

# Contra Costa Water District Retirement Plan

June 30, 2021 Actuarial Funding Valuation  
for Calendar Year 2022 Contributions

December 15, 2021

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# CONTRA COSTA WATER DISTRICT RETIREMENT PLAN

June 30, 2021 Actuarial Funding Valuation for 2022 Contributions

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## Introduction and Actuarial Certification

### Purposes of the valuation

This report presents the results of the June 30, 2021 actuarial funding valuation for the Contra Costa Water District Retirement Plan (the Plan). Its primary purposes are:

- to determine the Actuarially Determined Contributions for the 2022 calendar year, and
- to evaluate the funded status of the plan.

This report has been prepared solely for the Contra Costa Water District to summarize the Plan's actuarial funding considerations. Computations for other purposes, such as plan accounting or evaluating plan changes, may differ significantly from the results shown in this report.

This report may not be used for any other purpose, and Van Iwaarden Associates is not responsible for the consequences of any unauthorized use. Its content may not be modified, incorporated into or used in other material, or otherwise provided, in whole or in part, to any other person or entity, without our permission.

The Important Notices section of this report discusses several considerations for this actuarial valuation and its results. We highly recommend that anyone relying on this valuation's content read the Important Notices so they understand the limitations of actuarial results.

The language of this report includes a number of technical terms which have special meanings. The glossary at the end of the report is provided to enhance understanding of these terms; many of them are defined there.

### Changes from the prior year

Changes to the plan provisions and actuarial assumptions reflected in this valuation are described at the end of each of those sections in this report. The assumption changes are consistent with many of the recommendations in the 2016-2020 actuarial experience review report dated 5/28/2021. This funding report also reflects a reduction in the long-term investment return assumption from 6.50% to 6.25%. This change was made by the District to reflect current capital market assumptions and to be consistent with the OPEB plan investment return assumption.

### Summary of valuation results

Since the prior valuation, the plan's funded status increased from 83.6% to 98.5% on a market asset value basis and from 84.8% to 87.0% on the "smoothed" actuarial asset basis. This change on a market value basis was primarily due to investment returns much greater than expected.

The total Actuarially Determined Employer Contribution (ADEC) increased from 26.03% of payroll to 27.1%. The PEPRAs employee contribution rate remains at 6.50%. Additional contribution details can be found on pages 11 to 13.

Please note that, unless otherwise noted, all liability and normal cost results in this report were calculated with the following assumptions:

- 2021 and 2022 results reflect no future COLAs.
- Normal costs are based on the "blended" bargained and 6.50% PEPRAs employee contribution rates; and
- 6/30/2021 liabilities are based on a 6.25% discount rate and 6/30/2020 liabilities are based on a 6.50% discount rate.

The District currently assumes no future retiree COLAs in the actuarial liability calculations, even though the historical COLA pattern strongly suggests that COLA awards are substantively automatic. Please see the Pension Risk Information section for more information on this topic.

Introduction and Actuarial Certification (continued)

Actuarial certification

To the best of our knowledge, this report is complete and accurate and all Plan liabilities were determined in accordance with generally accepted actuarial principles and practices. Upon receipt of the report, the District should notify us if you disagree with any information contained in the report or if you are aware of any information that would affect the results that has not been communicated to us. The report will be deemed final and acceptable to the District unless the District promptly notifies us otherwise.

The District is responsible for selecting the funding policy, actuarial assumptions, and methods used to calculate the Actuarially Determined Contribution and other results in this report. With the exception of the COLA assumption, we believe that these assumptions are reasonable estimates of future plan experience, both individually and in the aggregate.

The District assumes no long-term COLAs because these are not automatically granted. However, we do not believe this is a reasonable assumption because of the District's policy of consistently granting retiree COLAs. This historical COLA pattern suggests they are substantively automatic and should be reflected in the actuarial calculations.

All results in this report have been prepared based on our understanding of the District's pension funding policy and the Plan's benefit provisions. Additional contributions to the Plan may be required if actual plan economic and demographic experience do not match actuarial assumptions, or if contributions to the Plan are less than expected.

The undersigned credentialed actuaries are members of the American Academy of Actuaries and meet the Academy's Qualification Standards to render the actuarial opinion contained herein. We are available to answer questions on the material contained in the report or to provide explanations or further detail, as may be appropriate. We are not aware of any direct or material indirect financial interest or relationship that could create a conflict of interest or impair the objectivity of the work.

Respectfully submitted,



Gina N. Ganab, ASA, EA, MAAA  
Consulting Actuary



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Consulting Actuary

L/D/C/R: 4/dbw/gng/mws  
December 15, 2021

CONTRA COSTA WATER DISTRICT RETIREMENT PLAN

June 30, 2021 Actuarial Funding Valuation for 2022 Contributions

Summary of Results

|  | <u>June 30, 2021</u> | <u>June 30, 2020</u> |
|--|----------------------|----------------------|
| <b>A. Plan participant data (see page 14)</b>                      |                      |                      |
| 1. Number of participants  |                      |                      |
| a. Active employees  | 297                  | 298                  |
| b. Vested terminated and reciprocals                               | 98                   | 94                   |
| c. Retirees and beneficiaries                                      | 401                  | 389                  |
| d. Total   | <u>796</u>           | <u>781</u>           |
| 2. Projected payroll for contribution year <sup>1</sup>            | \$ 35,545,845        | \$ 34,408,722        |
| <b>B. Benefit liabilities (see page 9)<sup>2</sup></b>             |                      |                      |
| 1. Present value of projected benefits                             | \$ 325,351,102       | \$ 303,729,764       |
| 2. Actuarial accrued liability (AAL)                               | 267,869,604          | 250,485,738          |
| 3. Total normal cost (calendar year)                               | 7,117,789            | 6,155,205            |
| <b>C. Value of plan assets (see pages 5 and 7)</b>                 |                      |                      |
| 1. Market value of assets (MVA)                                    | 263,920,593          | 209,306,542          |
| 2. Actuarial value of assets (AVA)                                 | 233,056,796          | 212,512,141          |
| 3. Investment return, market value basis                           | 27.4%                | 3.5%                 |
| <b>D. Funded status</b>  |                      |                      |
| 1. Unfunded AAL, on AVA basis (B.2. - C.2.)                        | \$ 34,812,808        | \$ 37,973,597        |
| 2. Funded status (C.2. / B.2.)                                     | 87.0%                | 84.8%                |
| 3. Funded status, MVA basis (C.1. / B.2.)                          | 98.5%                | 83.6%                |
| <b>E. Contribution rates as a percent of payroll (see page 11)</b> |                      |                      |
|  | <u>Calendar Year</u> |                      |
|  | <u>2022</u>          | <u>2021</u>          |
| 1. Normal cost   |                      |                      |
| a. Employer  | 11.84%               | 9.66%                |
| b. Employee  | 8.18%                | 8.23%                |
| 2. Amortization of unfunded AAL (employer paid)                    |                      |                      |
| a. Without latest COLA <sup>3</sup>                                | 15.26%               | 16.37%               |
| b. Including latest COLA, if applicable                            | 15.26%               | 16.37%               |
| 3. Employer contribution rates                                     |                      |                      |
| a. Without latest COLA (1.a. + 2.a.)                               | 27.10%               | 26.03%               |
| b. Including latest COLA, if applicable (1.a. + 2.b.)              | 27.10%               | 26.03%               |
| <b>F. Actuarially Determined Contribution (ADC, see page 11)</b>   |                      |                      |
| 1. Actuarially Determined Employer Contribution (ADEC)             |                      |                      |
| a. ADEC without latest COLA  | \$ 9,634,025         | \$ 8,955,660         |
| b. ADEC including latest COLA, if applicable                       | 9,634,025            | 8,955,660            |
| 2. Estimated employee contributions                                | 2,906,606            | 2,830,899            |
| 3. Total ADC (1. + 2.)   |                      |                      |
| a. ADC without latest COLA   | 12,540,631           | 11,786,559           |
| b. ADC including latest COLA, if applicable                        | 12,540,631           | 11,786,559           |

<sup>1</sup> Projected pay for the calendar year following the valuation date. Payroll differs from OPEB due to application of the PEPPA pay limits (\$128,059 in 2021 and \$126,291 in 2020 for Social Security members) in this pension valuation.

<sup>2</sup> 6/30/2021 liabilities are based on a 6.25% discount rate; 6/30/2020 liabilities are based on a 6.50% discount rate.

<sup>3</sup> There is no COLA for 2021 or 2022.

# CONTRA COSTA WATER DISTRICT RETIREMENT PLAN

June 30, 2021 Actuarial Funding Valuation for 2022 Contributions

## Funded Status and Contribution Rate History

(amounts in \$000s)<sup>1</sup>

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll <sup>2</sup> | UAAL as a Percentage of Covered Payroll | Pre-COLA District Contribution Rate | District Contribution Rate w/ COLA | Discount Rate |
|--------------------------|---------------------------|-----------------------------------|---------------------|--------------|------------------------------|---|-------------------------------------|------------------------------------|---------------|
| 1997                     | \$34,217                  | \$38,281                          | \$4,064             | 89.4%        | \$15,822                     | 25.7%                                   | N/A                                 | N/A                                | 8.00%         |
| 1998                     | 40,184                    | 42,511                            | 2,327               | 94.5%        | 17,190                       | 13.5%                                   | N/A                                 | N/A                                | 8.00%         |
| 1999                     | 46,725                    | 46,197                            | (528)               | 101.1%       | 17,462                       | -3.0%                                   | N/A                                 | N/A                                | 8.00%         |
| 2000                     | 53,495                    | 50,773                            | (2,722)             | 105.4%       | 18,348                       | -14.8%                                  | N/A                                 | N/A                                | 8.00%         |
| 2001                     | 59,537                    | 56,002                            | (3,535)             | 106.3%       | 19,438                       | -18.2%                                  | N/A                                 | N/A                                | 8.00%         |
| 2002                     | 62,724                    | 62,183                            | (541)               | 100.9%       | 20,777                       | -2.6%                                   | N/A                                 | N/A                                | 8.00%         |
| 2003                     | 72,447                    | 71,628                            | (819)               | 101.1%       | 21,308                       | -3.8%                                   | N/A                                 | N/A                                | 8.00%         |
| 2004                     | 75,560                    | 77,667                            | 2,107               | 97.3%        | 21,651                       | 9.7%                                    | N/A                                 | N/A                                | 8.00%         |
| 2005                     | 78,950                    | 83,194                            | 4,244               | 94.9%        | 22,160                       | 19.2%                                   | 7.02%                               | N/A                                | 8.00%         |
| 2006                     | 83,533                    | 88,926                            | 5,393               | 93.9%        | 23,034                       | 23.4%                                   | 7.56%                               | N/A                                | 8.00%         |
| 2007                     | 93,937                    | 95,166                            | 1,229               | 98.7%        | 22,991                       | 5.3%                                    | 6.24%                               | N/A                                | 8.00%         |
| 2008                     | 101,765                   | 103,699                           | 1,934               | 98.1%        | 24,578                       | 7.9%                                    | 7.27%                               | N/A                                | 8.00%         |
| 2009                     | 102,581                   | 105,933                           | 3,352               | 96.8%        | 26,049                       | 12.9%                                   | 8.52%                               | N/A                                | 8.00%         |
| 2010                     | 102,277                   | 113,841                           | 11,564              | 89.8%        | 26,769                       | 43.2%                                   | 19.68%                              | N/A                                | 8.00%         |
| 2011                     | 105,068                   | 122,542                           | 17,474              | 85.7%        | 27,893                       | 62.6%                                   | 21.84%                              | N/A                                | 8.00%         |
| 2012                     | 104,867                   | 138,161                           | 33,294              | 75.9%        | 27,604                       | 120.6%                                  | 19.11%                              | N/A                                | 8.00%         |
| 2013                     | 126,095                   | 152,849                           | 26,754              | 82.5%        | 27,375                       | 97.7%                                   | 21.23%                              | 21.54%                             | 7.75%         |
| 2014                     | 140,843                   | 164,326                           | 23,483              | 85.7%        | 27,179                       | 86.4%                                   | 19.67%                              | 20.41%                             | 7.50%         |
| 2015                     | 154,251                   | 176,013                           | 21,762              | 87.6%        | 27,700                       | 78.6%                                   | 19.48%                              | 20.15%                             | 7.50%         |
| 2016 <sup>3</sup>        | 164,392                   | 191,580                           | 27,188              | 85.8%        | 28,847                       | 94.2%                                   | 22.49%                              | 22.18%                             | 7.25%         |
| 2017                     | 176,126                   | 203,470                           | 27,343              | 86.6%        | 29,850                       | 91.6%                                   | 21.61%                              | 22.41%                             | 7.00%         |
| 2018                     | 187,542                   | 214,362                           | 26,820              | 87.5%        | 31,297                       | 85.7%                                   | 20.92%                              | 22.11%                             | 7.00%         |
| 2019                     | 200,479                   | 235,334                           | 34,855              | 85.2%        | 32,771                       | 106.4%                                  | 23.86%                              | 24.57%                             | 6.75%         |
| 2020                     | 212,512                   | 250,486                           | 37,974              | 84.8%        | 33,863                       | 112.1%                                  | 26.03%                              | 26.03%                             | 6.50%         |
| 2021                     | 233,057                   | 267,870                           | 34,813              | 87.0%        | 34,982                       | 99.5%                                   | 27.10%                              | 27.10%                             | 6.25%         |

<sup>1</sup> Amounts may not add due to rounding

<sup>2</sup> Projected compensation for year beginning on valuation date, with PEPRA compensation limited to statutory amount

<sup>3</sup> Includes a minor adjustment for 2017 to account for difference between 2017 funding report and COLA letter dated 12/1/2016.

**CONTRA COSTA WATER DISTRICT RETIREMENT PLAN**  
June 30, 2021 Actuarial Funding Valuation for 2022 Contributions

**Reconciliation of Market Value of Assets**

|  | Trust Year Ending    |                      |
|--|----------------------|----------------------|
|  | <u>June 30, 2021</u> | <u>June 30, 2020</u> |
| <b>A. Market value of assets at beginning of year<sup>1</sup></b>          | \$ 209,306,542       | \$ 202,900,921       |
| <b>B. Contributions</b>  |                      |                      |
| 1. Employer <sup>2</sup>   | 8,928,642            | 9,979,291            |
| 2. Employee <sup>3</sup>   | <u>2,711,849</u>     | <u>2,601,294</u>     |
| 3. Total   | 11,640,491           | 12,580,585           |
| <b>C. Investment earnings</b>  |                      |                      |
| 1. Gross investment earnings   | 57,339,231           | 7,447,922            |
| 2. Investment expenses (reimbursed by the District)                        | <u>(508,747)</u>     | <u>(451,553)</u>     |
| 3. Net investment earnings   | 56,830,484           | 6,996,369            |
| <b>D. Benefit payments</b>   | (13,858,090)         | (13,175,219)         |
| <b>E. Other adjustments<sup>4</sup></b>                                    | 1,166                | 3,886                |
| <b>F. Market value of assets at end of year (A. + B. + C.3. + D. + E.)</b> | <b>263,920,593</b>   | <b>209,306,542</b>   |
| <b>G. Investment return since prior valuation<sup>5</sup></b>              | 27.4%                | 3.5%                 |

<sup>1</sup> Market value of assets at beginning and end of year are adjusted for contributions made during first month of fiscal year but attributable to the prior fiscal year's final pay period (\$408,604 at beginning of year and \$459,262 at end of year).

<sup>2</sup> Includes employer reimbursement to trust for quarterly investment management fees (\$451,553 in FY2020 and \$508,747 in FY2021) and \$2.18 million to fully fund the 2020 COLA.

<sup>3</sup> Includes amounts paid by District and credited to member accounts (\$441,236 in FY2020 and \$437,982 in FY2021).

<sup>4</sup> Other adjustments for FY2021 and FY2020 include class action settlement receipts.

<sup>5</sup> These returns differ from the Fiduciary Net Position (FNP) returns shown in the GASB 67/68 reports due to the adjustments noted in footnote #1 above.



**CONTRA COSTA WATER DISTRICT RETIREMENT PLAN**

June 30, 2021 Actuarial Funding Valuation for 2022 Contributions

**Asset Allocation - Market Value of Assets**

The June 30, 2021 trust asset allocation is provided by Wells Fargo. Details are shown below.

|   | <u>Market Value</u> | <u>Percentage</u> |
|---|---------------------|-------------------|
| <b>Cash &amp; Cash Equivalents</b>          | \$ 3,532,199        | 1.3%              |
| <b>Investments</b>                          |                     |                   |
| Domestic equity                             | 118,658,885         | 45.0%             |
| International equity                        | 39,001,549          | 14.8%             |
| Domestic fixed income                       | 76,162,755          | 28.9%             |
| International fixed income                  | 12,149,376          | 4.6%              |
| Real Estate                                 | <u>13,956,567</u>   | <u>5.3%</u>       |
| Total investments                           | 259,929,132         | 98.6%             |
| <b>Total Cash &amp; Investments</b>         | <b>263,461,331</b>  | <b>99.9%</b>      |
| <b>Receivables</b>                          |                     |                   |
| Accrued Income                              | -                   | 0.0%              |
| Contribution due from District <sup>1</sup> | 369,647             | 0.1%              |
| Contribution due from participants          | <u>89,615</u>       | <u>0.0%</u>       |
| Total receivables                           | 459,262             | 0.1%              |
| <b>Total Assets</b>                         | <b>263,920,593</b>  | <b>100.0%</b>     |

**Target Asset Allocation**

Contra Costa Water District last revised the asset allocation in May 2021, as shown below.

| <u>Asset Class</u>                   | <u>Target Allocation</u> |
|--------------------------------------|--------------------------|
| Cash                                 | 0.00%                    |
| Core Fixed Income                    | 28.75%                   |
| International Developed Fixed Income | 2.50%                    |
| International Emerging Fixed Income  | 2.50%                    |
| High Yield Fixed Income              | 1.25%                    |
| US Large Cap Equity                  | 31.50%                   |
| US Mid Cap Equity                    | 5.40%                    |
| US Small Cap Equity                  | 8.10%                    |
| International Developed Equity       | 12.00%                   |
| International Emerging Equity        | 3.00%                    |
| US REITs                             | <u>5.00%</u>             |
| Total                                | 100.00%                  |

<sup>1</sup> Includes employer-paid employee contributions

# CONTRA COSTA WATER DISTRICT RETIREMENT PLAN

June 30, 2021 Actuarial Funding Valuation for 2022 Contributions

## Actuarial Value of Assets

|  | Trust Year Ending    |                      |
|--|----------------------|----------------------|
|  | <u>June 30, 2021</u> | <u>June 30, 2020</u> |
| <b>A. Market value of assets (MVA)</b>                                 |                      |                      |
| 1. Market value of assets at beginning of year                         | \$ 209,306,542       | \$ 202,900,921       |
| i. Contributions (employee + employer)                                 | 11,640,491           | 12,580,585           |
| ii. Expected earnings  | 13,532,853           | 13,675,743           |
| iii. Benefit payments  | <u>(13,858,090)</u>  | <u>(13,175,219)</u>  |
| 2. Expected market value at end of year                                | 220,621,796          | 215,982,030          |
| 3. Actual market value at end of year                                  | 263,920,593          | 209,306,542          |
| 4. Difference between actual MVA & expected MVA                        | (43,298,797)         | 6,675,488            |
| <b>B. Investment (gains) and losses<sup>1</sup></b>                    |                      |                      |
| 1. Year ending June 30, 2021, June 30, 2020                            |                      |                      |
| i. Variance from expected return: loss or (gain)                       | (43,298,797)         | 6,675,488            |
| ii. Portion not yet recognized   | 80%                  | 80%                  |
| iii. Investment return not yet recognized (i. x ii.)                   | (34,639,038)         | 5,340,390            |
| 2. Year ending June 30, 2020, June 30, 2019                            |                      |                      |
| i. Variance from expected return: loss or (gain)                       | 6,675,488            | 214,290              |
| ii. Portion not yet recognized   | 60%                  | 60%                  |
| iii. Investment return not yet recognized (i. x ii.)                   | 4,005,293            | 128,574              |
| 3. Year ending June 30, 2019, June 30, 2018                            |                      |                      |
| i. Variance from expected return: loss or (gain)                       | 214,290              | (1,578,838)          |
| ii. Portion not yet recognized   | 40%                  | 40%                  |
| iii. Investment return not yet recognized (i. x ii.)                   | 85,716               | (631,535)            |
| 4. Year ending June 30, 2018, June 30, 2017                            |                      |                      |
| i. Variance from expected return: loss or (gain)                       | (1,578,838)          | (8,159,151)          |
| ii. Portion not yet recognized   | 20%                  | 20%                  |
| iii. Investment return not yet recognized (i. x ii.)                   | (315,768)            | (1,631,830)          |
| 5. Total return not yet recognized (1.iii. + 2.iii. + 3.iii. + 4.iii.) | (30,863,797)         | 3,205,599            |
| <b>C. Actuarial Value of Assets (A.3. + B.5.)</b>                      | 233,056,796          | 212,512,141          |

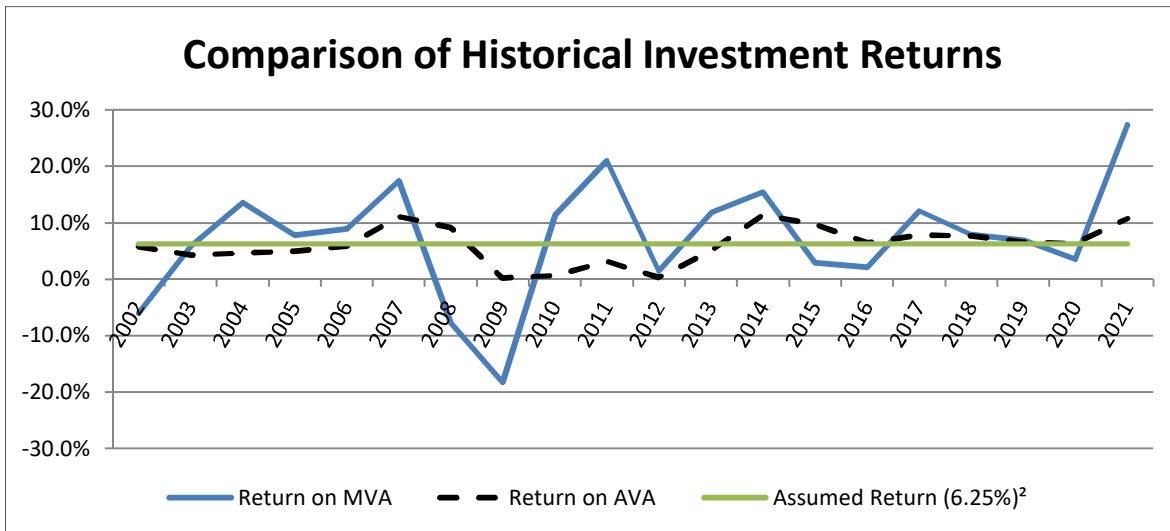
<sup>1</sup> The Actuarial Value of Assets is equal to the Market Value of Assets with a five year smoothing of gains and losses. This method is intended to reduce contribution rate volatility resulting from investment return fluctuations.

# CONTRA COSTA WATER DISTRICT RETIREMENT PLAN

June 30, 2021 Actuarial Funding Valuation for 2022 Contributions

## Historical Investment Return Information

| <u>Year Ended</u>        | <u>CPI-W Increase<sup>1</sup></u> | <u>Rate of Return on Market Value</u> | <u>Rate of Return on Actuarial Value</u> |
|--------------------------|-----------------------------------|---------------------------------------|--|
| June 30, 2002            | 1.2%                              | -6.0%                                 | 5.7%                                     |
| June 30, 2003            | 1.6%                              | 5.9%                                  | 4.3%                                     |
| June 30, 2004            | 1.7%                              | 13.6%                                 | 4.6%                                     |
| June 30, 2005            | 1.1%                              | 7.8%                                  | 5.0%                                     |
| June 30, 2006            | 3.9%                              | 8.9%                                  | 5.9%                                     |
| June 30, 2007            | 3.0%                              | 17.4%                                 | 11.1%                                    |
| June 30, 2008            | 4.7%                              | -7.8%                                 | 9.2%                                     |
| June 30, 2009            | -0.2%                             | -18.3%                                | 0.2%                                     |
| June 30, 2010            | 1.4%                              | 11.3%                                 | 0.6%                                     |
| June 30, 2011            | 2.9%                              | 21.0%                                 | 3.1%                                     |
| June 30, 2012            | 2.7%                              | 1.4%                                  | 0.3%                                     |
| June 30, 2013            | 2.6%                              | 11.8%                                 | 5.1%                                     |
| June 30, 2014            | 2.9%                              | 15.4%                                 | 11.4%                                    |
| June 30, 2015            | 1.9%                              | 2.9%                                  | 9.7%                                     |
| June 30, 2016            | 2.5%                              | 2.1%                                  | 6.4%                                     |
| June 30, 2017            | 3.3%                              | 12.1%                                 | 7.8%                                     |
| June 30, 2018            | 4.0%                              | 7.9%                                  | 7.7%                                     |
| June 30, 2019            | 3.0%                              | 6.9%                                  | 6.5%                                     |
| June 30, 2020            | 1.3%                              | 3.5%                                  | 6.3%                                     |
| June 30, 2021            | 4.3%                              | 27.4%                                 | 10.8%                                    |
| 20-year compound average | 2.5%                              | 6.8%                                  | 6.0%                                     |



<sup>1</sup> Increase of Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W), San Francisco-Oakland-Hayward, for 12 month period ending June 30.

<sup>2</sup> The investment return assumption changed from 6.50% to 6.25% effective 6/30/2021.

**CONTRA COSTA WATER DISTRICT RETIREMENT PLAN**

June 30, 2021 Actuarial Funding Valuation for 2022 Contributions

**Summary of Liabilities Used to Determine Contributions**

|   | <u>June 30, 2021</u> | <u>June 30, 2020</u> |
|---|----------------------|----------------------|
| <b>A. Actuarial present value of projected benefits<sup>1</sup></b> |                      |                      |
| 1. Active employees   | \$ 151,689,912       | \$ 140,704,664       |
| 2. Vested terminated employees and reciprocals                      | 10,846,040           | 10,024,959           |
| 3. Service retirees   | 153,499,727          | 143,366,370          |
| 4. Disabled participants  | 412,760              | 546,265              |
| 5. Beneficiaries  | <u>8,902,663</u>     | <u>9,087,506</u>     |
| 6. Total  | 325,351,102          | 303,729,764          |
| <br>  |                      |                      |
| <b>B. Actuarial accrued liability<sup>2</sup></b>                   |                      |                      |
| 1. Active employees   | 94,208,414           | 87,460,638           |
| 2. Vested terminated employees and reciprocals                      | 10,846,040           | 10,024,959           |
| 3. Service retirees   | 153,499,727          | 143,366,370          |
| 4. Disabled participants  | 412,760              | 546,265              |
| 5. Beneficiaries  | <u>8,902,663</u>     | <u>9,087,506</u>     |
| 6. Total  | 267,869,604          | 250,485,738          |
| <br>  |                      |                      |
| <b>C. Normal cost<sup>3</sup></b>                                   |                      |                      |
| 1. At the valuation date  |                      |                      |
| a. Total normal cost  | 6,795,722            | 5,869,792            |
| b. Employee normal cost   | <u>2,775,087</u>     | <u>2,699,632</u>     |
| c. Net employer normal cost (a. - b.)                               | 4,020,635            | 3,170,160            |
| <br>  |                      |                      |
| 2. For the contribution year  | <u>2022</u>          | <u>2021</u>          |
| a. Total normal cost  | 7,117,789            | 6,155,205            |
| b. Employee normal cost   | <u>2,906,606</u>     | <u>2,830,899</u>     |
| c. Net employer normal cost (a. - b.)                               | 4,211,183            | 3,324,306            |
| <br>  |                      |                      |
| <b>D. Key economic assumptions</b>                                  |                      |                      |
| 1. Funding interest rate  | 6.25%                | 6.50%                |
| 2. Postretirement COLA <sup>4</sup>                                 | 0.00%                | 0.00%                |

<sup>1</sup> The value of all future benefits to be paid to the current group of members

<sup>2</sup> The cost allocated to all prior years

<sup>3</sup> The cost allocated to the current year

<sup>4</sup> Assumed annual Cost of Living Adjustment (COLA) applied to each retiree's pension benefit. The District assumes no long-term COLAs because they are not automatic. Future emerging COLAs create actuarial losses that are amortized over time.

**CONTRA COSTA WATER DISTRICT RETIREMENT PLAN**  
 June 30, 2021 Actuarial Funding Valuation for 2022 Contributions

**Amortization Schedule**

| <b>Amortization<br/>Base</b> | <b>Year<br/>Established</b> | <b>Original<br/>Amount</b> | <b>Remaining<br/>Amortization<br/>Period</b> | <b>Outstanding<br/>Balance on<br/>June 30, 2021</b> | <b>Annual<br/>Contribution<br/>for 2022</b> |
|------------------------------|-----------------------------|----------------------------|--|---|---|
| UAAL Base                    | 2007                        | \$ (4,019,000)             | 1  | \$ (476,035)  | \$ (505,787)                                |
| UAAL Base                    | 2008                        | 889,000                    | 2  | 203,234   | 111,240                                     |
| UAAL Base                    | 2009                        | 1,657,000                  | 3  | 534,638   | 200,939                                     |
| UAAL Base                    | 2010                        | 8,504,000                  | 4  | 3,435,207   | 997,053                                     |
| UAAL Base                    | 2011                        | 6,369,000                  | 5  | 3,029,302   | 724,043                                     |
| UAAL Base                    | 2012                        | 16,207,000                 | 6  | 8,716,778   | 1,786,615                                   |
| UAAL Base                    | 2013                        | (5,815,000)                | 7  | (3,441,980)   | (622,069)                                   |
| 2014 COLA                    | 2013                        | 759,000                    | 7  | 432,687   | 78,200                                      |
| UAAL Base                    | 2014                        | (2,546,000)                | 8  | (1,643,637)   | (267,310)                                   |
| 2015 COLA                    | 2014                        | 1,826,000                  | 8  | 1,195,313   | 194,397                                     |
| UAAL Base                    | 2015                        | (1,947,000)                | 9  | (1,389,969)   | (206,586)                                   |
| 2016 COLA                    | 2015                        | 1,682,000                  | 9  | 1,200,400   | 178,411                                     |
| UAAL Base                    | 2016                        | 5,450,000                  | 10   | 4,191,782   | 576,294                                     |
| 2017 COLA                    | 2016                        | 2,374,000                  | 10   | 1,825,793   | 251,013                                     |
| UAAL Base <sup>1</sup>       | 2017                        | (2,259,672)                | 11   | (1,855,552)   | (238,288)                                   |
| 2018 COLA                    | 2017                        | 2,204,671                  | 11   | 1,810,390   | 232,489                                     |
| UAAL Base                    | 2018                        | (1,659,232)                | 12   | (1,443,275)   | (174,517)                                   |
| 2019 COLA                    | 2018                        | 3,444,201                  | 12   | 2,995,923   | 362,259                                     |
| UAAL Base                    | 2019                        | 8,397,365                  | 13   | 7,686,578   | 881,001                                     |
| 2020 COLA <sup>2</sup>       | 2019                        | 2,177,718                  | 13   | 1,993,387   | 228,473                                     |
| UAAL Base <sup>2</sup>       | 2020                        | 6,060,168                  | 14   | 5,809,563   | 634,733                                     |
| UAAL Base                    | 2021                        | 2,281                      | 15   | 2,281   | 239   |
| <b>Total</b>                 |                             |                            |  | <b>34,812,808</b>                                   | <b>5,422,842</b>                            |

<sup>1</sup> Includes an adjustment for prior rounding of earlier amortization bases.

<sup>2</sup> The District made a \$2.18 million lump sum contribution to fully fund the 2020 COLA. This extra contribution is reflected in the 2020 UAAL base.

**CONTRA COSTA WATER DISTRICT RETIREMENT PLAN**

June 30, 2021 Actuarial Funding Valuation for 2022 Contributions

**Actuarially Determined Contribution**

|  | Contribution Year |                   |
|--|-------------------|-------------------|
|  | <u>2022</u>       | <u>2021</u>       |
| <b>A. Actuarially Determined Contribution (ADC)</b>                                  |                   |                   |
| 1. Total normal cost <sup>1</sup>  | \$ 7,117,789      | \$ 6,155,205      |
| 2. Employee normal cost  | 2,906,606         | 2,830,899         |
| 3. Employer normal cost (1. - 2.)  | <u>4,211,183</u>  | <u>3,324,306</u>  |
| 4. Amortization of unfunded liability <sup>2</sup>                                   | 5,422,842         | 5,631,354         |
| <b>5. Actuarially Determined Employer Contribution (ADEC) without COLA (3. + 4.)</b> | <b>9,634,025</b>  | <b>8,955,660</b>  |
| 6. Effect of COLA  | -                 | -                 |
| <b>7. Total ADEC with COLA</b>   | <b>9,634,025</b>  | <b>8,955,660</b>  |
| <b>B. Projected payroll for contribution year<sup>3</sup></b>                        | <b>35,545,845</b> | <b>34,408,722</b> |
| <b>C. ADC as a percent of payroll</b>  |                   |                   |
| 1. Total normal cost   | 20.02%            | 17.89%            |
| 2. Employee normal cost  | 8.18%             | 8.23%             |
| 3. Employer normal cost <sup>4</sup> (1. - 2.)                                       | <u>11.84%</u>     | <u>9.66%</u>      |
| 4. Amortization of unfunded liability  | 15.26%            | 16.37%            |
| <b>5. ADEC without COLA adjustment (3. + 4.)</b>                                     | <b>27.10%</b>     | <b>26.03%</b>     |
| 6. Effect of COLA, if applicable <sup>5</sup>  | 0.00%             | 0.00%             |
| <b>7. Total ADEC with COLA adjustment (5. + 6.)</b>                                  | <b>27.10%</b>     | <b>26.03%</b>     |

**2022 Employer Contribution Rates by Bargaining Unit<sup>4</sup>**

|                               | <u>Clerical/<br/>Maintenance</u> | <u>Professional/<br/>Supervisory</u> | <u>Unrepresented</u> | <u>Confidential</u> | <u>Directors</u> | <u>Total</u>  |
|-------------------------------|----------------------------------|--------------------------------------|----------------------|---------------------|------------------|---------------|
| 1. Normal cost                | 11.26%                           | 11.38%                               | 15.36%               | 12.85%              | 9.96%            | 11.84%        |
| 2. UAAL Amortization          | 14.61%                           | 14.03%                               | 22.62%               | 12.94%              | 9.51%            | 15.26%        |
| 3. Total rate                 | <u>25.87%</u>                    | <u>25.41%</u>                        | <u>37.98%</u>        | <u>25.79%</u>       | <u>19.47%</u>    | <u>27.10%</u> |
| 4. Projected payroll (\$000s) | \$ 16,783                        | \$ 13,106                            | \$ 4,162             | \$ 1,446            | \$ 49            | \$ 35,546     |
| 5. Annual amount (\$000s)     | 4,340                            | 3,330                                | 1,581                | 373                 | 10               | 9,634         |

<sup>1</sup> The cost allocated to the contribution year. The amounts shown are adjusted to the beginning of the contribution year with interest and payroll growth.

<sup>2</sup> Excludes effect of latest ad-hoc COLA, if applicable.

<sup>3</sup> Adjusted to beginning of contribution year with assumed payroll growth.

<sup>4</sup> Does not include any bargained employer-paid employee contributions.

<sup>5</sup> There is no COLA for 2021 or 2022.

**CONTRA COSTA WATER DISTRICT RETIREMENT PLAN**  
 June 30, 2021 Actuarial Funding Valuation for 2022 Contributions

**Analysis of Contribution Rate Changes**

|  | <b>Actuarial<br/>Accrued<br/>Liability<br/>(AAL)</b> | <b>Actuarial<br/>Value of<br/>Assets<br/>(AVA)</b> | <b>Unfunded<br/>Accrued<br/>Liability<br/>(UAAL = AAL - AVA)</b> | <b>Actuarially<br/>Determined<br/>Employer<br/>Contribution</b> |
|--|--|--|--|---|
| <b>A. June 30, 2020 actual value</b>               | \$ 250,485,738                                       | \$ (212,512,141)                                   | \$ 37,973,597  | 26.03%  |
| <b>B. June 30, 2021 expected value<sup>1</sup></b> | 258,913,330  | (224,102,803)                                      | 34,810,527   | 25.70%  |
| 1. Demographic (gain)/loss                         | (1,759,377)  | -  | (1,759,377)  | -1.00%  |
| 2. Assumption changes                              | 10,715,651   | -  | 10,715,651   | 5.03%   |
| 3. Contribution more than<br>expected              | -  | 16,234   | 16,234   | 0.01%   |
| 4. Investment (gain)/loss                          | -  | (8,970,227)  | (8,970,227)  | -2.64%  |
| <b>C. Total change</b>                             | 8,956,274  | (8,953,993)  | 2,281  | 1.40%   |
| <b>D. June 30, 2021 actual value</b>               | \$ 267,869,604                                       | \$ (233,056,796)                                   | \$ 34,812,808  | 27.10%  |

<sup>1</sup> The contribution rate is expected to decrease as a percent of payroll because the unfunded liability is amortized as a level dollar amount but payroll is assumed to increase each year.

PEPRA Contribution Rates

PEPRA employees must contribute at least half of the total normal cost rate, rounded to the nearest 0.25%. Rates are calculated annually but only adjusted if the total normal cost rate has increased or decreased by at least 1% since the date of the last rate change.

|  | <u>Total<br/>Normal Cost Rate</u> | <u>Half of<br/>Total Rate</u> | <u>Employee<br/>Normal Cost Rate</u> |
|--|-----------------------------------|-------------------------------|--------------------------------------|
| 2014 PEPRA normal cost rate (first established)          | 12.81%                            | 6.41%                         | 6.50%                                |
| 2015 PEPRA normal cost rate                              | 11.54%                            | 5.77%                         | 5.75%                                |
| 2016 PEPRA normal cost rate                              | 11.58%                            | 5.79%                         | 5.75%                                |
| 2017 PEPRA normal cost rate                              | 11.90%                            | 5.95%                         | 5.75%                                |
| 2018 PEPRA normal cost rate                              | 12.33%                            | 6.17%                         | 5.75%                                |
| 2019 PEPRA normal cost rate                              | 11.90%                            | 5.95%                         | 5.75%                                |
| 2020 PEPRA normal cost rate (current basis) <sup>1</sup> | 13.24%                            | 6.62%                         | 6.50%                                |
| 2021 PEPRA normal cost rate                              | 13.85%                            | 6.93%                         | 6.50%                                |
| 2022 PEPRA normal cost rate                              | 14.20%                            | 7.10%                         | 6.50%                                |

The above rates should be applied to salary below the PEPRA compensation limit.

Since the 2022 PEPRA total normal cost rate of 14.20% is less than 1% different from the prior basis of 13.24% (the last adjustment to the employee normal cost rate), the employee normal cost rate remains unchanged at 6.50% for 2022.

<sup>1</sup> Year of most recent adjustment to employee normal cost rate



**CONTRA COSTA WATER DISTRICT RETIREMENT PLAN**  
 June 30, 2021 Actuarial Funding Valuation for 2022 Contributions

**Summary of Membership Data**

|   | <u>June 30, 2021</u> | <u>June 30, 2020</u> |
|---|----------------------|----------------------|
| <b>A. Active employees</b>                                    |                      |                      |
| 1. Number   | 297                  | 298                  |
| 2. Average age  | 46.9                 | 46.7                 |
| 3. Average years of service                                   | 10.4                 | 10.3                 |
| 4. Total salary <sup>1</sup>                                  | \$ 34,981,934        | \$ 33,862,850        |
| 5. Average salary   | 117,784              | 113,634              |
| 6. Projected payroll for contribution year                    | 35,545,845           | 34,408,722           |
| <b>B. Vested terminated and reciprocals</b>                   |                      |                      |
| 1. Number   | 98                   | 94                   |
| 2. Average age  | 48.9                 | 49.2                 |
| <b>C. Retirees and beneficiaries</b>                          |                      |                      |
| 1. Number   |                      |                      |
| a. Retired  | 349                  | 335                  |
| b. Disabled   | 3                    | 4                    |
| c. Beneficiaries  | <u>49</u>            | <u>50</u>            |
| d. Total  | 401                  | 389                  |
| 2. Average age  | 69.4                 | 69.0                 |
| 3. Average monthly benefit                                    | \$ 2,951             | \$ 2,911             |
| <b>D. Total number of participants (A.1. + B.1. + C.1.d.)</b> | 796                  | 781                  |

<sup>1</sup> Projected compensation for year beginning on valuation date, with PEPR compensation limited to statutory amount.

**CONTRA COSTA WATER DISTRICT RETIREMENT PLAN**  
 June 30, 2021 Actuarial Funding Valuation for 2022 Contributions

**Summary of Membership Changes**

|  | <u>Actives</u> | <u>Vested<br/>Terminated</u> | <u>Retirees</u> | <u>Disabled</u> | <u>Beneficiaries</u> | <u>Total</u> |
|--|----------------|------------------------------|-----------------|-----------------|----------------------|--------------|
| <b>A. Number of members on<br/>June 30, 2020</b> | 298            | 94                           | 335             | 4               | 50                   | 781          |
| <b>B. Changes in membership</b>                  |                |                              |                 |                 |                      |              |
| 1. New entrants                                  | 19             |                              |                 |                 |                      | 19           |
| 2. Retirements                                   | (11)           | (5)                          | 16              |                 |                      | 0            |
| 3. Vested terminations<br>(deferred benefits)    | (9)            | 9                            |                 |                 |                      | 0            |
| 4. Termination/refund<br>of contributions        |                |                              |                 |                 |                      | 0            |
| 5. Deaths (no beneficiary)                       |                |                              | (2)             | (1)             | (1)                  | (4)          |
| 6. Deaths (with beneficiary)                     |                |                              | (1)             |                 | 1                    | 0            |
| 7. Data corrections                              |                |                              | 1               |                 | (1)                  | 0            |
| 8. Rehires                                       |                |                              |                 |                 |                      | 0            |
| 9. QDRO  |                |                              |                 |                 |                      | 0            |
| 10. Total changes                                | (1)            | 4                            | 14              | (1)             | (1)                  | 15           |
| <b>C. Number of members on<br/>June 30, 2021</b> | 297            | 98                           | 349             | 3               | 49                   | 796          |

**CONTRA COSTA WATER DISTRICT RETIREMENT PLAN**  
 June 30, 2021 Actuarial Funding Valuation for 2022 Contributions

**Age and Service Distribution of Active Members**

| Attained<br>Age | Benefit Service |           |           |           |           |           |          |          |          |          | Total      |
|-----------------|-----------------|-----------|-----------|-----------|-----------|-----------|----------|----------|----------|----------|------------|
|                 | Under 1         | 1 - 4     | 5 - 9     | 10 - 14   | 15 - 19   | 20 - 24   | 25 - 29  | 30 - 34  | 35 - 39  | 40 plus  |            |
| Under 25        |                 | 1         |           |           |           |           |          |          |          |          | 1          |
| 25 - 29         | 2               | 9         | 3         |           |           |           |          |          |          |          | 14         |
| 30 - 34         | 3               | 15        | 12        |           |           |           |          |          |          |          | 30         |
| 35 - 39         | 3               | 13        | 15        | 7         |           |           |          |          |          |          | 38         |
| 40 - 44         | 2               | 15        | 7         | 12        | 1         | 4         |          |          |          |          | 41         |
| 45 - 49         | 3               | 11        | 10        | 11        | 13        | 5         |          |          |          |          | 53         |
| 50 - 54         | 1               | 11        | 10        | 9         | 6         | 10        | 2        | 1        |          |          | 50         |
| 55 - 59         |                 | 2         | 10        | 8         | 6         | 3         | 3        | 6        |          |          | 38         |
| 60 - 64         | 1               | 3         | 4         | 3         | 8         | 5         |          | 2        | 1        |          | 27         |
| 65 - 69         |                 |           | 2         | 1         |           | 1         |          |          |          |          | 4          |
| 70 plus         |                 |           |           |           | 1         |           |          |          |          |          | 1          |
| <b>Total</b>    | <b>15</b>       | <b>80</b> | <b>73</b> | <b>51</b> | <b>35</b> | <b>28</b> | <b>5</b> | <b>9</b> | <b>1</b> | <b>0</b> | <b>297</b> |

**CONTRA COSTA WATER DISTRICT RETIREMENT PLAN**  
 June 30, 2021 Actuarial Funding Valuation for 2022 Contributions

**Age Distribution of Inactive Members**

| Age          | Vested Terminated | Retired    | Disabled | Beneficiary | Total      |
|--------------|-------------------|------------|----------|-------------|------------|
| Under 50     | 50                | 0          | 0        | 2           | 52         |
| 50 - 54      | 22                | 4          | 0        | 0           | 26         |
| 55 - 59      | 18                | 37         | 1        | 3           | 59         |
| 60 - 64      | 7                 | 70         | 0        | 8           | 85         |
| 65 - 69      | 1                 | 89         | 1        | 7           | 98         |
| 70 - 74      | 0                 | 70         | 1        | 8           | 79         |
| 75 - 79      | 0                 | 47         | 0        | 9           | 56         |
| 80 - 84      | 0                 | 23         | 0        | 6           | 29         |
| 85 - 89      | 0                 | 7          | 0        | 5           | 12         |
| 90 - 94      | 0                 | 2          | 0        | 1           | 3          |
| 95 - 99      | 0                 | 0          | 0        | 0           | 0          |
| 100 & over   | 0                 | 0          | 0        | 0           | 0          |
| <b>Total</b> | <b>98</b>         | <b>349</b> | <b>3</b> | <b>49</b>   | <b>499</b> |

**Discussion of Pension Risks**

Actuarial Standard of Practice Number 51, Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions (ASOP 51), requires actuaries to identify and assess certain risks that may affect a plan’s future financial condition. Some of the primary risks are summarized and defined in the table below.

| <b>Risk</b>                                  | <b>Identification/Definition</b>  |
|--|---|
| <b>Investment risk</b>                       | The potential that investment returns will be different than expected   |
| <b>Asset/liability mismatch risk</b>         | The potential that changes in asset values are not matched by changes in liability values                                     |
| <b>Longevity and other demographic risks</b> | The potential that mortality or other demographic experience will be different than expected                                  |
| <b>Contribution risk</b>                     | The potential that employer or member contribution rates are different than what is ultimately required to fund plan benefits |

ASOP 51 requires that actuaries qualitatively or quantitatively assess the potential effect of these risks on the plan’s future financial condition. Methods to assess the risks include scenario tests, sensitivity tests, stress tests, and calculation of actuarial liabilities using a discount rate based on minimal-risk investments. Practical considerations include the usefulness, reliability, timeliness, and cost efficiency of the risk assessment measurements.

In addition to the risk assessment parameters above, ASOP 51 requires that actuaries (1) calculate various plan maturity measures and (2) disclose relevant historical information that are significant to understanding plan risks.

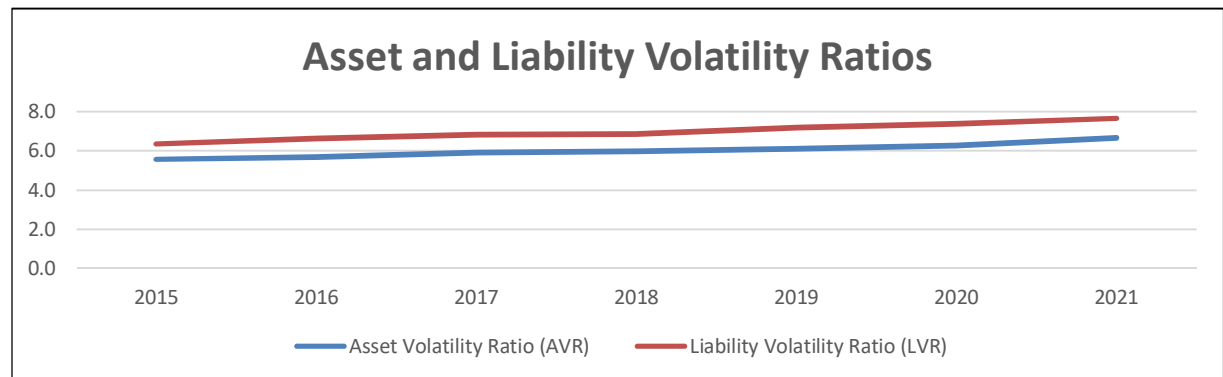
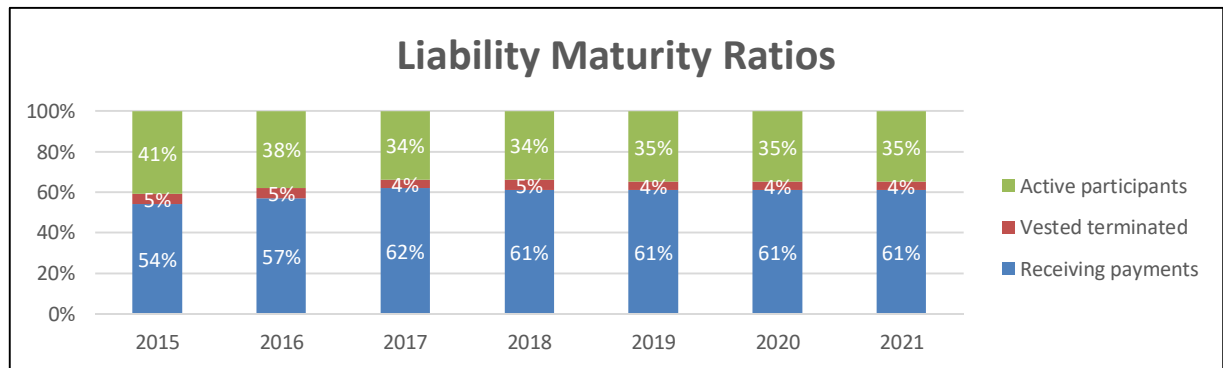
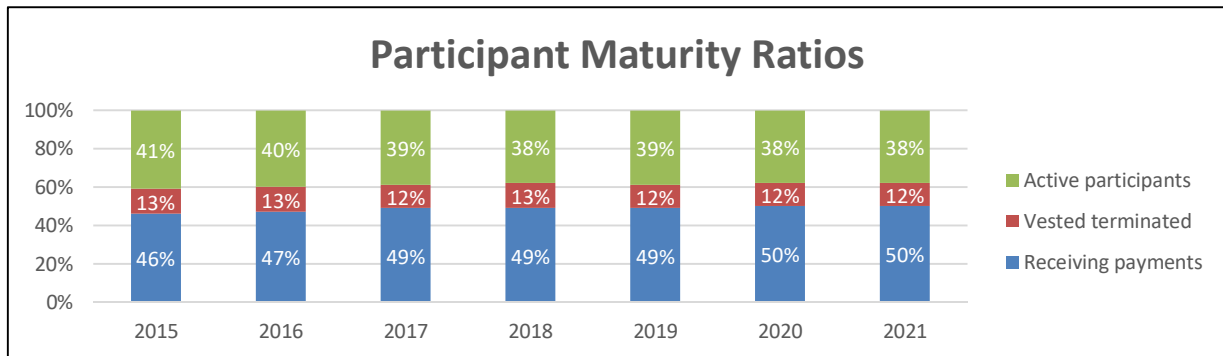
This report contains basic risk assessment information for the plan in accordance with ASOP 51. However, we recommend that employers consider additional pension risk analyses to better understand retirement plan volatility and the potential impact on the organization. We would be glad to discuss potential analyses upon request.

**Plan Maturity Measures**

Maturity measures describe how much plan liability is attributable to current employees vs. former employees (e.g., retirees) and the size of plan assets and liabilities relative to overall payroll. These measures include:

|   |  |
|---|--|
| <b>Participant Maturity Ratio (PMR)</b> | Number of retirees divided by total participants   |
| <b>Liability Maturity Ratio (LMR)</b>   | Retiree liability divided by total plan liability  |
| <b>Asset Volatility Ratio (AVR)</b>     | Measures size of plan assets relative to payroll upon which contributions are based      |
| <b>Liability Volatility Ratio (LVR)</b> | Measures size of plan liabilities relative to payroll upon which contributions are based |

A recent history of maturity measures is shown below.



**Observations:**

- The retiree liabilities are steadily increasing as a percent of the plan’s totals.
- The plan’s AVR and LVR are increasing as the plan matures. An LVR of 8.0 means that a 1% increase in plan liability would cost 8% of payroll if funded immediately. In practice, funded status changes are amortized over several years.

Risk Analysis

The table below provides analysis of some potential plan risks. Please note that the list of risks and the risk assessments shown are not exhaustive. We would be glad to provide a more detailed risk assessment upon request.

| Risk   | Assessment  |
|--|---|
| <b>Investment risk</b>                       | If future investment returns are higher or lower than assumed, then future contributions may need to be increased or decreased to compensate. We recommend the District regularly re-evaluate its investment return expectations and corresponding investment policy.   |
| <b>Asset/liability mismatch risk</b>         | Since plan assets are invested in a mix of equity and fixed income securities, there is a risk that changes in assets values are not matched by changes in liability values.  |
| <b>Longevity and other demographic risks</b> | <p>Although most of the plan demographic assumptions reflect best estimates of future plan experience, actual experience will differ from these assumptions. If participant longevity is greater than expected then this would increase plan costs.</p> <p>The plan's COLA provision increases the cost of longevity risk. Although the annual increase is provided on an ad hoc basis, the District's policy of consistently granting retiree COLAs suggests they are substantively automatic. We believe a long-term COLA assumption should be reflected in the actuarial calculations. The impact of a 1.60% long-term COLA assumption is estimated to be an approximately \$48M liability increase.</p> <p>Please refer to the exhibits dated 11/28/2017 and 11/30/2017 for estimated effect of long-term COLA assumptions on the plan's funded status and ADC.</p> |
| <b>Contribution risk</b>                     | Plan contributions include both payroll-based employer and employee contributions, as well as additional voluntary contributions from the District. The District should continue making at least the Actuarially Determined Contribution each year in order to improve the Plan's funded status.  |

**Summary of Plan Provisions**

**A. Plan Effective Date** Originally established effective February 17, 1962. The plan is typically amended annually for ad hoc COLA increases granted by the board.

**B. Plan Year** July 1 to June 30.

**C. Participation** All permanent full-time employees, all project employees, and all directors of the District.

**D. Eligibility to Retire** Meet vesting requirements and:

|  | <u>Classic Members</u> | <u>PEPRA Members</u> |
|--|------------------------|----------------------|
| Clerical, Maintenance, Confidential, Professional/Supervisory, and Unrepresented | Age 50                 | Age 52               |
| Directors  | Age 55                 | Age 52               |

**E. Vesting** 100% vested upon first attaining one of the following:

|   | <u>Classic Members</u> | <u>PEPRA Members</u> |
|---|------------------------|----------------------|
| Years of service  |                        |                      |
| Clerical, Maintenance, and Directors                      | 10 years               | 5 years              |
| Confidential, Professional/Supervisory, and Unrepresented | 5 years                | 5 years              |
| Normal retirement age                                     | Age 62                 | Age 62               |
| Disability  | Immediate              | Immediate            |

Vesting service includes reciprocal service.

**F. Final Average Compensation** Basic Compensation: Regular salary excluding overtime, shift premium, and all other irregular compensation.

Classic Members:

- Non-directors - Highest 12 consecutive months
- Directors - Highest 36 consecutive months during the last 5 years

PEPRA Members:

- Highest 36 consecutive months up to PEPRA compensation limit (\$128,059 in 2021).



Summary of Plan Provisions (continued)

**G. Service Retirement Benefit**

Benefit factor x Final Average Compensation

Classic Members:

- Non-directors benefit factor = 2.35% at 55
- Directors benefit factor = 2.35% at 62

PEPRA Members: benefit factor = 2.00% at age 62

Inactive Participants: Benefit factor varies by bargaining groups and separation dates

Sample benefit factors are shown below:

| Years of Service | Age at Retirement = 55 |             |             | Age at Retirement = 62 |             |             |
|------------------|------------------------|-------------|-------------|------------------------|-------------|-------------|
|                  | 2.35% at 55            | 2.35% at 62 | 2.00% at 62 | 2.35% at 55            | 2.35% at 62 | 2.00% at 62 |
|                  | 10                     | 23.50%      | 11.02%      | 13.00%                 | 26.58%      | 23.50%      |
| 15               | 35.25%                 | 16.53%      | 19.50%      | 39.87%                 | 32.25%      | 30.00%      |
| 20               | 47.00%                 | 22.04%      | 26.00%      | 53.16%                 | 47.00%      | 40.00%      |
| 25               | 58.75%                 | 27.55%      | 32.50%      | 66.45%                 | 58.75%      | 50.00%      |
| 30               | 70.50%                 | 33.06%      | 39.00%      | 79.74%                 | 70.50%      | 60.00%      |
| 35               | 82.25%                 | N/A         | 45.50%      | 93.02%                 | 82.25%      | 70.00%      |

**H. Termination Benefit**

Non-vested: Return of contributions plus interest in a lump sum

Vested: Return of contributions plus interest in a lump sum, or a deferred benefit

**I. Disability Benefit**

Clerical and Maintenance with 10 years of service and Social Security disability:

- 30% of current Basic Compensation
- Not less than service retirement benefit

Others:

- 100% vested immediately
- Return of contributions plus interest in a lump sum, or a deferred benefit

**J. Death Benefit - Before Retirement**

Non-vested: Return of contributions plus interest in a lump sum

Vested:

- Non-directors - 85% of member's accrued service retirement benefit
- Directors - 50% of benefit that would have been paid under the 50% J&S option, upon retirement at the later of age 55 and death, and commencing no earlier than age 55

**K. Death Benefit - After Retirement**

Return of contributions plus interest less any monthly payments previously received by retiree. Remaining contribution balance is paid to a designated beneficiary if joint annuitant option not in effect.

**Summary of Plan Provisions (continued)**

**L. Benefit Forms** Normal form of payment: Single life annuity.

Optional forms of payment (actuarial equivalent):

- Joint and survivor annuity
- Joint and survivor annuity with "pop-up"

**M. Cost of Living Increases** Ad Hoc increases granted by the Board.

Recent history:

| <u>January 1st</u> | <u>Increase</u> | <u>January 1st</u> | <u>Increase</u> |
|--------------------|-----------------|--------------------|-----------------|
| 2007               | 1.8%            | 2015               | 2.2%            |
| 2008               | 3.0%            | 2016               | 1.8%            |
| 2009               | 2.0%            | 2017               | 2.2%            |
| 2010               | 0.0%            | 2018               | 2.0%            |
| 2011               | 0.0%            | 2019               | 2.8%            |
| 2012               | 1.8%            | 2020               | 1.6%            |
| 2013               | 1.8%            | 2021               | 0.0%            |
| 2014               | 1.2%            | 2022               | 0.0%            |

**N. Employee Contributions** Classic Members (% of Basic Compensation):

| <u>Group</u>             | <u>Employee Paid</u> | <u>District Paid</u> | <u>Total</u> |
|--------------------------|----------------------|----------------------|--------------|
| Professional/Supervisory | 6.43%                | 3.00%                | 9.43%        |
| Confidential             | 6.28%                | 3.00%                | 9.28%        |
| Unrepresented:           |                      |                      |              |
| < 7 years of service     | 6.00%                | 0.00%                | 6.00%        |
| 7 to 9 years of service  | 5.00%                | 1.00%                | 6.00%        |
| ≥ 10 years of service    | 4.00%                | 2.00%                | 6.00%        |
| Clerical and Maintenance | 8.00%                | 1.00%                | 9.00%        |
| Directors                | 1.00%                | 0.00%                | 1.00%        |

PEPRA Members: 50% of the normal cost rate of the Plan, rounded to the nearest quarter of 1%. The contribution rate is applied to pay up to each year's PEPRA compensation limit.

**O. Changes since prior year** Since the last valuation the following changes have been made:

- None

**Actuarial Methods****A. Actuarial Cost Method**

The Entry Age Normal level percent of pay cost method. Under this method, the normal cost for an individual participant is the level percentage of pay required to accumulate the funds needed to pay the participant's projected benefits by their assumed retirement age, beginning on the date of entry and ending at the last age with any future benefits. The actuarial accrued liability is the accumulated value of these annual normal costs on a given date. The plan's normal cost and accrued liability are the total of these values for all participants.

**B. Funding Policy**

Each year, unexpected changes in the unfunded actuarial accrued liability are amortized as a level dollar amount over a closed 15-year period beginning on the January 1st following the valuation date. These changes may be due to actuarial gains and losses, assumption changes, or plan changes.

Any ad-hoc cost of living adjustments (COLAs) are separately amortized and funded as employer-paid contributions over a closed 15-year period beginning on the January 1st when the COLA is first effective. When an individual year's COLA is funded by an extra District lump sum contribution, the following year's amortization base reflects that additional contribution.

Contribution rates determined in this report are for the calendar year following the valuation date, and are assumed to be applied to the payroll for each pay period during the contribution year.

**C. Data Methods**

The Contra Costa Water District supplied data for all participants and asset information for the years ending June 30, 2020 and June 30, 2021. We have relied on this data in preparing this report. The data was reviewed for reasonableness and consistency, but we have not performed a complete audit.

**D. Asset Method**

The Actuarial Value of Assets is equal to the Market Value of Assets with a 5-year smoothing of investment gains and losses.

Actuarial Methods (continued)

**E. Models Used**

The results in this report are based on an actuarial valuation model with three components as outlined in Actuarial Standard of Practice No. 56 - Modeling (ASOP 56):

1. Information inputs including the data, assumptions, methods, and plan provisions outlined in this report,
2. Processing by the ProVal<sup>®</sup> software developed by Winklevoss Technologies, and
3. Our report template which translates the ProVal<sup>®</sup> output into valuation results.

The model is intended to convert the information input above to usable actuarial valuation results. We have reviewed the ProVal<sup>®</sup> software's output for reasonableness, and have independently checked sample one-person output where appropriate, but have otherwise relied on it.

Other models used in this actuarial valuation include:

- Expected investment return model based on the Horizon Actuarial Services 2021 Survey of Capital Market Assumptions and the fund's asset allocation

**F. Change in Actuarial Methods**

None

Actuarial Assumptions

A. Economic Assumptions

| Valuation Date                         | June 30, 2021   | June 30, 2020 |
|--|---|---------------|
| Discount Rate                          | 6.25%   | 6.50%         |
| General Inflation (CPI-U) <sup>1</sup> | 2.25%   | 2.50%         |
| Wage Inflation (CPI-W)                 | 2.75%   | 3.00%         |
| Payroll Growth <sup>2</sup>            | 3.25%   | 3.25%         |
| Future COLAs <sup>3</sup>              | 0.00%   | 0.00%         |
| Salary Increases                       | 2.75% wage inflation plus pay increase based on years of District service, employment group, and entry age with the District. Sample rates are shown below: |               |

| Service | Clerical | Directors | Other (Entry Age) |       |
|---------|----------|-----------|-------------------|-------|
|         |          |           | < 40              | > 40  |
| 1       | 8.75%    | 2.75%     | 8.00%             | 7.00% |
| 5       | 6.00%    | 2.75%     | 6.50%             | 5.50% |
| 10      | 4.50%    | 2.75%     | 5.50%             | 4.00% |
| 15      | 3.75%    | 2.75%     | 5.00%             | 3.50% |
| 20      | 3.75%    | 2.75%     | 3.50%             | 3.00% |

B. Demographic Assumptions

Mortality Pre-retirement: Society of Actuaries Pub-2010 General Employees Amount-Weighted Above-Median Mortality with generational projection using scale MP-2020.

Healthy post-retirement: Society of Actuaries Pub-2010 General Retirees Amount-Weighted Above-Median Mortality with generational projection using scale MP-2020.

Disabled: Society of Actuaries Pub-2010 Disabled Retirees Amount-Weighted Mortality with generational projection using scale MP-2020.

Termination Rates vary based on service, as follows:

| Service | Rate |
|---------|------|
| 0       | 3.0% |
| 1       | 6.0% |
| 2       | 6.0% |
| 3       | 6.0% |
| 4       | 5.0% |
| 5       | 4.0% |
| 6       | 4.0% |
| 7+      | 3.0% |

<sup>1</sup> Applies to assumed future increases in pensionable compensation limit and benefit limit.

<sup>2</sup> Payroll growth assumption is used to project normal cost and employee payroll from valuation date to the contribution year.

<sup>3</sup> Annual COLA after 2021 is assumed to be 0%. The District assumes no long-term COLAs because they are not automatically granted. Effective FY2019, the District has made extra lump sum contributions to fully fund each individual year's COLA.

**CONTRA COSTA WATER DISTRICT RETIREMENT PLAN**

June 30, 2021 Actuarial Funding Valuation for 2022 Contributions

**Actuarial Assumptions (continued)**

**B. Demographic Assumptions (continued)**

Disability Based on assumptions for General Tier 3 and Tier 5 members used in the December 31, 2019 Contra Costa County Employees' Retirement Association (CCCERA) actuarial valuation.

Retirement Sample rates below are for members in the Classic pension plan:

| <u>Age</u> | <u>Rate</u> | <u>Age</u> | <u>Rate</u> |
|------------|-------------|------------|-------------|
| 50         | 3.0%        | 61         | 20.0%       |
| 55         | 20.0%       | 62         | 40.0%       |
| 56         | 20.0%       | 63         | 30.0%       |
| 57         | 15.0%       | 64         | 30.0%       |
| 58         | 15.0%       | 65         | 40.0%       |
| 59         | 17.0%       | 70+        | 100.0%      |
| 60         | 17.0%       |            |             |

Sample rates below are for members in the PEPRA pension plan:

| <u>Age</u> | <u>Rate</u> | <u>Age</u> | <u>Rate</u> |
|------------|-------------|------------|-------------|
| 50         | 0.0%        | 61         | 12.0%       |
| 55         | 5.0%        | 62         | 18.0%       |
| 56         | 5.0%        | 63         | 18.0%       |
| 57         | 6.0%        | 64         | 20.0%       |
| 58         | 6.0%        | 65         | 25.0%       |
| 59         | 8.0%        | 70         | 40.0%       |
| 60         | 8.0%        | 75+        | 100.0%      |

Percent married Current retirees: actual spouse coverage.

Future retirees: 80% of employees are assumed to be married.

Spouse age Based on actual spouse birth dates when available. Otherwise males are assumed to be two years older than females.

| Assumed payment form     | <u>Single Employees</u> | <u>Married Employees</u> |
|--------------------------|-------------------------|--------------------------|
|                          | Single life annuity     | 100%                     |
| 50% Joint & Survivor     | N/A                     | 25%                      |
| 100% Joint & Survivor    | N/A                     | 45%                      |
| 50% Joint & Restoration  | N/A                     | 10%                      |
| 100% Joint & Restoration | N/A                     | 10%                      |

**Actuarial Assumptions (continued)**

**B. Demographic Assumptions (continued)**

Reciprocity and Terminations 60% of terminated vested members are assumed to be employed by reciprocal agencies and receive 3.00% annual pay increases until retirement.

Terminated vested members are assumed to retire at age 58.

Terminated vested members not meeting the early retirement service requirements are assumed to receive an immediate refund of contributions with interest.

Death Benefit - After Retirement Total monthly payments received by retirees prior to death are assumed to exceed employee contributions with interest.

**C. Changes Since Last Valuation**

Since the last valuation the following changes have been made:

- The investment return and discount rate assumptions decreased from 6.50% to 6.25% to reflect updated capital market assumptions.
- The general inflation assumption decreased by 25 basis points from 2.50% to 2.25%.
- The wage inflation assumption decreased from 3.00% to 2.75%.
- Retirement, pre-retirement termination, mortality, and salary increase rates were updated from the rates in the District's 2009-2014 actuary experience study to the rates in the District's 2016-2020 actuarial experience study.
- Disability assumption rates were updated from an age and gender-based table to rates used for General Tier 3 and 5 members in the December 31, 2019 CCCERA actuarial valuation.
- The assumed payment form for future married retirees was updated based on recent plan experience. The following table provides changes for the assumed payment forms:

| Payment Form             | 6/30/2020 | 6/30/2021 |
|--------------------------|-----------|-----------|
| Single life annuity      | 25%       | 10%       |
| 50% Joint & Survivor     | 26%       | 25%       |
| 100% Joint & Survivor    | 49%       | 45%       |
| 50% Joint & Restoration  | 0%        | 10%       |
| 100% Joint & Restoration | 0%        | 10%       |

- The spouse age assumption was updated from assuming males are three years older than females to assuming males are two years older than females.
- The reciprocity assumption was updated from 50% to 60% of terminated vested members assumed to be employed by reciprocal agencies.

**Selection of Economic Assumptions**

The Actuarial Standards Board (ASB) provides coordinated guidance for measuring pension and retiree group benefit obligations through a series of Actuarial Standards of Practice (ASOPs). ASOP No. 27, Selection of Economic Assumptions for Measuring Pension Obligations, requires that the actuary disclose the rationale used in selecting each non-prescribed economic assumption and any changes to non-prescribed economic assumptions.

The table below summarizes the rationale for selecting the non-prescribed economic assumptions. The rationale for assumption changes, along with a description of the assumptions themselves, is included in the Actuarial Assumption and Methods section of this report. As of the report date, there were no known changes in circumstances occurring after the measurement date that would have affected economic assumptions selected as of the measurement date.

| Economic Assumptions (non-prescribed) |   |
|---------------------------------------|---|
| Assumption                            | Rationale for Selecting Assumption  |
| Discount rate / investment return     | The expected investment return was selected by the District and is based on expected long-term asset class returns and the District's target asset allocation. We have verified with our own capital market assumption model that their assumption is reasonable. Our model is based on the plan's target asset allocation and a blend of expected asset class returns published in the 2021 Survey of Capital Market Assumptions produced by Horizon Actuarial Services. |
| General inflation (CPI-U)             | Based on analysis of historical CPI-U and 30-year TIPS data, the Federal Open Market Committee target inflation rate, and the 2021 Survey of Capital Market Assumptions produced by Horizon Actuarial Services.   |
| Wage inflation (CPI-W)                | Based on historical CPI-W rates for San Francisco, Oakland, Hayward area.   |
| Payroll growth                        | Based on 20-year history of District's total payroll growth.  |
| Cost-of-living increases              | 2022 COLA assumption was based on information provided by the District. The District assumes no long-term COLAs because they are not automatic. Future emerging COLAs create actuarial losses that are amortized over time and may be offset by extra District contributions to fund each COLA.   |
| Salary increases                      | Based on the District's 2016 - 2020 actuarial experience study  |



**Selection of Non-Economic Assumptions**

The Actuarial Standards Board (ASB) provides coordinated guidance for measuring pension and retiree group benefit obligations through a series of Actuarial Standards of Practice (ASOPs). ASOP No. 35, Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations, requires that the actuary disclose the rationale used in selecting each non-prescribed non-economic assumption and any changes to the non-prescribed non-economic assumptions.

The table below summarizes the rationale for selecting the non-prescribed non-economic assumptions. The rationale for assumption changes, along with a description of the assumptions themselves, is included in the Actuarial Assumption and Methods section of the report. As of the report date, there were no known change in circumstances occurring after the measurement date that would have affected non-economic assumptions selected as of the measurement date.

| <b>Non-Economic Assumptions (non-prescribed)</b> |  |
|--|--|
| <b>Assumption</b>                                | <b>Rationale for Selecting Assumption</b>  |
| Mortality  | Based on most recently published table and workforce demographics                        |
| Retirement                                       | Based on the District's 2016 - 2020 actuarial experience study                           |
| Termination of employment                        | Based on the District's 2016 - 2020 actuarial experience study                           |
| Disability                                       | Based on the December 31, 2019 CCCERA actuarial valuation due to lack of plan experience |
| Form of payment                                  | Based on the District's 2016 - 2020 actuarial experience study                           |
| Percent married and spouse ages                  | Based on the District's 2016 - 2020 actuarial experience study                           |
| Reciprocity and terminations                     | Based on the District's 2016 - 2020 actuarial experience study                           |

## Important Notices

### **Purpose and Scope of the Valuation**

This valuation has been prepared exclusively for the District and solely to provide contribution information. It is important to recognize that calculations performed for other purposes (such as benefit design, investment policy, or plan accounting) may yield significantly different results. This report may not be used for any other purpose, and Van Iwaarden Associates is not responsible for the consequences of any unauthorized use. Its content may not be modified, incorporated into or used in other material, or otherwise provided, in whole or in part, to any other person or entity, without our permission.

### **Assumptions and Methods**

Since modeling all possible future outcomes is not possible or practical, the valuation is based on a single set of data, assumptions, methods, and plan provisions. We may also use estimates or simplifications to model future events in an efficient and cost-effective manner, so long as we believe that these simplifying techniques do not affect the reasonableness of the valuation results.

The District is responsible for the assumptions, methods, and funding policies used to prepare the valuation. The assumptions used in this report are among a wide range of possibilities (each of which may be considered reasonable), and, with the exception of the COLA assumption, have been chosen as a single “best estimate”. The District assumes no long-term COLAs because these are not automatically granted. However, we believe the District’s policy of consistently granting retiree COLAs suggests they are substantively automatic. We believe that a COLA assumption should be reflected in the actuarial calculations and that not including this assumption substantially underestimates the District’s pension liabilities based on their current COLA policy.

A different set of reasonable assumptions would produce different results. This report does not include analysis of the effect of alternative assumptions because that is beyond the limited scope of our engagement. If the District is interested in analyzing the effect of different assumption sets on the valuation results, then we suggest a sensitivity analysis to be performed at a later date.

### **Actuarial Measurement Changes**

An actuarial valuation is only a snapshot of a plan’s estimated financial condition at a single point in time. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: retiree group benefits program experience differing from that anticipated by the assumptions; changes in assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in retiree group benefits program provisions or applicable law. Retiree group benefits models necessarily rely on the use of approximations and estimates, and are sensitive to changes in these approximations and estimates. Small variations in these approximations and estimates may lead to significant changes in actuarial measurements.

Actuarial valuations are extremely complex and it’s possible that data, computer coding, and mathematical errors could occur during the valuation process. Errors in a valuation discovered after its preparation may be corrected by revising the current valuation or in a subsequent year’s valuation.

**Important Notices (continued)**

**Accuracy of Substantive Plan Information and Census Data**

For purposes of this valuation, we have assumed that the District has validated our summary of the substantive plan provisions and has provided us with any relevant information regarding interpretation of the plan provisions and changes to the plan terms since the prior valuation.

The District is solely responsible for the validity, accuracy and comprehensiveness of this information. If any data or plan provisions supplied are not accurate and complete, the valuation results may differ significantly. Moreover, different interpretations of the substantive plan may produce substantially different valuation results.

**Impact of Legislative Changes**

The legislative and regulatory environments have many implications for pension plans. Changes to current rules and implementation of new legislation are difficult to predict but could have a dramatic impact on the value of future plan benefits.

### Glossary of Selected Terms

This section provides the definitions of applicable terminology in the actuarial valuation.

**Actuarial Accrued Liability (AAL)** - the portion of the actuarial present value which is not provided for by future normal costs, determined under the actuarial cost method.

**Actuarial Cost Method** - the method used, when determining the actuarial accrued liability, for allocating costs between past, current, and future years.

**Actuarial Present Value of Benefits** - the value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a set of actuarial assumptions.

**Discount Rate** - the interest rate used to adjust liabilities and obligations for the time value of money.

**Long-Term Expected Investment Return** - the average expected asset return expected to be earned by the pension investments over time.

**Normal Cost** - the portion of the actuarial present value which is allocated to the valuation year by the actuarial cost method.

**Valuation Date** - the date as of which assets and liabilities are measured for this valuation.