GASB Statement No. 68
Proportionate Share of CalPERS – Miscellaneous Risk Pool

Santa Cruz County Regional Transportation Commission

Reporting Period:	*July 1, 2023 to June 30, 2024*
Measurement Period:	*July 1, 2022 to June 30, 2023*
Valuation Date:	*June 30, 2022*

October 8, 2024

Cost-Sharing Pension Plan – CalPERS Miscellaneous Risk Pool
GASB No. 68 Information – Fiscal Year Ended June 30, 2024

Santa Cruz County Regional Transportation Commission

General Information

Plan Description. All qualified permanent and probationary employees are eligible to participate in the Commission's Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Commission resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Plan Provisions. CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for nonduty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect on June 30, 2024, are summarized as follows:

	Hire Date Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 55	2% @ 62
Benefit vesting schedule	Five years of service	Five years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50-63	52-67
Monthly benefits, as a % of eligible compensation	1.4% to 2.4%	1.0% to 2.5%
Required employee contribution rates	6.92%	7.75%
Required employer contribution rates	12.47%	7.68%

Contributions. Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Commission is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Contributions to the pension plan from the Commission were $313,664 for the fiscal year ended June 30, 2024.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2024, the Commission reported a liability of $1,760,245 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023 using standard update procedures. The Commission's proportion of the net pension liability was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all Pension Plan participants, actuarially determined. At June 30, 2023, the Commission's proportion was 0.035202%, which increased by 0.000382% from June 30, 2022.

	June 30, 2024
Commission's proportionate share of the net pension liability	$1,760,245

The following presents the Commission's proportionate share of the net pension liability calculated using the discount rate of 6.90 percent, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.90 percent) or 1-percentage-point higher (7.90 percent) than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Proportionate share of the net pension liability	$3,572,592	$1,760,245	$268,528

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For the year ended June 30, 2024, the Commission recognized pension expense of $796,811. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits. At June 30, 2024, the Commission reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflow of Resources
Pension contributions subsequent to measurement date	313,664	0
Differences between expected and actual experience	89,923	13,949
Changes in assumptions	106,274	0
Net difference between projected and actual earnings on retirement plan investments	285,000	0
Adjustment due to differences in proportions	286,859	23,252
Difference in actual contributions and proportionate share of contributions	51,644	50,100
Total	1,133,364	87,301

$313,664 reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expenses as follows:

Year Ended	Deferred Outflow (Inflows)
2025	314,825
2026	194,604
2027	214,791
2028	8,179
2029	0
Thereafter	0
Total	732,399

The collective total pension liability for the June 30, 2023 measurement period was determined by an actuarial valuation as of June 30, 2022, with update procedures used to roll forward the total pension liability to June 30, 2023. The collective total pension liability was based on the following assumptions:

Investment rate of return	6.90%
Inflation Rate	2.30%
Salary Increases	Varies by entry age and service
Post-Retirement benefit increase	Derived using CalPERS' Membership Data for all Funds Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

The mortality table was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.

Long Term Expected Rate of Return. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

The expected real rates of return by asset class are as followed:

Asset Class	Assumed Asset Allocation	Real Return Years 1 - 10[1,2]
Global equity - cap-weighted	30.00%	4.54%
Global equity non-cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%

[1] An expected inflation of 2.30% used for this period.
[2] Figures based on the 2021-22 Asset Liability Management study.

Discount Rate. The discount rate used to measure the total pension liability for PERF C was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Additional Financial and Actuarial Information. Additional financial and actuarial information required for GASB Statement No. 68 disclosures is in the CalPERS' CAFR for the fiscal year ended June 30, 2023 and the CalPERS' GASB 68 Accounting Valuation Reports for the public agency miscellaneous and safety risk pools, which can be found on CalPERS' website.

Schedule of Proportionate Share of Net Pension Liability

	Miscellaneous	Safety	Total
Plan's total pension liability	$22,693,312,153	$29,748,672,121	$52,441,984,274
Plan's fiduciary net position	17,692,895,076	22,273,738,616	39,966,633,692
Plan's net pension liability position	$5,000,417,077	$7,474,933,505	$12,475,350,582
Plan fiduciary net position as a percent of total pension liability	77.97%	74.87%	76.21%
Proportion of net pension liability	$1,760,245	$0	$1,760,245
Proportionate share of net pension liability	0.03520%	0.00000%	0.03520%
Covered payroll	$2,416,614	$0	$2,416,614
Proportionate share of net pension liability as a percent of covered payroll	72.84%	0.00%	72.84%

Schedule of Pension Contributions

	2024
Contractually required contribution (actuarially determined)	$313,664
Contribution in relation to actuarially determined contribution	(313,664)
Contribution deficiency (excess)	$0
Covered payroll	$2,346,219
Contribution as a percent of covered payroll	13.37%

Journal Entries

Pension Expense Journal Entries - June 30, 2024 Reporting Date

		Debit	Credit
Changes of Assumptions	Deferred Outflows	$0	$60,683
	Deferred Inflows	0	0
Differences between Expected and Actual Experience	Deferred Outflows	57,203	0
	Deferred Inflows	7,965	0
Differences between Projected and Actual Investment Earnings	Deferred Outflows	0	13,447
	Deferred Inflows	0	0
Differences between Employer's Contributions and Proportionate Share of Contributions	Deferred Outflows	0	75,414
	Deferred Inflows	29,326	0
Change in Employer's Proportion	Deferred Outflows	0	168,740
	Deferred Inflows	41,686	0
Net Pension Liability/(Asset)		0	614,707
Pension Expense/Credit		796,811	0
Total		*$932,991*	*$932,991*

Employer Contribution Journal Entries - June 30, 2024 Reporting Date

		Debit	Credit
Net Pension Liability/(Asset)		$483,778	$0
Contributions Subsequent to the Measurement Date (FY 2022-23)	Deferred Outflows	0	483,778
Contributions Subsequent to the Measurement Date (FY 2023-24)	Deferred Outflows	313,664	0
Contributions Expense		0	313,664
Total		*$797,442*	*$797,442*

Actuarial Certification

This report was prepared in accordance with generally accepted actuarial principles and practices. We relied on the GASB 68 Accounting Reports, provided by CalPERS, prepared for the miscellaneous risk pool, a cost-sharing multiple-employer defined benefit pension plan.

Throughout the report, we have used unrounded numbers, because rounding and the reconciliation of the rounded results would add an additional, and in our opinion unnecessary, layer of complexity to the valuation process. By our publishing of unrounded results, no implication is made as to the degree of precision inherent in those results. Clients and their auditors should use their own judgment as to the desirability of rounding when transferring the results of this report to the clients' financial statements.

Each undersigned actuary meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report.

Certified by:

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