Sacramento Regional Transit District

Agenda

COMBINED SPECIAL MEETING OF THE RETIREMENT BOARDS FOR THE EMPLOYEES AND RETIREES OF THE SACRAMENTO REGIONAL TRANSIT DISTRICT
WEDNESDAY, FEBRUARY 15, 2023 AT 9:00 A.M., via Webex

Join from the meeting link: https://sacrt-046d-16ae.my.webex.com/join/rmatthews
Call in: 1-510-338-9438 Access Code: 126 931 3879
Webex App: Join Meeting # 126 931 3879
Online: Go to www.webex.com and click Join Meeting. Enter Meeting # 126 931 3879

MEETING NOTE: ***This is a joint and concurrent meeting of the five independent Retirement Boards for the pension plans for the employees and retirees of the Sacramento Regional Transit District. This single, combined agenda designates which items will be subject to action by which board(s). Members of each board may be present for the other boards' discussions and actions, except during individual closed sessions.***

ROLL CALL

ATU Retirement Board:	Directors: Li, Kennedy, McGee Lee, Scott Alternates: Valenton, Land
IBEW Retirement Board:	Directors: Li, Kennedy, Bibbs, Pickering Alternates: Valenton, Thompson
AEA Retirement Board:	Directors: Li, Kennedy, Devorak, McGoldrick Alternates: Valenton, Santhanakrishnan
AFSCME Retirement Board:	Directors: Li, Kennedy, Guimond, Thompson Alternates: Valenton, Salva
MCEG Retirement Board:	Directors: Li, Kennedy, Bobek, Hinz Alternates: Valenton, Flores

Members of the public wishing to address one or more of the Boards may submit a "Public Comment Speaker Request" via e-mail to Retirement@SacRT.com.

		ATU	IBEW	AEA	AFSCME	MCEG
1. Resolution:	Authorize the Boards to Conduct Their Meetings Via Teleconference as Authorized under the Brown Act pursuant to Government Code Section 54953, as Amended by Assembly Bill 361, during the COVID-19 Pandemic (All). (Gobel)	☒	☒	☒	☒	☒
2. Resolution:	Election of Governing Board Officers of the Retirement Plan for Sacramento Regional Transit District Employees who are Members of ATU Local 256 (ATU). (Gobel)	☒	☐	☐	☐	☐

CONSENT CALENDAR

		ATU	IBEW	AEA	AFSCME	MCEG
3. Motion:	Approving the Minutes for the December 14, 2022 Quarterly Retirement Board Meeting (ATU). (Gobel)	☒	☐	☐	☐	☐
4. Motion:	Approving the Minutes for the December 14, 2022 Quarterly Retirement Board Meeting (IBEW). (Gobel)	☐	☒	☐	☐	☐
5. Motion:	Approving the Minutes for the December 14, 2022 Quarterly Retirement Board Meeting (AEA). (Gobel)	☐	☐	☒	☐	☐
6. Motion:	Approving the Minutes for the December 14, 2022 Quarterly Retirement Board Meeting (AFSCME). (Gobel)	☐	☐	☐	☒	☐
7. Motion:	Approving the Minutes for the December 14, 2022 Quarterly Retirement Board Meeting (MCEG). (Gobel)	☐	☐	☐	☐	☒

NEW BUSINESS

		ATU	IBEW	AEA	AFSCME	MCEG
8. Information:	Receive Preliminary Results of Valuation Studies for Retirement Plans (All). (Gobel)	☒	☒	☒	☒	☒

ADJOURN

NOTICE TO THE PUBLIC

It is the policy of the Boards of Directors of the Sacramento Regional Transit District Retirement Plans to encourage participation in the meetings of the Boards of Directors. At each open meeting, members of the public shall be provided with an opportunity to directly address the Board on items of interest to the public that are within the subject matter jurisdiction of the Boards.

Any person(s) requiring accessible formats of the agenda or assisted listening devices/sign language interpreters should contact the Manager of Pension and Retirement Services at 916-556-0296 or TDD 916-483-4327.

Copies of staff reports or other written documentation relating to each item of business referred to on the agenda are available online at www.sacrt.com and with the Retirement Services Analyst at 916-216-9927 and the Clerk to the Board of Directors of the Sacramento Regional Transit District, and are available for public inspection at 1400 29th Street, Sacramento, CA. Any person who has questions concerning any agenda item may call the Retirement Services Analyst of Sacramento Regional Transit District to make inquiry.

RETIREMENT BOARD
STAFF REPORT

DATE: February 15, 2023 Agenda Item: 1

TO: Sacramento Regional Transit Retirement Board - All

FROM: John Gobel - Manager, Pension and Retirement Services

SUBJ: AUTHORIZE THE BOARDS TO CONDUCT THEIR MEETINGS VIA TELECONFERENCE AS AUTHORIZED UNDER THE BROWN ACT PURSUANT TO GOVERNMENT CODE SECTION 54953, AS AMENDED BY ASSEMBLY BILL 361, DURING THE COVID-19 PANDEMIC

RECOMMENDATION

Adopt the attached Resolutions.

RESULT OF RECOMMENDED ACTION

Adoption of the Resolutions will authorize the Retirement Boards to meet via teleconference due to the COVID-19 pandemic, consistent with Assembly Bill (AB) 361, for 30 days or until the Governor withdraws the COVID-19 State of Emergency, whichever is sooner.

FISCAL IMPACT

There is no fiscal impact.

DISCUSSION

Adopted and signed into law in September 2021, AB 361 amended the Ralph M. Brown Act (Brown Act) to authorize modified procedures for remote (teleconference) meetings for each local legislative body that finds, by a majority vote, that it has considered the circumstances of a state of emergency (such as the COVID-19 state of emergency), and (i) the state of emergency continues to directly impact the ability of the Retirement Board members to meet safely in person and/or (ii) state or local officials continue to impose or recommend measures to promote social distancing. The findings must be made no later than 30 days after using the modified procedures, and every 30 days thereafter. See Cal. Gov. Code § 54953(e).

When the conditions of AB 361 are met, the Retirement Boards may meet remotely using teleconferencing without requiring any in-person option, without noticing the locations

being used by Board members or making them open to the public, and without regard to whether a quorum of the Board is participating from within the Boards' jurisdiction.

Although the number of employees with COVID-19 decreased from December 2022 to January 2023, a surge in cases over the holiday season compelled the Sacramento Regional Transit District (SacRT) to resume voluntary testing and mandate the wearing of masks at three different business locations. Because SacRT's auditorium is unusually small, it is difficult to allow for adequate social distancing between members of the Board, staff and the public. Given that the peril of transmission has not significantly declined, the prudent course of action is to continue meeting virtually, including for members of the public who wish to participate in a Retirement Board meeting.

As explained in this Staff Report and in prior reports referencing AB 361, the modified procedures presently available for remote Board meetings are predicated on the Governor's declaration of a COVID-19 state of emergency. Pursuant to the Governor's October 17, 2022 announcement that California's COVID-19 state of emergency will end on February 28, 2023, ***Staff expect Retirement Board meetings to resume in-person on March 8, 2023, absent additional action to postpone the lifting of the state of emergency.***

RESOLUTION NO. 2023-02-237

SACRAMENTO REGIONAL TRANSIT RETIREMENT BOARD RESOLUTION

Adopted by the Board of Directors for the Retirement Plan for the Sacramento Regional Transit District Employees who are Members of MCEG on this date:

February 15, 2023

Authorize the Retirement Board of Directors to Meet via Teleconference In Compliance with The Brown Act Pursuant to Government Code Section 54953, As Amended by Assembly Bill 361, During the Covid-19 Pandemic

BE IT HEREBY RESOLVED BY THE BOARD OF DIRECTORS FOR THE RETIREMENT PLAN FOR THE SACRAMENTO REGIONAL TRANSIT DISTRICT EMPLOYEES WHO ARE MEMBERS OF MCEG AS FOLLOWS:

THAT, on March 4, 2020, Governor Gavin Newsom issued a Proclamation of State of Emergency in response to the novel coronavirus (a disease now known as COVID-19); and

WHEREAS, the Sacramento County Health Officer declared a local health emergency related to the COVID-19 on March 6, 2020 and the County Administrator, acting in his capacity as the Director of Emergency Services, proclaimed the existence of a local emergency related to COVID-19 on March 6, 2020; and

WHEREAS, on March 17, 2020, Governor Newsom issued Executive Order N-29-20, which suspended and modified the teleconferencing requirements under the Brown Act (California Government Code Section 54950 et seq.) so that local legislative bodies can hold public meetings via teleconference (with audio or video communications, without a physical meeting location), as long as the meeting agenda identifies the teleconferencing procedures to be used; and

WHEREAS, on June 11, 2021, the Governor issued Executive Order N-08-21, which extended the provision of N-29-20 concerning the conduct of public meetings through September 30, 2021, and the Governor subsequently signed legislation revising Brown Act requirements for teleconferenced public meetings (Assembly Bill 361, referred to hereinafter as “AB 361”); and

WHEREAS, as of the date of this Resolution, the State-wide COVID-19 state of emergency remains in effect; and

WHEREAS, the Sacramento Regional Transit District (SacRT) Retirement Boards' meeting space does not allow for adequate social distancing between members of the Board, SacRT staff and the public; and

WHEREAS, this Board concludes that there is a continuing threat of COVID-19 to the community, and that Board meetings have characteristics that give rise to risks to health and safety of meeting participants (such as the increased mixing associated with bringing together people from across the community, the need to enable those who are immunocompromised or unvaccinated to be able to safely continue to participate fully in public governmental meetings, and the challenges with fully ascertaining and ensuring compliance with vaccination and other safety recommendations at such meetings); and

WHEREAS, to help protect against the spread of COVID-19 and its variants, and to protect the health and safety of the public, the Board desires to take the actions necessary to comply with AB 361 and to continue to hold its Board meetings remotely.

NOW, THEREFORE, BE IT RESOLVED AND FOUND as follows:

1. The Retirement Board hereby finds that the facts set forth in the above recitals are true and correct, and establish the factual basis for the adoption of this Resolution.

2. There is an ongoing proclaimed state of emergency relating to the novel coronavirus causing the disease known as COVID-19 and the state of emergency continues to impact the ability of the attendees and Board members to meet safely in person, within the meaning of California Government Code section 54953(e)(3).

3. The Retirement Board has reconsidered the circumstances of the state of emergency and determined that the present circumstances, including the risks mentioned in the preceding paragraph, authorize teleconferenced public meetings consistent with Assembly Bill 361 is necessary and appropriate for 30 days or until the Governor withdraws the COVID-19 State of Emergency, whichever is sooner.

_____

Sandra Bobek, Chair

ATTEST:

Henry Li, Secretary

By:

_____

John Gobel, Assistant Secretary

Sacramento Regional Transit District
Quarterly Retirement Board Meeting (MCEG)
Wednesday, December 14, 2022
MEETING MINUTES

This meeting was held as a common meeting of the Sacramento Regional Transit District Retirement Boards (AEA, AFSCME, ATU, IBEW, MCEG).

The meeting was conducted via teleconference in accordance with Government Code Section 54953, as amended by Assembly Bill 361.

The Retirement Board was brought to order at 9:01 a.m. A quorum was present and comprised as follows: Director Kennedy, Director Li, Director Bobek, and Director Hinz. Alternates Valenton and Flores also attended the meeting, but could not and did note vote on any items before the Retirement Board.

Director Kennedy presided over this meeting as Common Chair of the Retirement Boards.

RESOLUTION TO MEET VIA TELECONFERENCE

1. Resolution: Authorize the Boards to Conduct Their Meetings for the Next 30 Days Via Teleconference as Authorized under the Brown Act pursuant to Government Code Section 54953, as Amended by Assembly Bill 361, during the COVID-19 Pandemic (All). (Gobel)

John Gobel, Manager of Pension and Retirement Services, presented a brief overview of Assembly Bill 361 (AB 361), which authorizes local legislative bodies to continue to meet remotely during the COVID-19 pandemic when certain conditions are met. Mr. Gobel explained that, under AB 361, the Retirement Boards must determine that the circumstances of the COVID-19 state of emergency continue to directly impact the ability of the Boards to meet safely in person in order to continue to meet via special teleconference rules during the next 30 days. Mr. Gobel also explained that current circumstances related to the COVID-19 state of emergency include the significant number of COVID-19 cases recently reported for employees of the Sacramento Regional Transit District (SacRT), which had exceeded 20 cases in November 2022, and that the Boards' meeting space does not allow for adequate social distancing between members of the Board, staff and the public. There were no questions from the Board nor public comment on the item.

Director Kennedy moved to Adopt Agenda Item 1. The motion was seconded by Director Li. Agenda Item 1 was carried unanimously by roll call vote. Ayes – Bobek, Hinz, Kennedy, and Li; Noes – None.

PUBLIC COMMENT

Before inviting public comment on the consent calendar and matters not on the agenda, Mr. Gobel introduced SacRT's new Vice President, Finance/CFO, Lawrence Chiu, and noted that Mr. Chiu would be discussing a number of financial items on the agenda.

Mr. Gobel then indicated that ATU Director Niz wished to share some news and invited Director Niz to speak. Director Niz advised the Retirement Boards that he was preparing to retire from SacRT effective January 1, 2023 and reviewed some of the positive developments that had occurred during his long tenure on the ATU Retirement Board. In response to this announcement, Common Vice Chair Henry Li thanked Director Niz for his service with SacRT, noted the positive relationship that he had fostered with management at SacRT, and offered best wishes for a well-deserved retirement.

Mr. Gobel subsequently asked if there were any comments from the public regarding items on the consent calendar or matters not on the agenda. There were none.

CONSENT CALENDAR

6. Motion: Approving the Minutes for the September 14, 2022 Retirement Board Meeting (MCEG). (Gobel)

9. Motion: Receive and File Administrative Reports for the Quarter Ended September 30, 2022 for the Salaried Pension Plan (AEA/AFSCME/MCEG). (Chui)

10. Information: Update on Roles and Responsibilities Related to Pension Administration (All). (Gobel)

Director Kennedy moved to adopt Agenda Items 6, 9, and 10. The motion was seconded by Director Li. Agenda Items 6, 9, and 10 were carried unanimously by roll call vote: Ayes – Bobek, Hinz, Kennedy, and Li; Noes – None.

NEW BUSINESS

11. Information: Investment Performance Review of the Real Estate Asset Class by Morgan Stanley for the ATU, IBEW and Salaried Employee Retirement Funds for the Quarter Ended September 30, 2022 (All). (Chui)

Lawrence Chiu, Vice President, Finance/CFO, introduced the speakers from Morgan Stanley: Josh Myerberg, Chief Investment Officer for the Prime Property Fund, and Meg Golder, Head of Investor Coverage. In making these introductions, Mr. Chiu noted that

Morgan Stanley was one of two Real Estate managers hired by the Retirement Boards and that this was the first presentation since a $15 million investment funded in June 2021 and September 2021. Mr. Chiu also noted that the total return of the Prime Property Fund for the one-year period ended September 30, 2022 was 21.03% (gross of fees).

Mr. Myerberg began the discussion by reporting that the Prime Property Fund is in its 50th year of operation, is the largest core, open-end fund in the U.S., and is managed by Scott Brown (who has been at the helm since 2006). Mr. Myerberg then reviewed the six real estate sectors in which the fund invests, noted that the highest allocation is industrial (and distribution centers), and explained that 50% of those properties are located in Southern California and the New Jersey/New York area. With regard to other sectors, Mr. Myerberg explained that apartments and self-storage investments are overseen by operating companies owned by the fund: AMLI for apartments and Safeguard for self-storage. Finally, Mr. Myerberg indicated the fund's lowest allocation is to office properties, which only represent 20% of the portfolio.

Ms. Golder reviewed the fund's financial profile by noting that the Prime Property Fund is a long-term, fixed rate borrower and explaining that the portfolio's leverage is relatively low. Specifically, Ms. Golder indicated that 82% of the fund's debt was fixed and that leverage as of September 30, 2022 was 18.2%, which is lower than benchmark's leverage of 21% or 22%. Finally, Ms. Golder explained that the fund had established a redemption queue of $2 billion during the second quarter of 2022 (which effectively limits the property sales required for cash withdrawals by investors).

As part of his closing comments, Mr. Myerberg noted that the macro environment for real estate had changed over the past six months as the cost of debt had accelerated. With the exception of office properties, however, Mr. Myerberg indicated that every real estate sector had performed well over the past two years and that the fund's high quality properties, vertically integrated operating companies, and seasoned management team meant that it was well-positioned for an environment where property values were expected to adjust downward.

In response to a question from Uvan Tseng of Callan about a possible easing of the redemption queue, Mr. Myerberg explained that the fund's managers would need to see a narrowing of the bid-ask spread for private real estate before revisiting the restriction on withdrawals. As part of his response, Mr. Myerberg referenced redemption queues effected for other large funds, like BREIT, and opined that a horizon or near-horizon for rate increases by the Federal Reserve could lead the Prime Property Fund to reassess its redemption queue.

12. Information: Receive and File Investment Performance Results for the ATU, IBEW and Salaried Employee Retirement Plans for the Quarter Ended September 30, 2022 (All). (Chiu)

Lawrence Chiu, SacRT Vice President of Finance/CFO, introduced Anne Heaphy and Uvan Tseng from Callan, who provided a market update for the Retirement Boards and reviewed total fund performance for the Retirement Plans.

During the market update, Mr. Tseng noted that the Federal Reserve had effected six rate hikes in less than a year, the Purchasing Managers' Index had dropped below 50, and 2-year and 10-year Treasury yields were inverted. Against that backdrop, Mr. Tseng explained that most of the Retirement Plans' asset classes produced negative returns for the quarter ended September 30, 2022 – private real estate being the lone exception – and that the U.S. economy could be heading into recession next year.

During the performance review, Mr. Tseng reported that total assets had declined to approximately $327 million as of September 30, 2022, but noted that assets had returned to approximately $350 million as of November 30th (which represented a positive development for the quarter ending December 31, 2022). While Mr. Tseng acknowledged that the Retirement Plans' gross return of approximately -5.6% for the quarter was slightly lower than the policy target return of -5.3%, he indicated that the Retirement Plans' returns had still exceeded the benchmark for every period identified in the written materials distributed by Callan (including 1-year, 3-year, 5-year, and 10-year measures). Mr. Tseng also reminded the Retirement Boards that the average annual return for the portfolio since inception was 8.3%.

Following the discussion of investment performance, AEA Director Devorak commented on the fixed income market and asked Mr. Tseng about expectations for a bounce-back in valuations. In response, Mr. Tseng indicated that investors could potentially expect positive returns for fixed income investments in an environment with persistently high yields and some moderation or suspension of rate hikes by the Federal Reserve.

Director Kennedy moved to approve Agenda Item 12. The motion was seconded by Director Li. The motion carried unanimously by roll call vote: Ayes – Bobek, Hinz, Kennedy, and Li; Noes – None

REPORT, IDEAS AND COMMUNICATION

13. Information: Annual Report on Educational Activities of Retirement Board Members. (All) (Gobel)

Mr. Gobel explained the current Retirement Board Member and Staff Education and Travel Policy (which the Retirement Boards adopted on December 12, 2018) established educational goals for Directors and Alternate Directors and an annual reporting requirement. Consistent with those objectives, Mr. Gobel noted that two educational sessions were conducted during the 2022 calendar year and that the reporting

requirement was addressed by the Staff Report prepared for this agenda item. Looking toward the 2023 calendar year, Mr. Gobel anticipated identifying new training opportunities as part of his quarterly verbal reports to the Retirement Boards and issuing semi-annual reports to help individual trustees monitor their educational progress and goals.

14. Information: Manager, Pension & Retirement Services Quarterly Verbal Update (All). (Gobel)

Mr. Gobel explained that Jamie Adelman was recently promoted to SacRT Vice President, Procurement, Real Estate and Special Projects, and would no longer be working with the Retirement Boards as a member of the Finance team. Mr. Gobel thanked Ms. Adelman for her years of service with the Finance Department and commented that Ms. Adelman had spearheaded many improvements in the course of her work with the Retirement Boards.

Mr. Gobel also congratulated ATU Director Niz on his pending retirement and thanked him for his contributions to SacRT and the Retirement Boards. In doing so, Mr. Gobel noted that Director Niz had started with SacRT in 1989, joined the ATU Retirement Board in 2004, and seen the Retirement Plans' assets nearly triple during his tenure.

ATU ADJOURNED

The ATU Retirement Board meeting adjourned at 10:23 a.m. with the departure of Directors Niz, McGee Lee, and Kennedy.

After adjournment of the ATU Retirement Board meeting and the departure of Director Kennedy at 10:23, the other four Boards took a short recess. The meeting resumed at 10:30 a.m. for the IBEW, AEA, AFSCME and MCEG Retirement Boards. At that time, Director Lisa Hinz departed. A quorum of the MCEG Retirement Board remained present, then consisting of Directors Li and Bobek, and Alternates Valenton and Flores. The IBEW Retirement Board then adjourned at 10:33 a.m. The AEA, AFSCME and MCEG Retirement Boards proceeded to Item 15.

15. Information: AB 1234 Ethical Standards Training 2022 (All) (HB)

Shayna van Hoften of Hanson Bridgett LLP, Legal Counsel to the Retirement Boards, introduced attorneys Katherine Tsou and Trevor Taniguchi, also of Hanson Bridgett LLP. Ms. Tsou and Mr. Taniguchi provided two hours of interactive local government ethics training. This biennial training session met the requirements of California Assembly Bill 1234 ("AB 1234") and was accompanied by written materials from Hanson Bridgett.

ADJOURN

With no further business to discuss, the AEA, AFSMCE and MCEG Retirement Boards' meeting was adjourned at 12:47 p.m.

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Sandra Bobek, Board Chair

ATTEST:

Henry Li, Secretary

By:_____

John Gobel, Assistant Secretary

RETIREMENT BOARD
STAFF REPORT

DATE: February 15, 2023 Agenda Item: 8

TO: Sacramento Regional Transit Retirement Boards – All

FROM: John Gobel - Manager, Pension and Retirement Services

SUBJ: RECEIVE PRELIMINARY RESULTS OF VALUATION STUDIES FOR RETIREMENT PLANS

RECOMMENDATION

No Recommendation - Information Only

FISCAL IMPACT

There is no fiscal impact associated with this informational Staff Report.

DISCUSSION

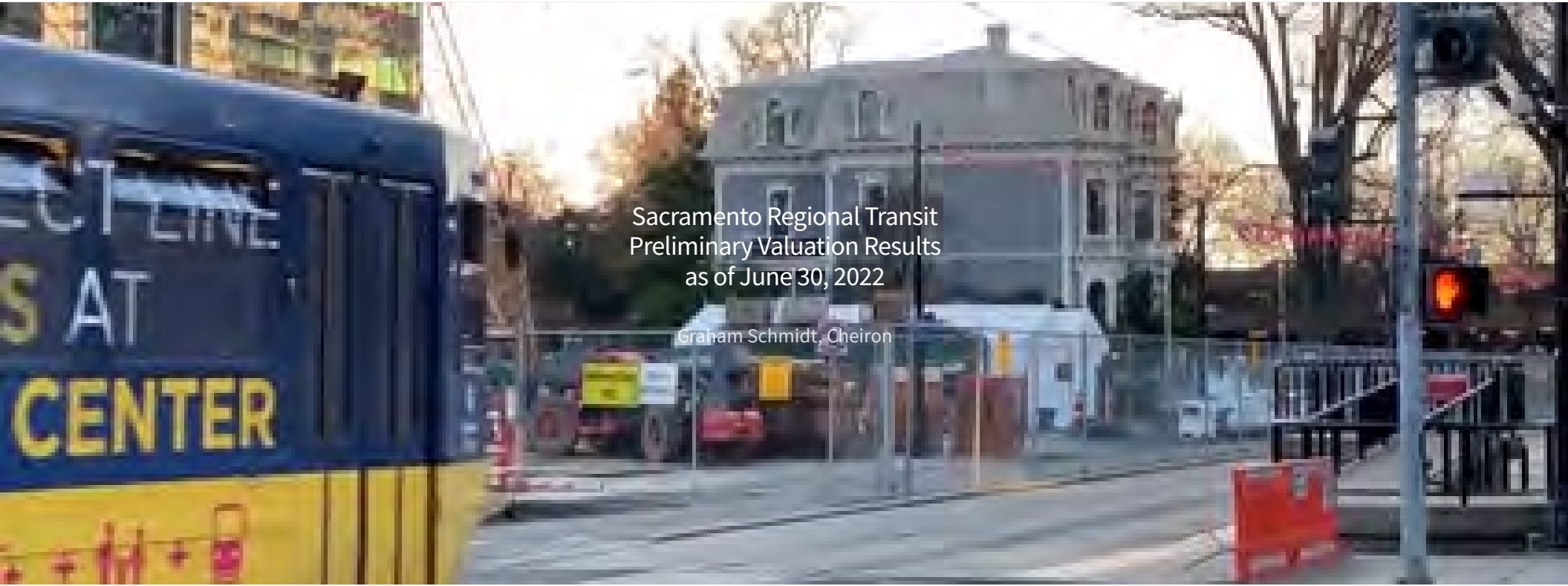
Every year (usually in February), the Retirement Plans' consulting actuary, Graham Schmidt of Cheiron, meets with the Retirement Boards and presents preliminary results for the actuarial valuations. This meeting occurs prior to the submission of final valuations (usually in March) for three separate defined-benefit (DB) plans, which are commonly referred to as the ATU Plan, the IBEW Plan, and the Salaried Plan.

Discussion of the preliminary results serves as an annual refresher for the Retirement Boards and provides an opportunity for Directors to ask questions prior to completion of the Actuarial Valuation Reports (AVRs). Some years, the Retirement Plans' actuary also asks the Retirement Boards for input on assumptions (such as anticipated investment rates of return) that could alter the AVRs. The AVRs are then presented at a subsequent meeting for adoption by the Retirement Boards.

When the Retirement Boards adopt their respective AVRs, they accept both the funded ratio determined by the actuary and the corresponding contribution rates (employer and employee, in the case of PEPRA members) for the next fiscal year. Accordingly, AVRs for the July 1, 2022 valuation date will be submitted at the Quarterly Retirement Board Meeting on March 8, 2023 and used to determine the required contribution rates for the fiscal year beginning July 1, 2023.

Last year, Mr. Schmidt presented the preliminary results in a new, dynamic format, which Staff believed was better-suited for a discussion of three DB plans with five distinct Retirement Boards. Based on feedback received from multiple Directors, Mr. Schmidt will utilize the same format to discuss the aggregate activity for SacRT and provide data on each plan, such as estimated funded ratios and estimated contribution rates for the coming fiscal year.

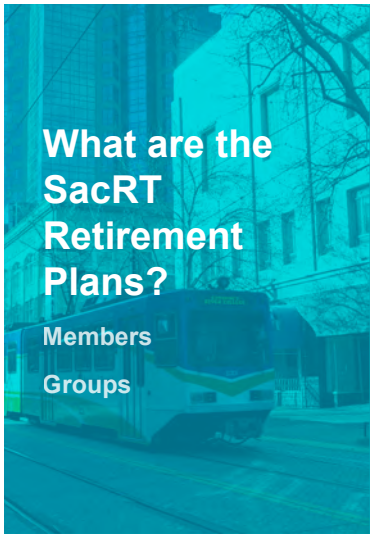
Because the information presented by the actuary is a precursor to the AVRs and contribution rates that will be submitted to the Retirement Boards next month, attendance is strongly encouraged for by all Directors and Alternates of the Retirement Boards.

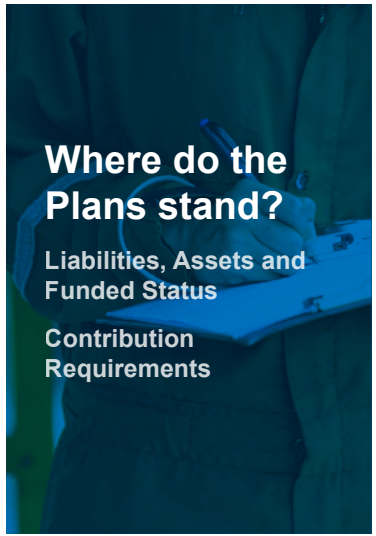


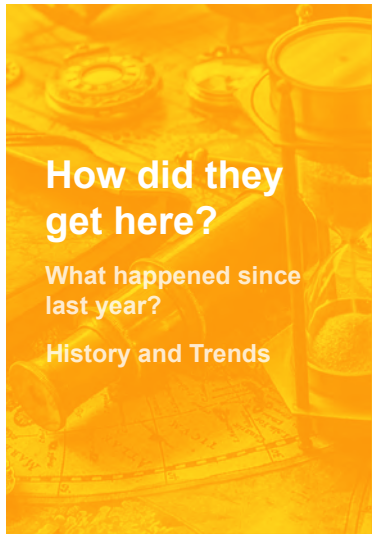
Sacramento Regional Transit
Preliminary Valuation Results
as of June 30, 2022

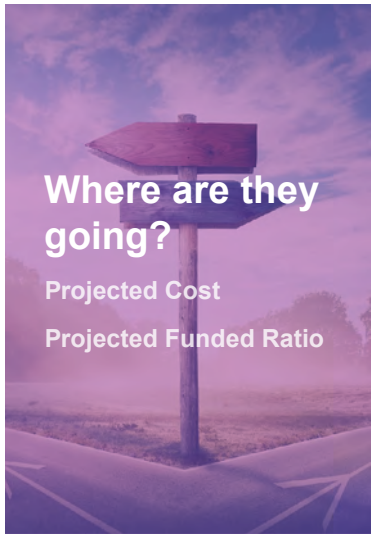
Graham Schmidt, Cheiron

The preliminary results are intended to review the following elements of the actuarial valuation, based on the current assumptions and methods.



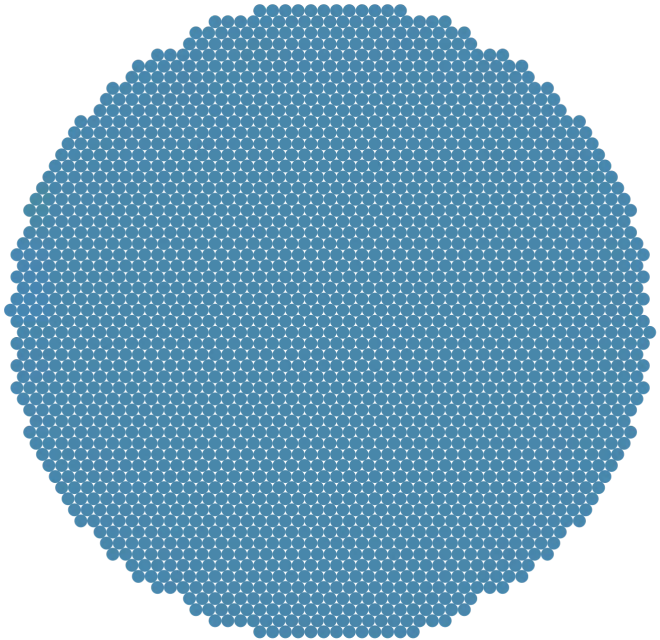






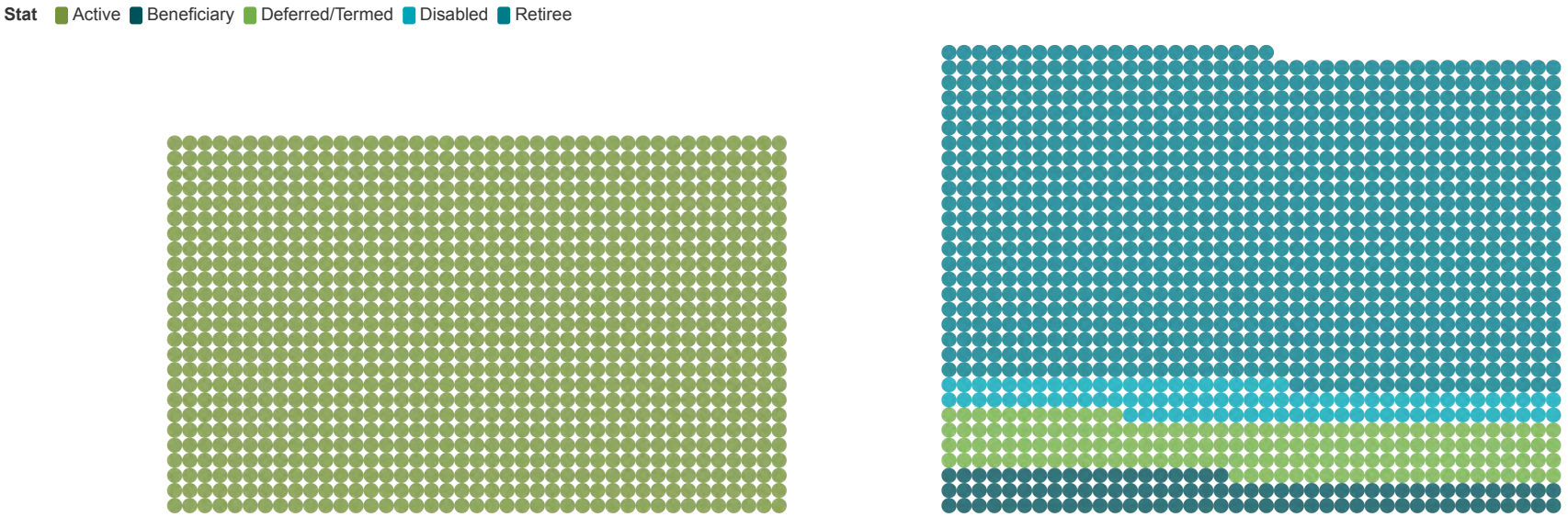
What are the Sacramento Regional Transit Retirement Plans?

Who are the members? Let's take a closer look: As of June 30, 2022, the combined plans had almost **2,300 total members**.



We relied on demographic information supplied by SacRT. We did not audit the data. However, we performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

Just over 45% are **active** employees, with the rest **in pay status** - retirees, disabled members, or beneficiaries - or eligible for a **deferred benefit**. All members not currently actively working are referred to as **inactive**.



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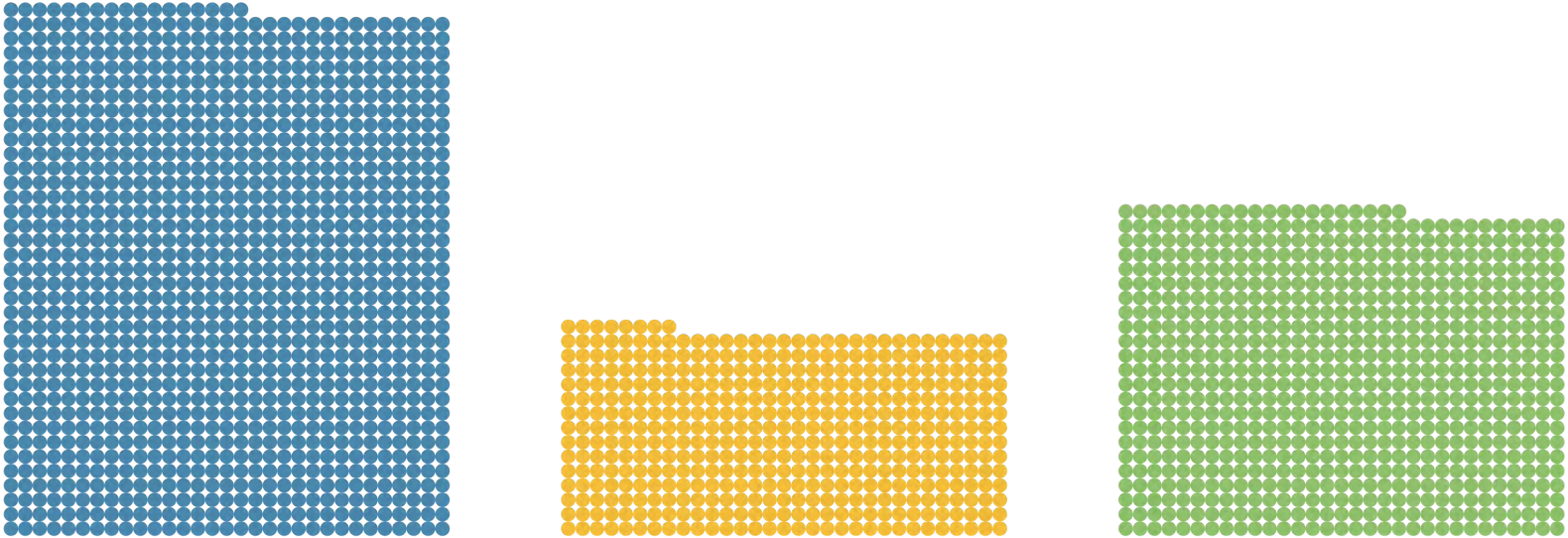
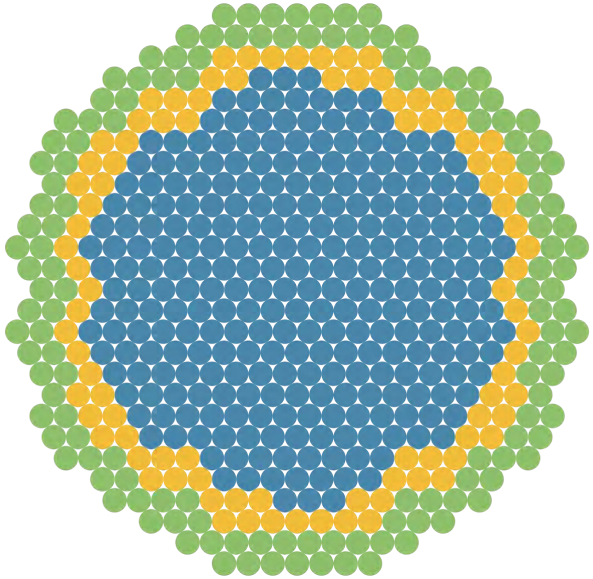
The system has three separate subplans: one for members of **ATU**, one for members of **IBEW**, and one for the remaining unions (the **Salaried** plan).

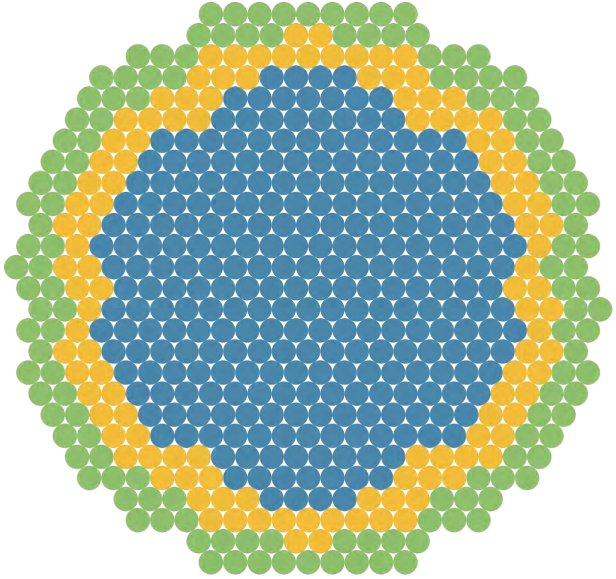


We relied on demographic information supplied by SacRT. We did not audit the data. However, we performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

As of June 30, 2022, the newest Tier (**PEPRA**) now makes up ***just over half of the active workforce.***

Plan ATU IBEW Salaried



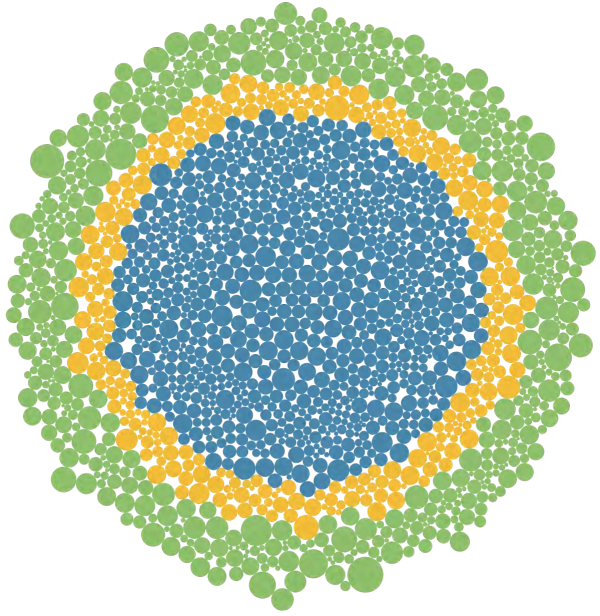


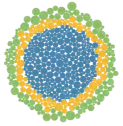
We relied on demographic information supplied by SacRT. We did not audit the data. However, we performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

CHEIRON

However, when weighted by **liability**, the **Classic (pre-PEPRA)** active membership still dominates.

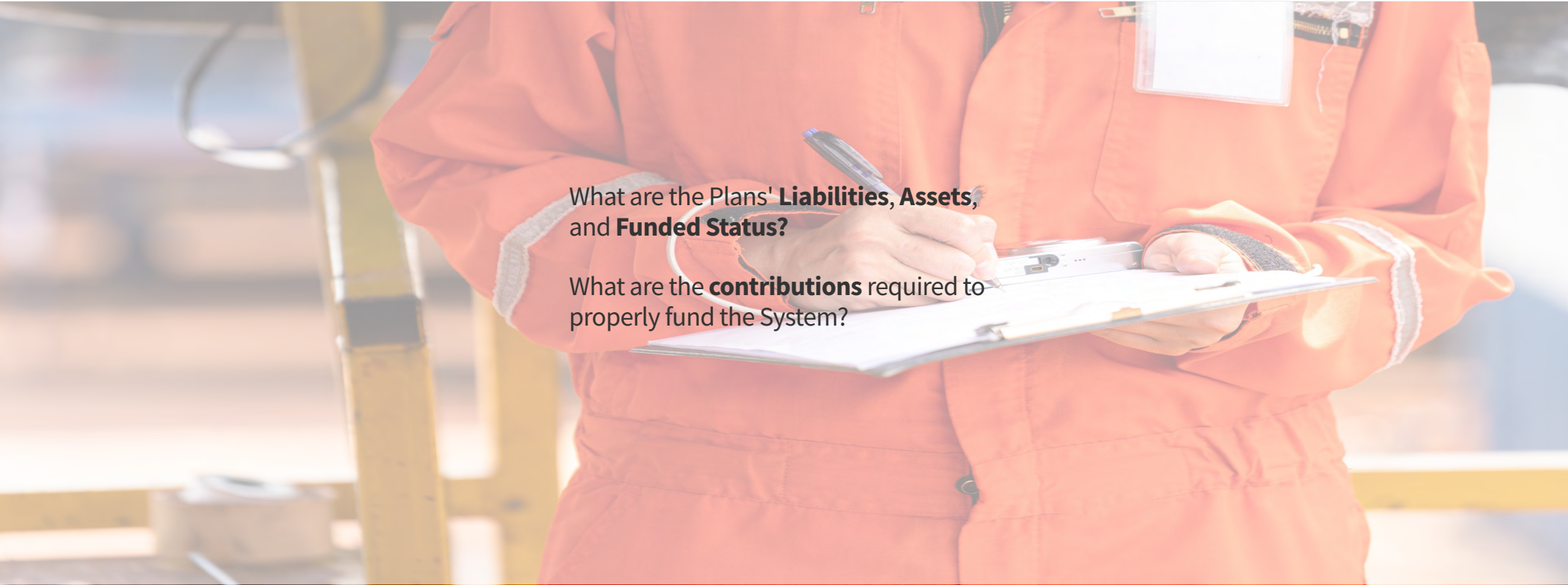
Plan ATU IBEW Salaried



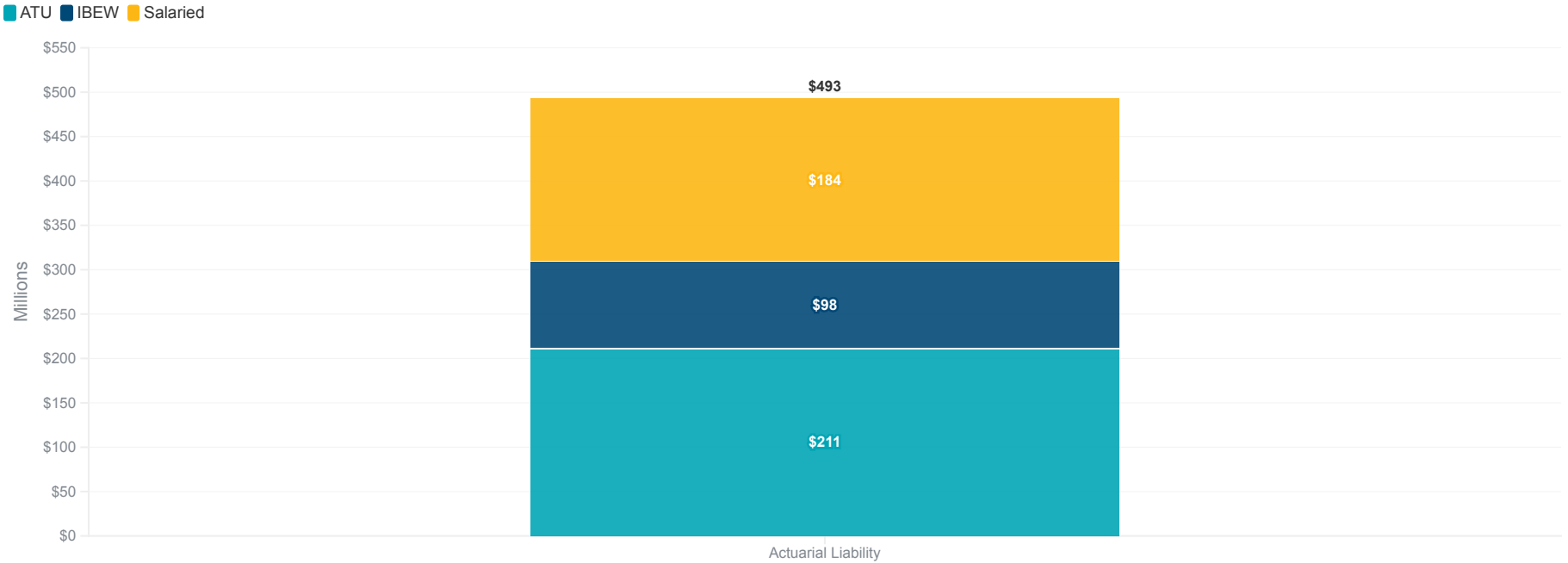


We relied on demographic information supplied by SacRT. We did not audit the data. However, we performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

We next turn to the current condition of the Plans.



We first review the value of the benefits already earned, known as the **Actuarial Liability**, or the current funding target for the assets. The Actuarial Liability is shown divided among the three main valuation subgroups.

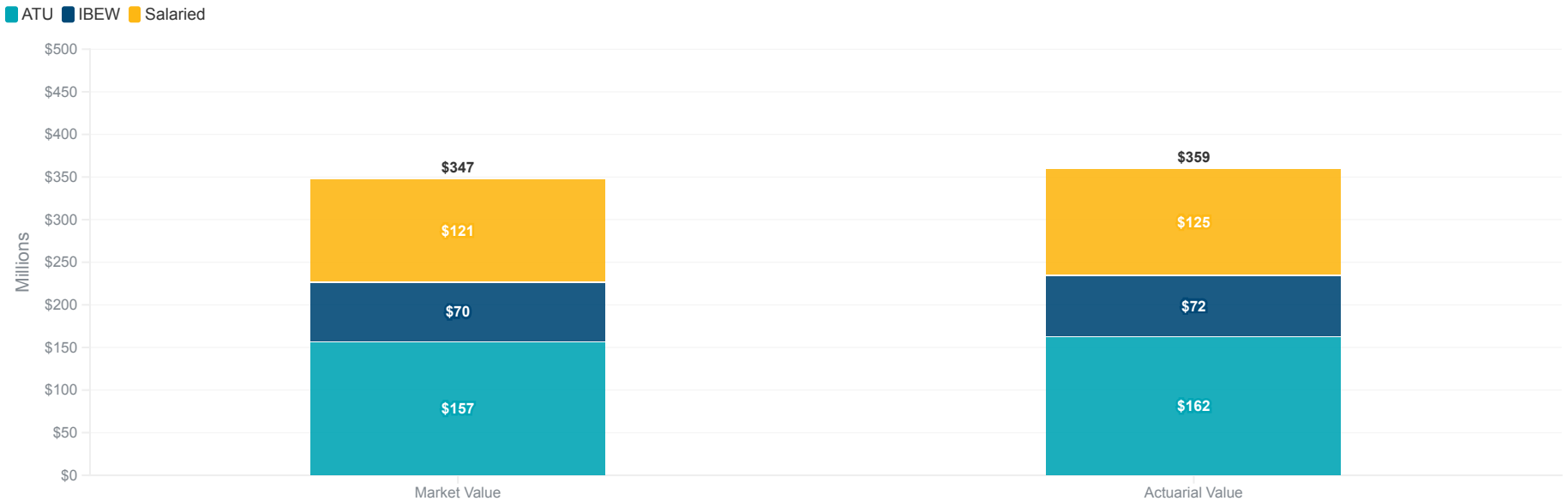


Next, we turn to the Plans' assets. The **Market Value of Assets** is the **Fair Value** as of the **Measurement Date,** June 30, 2022. The District separately tracks the assets for each group.

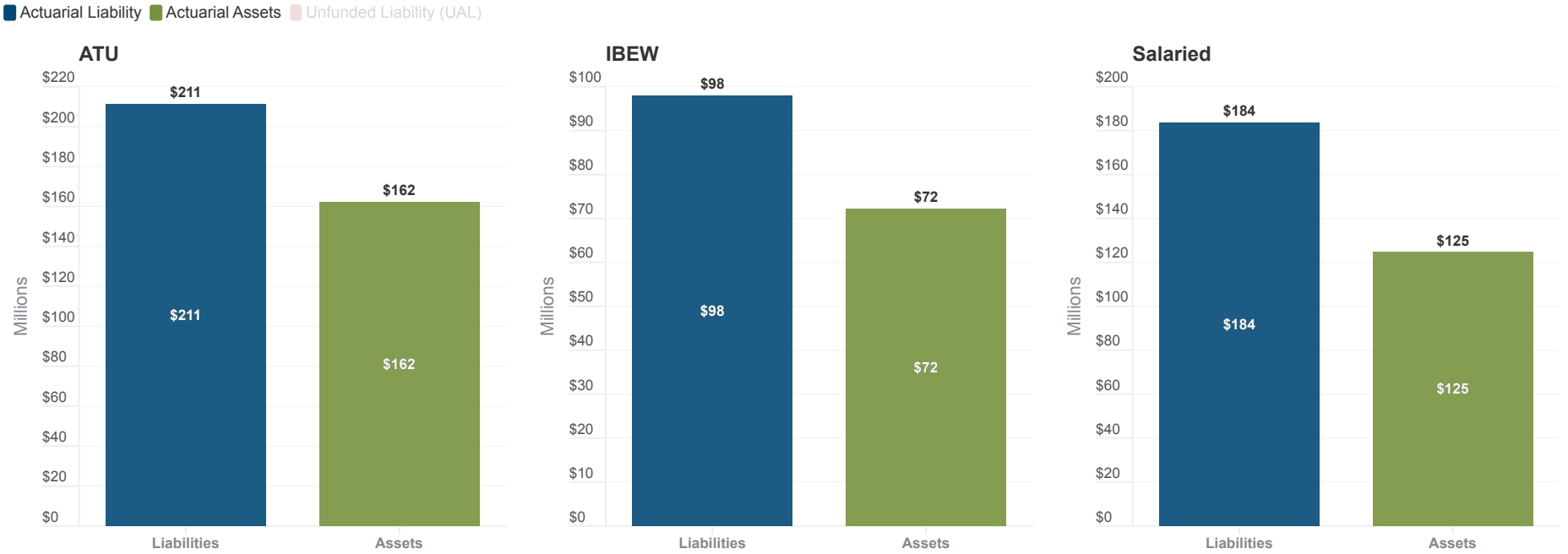
All | **Market Value** | Actuarial Value

The Market Value can fluctuate significantly from year to year because of rapid changes in the investment markets. We also calculate a smoothed value, the **Actuarial Value of Assets**, to reduce volatility in the contributions and better understand trends in funded status. Because the System had a negative return during FY 2021-22, the Actuarial Value is currently above the Market Value, which means there are about $12 million in deferred losses, which will get recognized in future years.

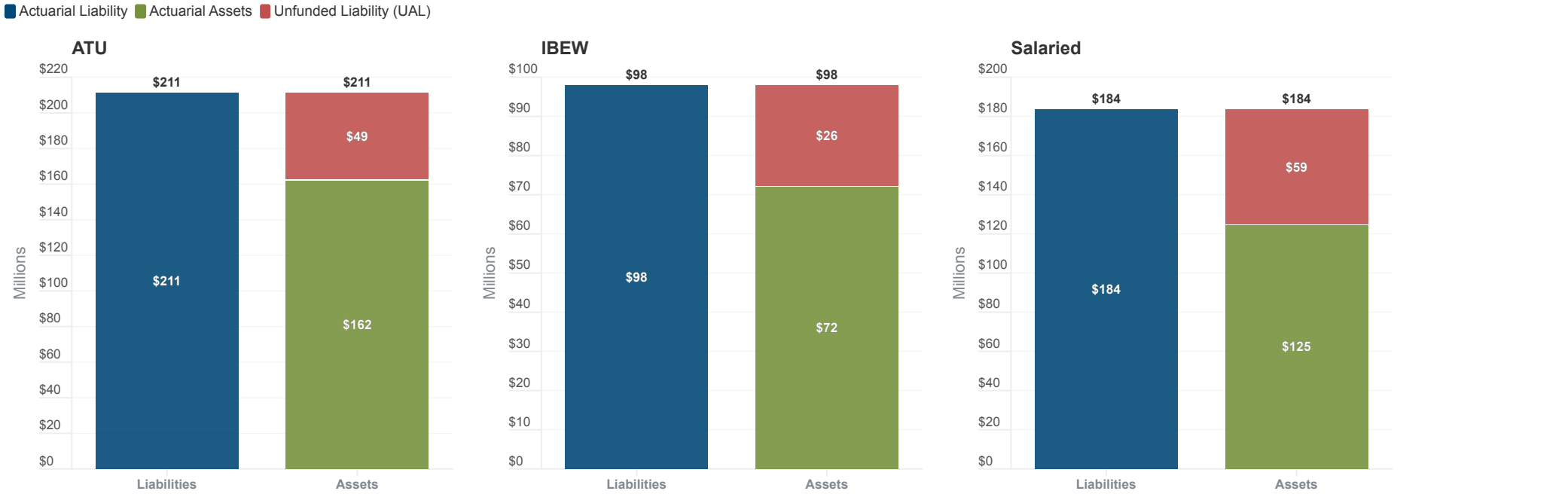
All | Market Value | Actuarial Value



Next, we review the **Funded Status** of each Plan, where the **liabilities** are compared to the **assets.** The assets are shown based on the **Actuarial** (smoothed) value as of June 30, 2022.



The **Unfunded Actuarial Liability (UAL)** is calculated by subtracting the **Actuarial Assets** from the **Actuarial Liability.**

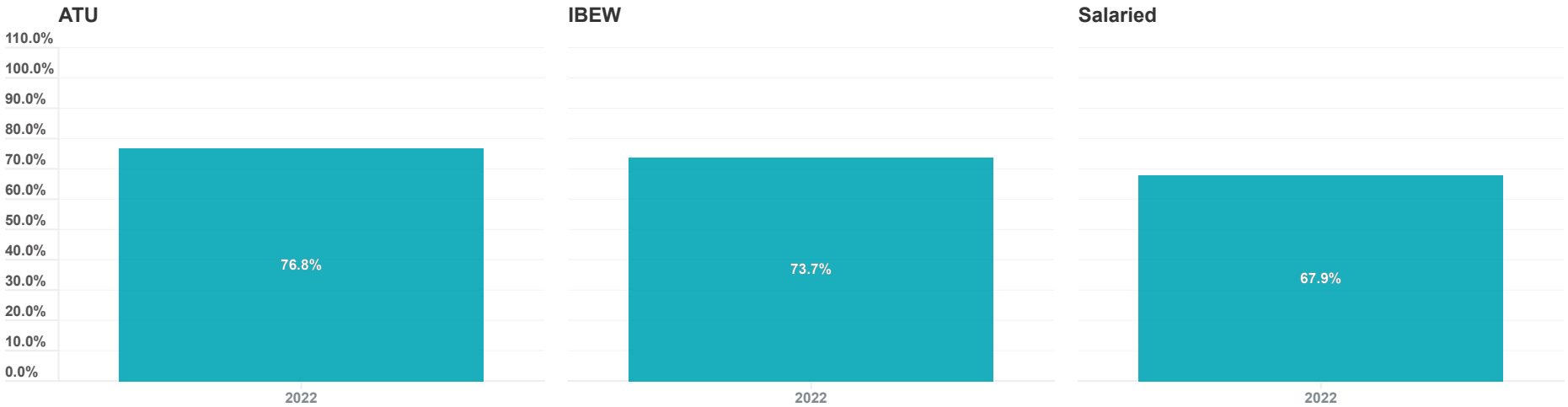


The **Funded Ratio** is calculated as the *assets divided by the liabilities*.

Funded Ratio

2022

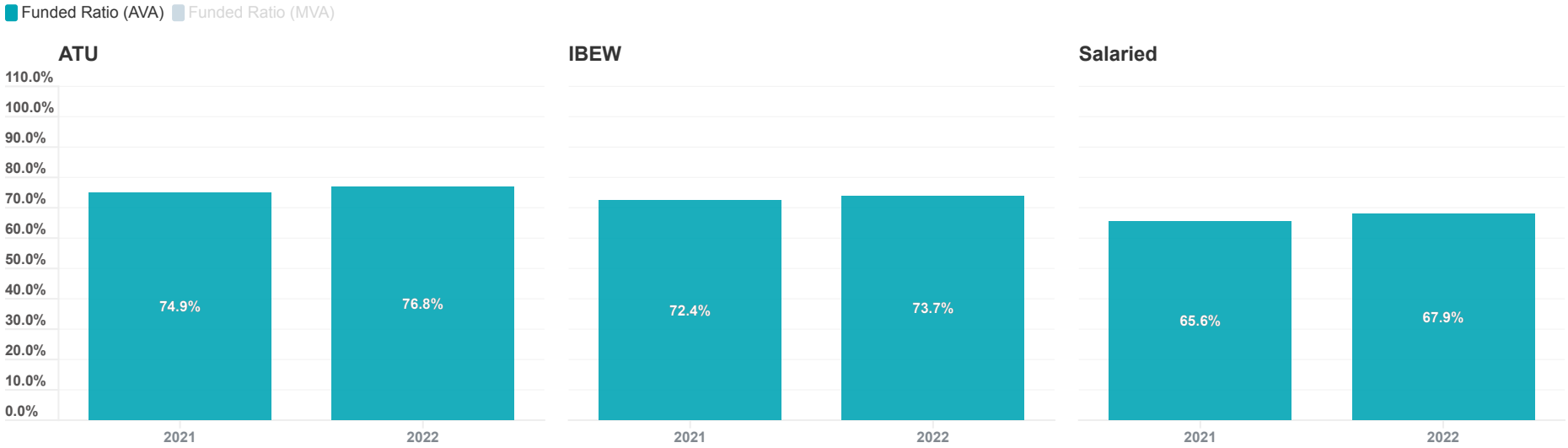
Funded Ratio (AVA) Funded Ratio (MVA)



Which has increased from last year for all three Plans, at least on a smoothed basis.

Funded Ratio

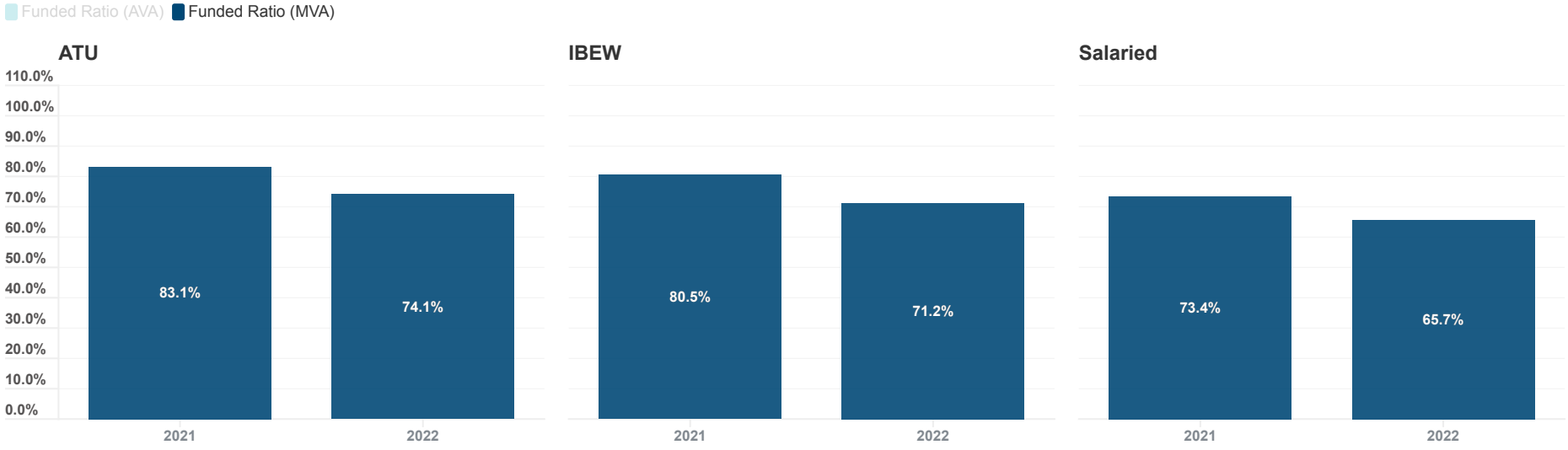
All



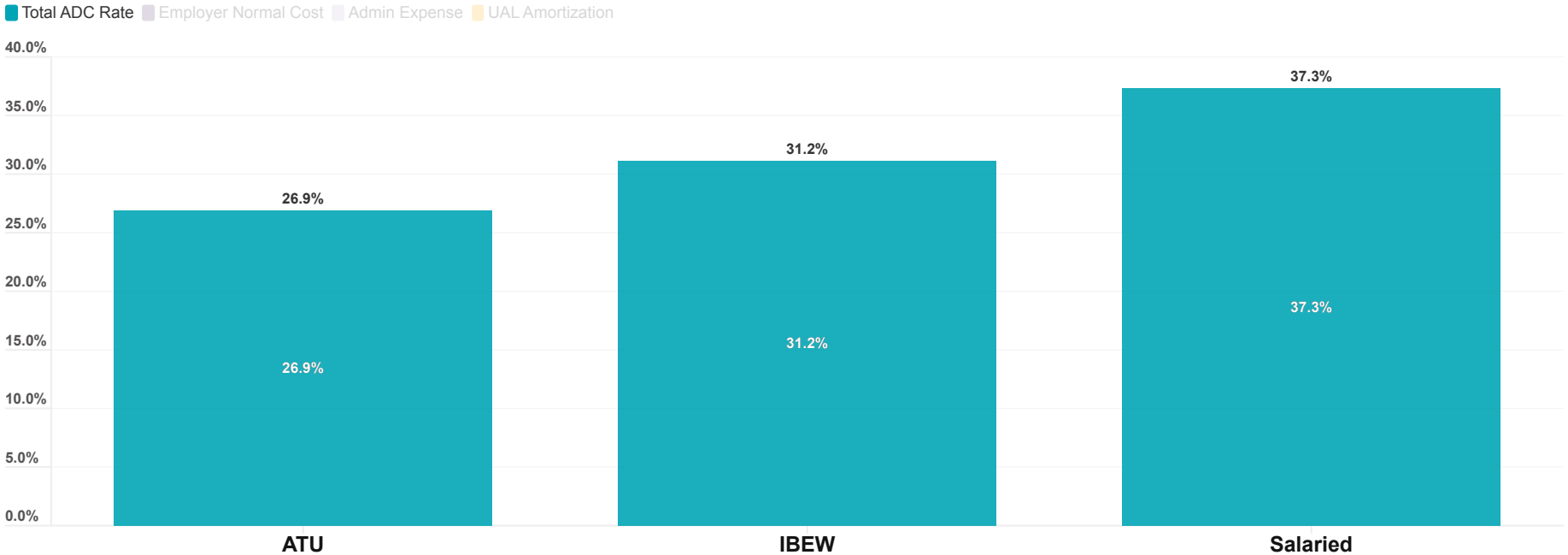
However, the funded ratios have declined since last year when calculated using the Market Value of Assets, since these ratios fully reflect the FY 2021-2022 investment losses.

Funded Ratio

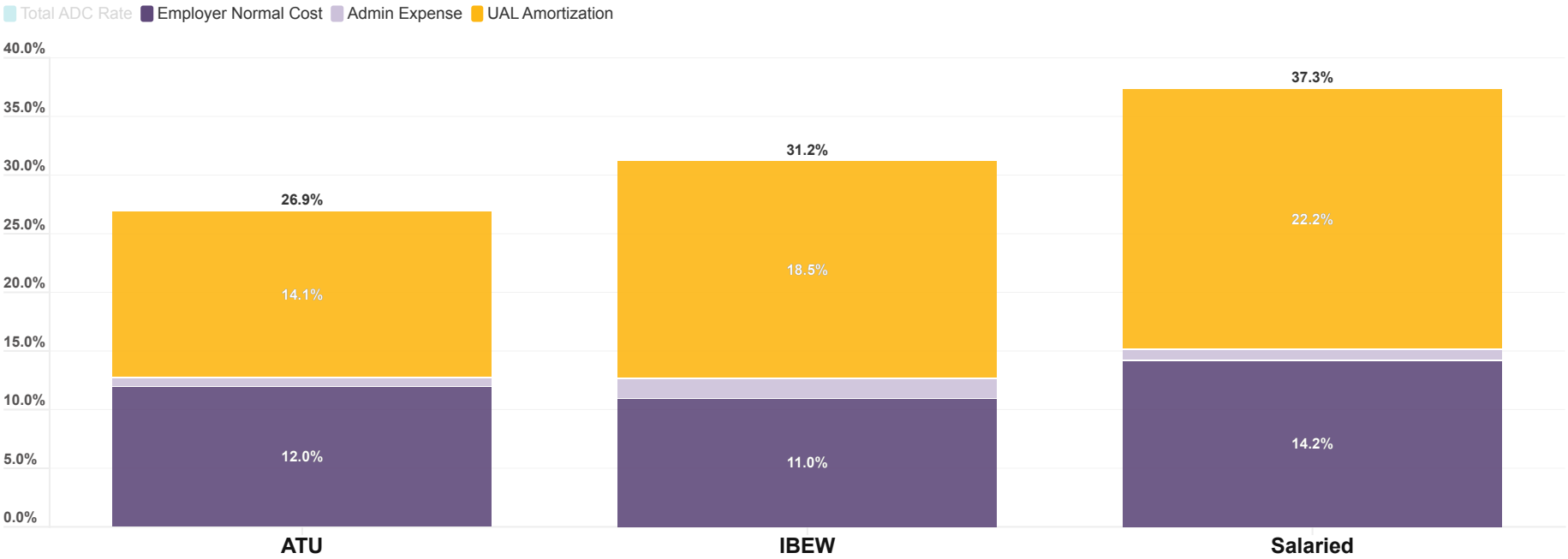
All



Next, we review the **Actuarially Determined Contribution (ADC) rates** for the Plans, shown *as a percentage of projected pensionable pay*. The contribution rates are effective for the fiscal year following the valuation date (i.e. from 7/1/2023-6/30/2024).



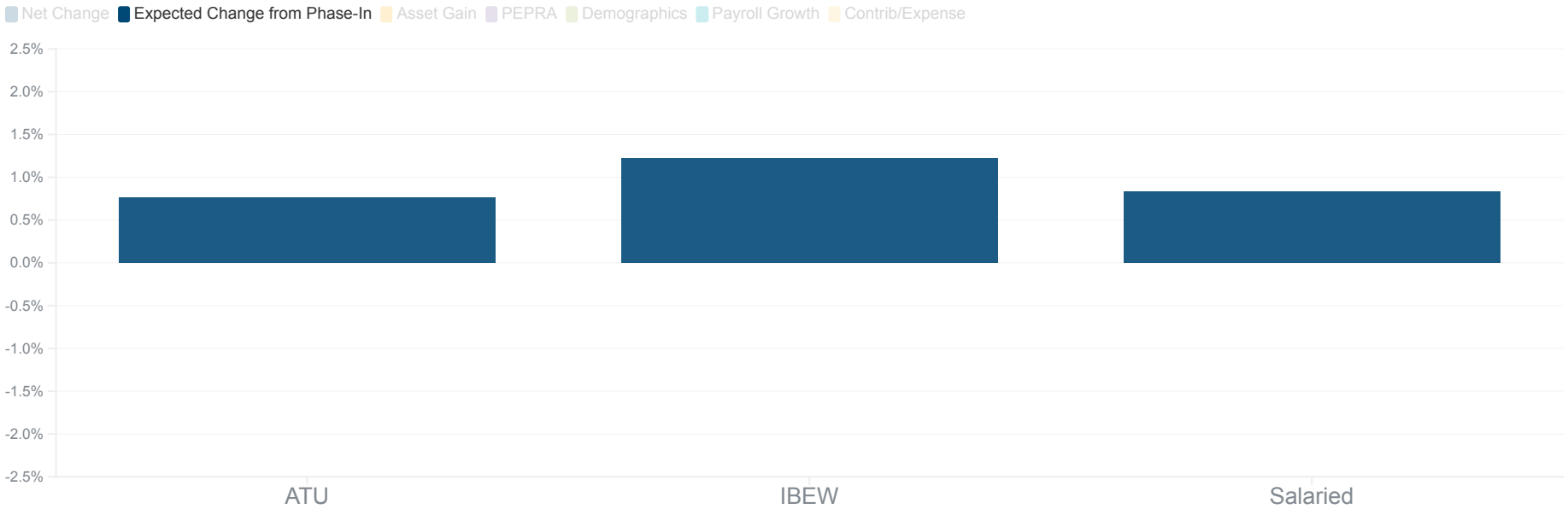
The contributions are made up of the **Normal Cost (**or the cost assigned to this year's active member benefits net of any member contributions), plus a payment to cover the Plan's **administrative expenses**, plus the **Unfunded Actuarial Liability Amortization** payment.



Now it's time to review how the Plans got to where they are today.

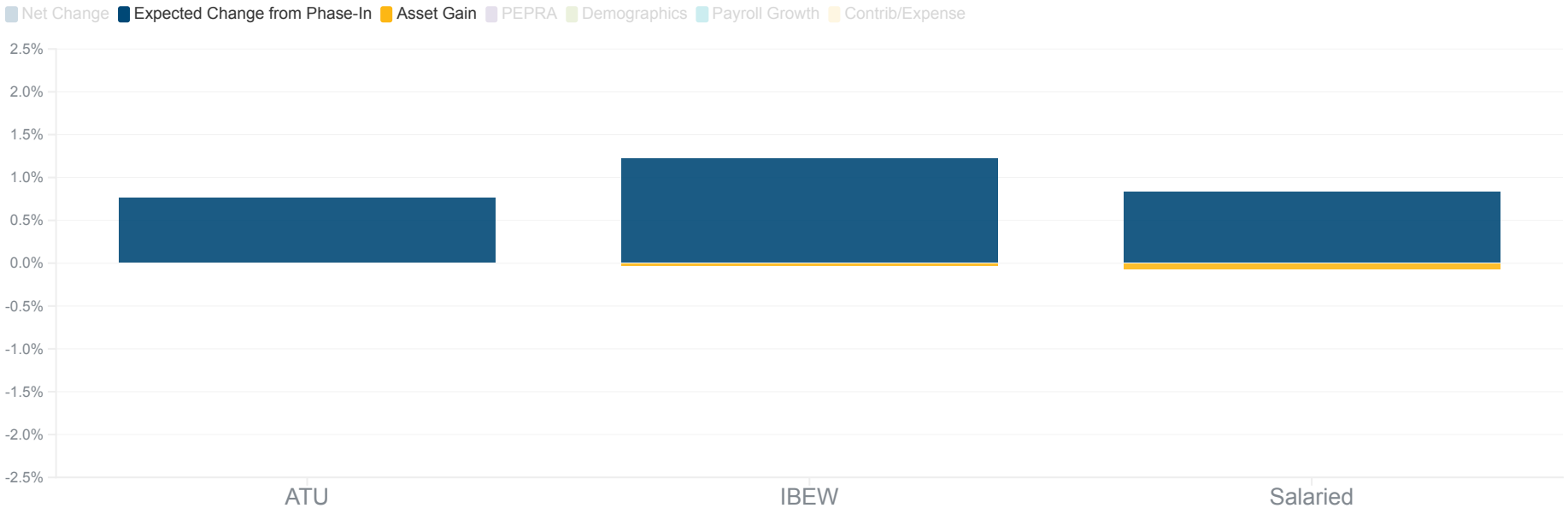
We review the change in the Actuarially Determined Cost (ADC) rate for each group over the past year. First, we note that the employer rate for all three groups was ***expected to increase*** as a result of the Boards' decision to **phase-in** the UAL impact of assumption changes over a three-year period as part of the 2020 valuation. The impact of the assumption changes is now fully phased-in to the employer contribution rate.

ADC Change by Source



Assets returned less than the 6.75% assumption on a market basis (losing more than 7%) but because of the asset smoothing - which only recognizes 20% of the current year shortfall and recognizes 20% of the prior year gain (when assets returned over 27%) - the return on the smoothed assets was very close to expectations, between 6.75%-7.00% for all three groups.

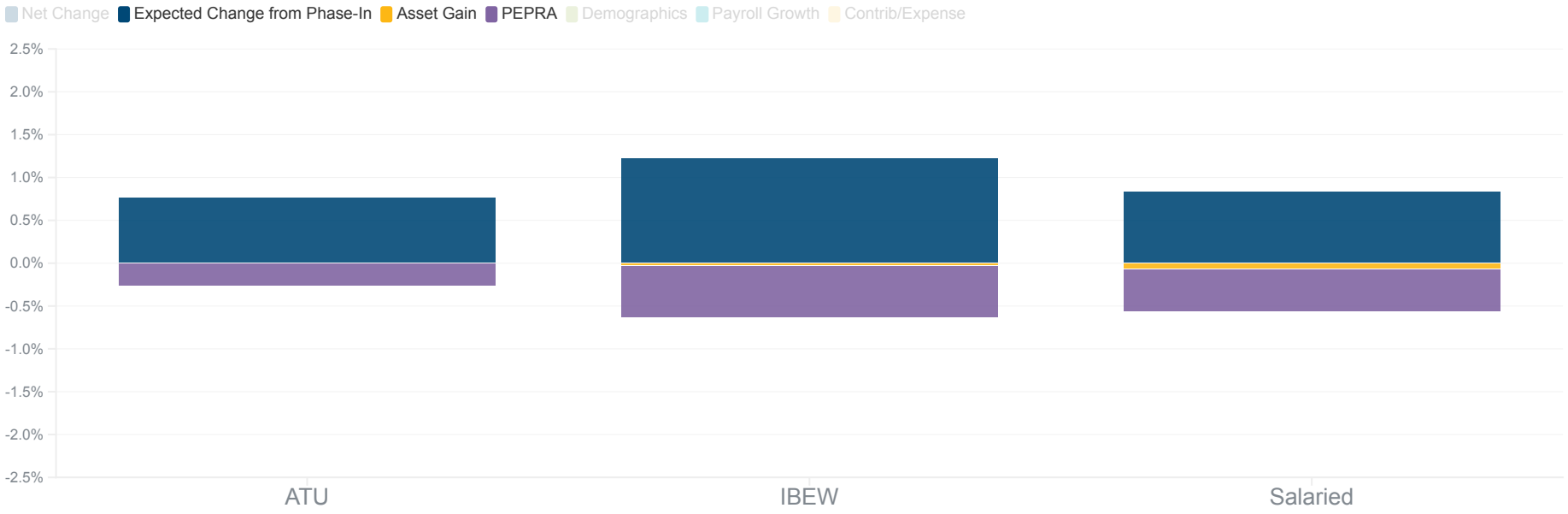
ADC Change by Source



CHEIRON

The growth in the PEPRA tier as a percentage of the overall membership ***reduced the employer's normal cost rate*** (since the PEPRA members receive lower benefits and contribute a larger share). We also made a change in our valuation software coding to limit the payroll upon which contributions will be made to the PEPRA compensation limit.

ADC Change by Source

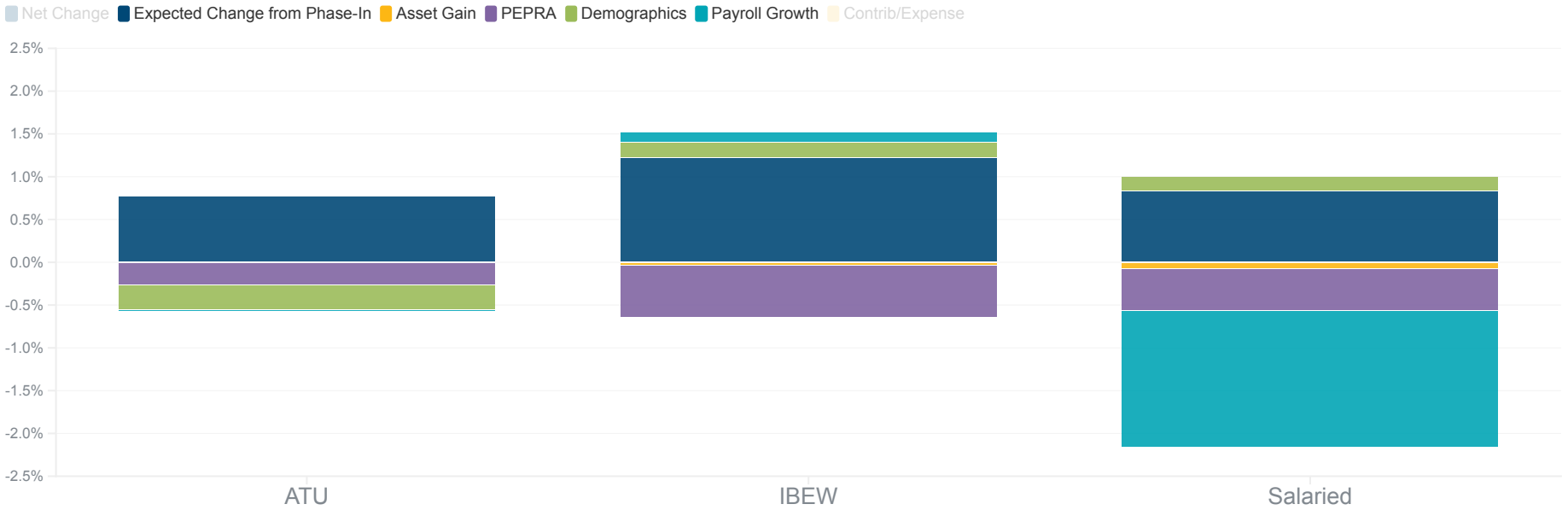


Demographic changes reduced the employer rate for ATU and increased it for IBEW and Salaried. The change for ATU was driven by an increase in the contribution rate for PEPRA members from 7.25% to 7.75% (which reduces the employer rate) and more terminations than expected. The increase for IBEW was driven by more retirements than expected. The change for Salaried was driven by fewer deaths than expected. Demographic experience also includes the impact of asset and liability transfers for non-vested members from ATU to the Salaried plan, but this didn't have a significant impact on cost for either group.

ADC Change by Source

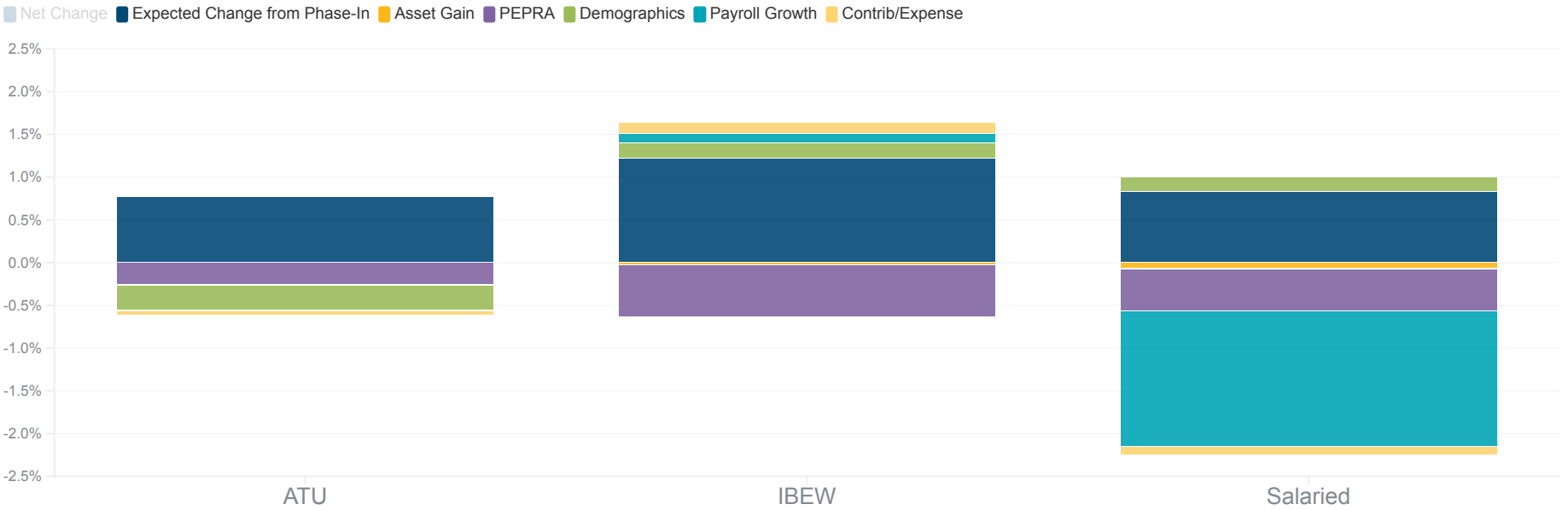
Projected payroll grew as anticipated for ATU (by close to the 2.75% assumption), but by slightly less than assumed for IBEW (by 2.2%), increasing the ADC rate by 0.1% of pay since the UAL payment is spread over a smaller base than expected. Payroll for Salaried grew substantially more than expected (by over 9%) due to an increase in the active population, which reduced the rate by 1.6% of pay. Payroll growth does not impact the *dollar* amount of the UAL payment.

ADC Change by Source



Actual contributions were slightly different than the actuarial cost, because of the 12-month delay in the implementation of the rates and payroll being slightly higher or lower than expectations, which increased the ADC rate for IBEW and reduced it for ATU and Salaried.

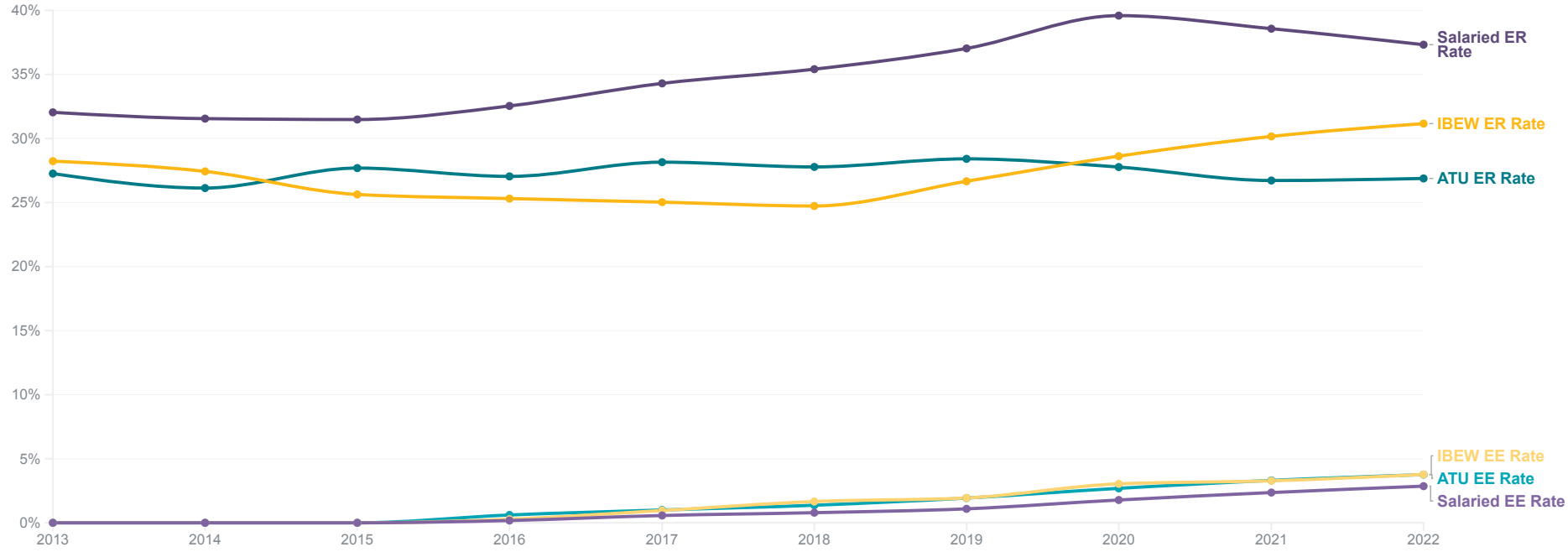
ADC Change by Source



The net impact was an increase in employer cost for ATU (by 0.2% of pensionable pay) and IBEW (1.0%), primarily from expected increases due to the phase-in of assumption changes. The rate decreased by 1.3% for the Salaried plan, driven by the large increase in payroll.

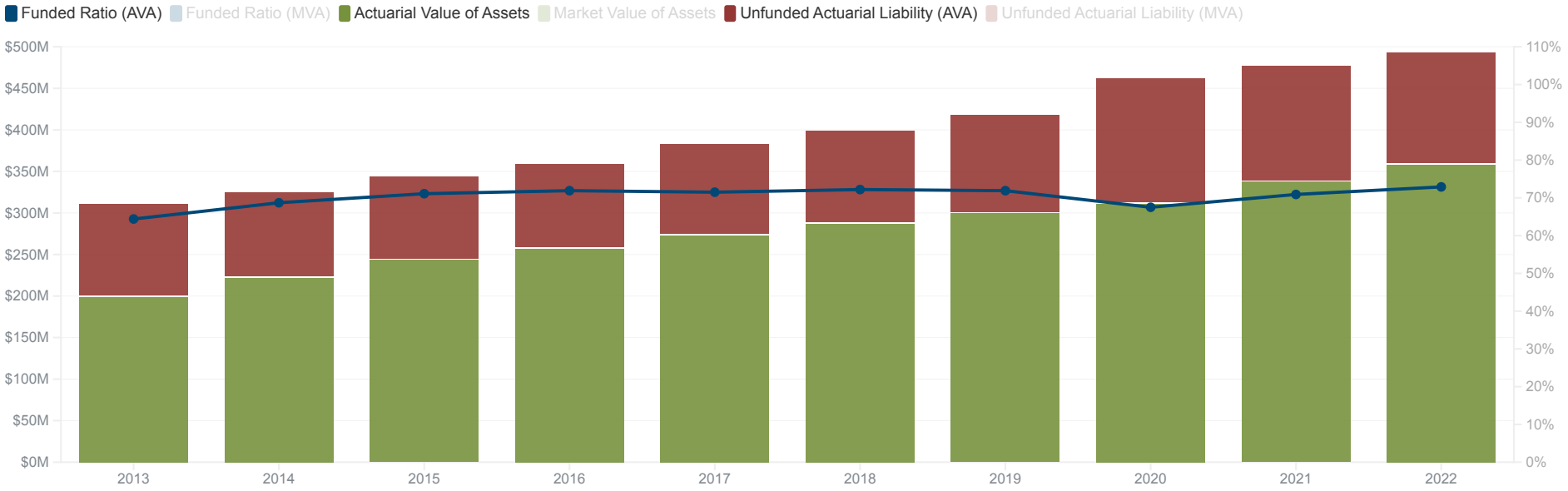
ADC Change by Source

We next review the **history and trends** in the employer and employee rates over the past ten years. The ATU employer rate has remained relatively flat, while the rates for the IBEW and Salaried plans have increased. The average member rates have continued to increased as the PEPRA workforce has grown and the PEPRA member rates have increased due to changes in assumptions and the plan population.



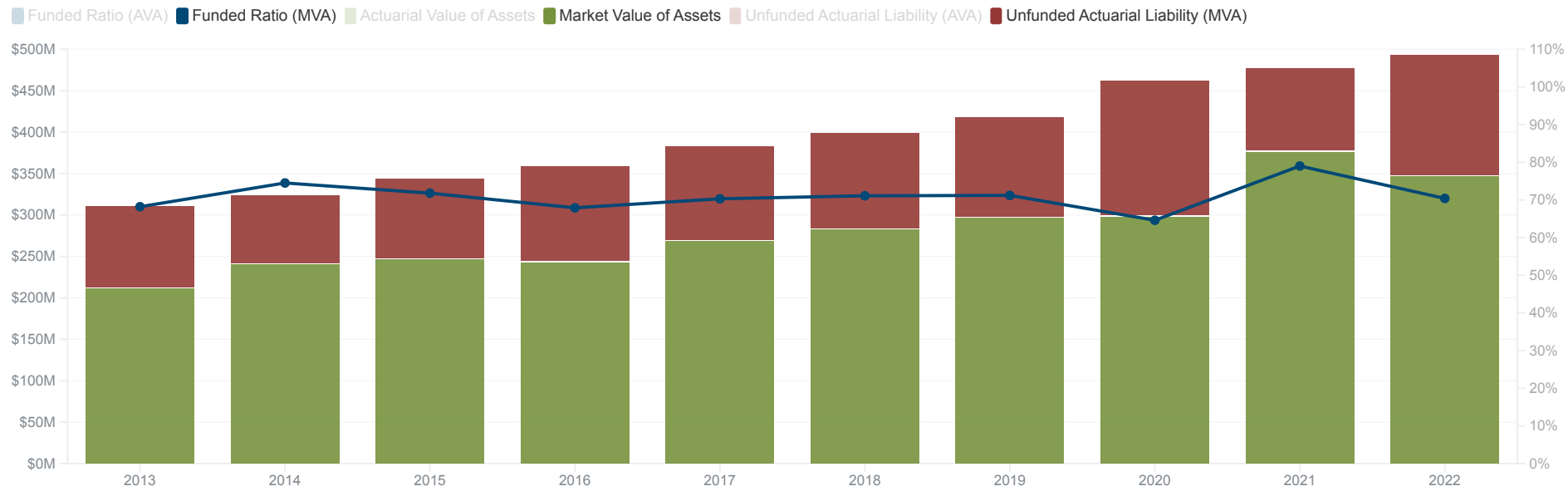
Here we review the history of the combined funded status over the past ten years. The line shows the funded ratio (on an AVA basis), with the scale shown along the right-hand axis. Assets and the UAL in dollars are shown in the bars. Individual plans can be selected from the drop down below. We note that the funded ratio has varied around 70%.

Combined



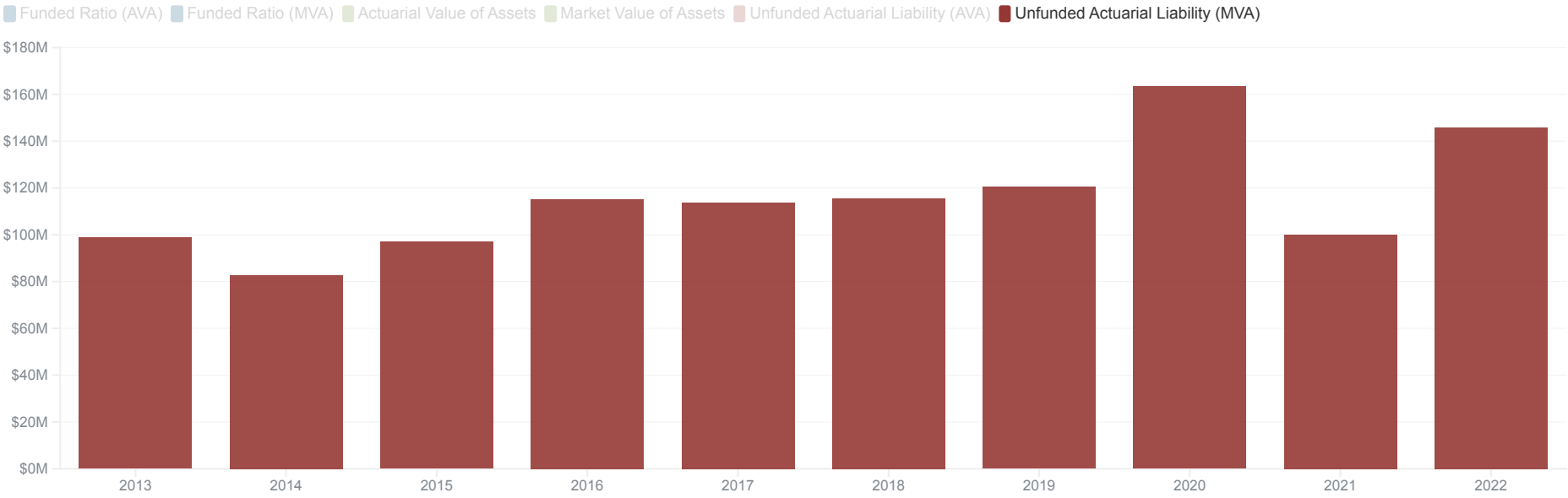
Here the same information is shown using the Market Value of Assets.

Combined

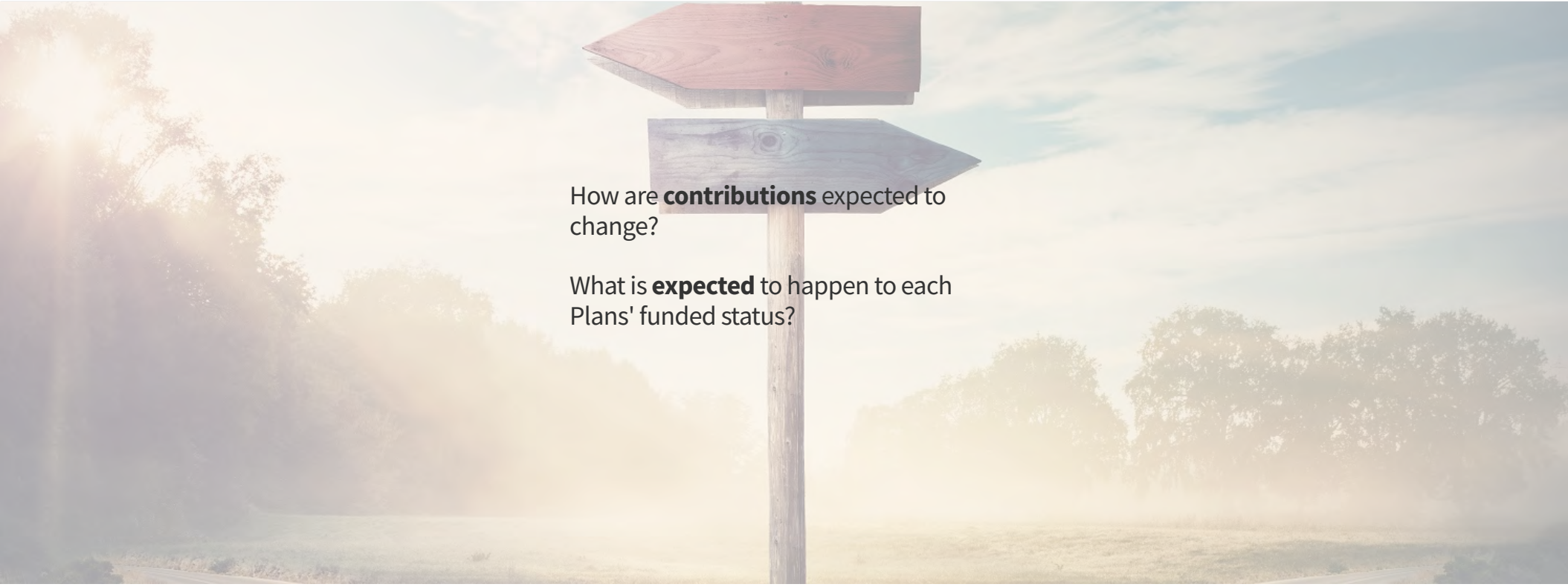


Focusing on the Market Value Unfunded Liability, we note that the largest increases occurred two years ago (largely as a result of the reduction in the earnings assumption) and this year (due to the investment loss) and the largest decrease last year (as a result of the gains on investments).

Combined



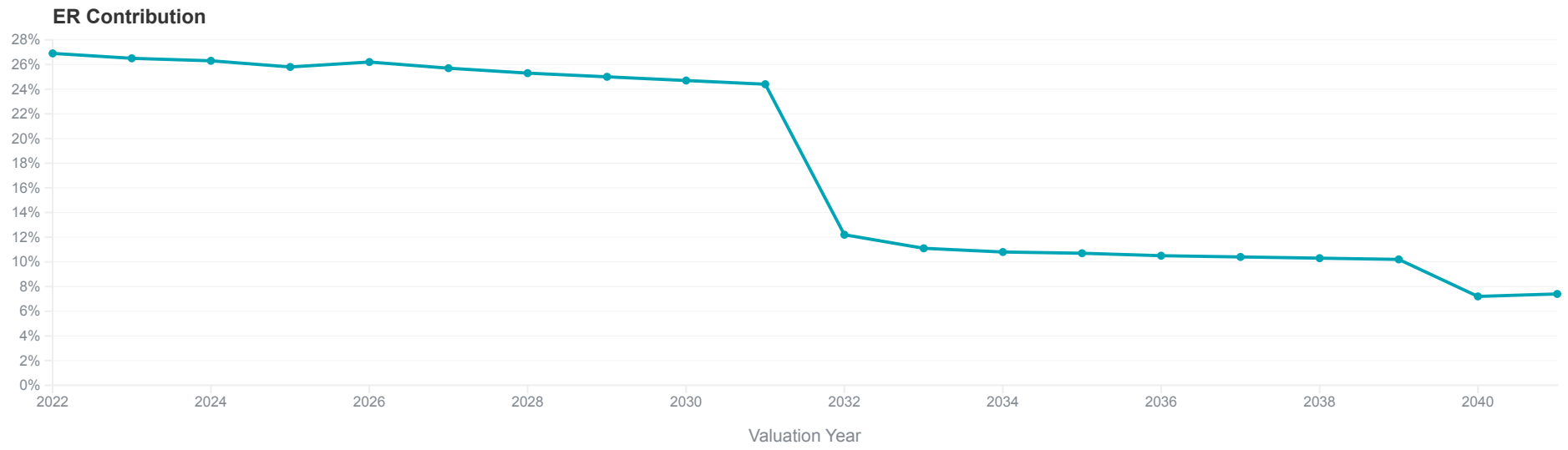
Finally, we turn our gaze forward. The exhibits which follow show the projections of employer contribution rates and funded status for each Plan.



Below we show the projected employer contributions for the ATU plan, assuming all assumptions are met (including a 6.75% return each year). The rates are expected to decline slowly over the next nine years, with the current year investment losses offsetting the gains from last year, and the employer normal cost rate dropping as the PEPRA population increases. The rate is expected to drop significantly in the 2032 valuation, when the largest layer of the UAL is paid off.

ER Contribution

ATU IBEW Salaried



These projected costs are higher than the projected employer contributions from the prior valuation (shown in the dotted line), because of the impact of the 2022 investment loss.

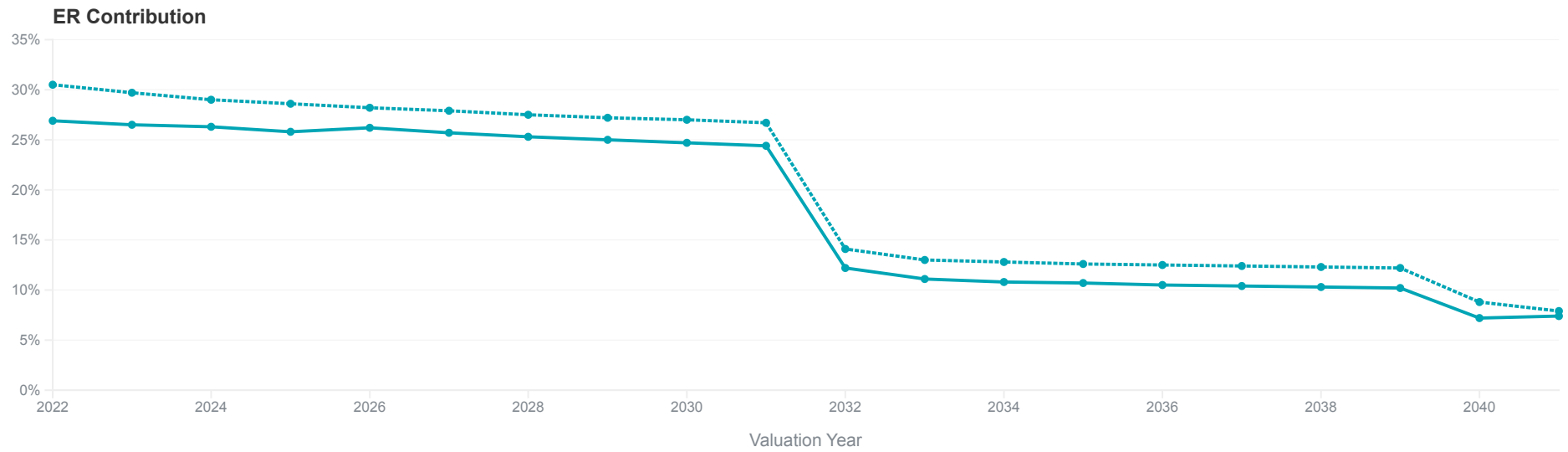
ER Contribution

ATU IBEW Salaried

However, they are still lower than the projected rates from the 2020 valuation, because of the sizable investment gains in FYE 2021.

ER Contribution

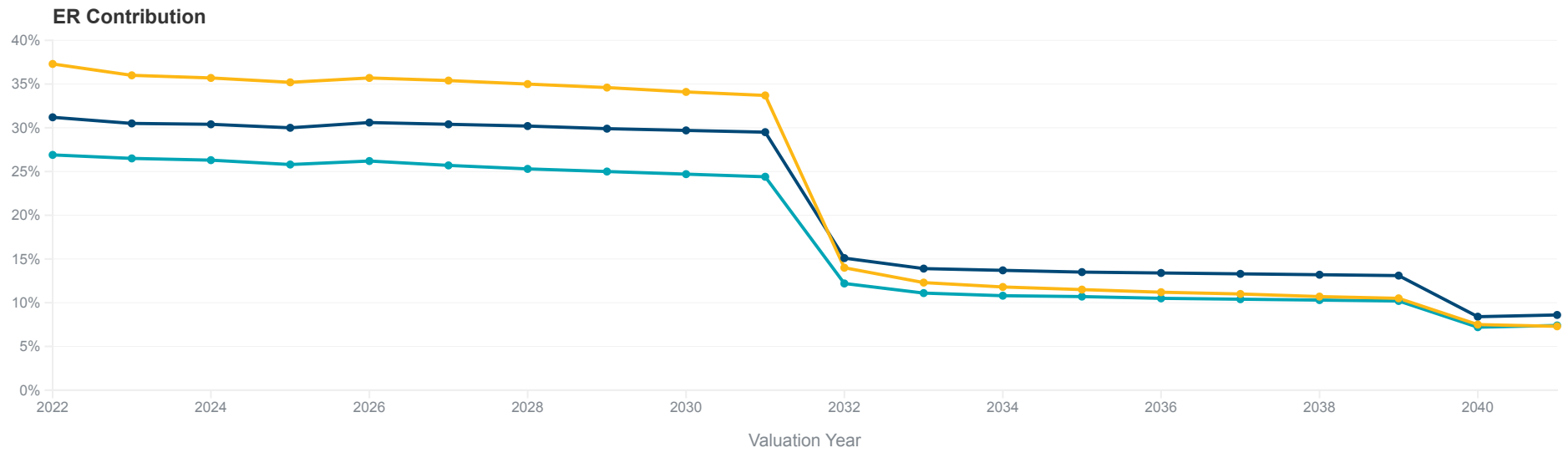
ATU IBEW Salaried



The projected employer rates for IBEW and Salaried are also shown below, which exhibit similar patterns.

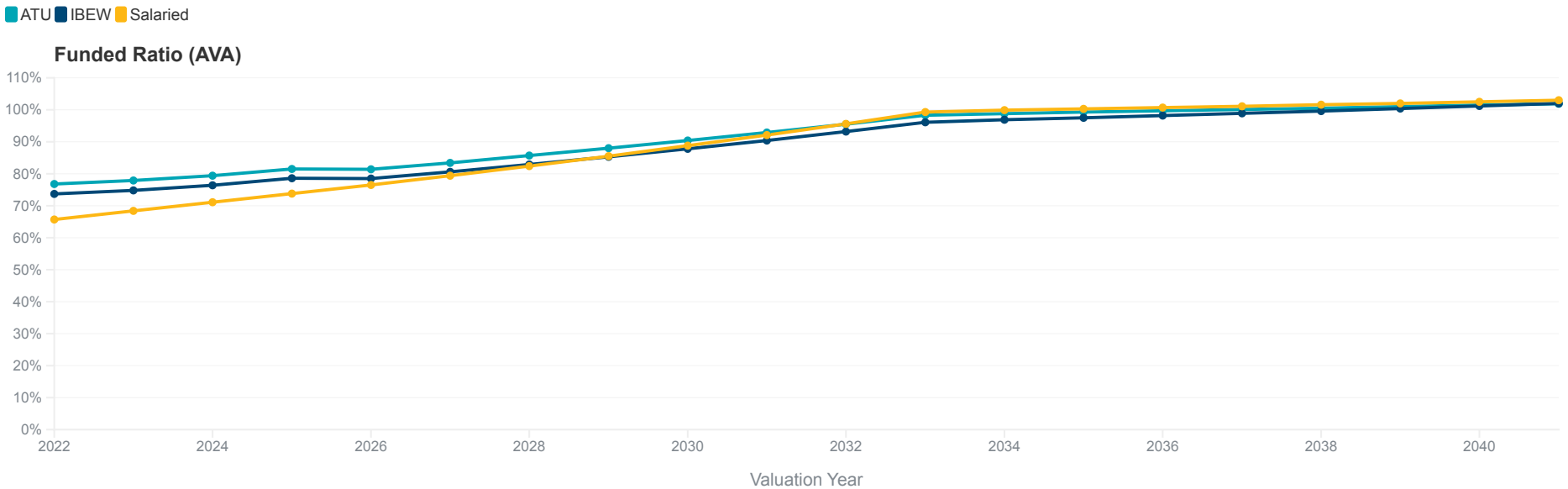
ER Contribution

ATU IBEW Salaried



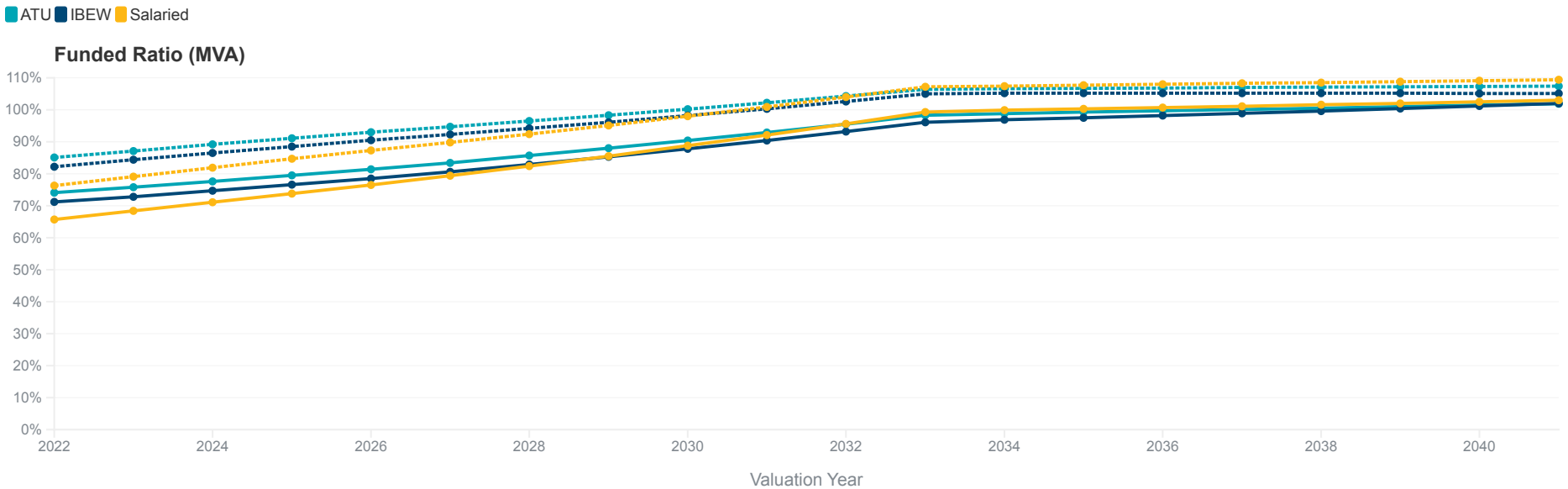
If all assumptions are met, the funded ratios are expected to continue to climb.

Funded Ratio (AVA)



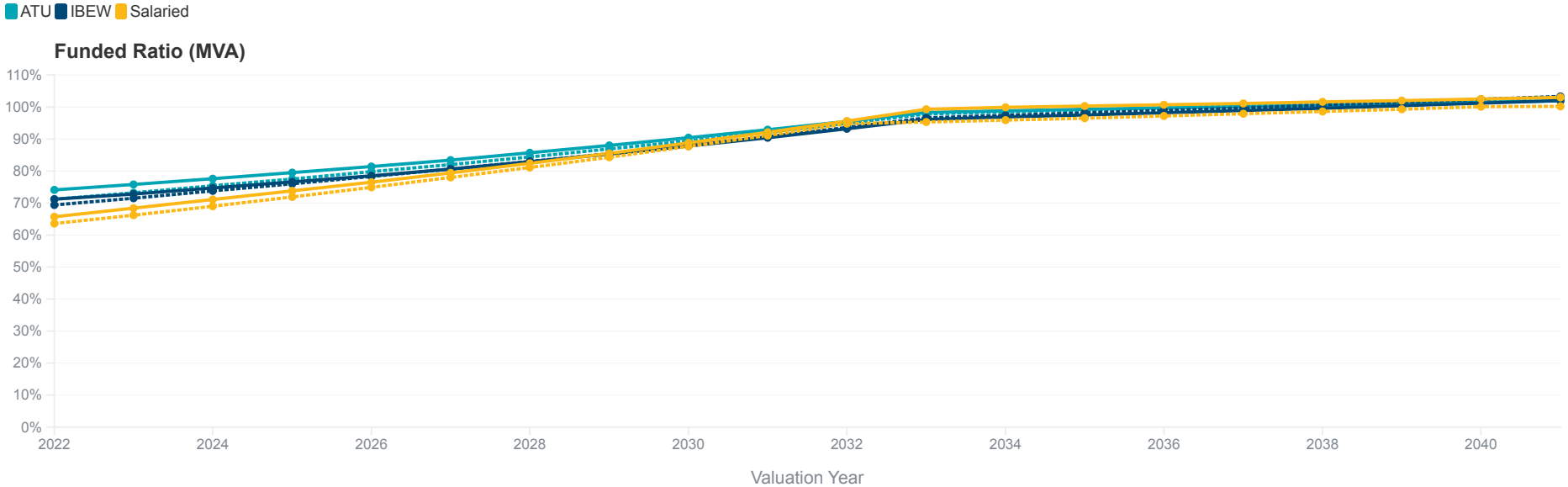
Comparing the Market Value funded ratios to the same projections from the prior valuations, we note that these ratios are about 10% lower than where we expected them to be this year, as a result of the FY2021-22 investment loss.

Funded Ratio (MVA)



But again, they are very close to where they were expected to be based on the projections from the 2020 AVRs.

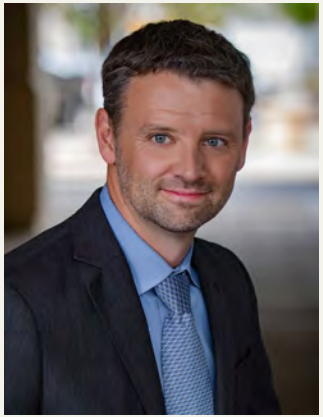
Funded Ratio (MVA)



This concludes the summary presentation. The results presented herein are preliminary, and are still subject to peer review. The final actuarial valuation report will be presented at a future meeting, and will contain additional details.

SacRT Consulting Team

Click card for bio or to contact



Graham Schmidt
Consulting Actuary

Anne Harper
Principal Consulting Actuary

Leighann Maloney
Senior Actuarial Analyst

Certification

The purpose of this report is to present the preliminary results of the SacRT actuarial valuations as of June 30, 2022. These results are still under peer review and subject to change.

In preparing our presentation, we relied on information (some oral and some written) supplied by SacRT. This information includes, but is not limited to, the Plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23. The data and actuarial assumptions used (unless modified within this communication) will be described in our June 30, 2022 actuarial valuation report.

Future projections may differ significantly from the projections presented in this presentation due to such factors as the following: plan experience different from that anticipated by the assumptions; changes in assumptions; and changes in plan provisions or applicable law.

Cheiron utilizes ProVal actuarial valuation software leased from Winklevoss Technologies (WinTech) to calculate liabilities and project benefit payments. We have relied on WinTech as the developer of ProVal. We have a basic understanding of ProVal and have used ProVal in accordance with its original intended purpose. We have not identified any material inconsistencies in assumptions or output of ProVal that would affect this valuation.

Projections in this presentation were developed using R-scan, a proprietary tool used to illustrate the impact of changes in assumptions, methods, plan provisions, or actual experience (particularly investment experience) on the future financial status of the Plan. R-scan uses standard roll-forward techniques that implicitly assume a stable active population. Because R-scan does not automatically capture how changes in one variable affect all other variables, some scenarios may not be consistent.

To the best of our knowledge, this presentation and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this presentation. This presentation does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

This presentation was prepared for the SacRT Retirement Board for the purposes described herein. Other users of this presentation are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.