



# MONTARA WATER AND SANITARY DISTRICT AGENDA

For Meeting Of: **October 5, 2023**

TO: BOARD OF DIRECTORS

FROM: Clemens Heldmaier, General Manager

**SUBJECT: Review and Acceptance of the June 30, 2023  
GASB 68 Actuarial Valuation**

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On June 25th, 2012, the Governmental Accounting Standards Board (GASB) approved GASB 68. According to GASB, the objective of the new Statements is to improve financial reporting by state and local governmental pension plans and became effective for fiscal years beginning after June 15, 2014. The statement brought into effect the term Net Pension Liability. Under GASB standards, the unfunded pension liability will be calculated as NPL. Statement No. 68 requires that the NPL be reported on the Districts Statement of Net Position.

The District's Defined Benefit plan was adopted in Fiscal year 2015-2016 and the attached GASB 68 actuarial is the third performed by Foster-Foster (formerly Bartel & Associates). The report is used to disclose the related pension asset or liability given an agreed upon measurement date, in this case June 30, 2021.

For fiscal year ended June 30, 2023, Foster-Foster has determined that funding by the District and eligible employees has resulted in a net pension liability of \$40,831 which is a downturn of \$240,593 from the previous fiscal year in which it was determined MWSD had a net pension asset of \$199,762.

The report uses a measurement period of July 1, 2021 – June 30, 2022. During this period the District contribution rate was 7.01% and the employee contribution rate was 7.75% of regular wages.

Katherine Moore, a representative of Foster-Foster, will be presenting the results of the actuarial study.

## RECOMMENDATION:

Receive GASB 68 Actuarial Evaluation



**Montara Water and Sanitary District  
PARS Retirement Plan**



**June 30, 2023 GASBS 68 Accounting Information**  
As of Measurement Date June 30, 2022  
Based on the June 30, 2021 Actuarial Valuation

Mary Elizabeth Redding, FSA, EA, MAAA  
Katherine Moore, ASA, MAAA  
Braeleen Ballard, ASA, MAAA  
**Foster & Foster, Inc.**

September 18, 2023

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## Applicable Dates

### Applicable Dates and Periods

	<b>Fiscal Year Ended June 30, 2023</b>
■ Measurement date	June 30, 2022
■ Measurement period	July 1, 2021 to June 30, 2022
■ Actuarial valuation date	June 30, 2021

Update procedures were used to roll forward the Total Pension Liability from the valuation date (June 30, 2021) to the measurement date (June 30, 2022).



## Note Disclosures

### Plan Information

	<b>Fiscal Year Ended June 30, 2023</b>
■ Plan type	Agent Multiple Employer
■ Pension trust	Yes
■ Special funding situation	No
■ Nonemployer contributing entities	No



**Note Disclosures**

**Expected Long-Term Rate of Return**

	<b>Target Allocation PARS-Capital Appreciation</b>	<b>Expected Real Rate of Return</b>
<ul style="list-style-type: none"> <li>■ Asset Class Component                             <ul style="list-style-type: none"> <li>● Global Equity</li> <li>● Fixed Income</li> <li>● Cash</li> </ul> </li> </ul>	75% 20% 5%	4.56% 0.78% (0.50%)
<ul style="list-style-type: none"> <li>■ Assumed Long-Term Rate of Inflation</li> </ul>		2.50%
<ul style="list-style-type: none"> <li>■ Expected Long-Term Net Rate of Return, Rounded</li> </ul>		6.25%

The long-term expected real rates of return are presented as geometric means.



**Note Disclosures**

**Covered Participants\***

At June 30, 2022, the measurement date, the following numbers of participants were covered by the benefit terms:

	<b>Number of Covered Participants</b>
<ul style="list-style-type: none"> <li>■ Inactives currently receiving benefits</li> </ul>	2
<ul style="list-style-type: none"> <li>■ Inactives entitled to but not yet receiving benefits**</li> </ul>	-
<ul style="list-style-type: none"> <li>■ Active employees</li> </ul>	8
<ul style="list-style-type: none"> <li>■ Total</li> </ul>	10

\* As reported by the District.

\*\* Excludes 1 inactive who withdrew most but not all employee contributions in June 2018.



**Note Disclosures**

**Net Pension Liability/(Asset)**

	<b>Fiscal Year Ended</b>	
	<b>6/30/22</b>	<b>6/30/23</b>
	<b>Measurement Date 6/30/21</b>	<b>Measurement Date 6/30/22</b>
■ Total Pension Liability (TPL)	\$ 1,034,099	\$ 1,206,002
■ Fiduciary Net Position (FNP)	1,233,861	1,165,171
■ Net Pension Liability (NPL)	(199,762)	40,831
■ Funded status (FNP/TPL)	119.3%	96.6%



**Note Disclosures**

**Changes in Net Pension Liability/(Asset)**

	<b>Total Pension Liability</b>	<b>Fiduciary Net Position</b>	<b>Net Pension Liability</b>
■ Balance at 6/30/22 (6/30/21 measurement date)	\$ 1,034,099	\$ 1,233,861	\$ (199,762)
■ Changes for the year			
● Service Cost	114,116	-	114,116
● Interest	71,339	-	71,339
● Changes of benefit terms	-	-	-
● Actual vs. expected experience	-	-	-
● Assumption changes	-	-	-
● Contributions - employer*	-	68,381	(68,381)
● Contributions - employee	-	54,638	(54,638)
● Net investment income	-	(168,052)	168,052
● Benefit payments	(13,552)	(13,552)	-
● Administrative expenses	-	(10,105)	10,105
■ Net Changes	171,903	(68,690)	240,593
■ Balance at 6/30/23 (6/30/22 measurement date)	\$ 1,206,002	\$ 1,165,171	\$ 40,831

\* See the measurement period column on page 19 for details.



**Note Disclosures**

**Sensitivity of Net Pension Liability/(Asset)**

■ **Changes in the Discount Rate**

	<b>Discount Rate</b>		
	<b>1% Decrease (5.25%)</b>	<b>Current Rate (6.25%)</b>	<b>1% Increase (7.25%)</b>
■ Net Pension Liability	\$ 307,453	\$ 40,831	\$ (169,879)



**Note Disclosures**

**Pension Expense/(Income) for Fiscal Year**

	<b>2022/23</b>
	<b>Measurement Period 2021/22</b>
■ Pension Expense/(Income)*	\$ 104,525

\* See page 25 for pension expense detail, which is not a required disclosure.



**Note Disclosures**

**Deferred Outflows/Inflows Balances at June 30, 2023**

	June 30, 2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources
■ Differences between expected and actual experience	\$ 175,552	\$ 24,491
■ Changes in assumptions	24,873	3,623
■ Net difference between projected and actual earnings on plan investments*	90,195	-
■ Employer contributions made subsequent to the measurement date**	74,601	-
■ Total	365,221	28,114

\* Deferred Inflows and Outflows combined for footnote disclosure.

\*\* See page 19 for details.



**Note Disclosures**

**Recognition of Deferred Outflows and Inflows of Resources in Future Pension Expense**

FYE June 30	Deferred Outflows/(Inflows) of Resources
■ 2024	\$ 45,600
■ 2025	44,916
■ 2026	37,602
■ 2027	78,849
■ 2028	17,605
■ Thereafter	37,934



**Note Disclosures**

**Significant Actuarial Assumptions Used for Total Pension Liability**

Actuarial Assumption	June 30, 2022 Measurement Date
■ Actuarial Valuation Date	■ June 30, 2021
■ Contribution Policy	■ District contributes full ADC
■ Discount Rate and Long-Term Expected Rate of Return on Assets	<ul style="list-style-type: none"> <li>■ 6.25% at June 30, 2022</li> <li>■ 6.25% at June 30, 2021</li> <li>■ Expected District contributions projected to keep sufficient plan assets to pay all benefits from trust</li> </ul>
■ General Inflation	■ 2.50% annually
■ Mortality, Retirement, Disability, Termination	■ CalPERS 2000-2019 Experience Study
■ Mortality Improvement	■ Mortality projected fully generational with Scale MP-2021
■ Salary Increases	<ul style="list-style-type: none"> <li>■ Aggregate - 2.75% annually</li> <li>■ Merit - CalPERS 2000-2019 Experience Study</li> </ul>



**Note Disclosures**

**Changes Since June 30, 2021 Measurement Date**

	June 30, 2022 Measurement Date
■ Changes of assumptions	■ None
■ Changes of benefit terms	■ None





**Required Supplementary Information**

**Schedule of Changes in Net Pension Liability/(Asset) and Related Ratios**

	<b>2022/23</b>
	<b>Measurement Period 2021/22</b>
■ Changes in Total Pension Liability	
● Service Cost	\$ 114,116
● Interest	71,339
● Changes of benefit terms	-
● Actual vs. expected experience	-
● Assumption changes	-
● Benefit payments	(13,552)
■ Net Changes	171,903
■ Total Pension Liability (beginning of year)	1,034,099
■ Total Pension Liability (end of year)	1,206,002



**Required Supplementary Information**

**Schedule of Changes in Net Pension Liability/(Asset) and Related Ratios**

	<b>2022/23</b>
	<b>Measurement Period 2021/22</b>
■ Changes in Plan Fiduciary Net Position	
● Contributions - employer	\$ 68,381
● Contributions - employee	54,638
● Net investment income	(168,052)
● Benefit payments	(13,552)
● Administrative expenses	(10,105)
● Other changes	-
● Net Changes	(68,690)
■ Plan Fiduciary Net Position (beginning of year)	1,233,861
■ Plan Fiduciary Net Position (end of year)	1,165,171



**Required Supplementary Information**

**Schedule of Changes in Net Pension Liability/(Asset) and Related Ratios**

	<b>2022/23</b>
	<b>Measurement Date 6/30/2022</b>
■ Net Pension Liability/(Asset)	\$ 40,831
■ Fiduciary Net Position as a percentage of the Total Pension Liability	96.6%
■ Covered employee payroll*	830,829
■ Net Pension Liability as a percentage of covered employee payroll	4.9%

\* For the 12-month period ended on June 30, 2022 (Measurement Date).  
As reported by the District.



**Required Supplementary Information**

**Schedule of Employer Contributions**

	<b>Fiscal Year 2022/23</b>
■ Actuarially Determined Contribution (ADC)	\$ 74,601
■ Contributions in relation to the actuarially determined contribution*	74,601
■ Contribution deficiency/(excess)	-
■ Covered employee payroll**	887,027
■ Contributions as a percentage of covered employee payroll	8.4%

\* See page 19 for details.

\*\* For the 12-month period ended on June 30, 2023 (fiscal year end).  
As reported by the District.



**Required Supplementary Information**

**Notes to Schedule of Employer Contribution**  
**Methods and Assumptions for**  
**2022/23 Actuarially Determined Contribution**

■ Valuation Date	■ June 30, 2021
■ Actuarial Cost Method	■ Entry Age Normal, Level % of pay
■ Amortization Method	■ N/A
■ Amortization Period	■ N/A
■ Asset Valuation Method	■ Investment gains and losses spread over 5-year fixed period
■ Discount Rate	■ 6.25%
■ General Inflation	■ 2.50%
■ Salary Increases	■ Aggregate - 2.75% annually ■ Merit - CalPERS 2000-2019 Experience Study
■ Mortality	■ CalPERS 2000-2019 Experience Study
■ Mortality Improvement	■ Mortality projected fully generational with Scale MP-2021



**Actuarial Certification**

This report presents the Montara Water and Sanitary District PARS Retirement Plan 2022/23 disclosure under Governmental Accounting Standards Board Statement No. 68 (GASBS 68). This report may not be appropriate for other purposes, although it may be useful to the District for the Plan's financial management.

This report is based on information provided by the District which we relied on and did not audit. Additional information on the actuarial valuation can be found in the June 30, 2021 actuarial valuation report.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as: plan experience differing from that anticipated by the assumptions; changes in assumptions; changes expected as part of the natural progression of the plan; and changes in plan provisions or applicable law. Actuarial models necessarily rely on the use of estimates and are sensitive to changes. Small variations in estimates may lead to significant changes in actuarial measurements. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of such measurements.

To the best of our knowledge, this report is complete and accurate and has been conducted using generally accepted actuarial principles and practices and complies with applicable Actuarial Standards of Practice. Additionally, in our opinion, actuarial methods and assumptions comply with GASBS 68. As the actuary, we have recommended the assumptions used in this report, and we believe they are reasonable. As members of the American Academy of Actuaries meeting the Academy Qualification Standards, we certify the actuarial results and opinions herein.

Respectfully submitted,

*Mary Elizabeth Redding*

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 Foster & Foster, Inc.  
 September 18, 2023

*Katherine Moore*

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 September 18, 2023

*Braeleen Ballard*

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 Foster & Foster, Inc.  
 September 18, 2023



**Supporting Calculations**

**Employer Contributions**

	Measurement Period	Measurement Date to FYE	Prior Measurement Date to Prior FYE*
	7/1/21 to 6/30/22	7/1/22 to 6/30/23	Same as Measurement Period
■ Trust contributions	\$ 58,276	\$ 63,323	\$ 58,276
■ Administrative expenses paid outside of trust	<u>10,105</u>	<u>11,278</u>	<u>10,105</u>
■ Total employer contributions	68,381	74,601	68,381

Measurement period (7/1/21 to 6/30/22): \$68,381

Fiscal year (7/1/22 to 6/30/23): \$74,601

\* Note: Our prior report included \$68,382 as the deferred outflow for contributions after the measurement date.



**Supporting Calculations**

**Average of the Expected Remaining Service Lives**

As of July 1, 2021 (beginning of the measurement period):

Valuation Date	Total expected remaining service lives	Covered participants	Average of the expected remaining service lives as of valuation date	Average of the expected remaining service lives as of 7/1/21 (not less than 1 yr)
6/30/21	135.2 years	10	13.5 years	13.5 years



## Supporting Calculations

### Recognition of Deferred Outflows/Inflows at June 30, 2023 Differences between Expected and Actual Experience

Fiscal Year	Initial Amt	Initial Recog Period	Amount Recognized in Pension Expense for FY							Deferred Balances June 30, 2023		
			22/23	23/24	24/25	25/26	26/27	27/28	28/29+	Outflows	(Inflows)	
16/17	297,568	11.55	25,763	25,763	25,763	25,763	25,763	14,175	-	117,227	-	
17/18	(37,021)	11.96	(3,095)	(3,095)	(3,095)	(3,095)	(3,095)	(3,095)	(3,095)	(2,976)	-	(18,451)
18/19	-	-	-	-	-	-	-	-	-	-	-	-
19/20	(9,020)	12.10	(745)	(745)	(745)	(745)	(745)	(745)	(745)	(2,315)	-	(6,040)
20/21	-	-	-	-	-	-	-	-	-	-	-	-
21/22	68,833	13.10	5,254	5,254	5,254	5,254	5,254	5,254	32,055	58,325	-	-
22/23	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>			<b>27,177</b>	<b>27,177</b>	<b>27,177</b>	<b>27,177</b>	<b>27,177</b>	<b>27,177</b>	<b>15,589</b>	<b>26,764</b>	<b>175,552</b>	<b>(24,491)</b>



## Supporting Calculations

### Recognition of Deferred Outflows/Inflows at June 30, 2023 Changes of Assumptions

Fiscal Year	Initial Amt	Initial Recog Period	Amount Recognized in Pension Expense for FY							Deferred Balances June 30, 2023		
			22/23	23/24	24/25	25/26	26/27	27/28	28/29+	Outflows	(Inflows)	
17/18	(7,271)	11.96	(608)	(608)	(608)	(608)	(608)	(608)	(608)	(583)	-	(3,623)
18/19	-	-	-	-	-	-	-	-	-	-	-	-
19/20	17,159	12.10	1,418	1,418	1,418	1,418	1,418	1,418	1,418	4,397	11,487	-
20/21	-	-	-	-	-	-	-	-	-	-	-	-
21/22	15,798	13.10	1,206	1,206	1,206	1,206	1,206	1,206	1,206	7,356	13,386	-
22/23	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>			<b>2,016</b>	<b>2,016</b>	<b>2,016</b>	<b>2,016</b>	<b>2,016</b>	<b>2,016</b>	<b>2,016</b>	<b>11,170</b>	<b>24,873</b>	<b>(3,623)</b>



## Supporting Calculations

### Recognition of Deferred Outflows/Inflows at June 30, 2023 Projected Versus Actual Earnings on Investments

Fiscal Year	Initial Amt	Initial Recog Period	Amount Recognized in Pension Expense for FY							Deferred Balances June 30, 2023	
			22/23	23/24	24/25	25/26	26/27	27/28	28/29+	Outflows	(Inflows)
18/19	(8,885)	5.0	(1,777)	-	-	-	-	-	-	-	-
19/20	3,415	5.0	683	683	-	-	-	-	-	683	-
20/21	36,584	5.0	7,317	7,317	7,316	-	-	-	-	14,633	-
21/22	(206,233)	5.0	(41,247)	(41,247)	(41,247)	(41,245)	-	-	-	-	(123,739)
22/23	248,272	5.0	49,654	49,654	49,654	49,654	49,656	-	-	198,618	-
<b>Total</b>			14,630	16,407	15,723	8,409	49,656	-	-	213,934	(123,739)
Net Deferred Outflows/(Inflows)										90,195	-

Calculation of initial amount for 2022/23 (2021/22 measurement period):

Projected earnings on investments of \$80,220 (page 26), less

Actual earnings on investments of -\$168,052 (net investment income, page 14)



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Montara Water and Sanitary District

## Supporting Calculations

### Recognition of Deferred Outflows/Inflows in Future Pension Expense

	23/24	24/25	25/26	26/27	27/28	Thereafter 28/29+
■ Differences between Expected and Actual Experience	27,177	27,177	27,177	27,177	15,589	26,764
■ Changes of Assumptions	2,016	2,016	2,016	2,016	2,016	11,170
■ Projected Versus Actual Earnings on Investments	16,407	15,723	8,409	49,656	-	-
■ Total	45,600	44,916	37,602	78,849	17,605	37,934



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Montara Water and Sanitary District

**Supporting Calculations**

**Components of GASBS 68 Pension Expense**

	<b>2022/23</b>
	<b>Measurement Period 2021/22</b>
■ Service Cost	\$ 114,116
■ Interest on Total Pension Liability	71,339
■ Projected earnings on investments	(80,220)
■ Employee contributions	(54,638)
■ Administrative expense	10,105
■ Changes of benefit terms	-
■ Recognition of deferred outflows/(inflows)	
● Experience	27,177
● Assumptions	2,016
● Asset returns	14,630
■ Pension Expense/(Income)	104,525



**Supporting Calculations**

**Components of GASBS 68 Pension Expense**  
**Calculation of Projected Earnings on Investments**  
**2021/22 Measurement Period**

	<b>Dollar Amount</b>	<b>Expected Return</b>	<b>Portion of Year</b>	<b>Projected Earnings</b>
■ Fiduciary Net Position (beginning of year)	\$ 1,233,861	6.25%	100%	\$ 77,116
■ Employer contributions	58,276	6.25%	50%	1,821
■ Employee contributions	54,638	6.25%	50%	1,707
■ Benefit payments	(13,552)	6.25%	50%	(424)
■ Administrative expenses	-	6.25%	0%	-
■ Projected earnings				<u>80,220</u>



**Supporting Calculations**

**Components of GASBS 68 Pension Expense**  
**Calculation of Interest on Total Pension Liability**  
**2021/22 Measurement Period**

	<b>Dollar Amount</b>	<b>Discount Rate</b>	<b>Portion of Year</b>	<b>Interest</b>
■ Total Pension Liability	\$ 1,034,099	6.25%	100%	\$ 64,631
■ Service Cost	114,116	6.25%	100%	7,132
■ Changes of benefit terms	-	6.25%	0%	-
■ Experience	-	6.25%	0%	-
■ Assumption changes	-	6.25%	0%	-
■ Benefit payments	(13,552)	6.25%	50%	(424)
■ Total interest				71,339



**Supporting Calculations**

**GASBS 68 Balance Equation**

	<b>Fiscal Year Ended</b>	
	<b>6/30/22</b>	<b>6/30/23</b>
	<b>Measurement Date 6/30/21</b>	<b>Measurement Date 6/30/22</b>
■ Total Pension Liability	\$ 1,034,099	\$ 1,206,002
■ Fiduciary Net Position	1,233,861	1,165,171
■ Net Pension Liability/(Asset)	(199,762)	40,831
■ Deferred inflows of resources	176,009	28,114
■ Deferred (outflows) of resources	(234,066)	(290,620)
■ Balance Sheet	(257,819)	(221,675)

Check:

■ Balance Sheet 6/30/22	\$ (257,819)
● Pension Expense/(Income)	104,525
● Employer Contributions*	(68,381)
■ Balance Sheet 6/30/23	(221,675)

\* See the measurement period column on page 19 for details.

