
| <b>Deferred outflows of resources</b>   |                  |                  |                     |
| Differences between expected and actual experience  | \$5,667          | \$3,436          | \$1,451,174         |
| Net excess of projected over actual earnings on pension plan investments (if any)   | 0                | 0                | 0                   |
| Changes of assumptions  | 70,671           | 42,847           | 20,743,783          |
| Changes in proportion and differences between employer contributions and proportionate share of contributions   | 34,075           | 104,324          | 823,793             |
| <b>Total deferred outflows of resources</b>   | <b>\$110,413</b> | <b>\$150,607</b> | <b>\$23,018,750</b> |
| <b>Deferred inflows of resources</b>  |                  |                  |                     |
| Differences between expected and actual experience  | \$113,919        | \$69,068         | \$31,832,279        |
| Net excess of actual over projected earnings on pension plan investments (if any)   | 119,518          | 72,463           | 29,106,953          |
| Changes of assumptions  | 0                | 0                | 0                   |
| Changes in proportion and differences between employer contributions and proportionate share of contributions   | 52,478           | 0                | 823,793             |
| <b>Total deferred inflows of resources</b>  | <b>\$285,915</b> | <b>\$141,531</b> | <b>\$61,763,025</b> |
| <b>Net Pension Liability</b>  |                  |                  |                     |
| Net Pension Liability as of June 30, 2024   | \$429,038        | \$213,414        | \$126,256,053       |
| Net Pension Liability as of June 30, 2025   | \$193,830        | \$117,518        | \$61,683,549        |
| <b>Pension expense</b>  |                  |                  |                     |
| Proportionate share of allocable plan pension expense   | \$27,427         | \$9,106          | \$7,688,054         |
| Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions | 1,760            | 26,318           | 0                   |
| <b>Total employer pension expense excluding that attributable to employer-paid member contributions</b>   | <b>\$29,187</b>  | <b>\$35,424</b>  | <b>\$7,688,054</b>  |

## Appendix C: Pension Amounts by Employer as of June 30, 2025

### Notes

1. Pension amounts shown in this appendix were allocated by employer based on the contributions allocation percentage calculated in the preceding schedule.
2. Based on our understanding of the requirements under GASB 82, and direction from ICERS and the outside auditor, we have treated the 3% employer paid member contributions for employees in the Legacy tier that are included in "Contributions - employer" on page 19 as member contributions when we develop the employer pension expense as of June 30, 2025.<sup>17</sup>
3. In determining the pension expense:
  - a. Any differences between projected and actual investment earnings on pension plan investments are recognized over a period of five years beginning with the year in which they occur.
  - b. Differences between expected and actual experience are recognized over the average of the expected remaining service lives of all members that are provided with pensions through ICERS determined as of June 30, 2024 (the beginning of the measurement period ending June 30, 2025), which is 5.80 years.
4. The average of the expected remaining service lives of all employees was determined by:
  - a. Calculating each active employee's expected remaining service life as the present value of \$1 per year of future service at zero percent interest.
  - b. Setting the remaining service life to zero for each nonactive or retired member.
  - c. Dividing the sum of the above amounts by the total number of active employee, nonactive and retired members.
5. The pension expense decreased from \$28.3 million as of June 30, 2024 to \$7.7 million as of June 30, 2025. The primary cause of the decrease is the recognition of a credit of \$9.3 million in this year's pension expense that is associated with the \$46.4 million asset gain and the full recognition of a debit of \$7.1 million from last year's pension expense that is associated with the \$35.7 million asset loss that was identified in the June 30, 2020 valuation.

<sup>17</sup> It should be noted that after an inquiry we made in 2019 and subsequent discussion, we have continued to treat the County's contributions related to the 1/3 pickup of the Safety Supplemental UAAL as of June 30, 2006 and the pickup of Supplemental UAAL for certain Tier 3 members as employer contributions when we develop the employer pension expense.

# Appendix D: Definition of Terms

Definitions of certain terms as they are used in GASB Statement No. 67. The terms may have different meanings in other contexts.

| Term  | Definition   |
|---|--|
| Active employees  | Individuals employed at the end of the reporting or measurement period, as applicable.   |
| Actual contributions  | Cash contributions recognized as additions to the Plan Fiduciary Net Position.   |
| Actuarial present value of projected benefit payments                     | Projected benefit payments discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment.   |
| Actuarial valuation   | The determination, as of a point in time (the actuarial valuation date), of the service cost, Total Pension Liability, and related actuarial present value of projected benefit payments for pensions performed in conformity with Actuarial Standards of Practice unless otherwise specified by the GASB.   |
| Actuarial valuation date  | The date as of which an actuarial valuation is performed.  |
| Actuarially determined contribution                                       | A target or recommended contribution to a defined benefit pension plan for the reporting period, determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contribution for the reporting period was adopted.  |
| Ad hoc cost-of-living adjustments (Ad Hoc COLAs)                          | Cost-of-living adjustments that require a decision to grant by the authority responsible for making such decisions.  |
| Ad hoc postemployment benefit changes                                     | Postemployment benefit changes that require a decision to grant by the authority responsible for making such decisions.  |
| Agent employer  | An employer whose employees are provided with pensions through an agent multiple-employer defined benefit pension plan.  |
| Agent multiple-employer defined benefit pension plan (agent pension plan) | A multiple-employer defined benefit pension plan in which pension plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.  |
| Automatic cost-of-living adjustments (Automatic COLAs)                    | Cost-of-living adjustments that occur without a requirement for a decision to grant by a responsible authority, including those for which the amounts are determined by reference to a specified experience factor (such as the earnings experience of the pension plan) or to another variable (such as an increase in the consumer price index).     |
| Automatic postemployment benefit changes                                  | Postemployment benefit changes that occur without a requirement for a decision to grant by a responsible authority, including those for which the amounts are determined by reference to a specified experience factor (such as the earnings experience of the pension plan) or to another variable (such as an increase in the consumer price index). |

## Appendix D: Definition of Terms

| Term  | Definition   |
|---|--|
| Closed period   | A specific number of years that is counted from one date and declines to zero with the passage of time. For example, if the recognition period initially is five years on a closed basis, four years remain after the first year, three years after the second year, and so forth.   |
| Contributions   | Additions to the Plan Fiduciary Net Position for amounts from employers, non-employer contributing entities (for example, state government contributions to a local government pension plan), or employees. Contributions can result from cash receipts by the pension plan or from recognition by the pension plan of a receivable from one of these sources.   |
| Cost-of-living adjustments  | Postemployment benefit changes intended to adjust benefit payments for the effects of inflation.   |
| Cost-sharing employer   | An employer whose employees are provided with pensions through a cost-sharing multiple-employer defined benefit pension plan.  |
| Cost-sharing multiple employer defined benefit pension plan (Cost-sharing pension plan) | A multiple-employer defined benefit pension plan in which the pension obligations to the employees of more than one employer are pooled and pension plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.  |
| Covered payroll   | Payroll on which contributions to a pension plan are based.  |
| Deferred retirement option program (DROP)   | A program that permits an employee to elect a calculation of benefit payments based on service credits and salary, as applicable, as of the DROP entry date. The employee continues to provide service to the employer and is paid for that service by the employer after the DROP entry date; however, the pensions that would have been paid to the employee (if the employee had retired and not entered the DROP) are credited to an individual employee account within the defined benefit pension plan until the end of the DROP period. |
| Defined benefit pension plans   | Pension plans that are used to provide defined benefit pensions.   |
| Defined benefit pensions  | Pensions for which the income or other benefits that the employee will receive at or after separation from employment are defined by the benefit terms. The pensions may be stated as a specified dollar amount or as an amount that is calculated based on one or more factors such as age, years of service, and compensation. (A pension that does not meet the criteria of a defined contribution pension is classified as a defined benefit pension for purposes of GASB Statement No. 67.)   |
| Defined contribution pension plans  | Pension plans that are used to provide defined contribution pensions.  |

## Appendix D: Definition of Terms

| Term   | Definition   |
|--|--|
| Defined contribution pensions                  | <p>Pensions having terms that:</p> <ol style="list-style-type: none"> <li>1. Provide an individual account for each employee;</li> <li>2. Define the contributions that an employer is required to make (or the credits that it is required to provide) to an active employee's account for periods in which that employee renders service; and</li> <li>3. Provide that the pensions an employee will receive will depend only on the contributions (or credits) to the employee's account, actual earnings on investments of those contributions (or credits), and the effects of forfeitures of contributions (or credits) made for other employees, as well as pension plan administrative costs, that are allocated to the employee's account.</li> </ol>   |
| Discount rate                                  | <p>The single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total of the following:</p> <ol style="list-style-type: none"> <li>1. The actuarial present value of benefit payments projected to be made in future periods in which: <ol style="list-style-type: none"> <li>a. The amount of the Plan Fiduciary Net Position is projected (under the requirements of GASB Statement No. 67) to be greater than the benefit payments that are projected to be made in that period, and</li> <li>b. Pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term expected rate of return, calculated using the long-term expected rate of return on pension plan investments.</li> </ol> </li> <li>2. The actuarial present value of projected benefit payments not included in 1., calculated using the municipal bond rate.</li> </ol> |
| Entry age actuarial cost method                | <p>A method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s). The portion of this actuarial present value allocated to a valuation year is called the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is called the actuarial accrued liability.</p>   |
| Inactive employees                             | <p>Terminated individuals that have accumulated benefits but are not yet receiving them, and retirees or their beneficiaries currently receiving benefits.</p>   |
| Measurement period                             | <p>The period between the prior and the current measurement dates.</p>   |
| Multiple-employer defined benefit pension plan | <p>A defined benefit pension plan that is used to provide pensions to the employees of more than one employer.</p>   |
| Net Pension Liability (NPL)                    | <p>The liability of employers and non-employer contributing entities to employees for benefits provided through a defined benefit pension plan.</p>  |
| Non-employer contributing entities             | <p>Entities that make contributions to a pension plan that is used to provide pensions to the employees of other entities.</p>   |

## Appendix D: Definition of Terms

| Term  | Definition  |
|---|---|
| Other postemployment benefits   | All postemployment benefits other than retirement income (such as death benefits, life insurance, disability, and long-term care) that are provided separately from a pension plan, as well as postemployment healthcare benefits, regardless of the manner in which they are provided. Other postemployment benefits do not include termination benefits.  |
| Pension plans   | Arrangements through which pensions are determined, assets dedicated for pensions are accumulated and managed and benefits are paid as they come due.   |
| Pensions  | Retirement income and, if provided through a pension plan, postemployment benefits other than retirement income (such as death benefits, life insurance, and disability benefits). Pensions do not include postemployment healthcare benefits and termination benefits.   |
| Plan members  | Individuals that are covered under the terms of a pension plan. Plan members generally include: <ol style="list-style-type: none"> <li>1. Employees in active service (active plan members), and</li> <li>2. Terminated employees who have accumulated benefits but are not yet receiving them and retirees or their beneficiaries currently receiving benefits (inactive plan members).</li> </ol> |
| Postemployment  | The period after employment.  |
| Postemployment benefit changes  | Adjustments to the pension of an inactive employee.   |
| Postemployment healthcare benefits  | Medical, dental, vision, and other health-related benefits paid subsequent to the termination of employment.  |
| Projected benefit payments  | All benefits estimated to be payable through the pension plan to current active and inactive employees as a result of their past service and their expected future service.   |
| Public employee retirement system   | A special-purpose government that administers one or more pension plans; also may administer other types of employee benefit plans, including postemployment healthcare plans and deferred compensation plans.  |
| Real rate of return   | The rate of return on an investment after adjustment to eliminate inflation.  |
| Service costs   | The portions of the actuarial present value of projected benefit payments that are attributed to valuation years.   |
| Single employer   | An employer whose employees are provided with pensions through a single-employer defined benefit pension plan.  |
| Single-employer defined benefit pension plan (Single-employer pension plan) | A defined benefit pension plan that is used to provide pensions to employees of only one employer.  |

## Appendix D: Definition of Terms

| Term                          | Definition   |
|-------------------------------|--|
| Special funding situations    | <p>Circumstances in which a non-employer entity is legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another entity or entities and either of the following conditions exists:</p> <ol style="list-style-type: none"><li>1. The amount of contributions for which the non-employer entity legally is responsible is not dependent upon one or more events or circumstances unrelated to the pensions.</li><li>2. The non-employer entity is the only entity with a legal obligation to make contributions directly to a pension plan.</li></ol> |
| Termination benefits          | <p>Inducements offered by employers to active employees to hasten the termination of services, or payments made in consequence of the early termination of services. Termination benefits include early-retirement incentives, severance benefits, and other termination-related benefits.</p>   |
| Total Pension Liability (TPL) | <p>The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service in conformity with the requirements of GASB Statement No. 67.</p>   |

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