Sacramento Regional Transit District

Agenda

SPECIAL COMBINED MEETING OF THE
RETIREMENT BOARDS FOR THE EMPLOYEES AND RETIREES OF THE
SACRAMENTO REGIONAL TRANSIT DISTRICT
WEDNESDAY, FEBRUARY 21, 2024 AT 1:00 P.M.
REGIONAL TRANSIT AUDITORIUM
1400 29TH STREET, SACRAMENTO, CALIFORNIA
(29th Street. Light Rail Station/Bus Routes 38, 67, 68)

Website Address: www.sacrt.com

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, Smith

IBEW Retirement Board: Directors: Li, Kennedy, Bibbs, Pickering
Alternates: Valenton, D. Thompson

AEA Retirement Board: Directors: Li, Kennedy, Devorak, McGoldrick
Alternates: Valenton, Santhanakrishnan

AFSCME Retirement Board: Directors: Li, Kennedy, Guimond, L. Thompson
Alternates: Valenton, Elder

MCEG Retirement Board: Directors: Li, Kennedy, Bobek, Hinz
Alternates: Valenton, Flores

CONSENT CALENDAR

		ATU	IBEW	AEA	AFSCME	MCEG
1. Motion:	Approve the Minutes for the January 22, 2024 Quarterly Retirement Board Meeting (ATU). (Gobel)	☒	☐	☐	☐	☐
2. Motion:	Approve the Minutes for the January 22, 2024 Quarterly Retirement Board Meeting (IBEW). (Gobel)	☐	☒	☐	☐	☐
3. Motion:	Approve the Minutes for the January 22, 2024 Quarterly Retirement Board Meeting (AEA). (Gobel)	☐	☐	☒	☐	☐
4. Motion:	Approve the Minutes for the January 22, 2024 Quarterly Retirement Board Meeting (AFSCME). (Gobel)	☐	☐	☐	☒	☐
5. Motion:	Approve the Minutes for the January 22, 2024 Quarterly Retirement Board Meeting (MCEG). (Gobel)	☐	☐	☐	☐	☒

AGENDA FOR 2/21/2024 SPECIAL MEETING OF THE RETIREMENT BOARDS FOR THE EMPLOYEES AND RETIREES OF THE SACRAMENTO REGIONAL TRANSIT DISTRICT

NEW BUSINESS

		ATU	IBEW	AEA	AFSCME	MCEG
6. Information:	Preliminary Results of Actuarial Valuation Process for Retirement Plans (All). (Gobel)	☒	☒	☒	☒	☒
7. Information:	Senior Manager, Pension & Retirement Services, Verbal Update (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.

This agenda may be amended up to 72 hours prior to the meeting. An agenda, in final form, is posted to SacRT's website at www.sacrt.com and at the front of the Sacramento Regional Transit District's administration building on 1400 29th Street. Persons requiring accessible formats of the agenda or assisted listening devices/sign language interpreters should contact the Retirement Services Administrator at (916) 556-0296 (voice) or (916) 483-4327 (TDD) at least 72 business hours in advance of the Board meeting.

Any staff reports or other documentation submitted for items on the agenda are available online at www.sacrt.com, on file with the Retirement Services Administrator and the Clerk to the Board of Directors of the Sacramento Regional Transit District, and available for public inspection at 1400 29th Street, Sacramento, CA. Persons with questions regarding those materials should contact the Retirement Services Administrator (916) 556-0296.

Sacramento Regional Transit District
Quarterly Retirement Board Meeting (AEA)
Monday, January 22, 2024
Meeting Minutes

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

The Retirement Board was brought to order at 1:00 p.m. A quorum was present and comprised as follows: Director Li, Alternate Valenton, and Director Devorak. Director Kennedy, Director McGoldrick, and Alternate Santhanakrishnan were absent.

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

PUBLIC COMMENT

John Gobel, Senior Manager of Pension and Retirement Services, 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

3. Motion: Approving the Minutes for the December 20, 2023 Special Retirement Board Meeting (AEA). (Gobel)

8. Motion: Receive and File Administrative Reports for the Quarter Ended September 30, 2023 for the Salaried Pension Plan (AEA/AFSCME/ MCEG). (Johnson)

9. Information: Update on Roles and Responsibilities Related to Pension Administration (ALL). (Gobel)

Director Li moved to adopt Agenda Items 3, 8, and 9. The motion was seconded by Alternate Valenton. Agenda Items 3, 8, and 9 were carried unanimously by roll call vote: Ayes – Devorak, Li, and Valenton; Noes – None.

NEW BUSINESS

10. Information: Investment Performance Review by Dimensional Fund Advisors (DFA) for the ATU, IBEW and Salaried Retirement Funds for the Emerging Markets Asset Class for the Quarter Ended September 30, 2023 (ALL). (Johnson)

Jason Johnson, Vice President, Finance/CFO, authored the staff report on the Retirement Plans' Emerging Markets Manager, Dimensional Fund Advisors (DFA), and Mr. Gobel introduced relationship manager Femi Alademehin and portfolio manager Misa Takada. As indicated in the written materials distributed for the presentation, the firm manages approximately $21.9 million for the Retirement Plans and benchmarks that portfolio to the MSCI Emerging Markets Index. For the measurement period ended September 30, 2023, DFA reported a quarterly return of -1.52% and a one-year return of 18.30%. For reference, the one-year return reported by DFA exceeded the corresponding benchmark by 670 basis points.

During the discussion of the portfolio, Ms. Takada explained that the manager invests in companies with market capitalizations as low as $50 million and holds a greater number of stocks than the benchmark (which excludes companies with market capitalizations under $150 million). In discussing the allocation of assets by country, Ms. Takada noted that the portfolio remains slightly underweight to China -- where markets tilt to companies with mid and large market capitalizations. For the most recent period ended December 31, 2023, Ms. Takada also reported an annual return for the portfolio of approximately 15.5%, which was 5.6% above the benchmark.

In response to a question from Common Vice Chair Li regarding the significant difference in returns between emerging markets and U.S. equities over the past 10 years, Ms. Takada noted the importance of benchmarking the portfolio against the proper asset class and recalled preceding periods where emerging markets had dramatically outperformed U.S. equities. In response to a question from ATU Director Scott regarding the categorization of the Chinese economy as an emerging market, Ms. Takada reviewed some of the determinative factors for emerging markets, including economic growth, accounting practices, and the influence of local authorities over stock exchanges.

11. Information: Investment Performance Review by TCW MetWest for the ATU, IBEW and Salaried Funds for the Domestic Fixed Income Asset Class for the Quarter Ended September 30, 2023 (ALL). (Johnson)

Mr. Johnson authored the staff report on the Retirement Plans' Domestic Fixed Income manager, TCW (also referred to as Metropolitan West Asset Management or MetWest in certain Board materials) and Mr. Gobel introduced relationship manager Victoria Vogel (who presented to the Retirement Boards via videoconference). As indicated in the written materials distributed for the presentation, the firm manages approximately $81.1 million for the Retirement Plans, which is benchmarked to the Bloomberg U.S. Aggregate Bond Index. For the measurement period ended September 30, 2023, TCW reported a quarterly return of -3.60% and a one-year return of 0.80% (which exceeded the one-year return of the benchmark by 15 basis points).

Ms. Vogel began her presentation by addressing changes among senior personnel at TCW. Specifically, Ms. Vogel noted that generalist portfolio manager Laird Landman retired from TCW on December 31st and that Co-CIO Stephen Kane would be retiring at the end of 2024. As part of the succession planning process for TCW, Ms. Vogel referenced the elevation of longstanding employees Jerry Cudzil and Ruben Hovhannisyan to the group of generalist portfolio managers.

Following the discussion of TCW's organizational changes and succession planning, Ms. Vogel reviewed some of the events that negatively affected fixed income returns for much of 2023, including regional bank failures and a rapid series of rate hikes by the Federal Reserve. Against that backdrop, Ms. Vogel explained that fixed income had been on-track for a third consecutive year of negative returns as recently as October 2023, but noted that the Retirement Plans' portfolio ultimately delivered a positive return for the full calendar year. While addressing year-end performance, Ms. Vogel commented on the portfolio's longer duration (relative to the benchmark) and addressed the value proposition of a higher allocation to agency mortgage-backed securities.

In response to a question from Director Scott regarding the impact of federal deficits on the government's ability to guarantee agency mortgage-backed securities, Ms. Vogel noted that TCW is anticipating a slowing of the U.S. economy but has no concerns about the guarantees behind the referenced securities.

12. Motion: Receive and File Investment Performance Results for the ATU, IBEW, and Salaried Employee Retirement Plans for the Quarter Ended September 30, 2023 (ALL). (Johnson)

Mr. Gobel introduced the Retirement Boards' investment consultants from Callan, Anne Heaphy and Uvan Tseng. While Ms. Heaphy participated in the meeting via videoconference, Mr. Tseng provided a market update to the Retirement Boards and reviewed the total fund performance for the Retirement Plans.

During the capital market update, Mr. Tseng acknowledged that the Quarterly Retirement Board Meeting had been delayed (from December 2023 to January 2024). Accordingly, his capital market report focused on events as of the quarter ended December 31, 2023, rather than as of the quarter ended September 30, 2023. Mr. Tseng noted that, during the latest quarter, the Board of Governors of the Federal Reserve declined to raise interest rates at their November and December meetings and that the S&P 500 closed up 24% for the year.

For the quarter ended September 30th, Mr. Tseng reported a total fund return of -2.07% (which exceeded the policy target by 120 basis points) and noted that the Retirement Plans benefited from the downside protection provided by active managers. For the quarter ended December 31st, Mr. Tseng reported a total fund return of approximately 8.00% (which trailed the policy target by approximately 50 basis points) and explained that most active managers had been unable to keep pace with passive managers during that period.

In response to a question from Director McGee Lee regarding the impact of a presidential election on the Retirement Plans' investments, Mr. Tseng indicated that election years are usually positive for markets. That being said, Mr. Tseng acknowledged the potentially negative effects of further geopolitical conflicts and inflation in 2024.

Director Li moved to approve Agenda Item 13. The motion was seconded by Alternate Valenton. The motion carried unanimously by roll call vote: Ayes – Devorak, Li, and Valenton; Noes – None.

REPORTS, IDEAS AND COMMUNICATION

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

Mr. Gobel presented the second annual report on educational activities of Board Members, and noted that the meeting materials included a copy of the Retirement Board Member and Staff Education and Travel Policy (Policy). In accordance with the Policy's reporting requirements, Mr. Gobel also noted that individual, semi-annual reports would be distributed to all Directors and Alternates near the end of the month.

Mr. Gobel advised that, during 2023, pension and investment education activities had progressed significantly. In support of that statement, he noted that several Retirement Board Members had completed new trustee orientation at SacRT, attended the Principles of Pension Governance program presented by CALAPRS, and/or enrolled in online courses offered through Callan College.

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

Mr. Gobel discussed his attendance at the CALAPRS Administrator's Institute in September 2023. In doing so, he referenced the interaction with peers from other public retirement systems and the positive feedback regarding the engagement of Retirement Board members who attended CALAPRS training on Principles of Pension Governance in August 2023.

Mr. Gobel announced that Director Li and Alternate Valenton were recently re-appointed to the Retirement Boards for new, four-year teams. As an administrative matter, Mr. Gobel indicated he planned to memorialize and affirm terms of office for the other members of the Retirement Boards at a future meeting.

Mr. Gobel explained that he was working with the union on an appointment to the AFSCME Retirement Board and hoped to onboard a new Alternate within a week.

Mr. Gobel reported that ATU Director Scott and AEA Director McGoldrick will be attending CALAPRS' Advanced Principles of Pension Governance for Trustees at UCLA from March 27th to 29th.

ADJOURN

With no further business to discuss and no public comment on matters not on the agenda, the Retirement Board meeting was adjourned at 2:16 p.m.

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Russel Devorak, Board Chair

ATTEST:

Henry Li, Secretary

By:___________________________________

John Gobel, Assistant Secretary

RETIREMENT BOARD STAFF REPORT

DATE: February 21, 2024 Agenda Item: 6

TO: Sacramento Regional Transit Retirement Boards – All

FROM: John Gobel – Senior Manager, Pension and Retirement Services

SUBJ: PRELIMINARY RESULTS OF ACTUARIAL VALUATION PROCESS (ALL). (Gobel)

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, 2023 valuation date will be submitted at the Quarterly Retirement Board Meeting on March 13, 2024 and used to determine the required contribution rates for the fiscal year beginning July 1, 2024.

In the past two years, Mr. Schmidt has used a dynamic presentation tool to provide preliminary data for the Retirement Plans in a single report. That kind of presentation – which offers aggregate data for SacRT and allows Board members to review estimated funded ratios, estimated contribution rates, and other information for all three Retirement Plans – will be employed again on February 21, 2024.

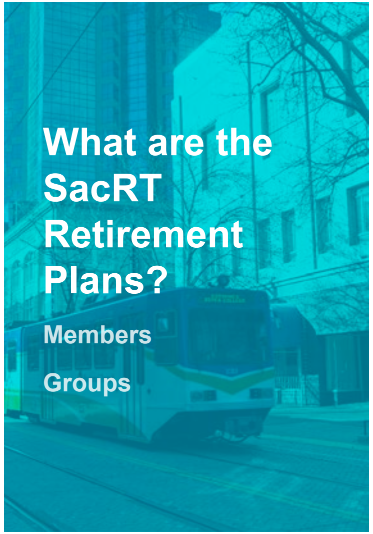
To help Directors follow along with the presentation, staff will distribute hard copies at the Retirement Board meeting. Thereafter, staff will also share a URL or link to the web-based version, so Directors can view the dynamic version as presented by Mr. Schmidt.

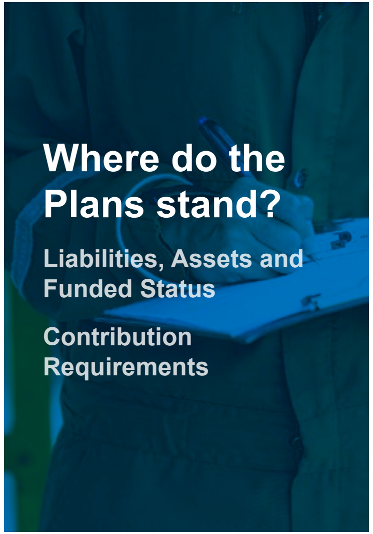
Because the information presented by the actuary is a precursor to the AVRs and the contribution rates that will be submitted to the Retirement Boards next month, attendance is strongly encouraged for all Directors and Alternates.

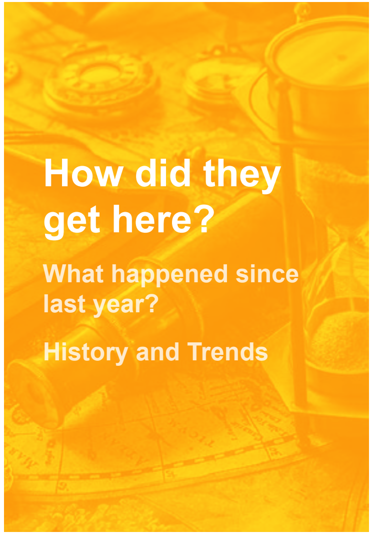
Sacramento Regional Transit Preliminary Valuation Results as of June 30, 2023

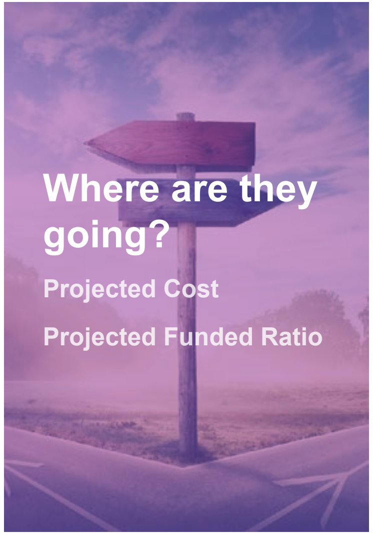
Graham Schmidt, Cheiron

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



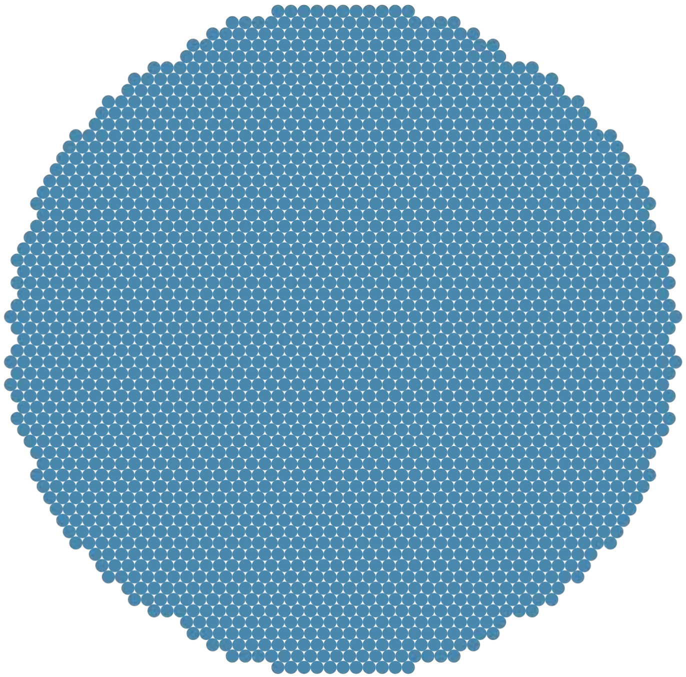






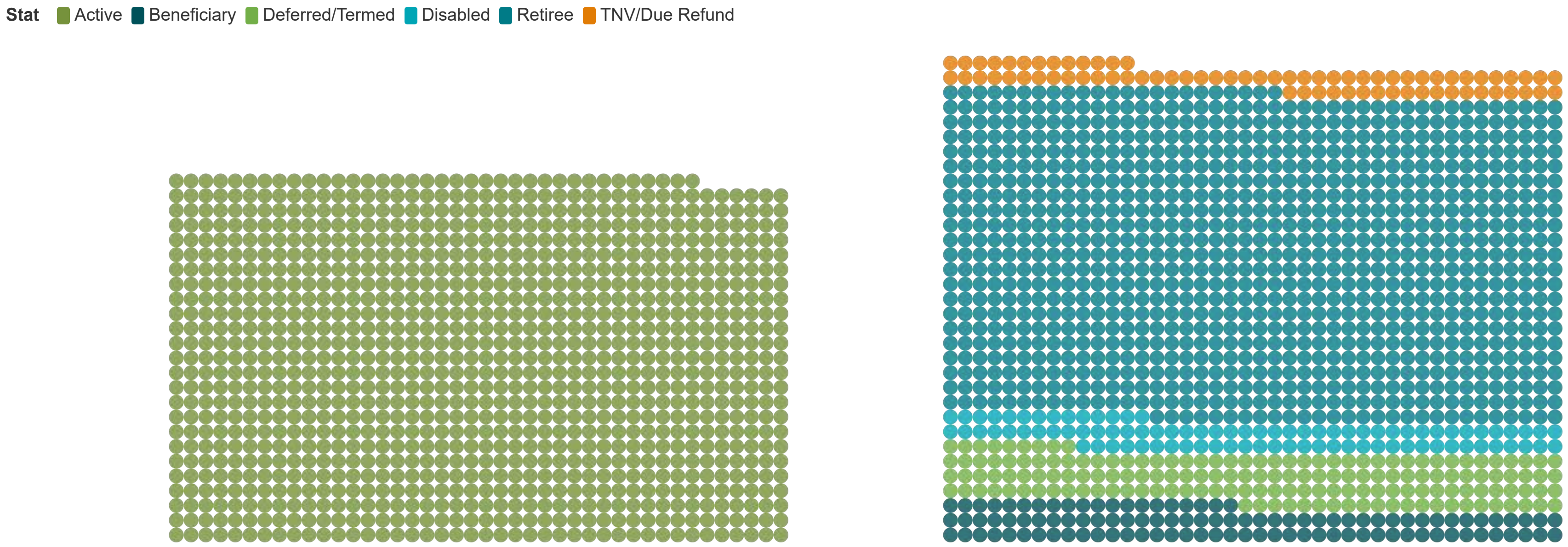
a **System** of plans designed to provide **pension** benefits to the **members** on behalf of the **District**

Who are the members? Let's take a closer look: As of June 30, 2023, the combined plans had over **2,400 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 under 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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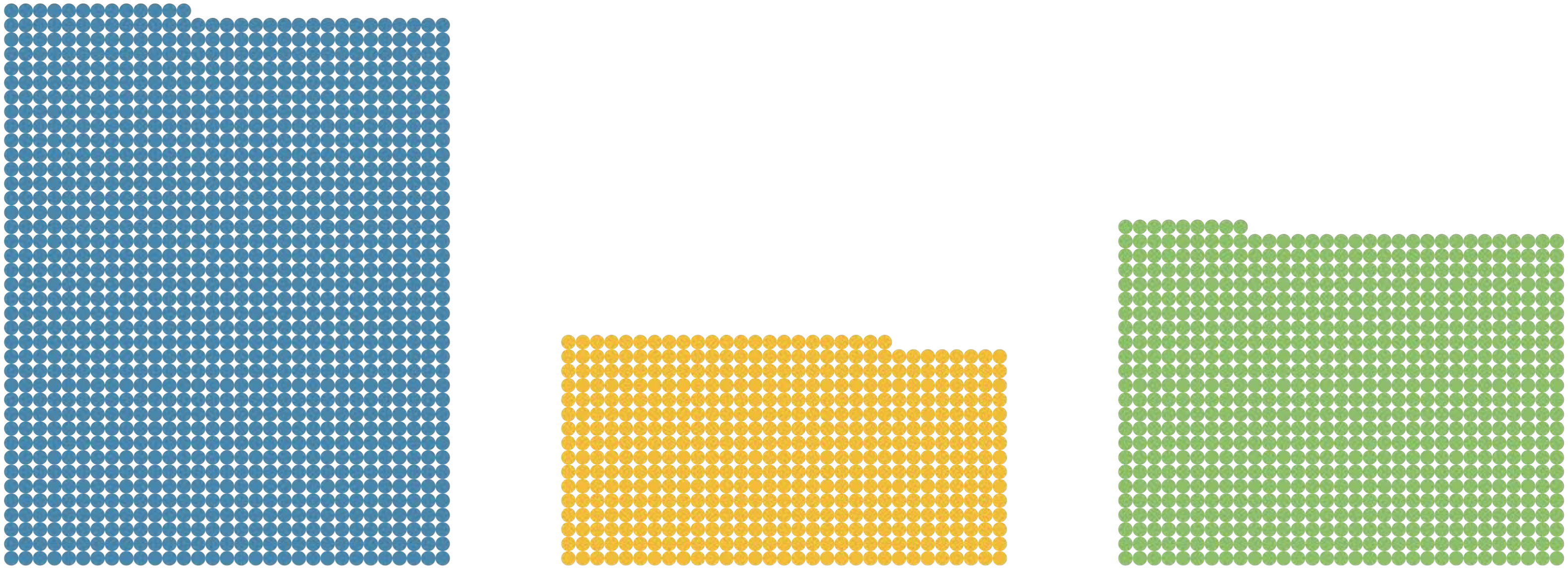
The system has three separate subplans: one for members of **ATU**, one for members of **IBEW**, and one for the remaining members (the **Salaried** plan).



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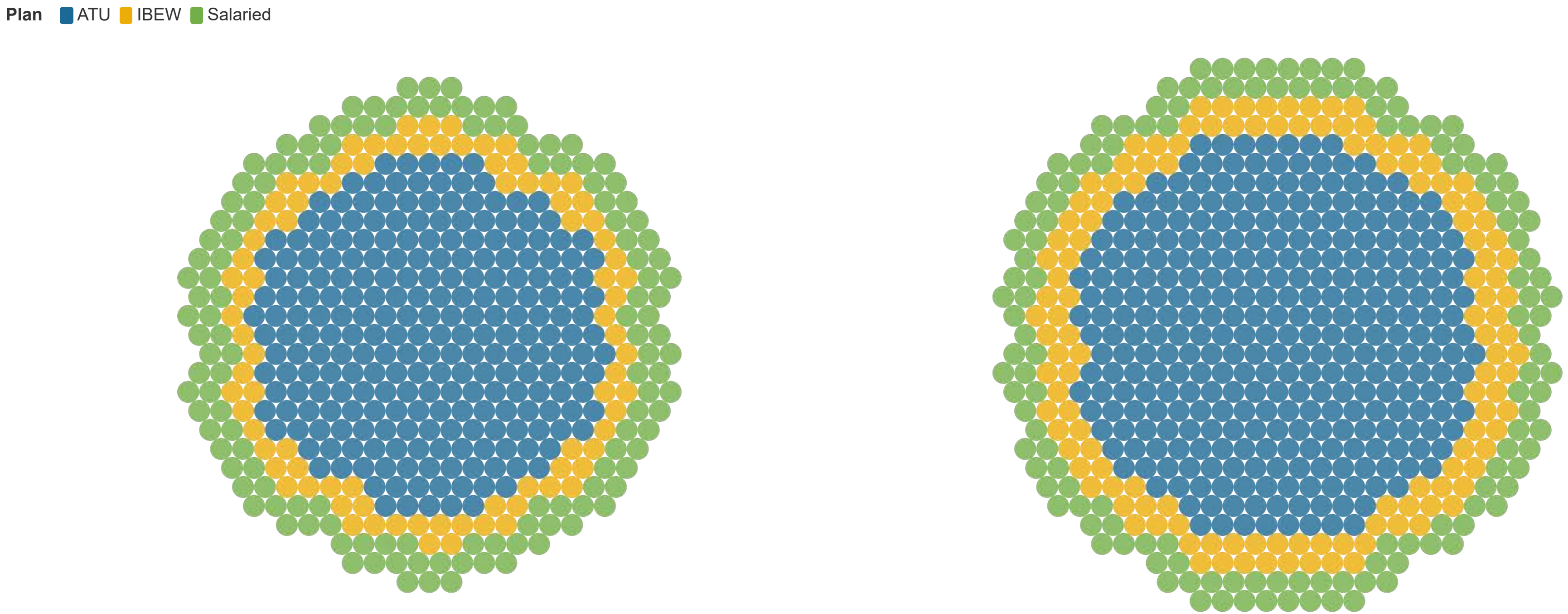
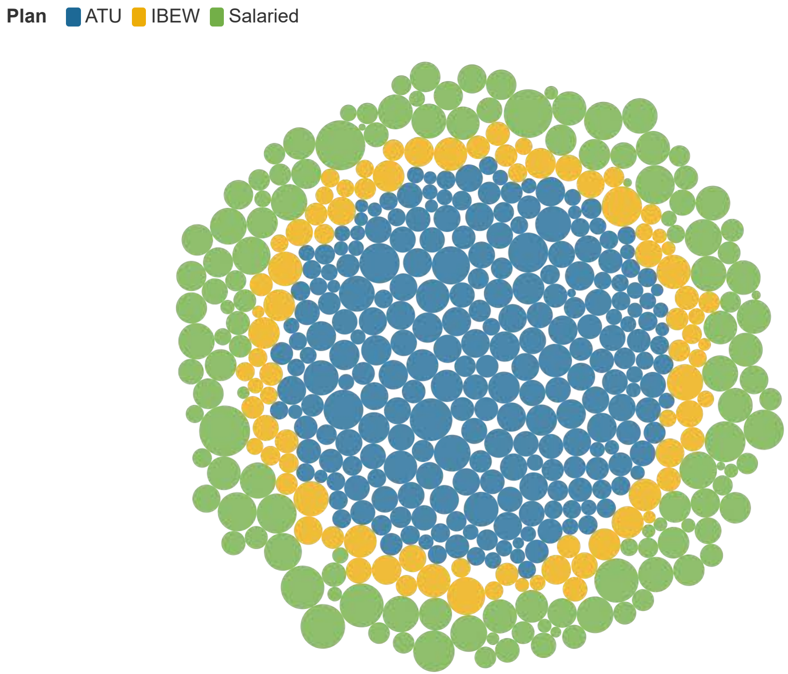
As of June 30, 2023, the newest Tier (**PEPRA**) now makes up ***well over half of the active workforce.***



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.

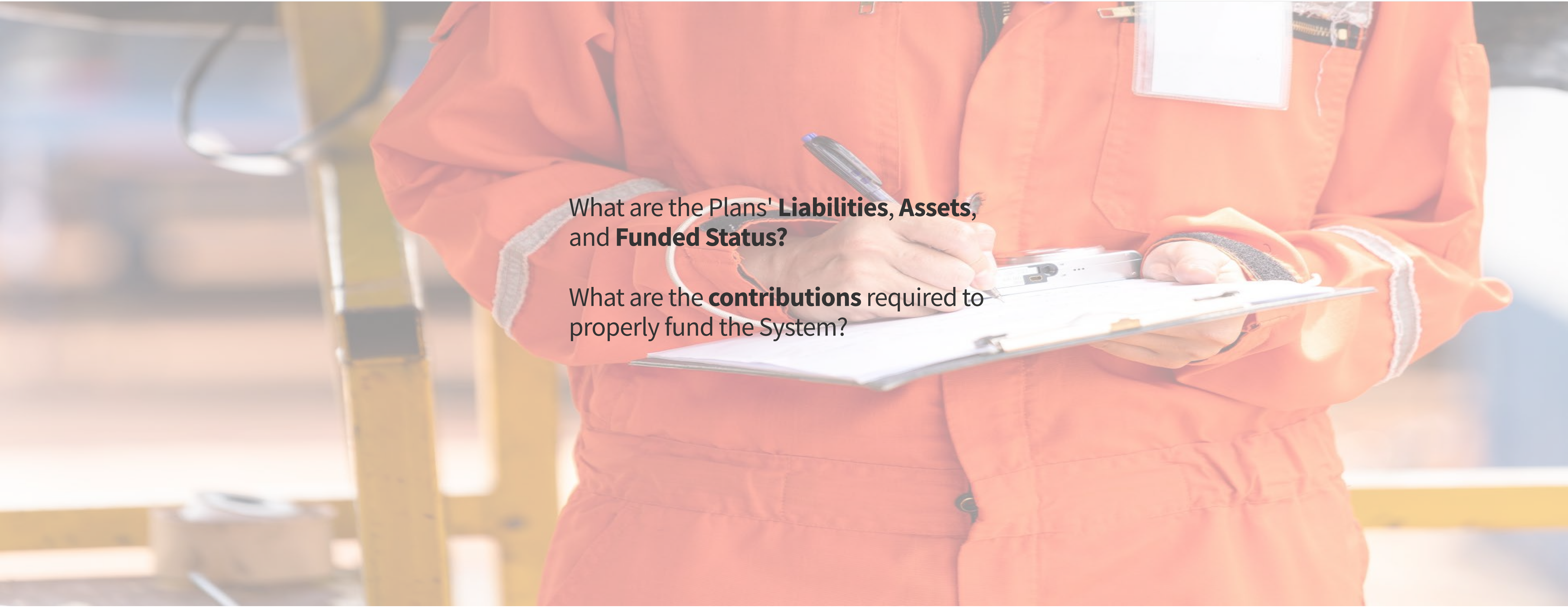
However, when weighted by **liability**, the **Classic (pre-PEPRA)** active membership still dominates.



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

We next turn to the current condition of the Plans.



What are the Plans' **Liabilities**, **Assets**, and **Funded Status?**

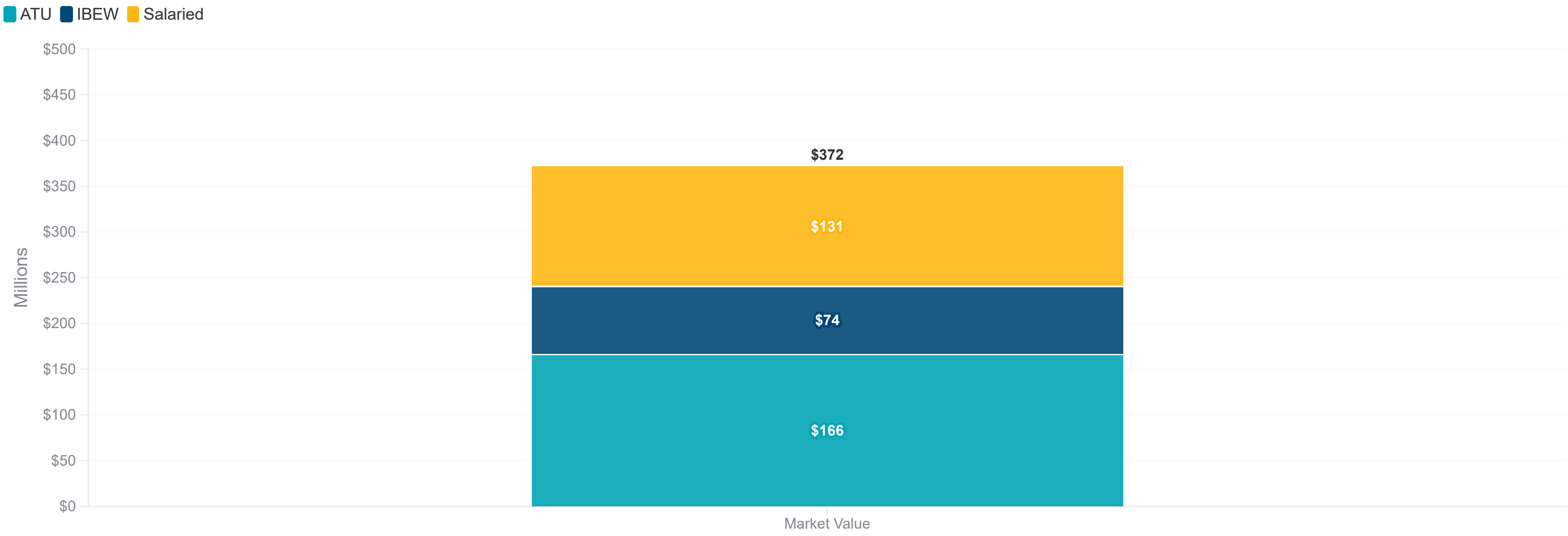
What are the **contributions** required to properly fund the System?

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.

CHEIRON

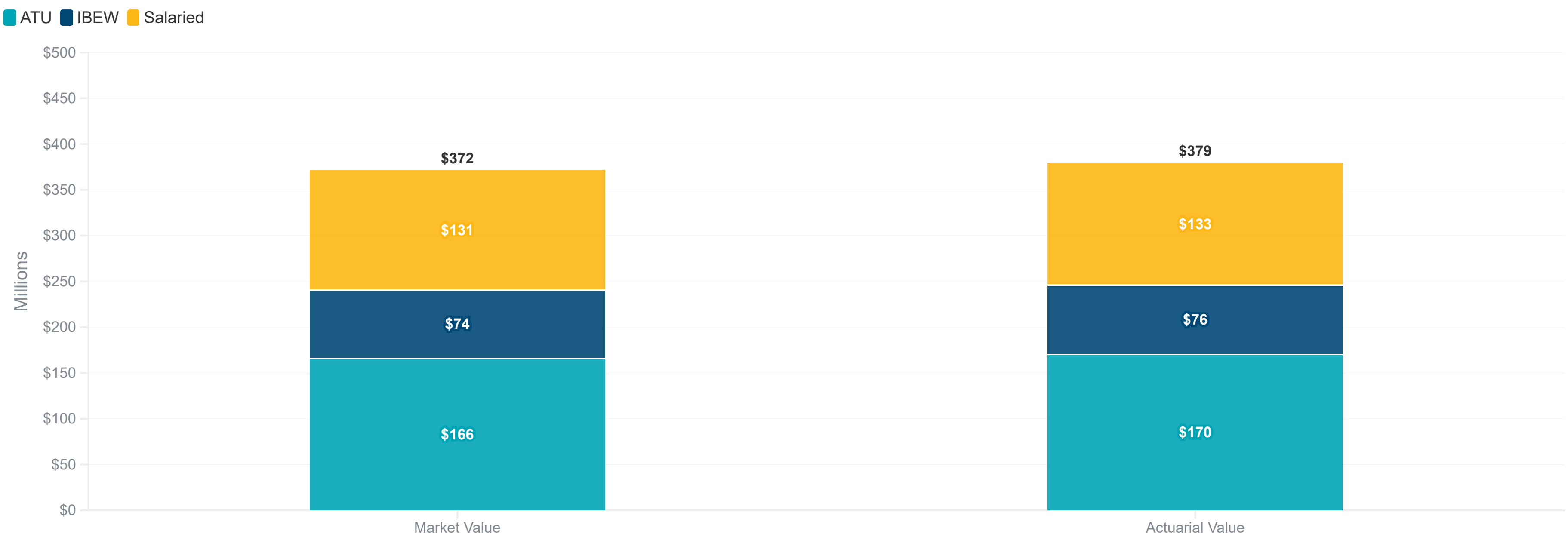
Next, we turn to the Plans' assets. The **Market Value of Assets** is the **Fair Value** as of the **Measurement Date,** June 30, 2023. The District separately tracks the assets for each group.

All | Market Value | Actuarial Value



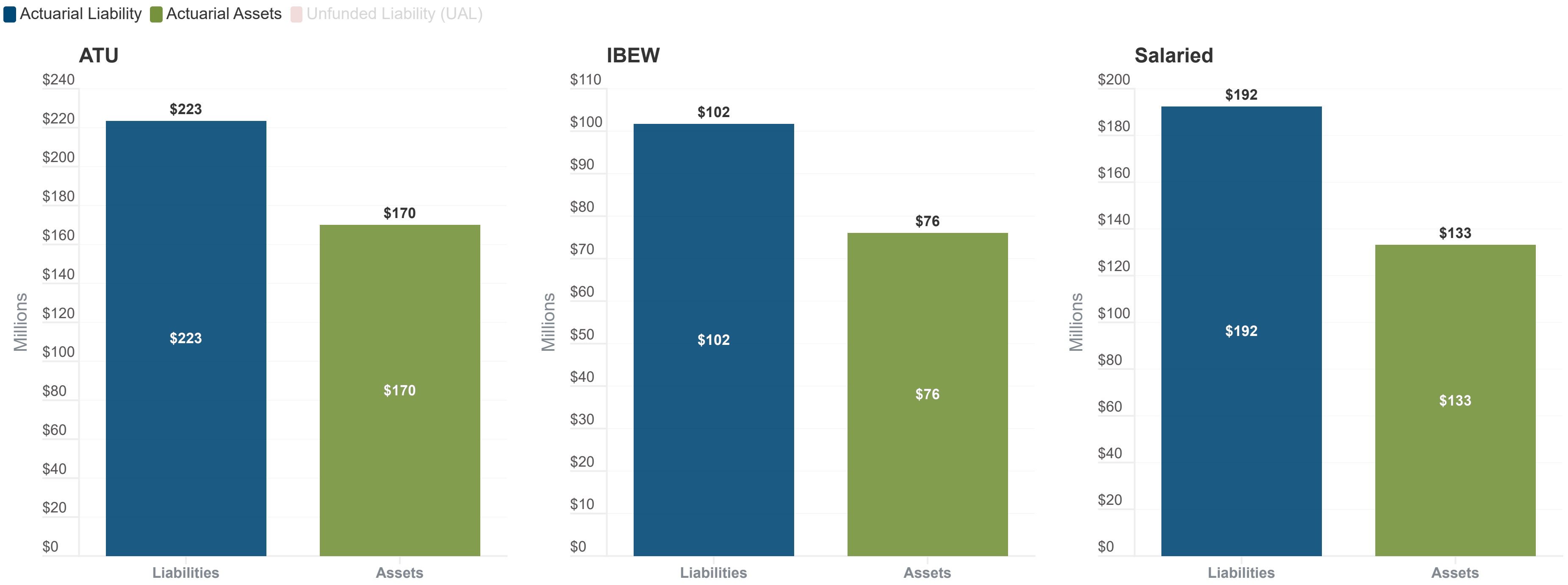
The Market Value can fluctuate significantly from year to year because of rapid changes in the investment markets. We also calculate a smoothed value, the **Actuarial Value of Assets**, to reduce volatility in the contributions and better understand trends in funded status. The Actuarial Value still includes about $7M in prior losses (i.e., returns below the 6.75% assumption) that have yet to be recognized.

All | Market Value | Actuarial Value

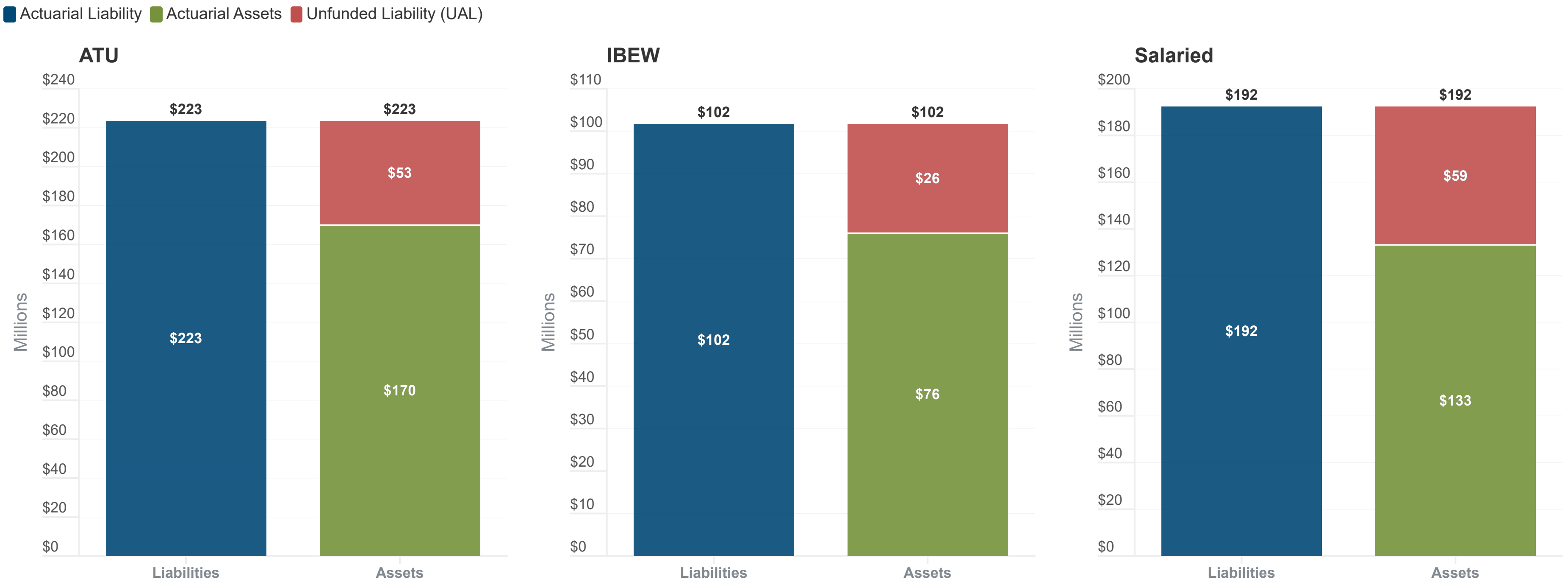


CHEIRON

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, 2023.



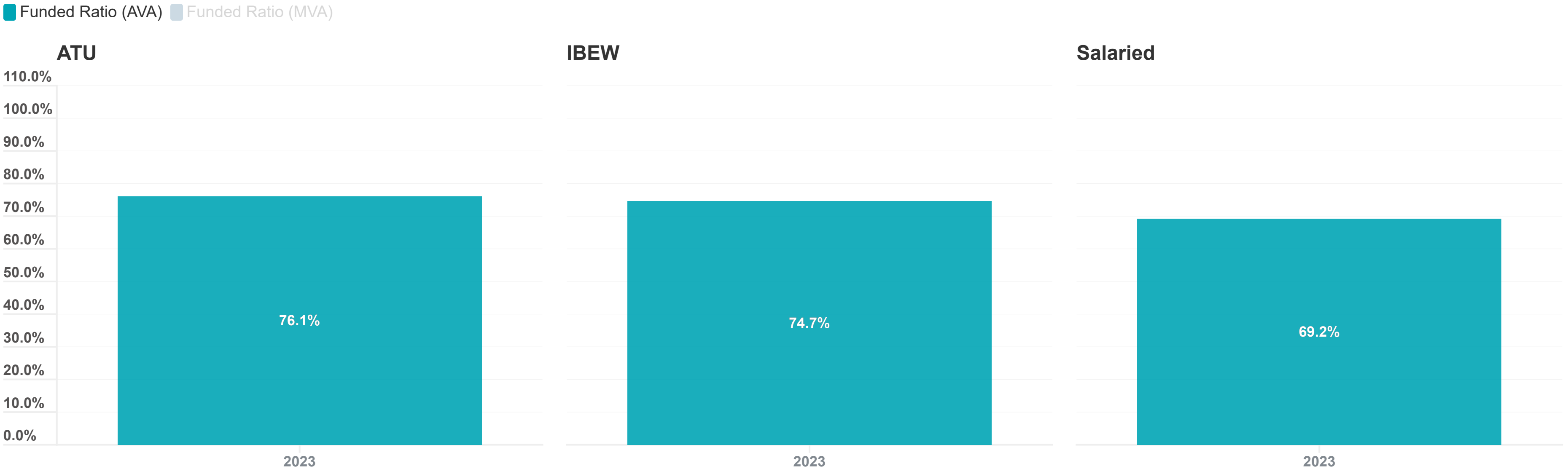
The **Unfunded Actuarial Liability (UAL)** is calculated by subtracting the **Actuarial Assets** from the **Actuarial Liability.**



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

Funded Ratio

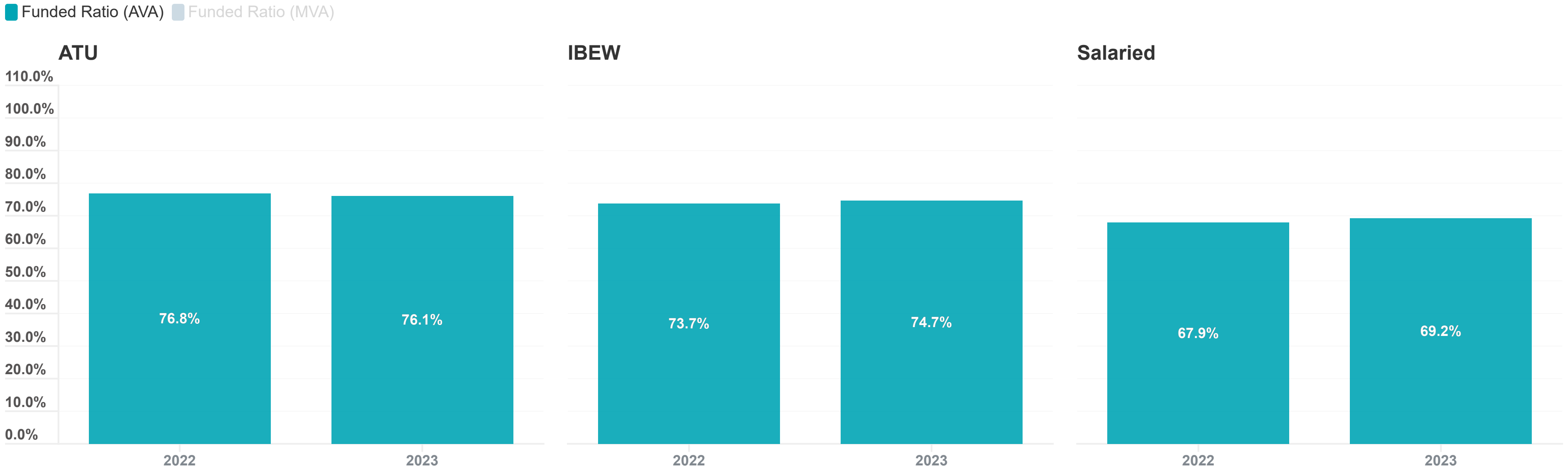
2023



Which declined slightly on a smoothed basis for ATU, due to liability losses (primarily from pay increases), but increased for the other groups.

Funded Ratio

All

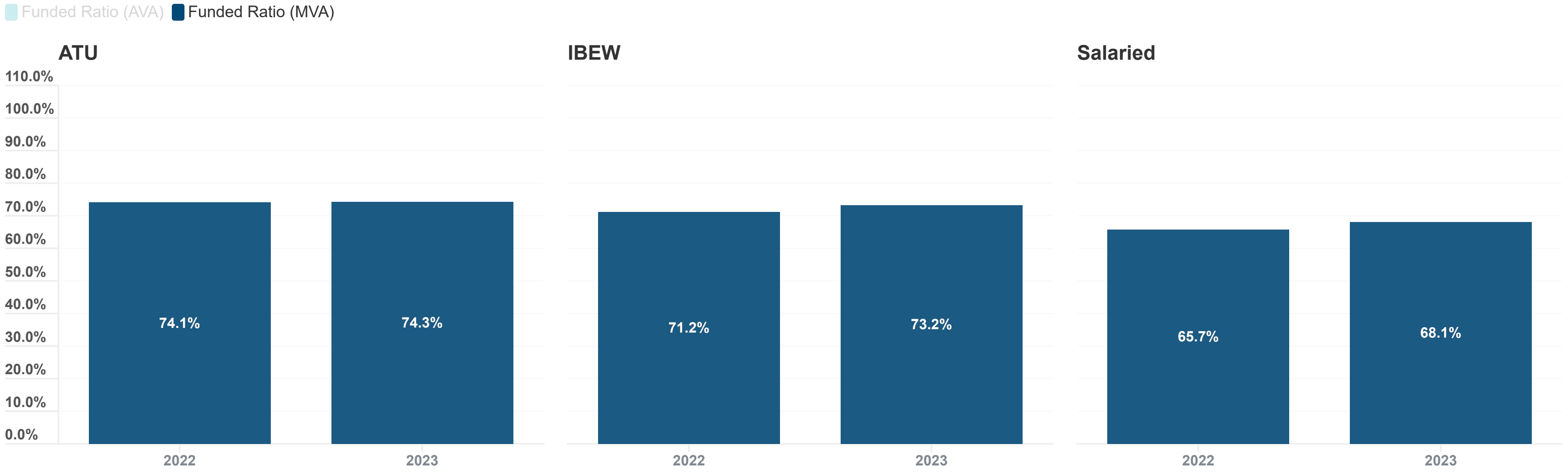


CHEIRON

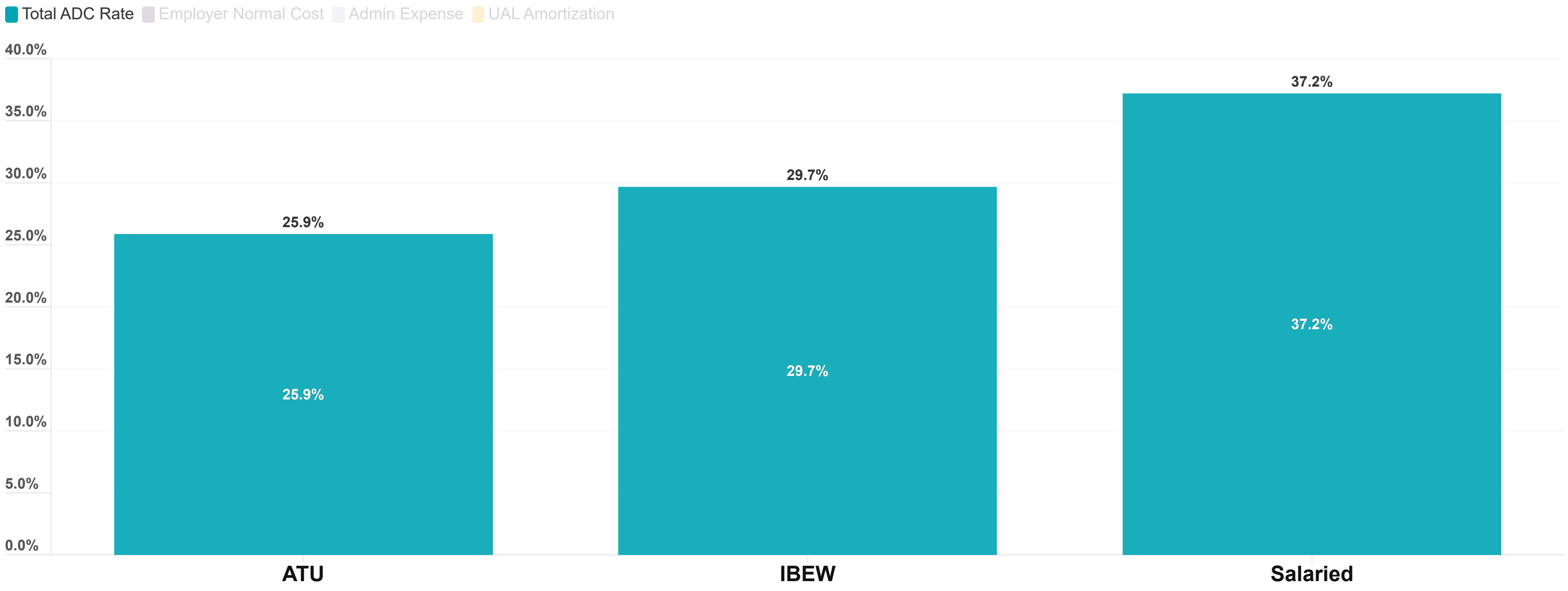
However, the funded ratios have increased for all three groups since last year when calculated using the Market Value of Assets, due to the positive FY 2022-2023 investment experience and the continuing UAL contributions made by RT.

Funded Ratio

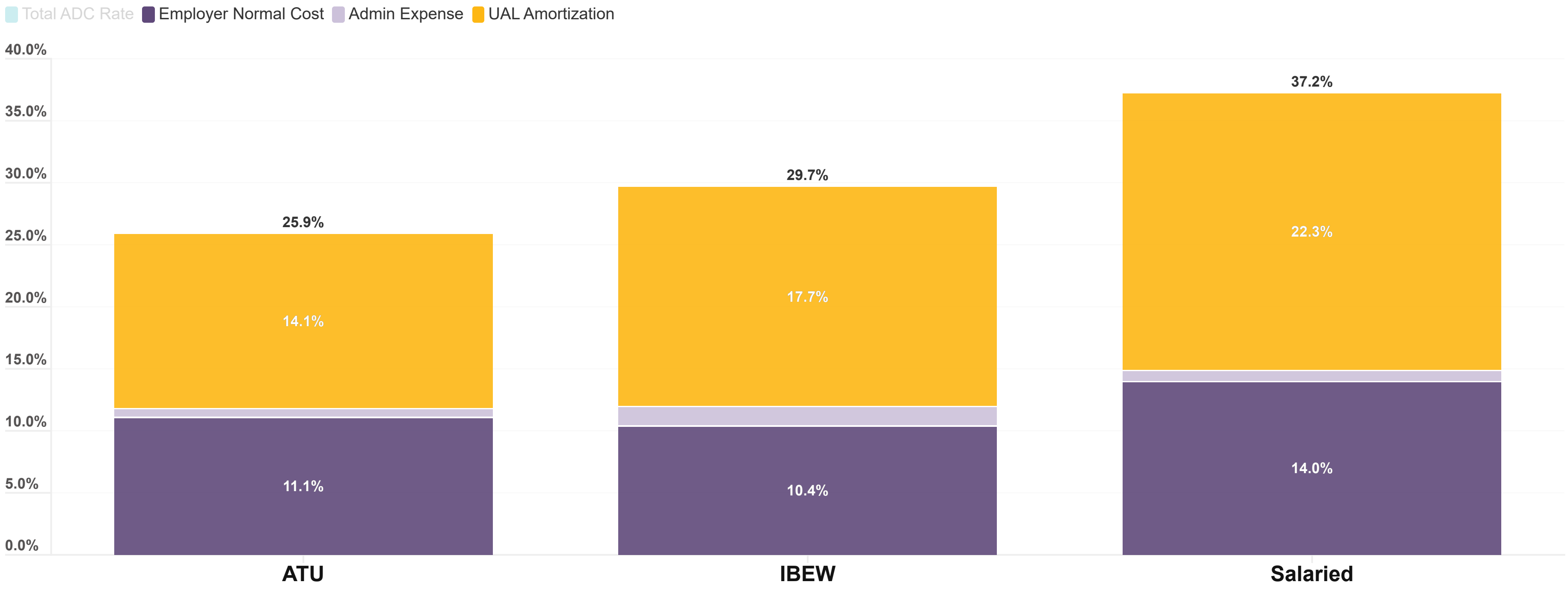
All



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 7/1/2024-6/30/2025).



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.

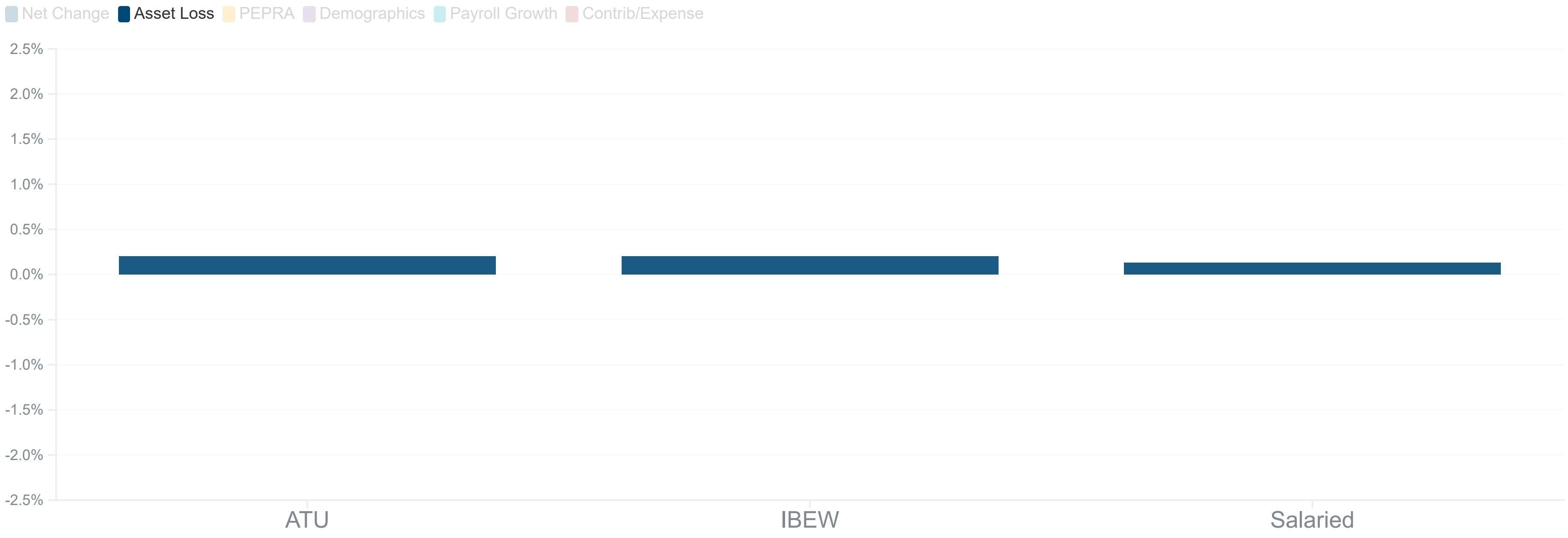


CHEIRON

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

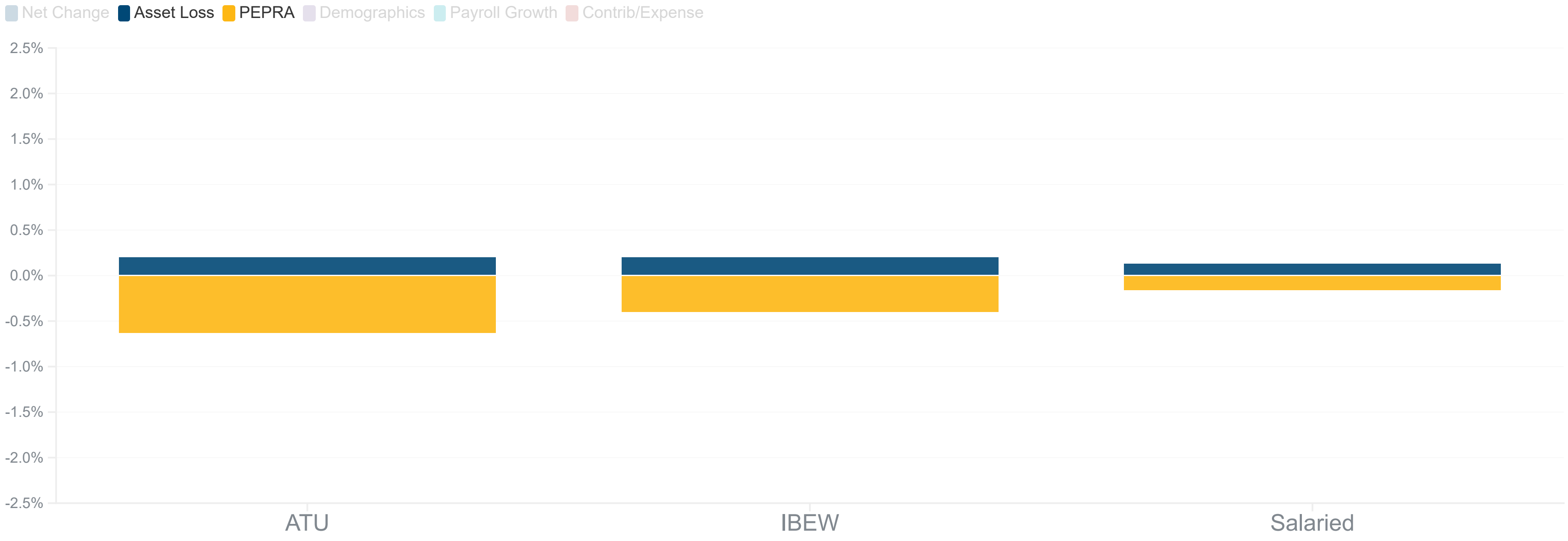
We review the change in the Actuarially Determined Cost (ADC) rate for each group over the past year. First, assets returned more than the 6.75% assumption on a market basis (at least 7.4% for all three groups) but because of the asset smoothing - which only recognizes 20% of the current year gain and recognizes 20% of the prior year losses (when assets had a negative return of more than 7%) - the return on the smoothed assets was slightly below expectations, between 6.0%-6.3% for all three groups, which increased the ADC.

ADC Change by Source



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).

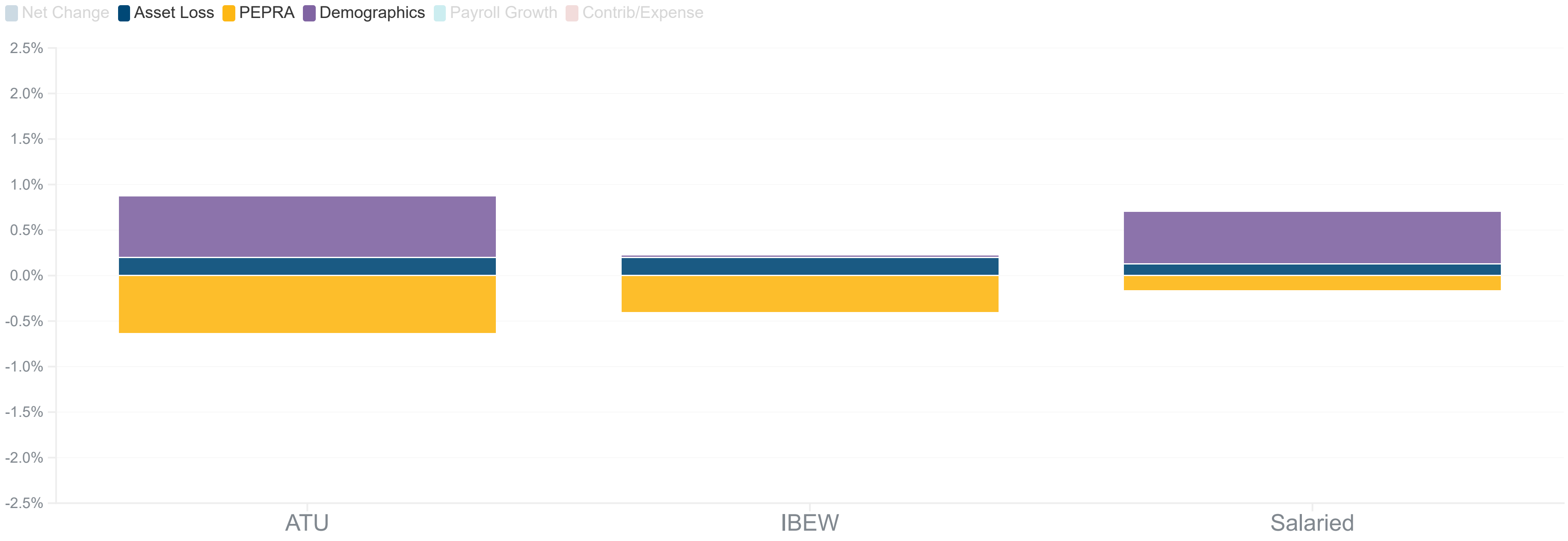
ADC Change by Source



CHEIRON

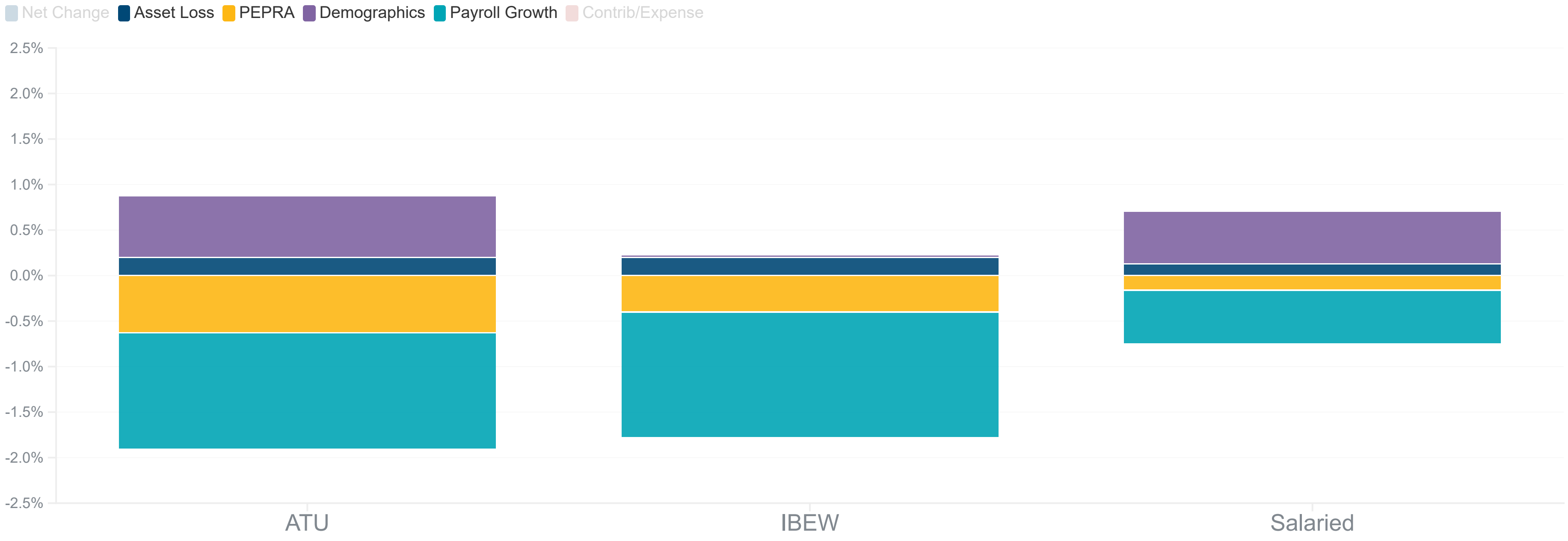
Demographic changes increased the employer rate for ATU and Salaried, primarily due to salary increases for returning members. Demographic experience also includes the impact of asset and liability transfers for non-vested members from ATU to the Salaried plan, but this didn't have a significant impact on cost for either group.

ADC Change by Source



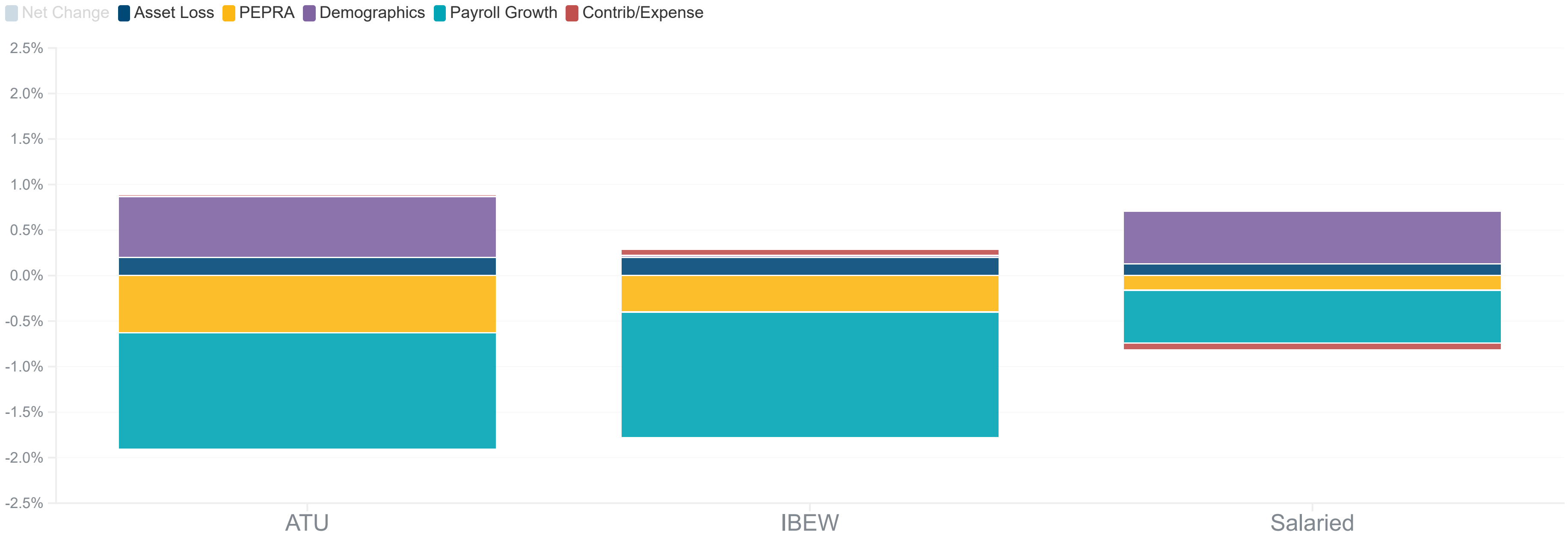
Projected payroll grew by more than the expected 2.75% assumption for all three groups - by 12.4% for ATU, 10.2% for IBEW, and 5.4% for Salaried - reducing the ADC rate since the UAL payment is spread over a larger base than expected. Payroll growth does not impact the *dollar* amount of the UAL payment.

ADC Change by Source



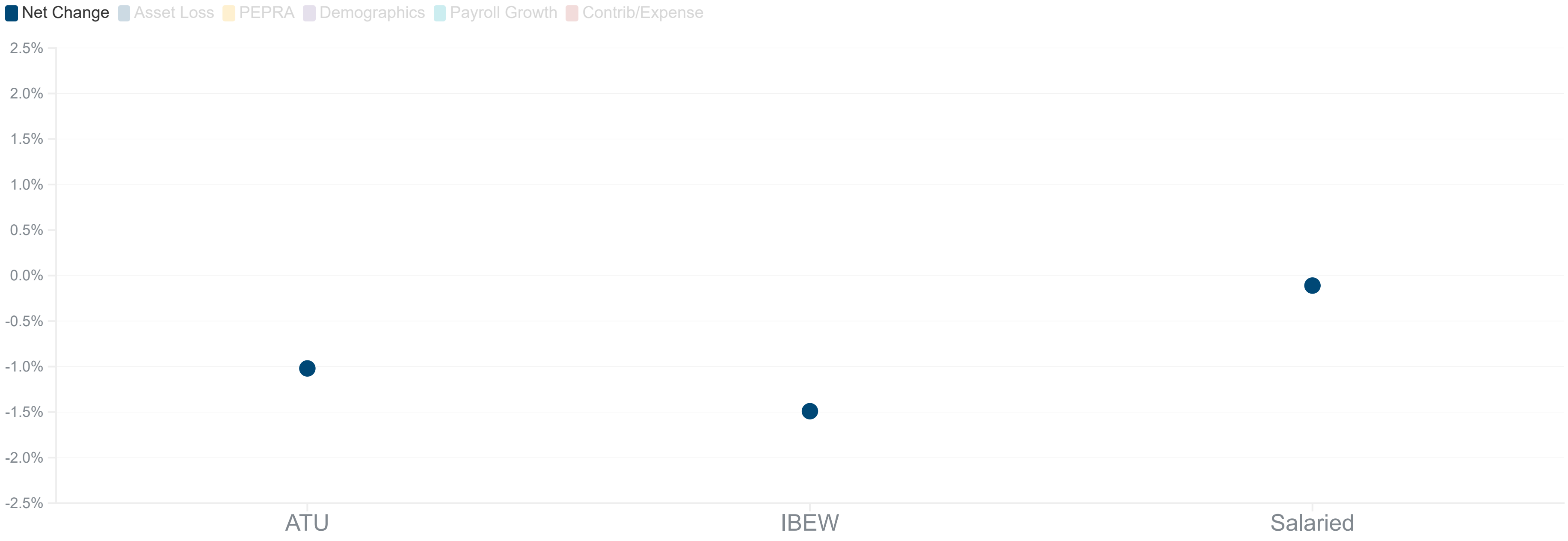
Actual contributions were slightly different than the actuarial cost, because of the 12-month delay in the implementation of the rates and payroll being different than expectations, but this had a negligible impact on the ADC for all three groups.

ADC Change by Source

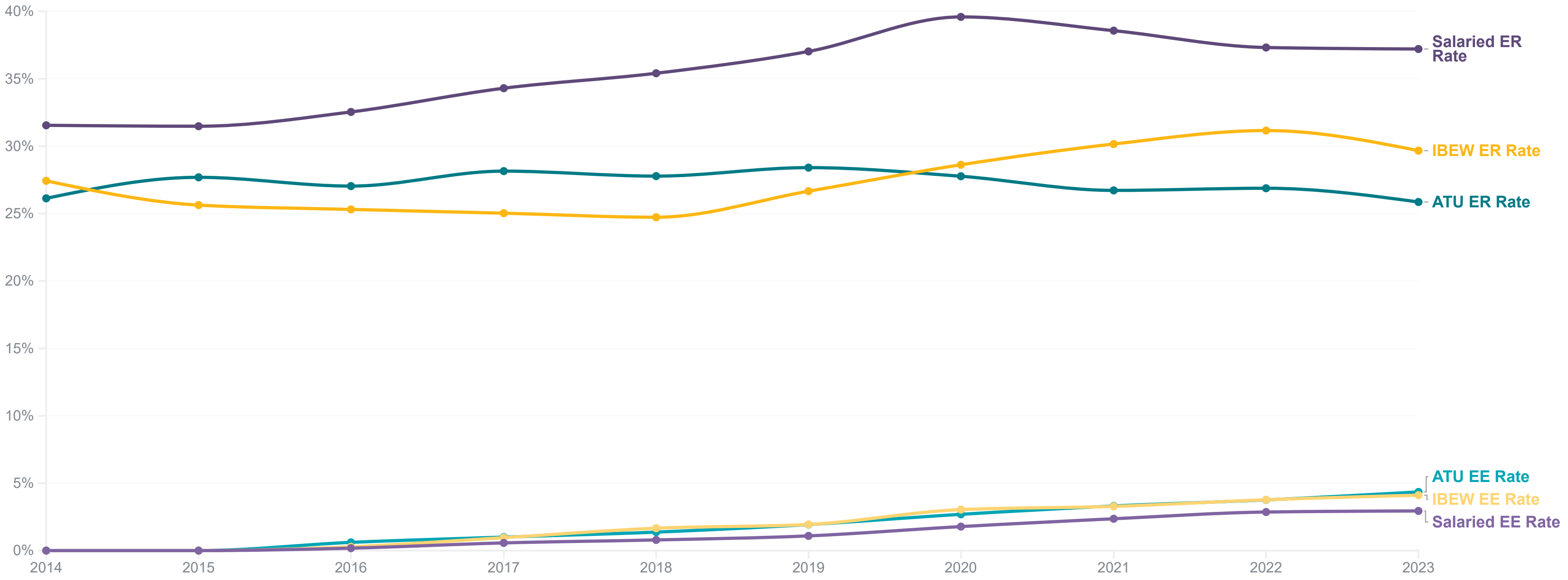


The net impact was a reduction in employer cost for ATU (by 1.0% of pensionable pay) and IBEW (1.5%), driven by the large increases in payroll for both groups. The rate was almost flat for Salaried (-0.1% reduction).

ADC Change by Source

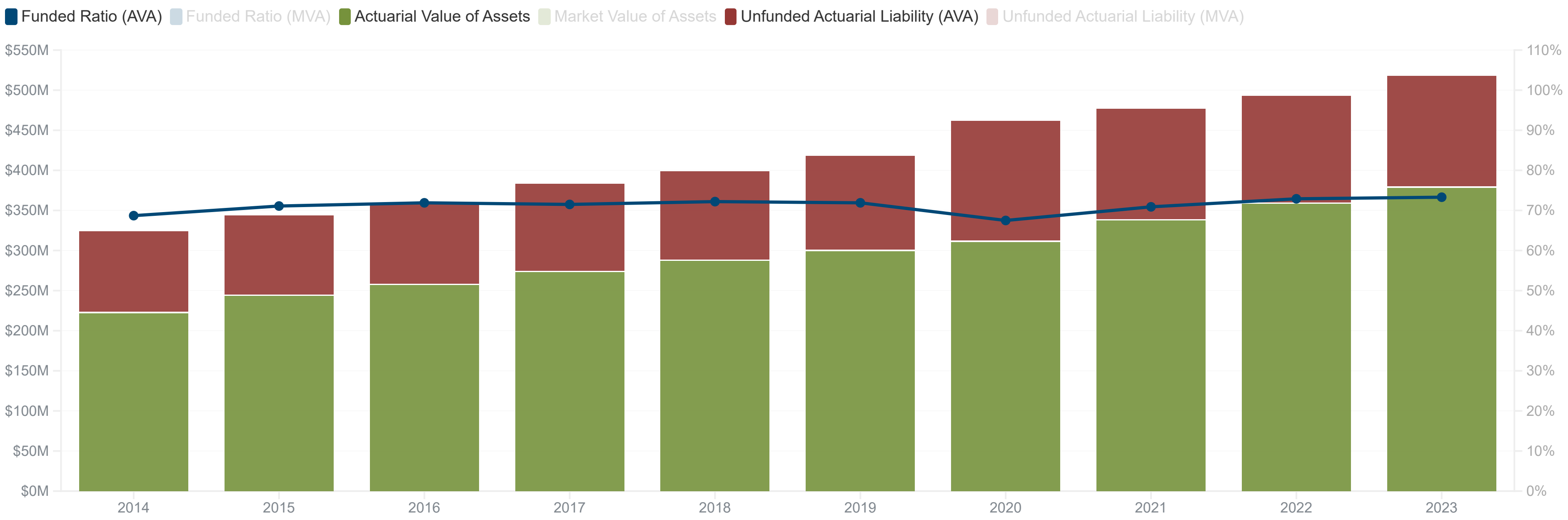


We next review the **history and trends** in the employer and employee rates over the past ten years. The ATU employer rate has remained relatively flat, while the rates for the IBEW and Salaried plans have increased. The average member rates have continued to increased as the PEPRA workforce has grown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



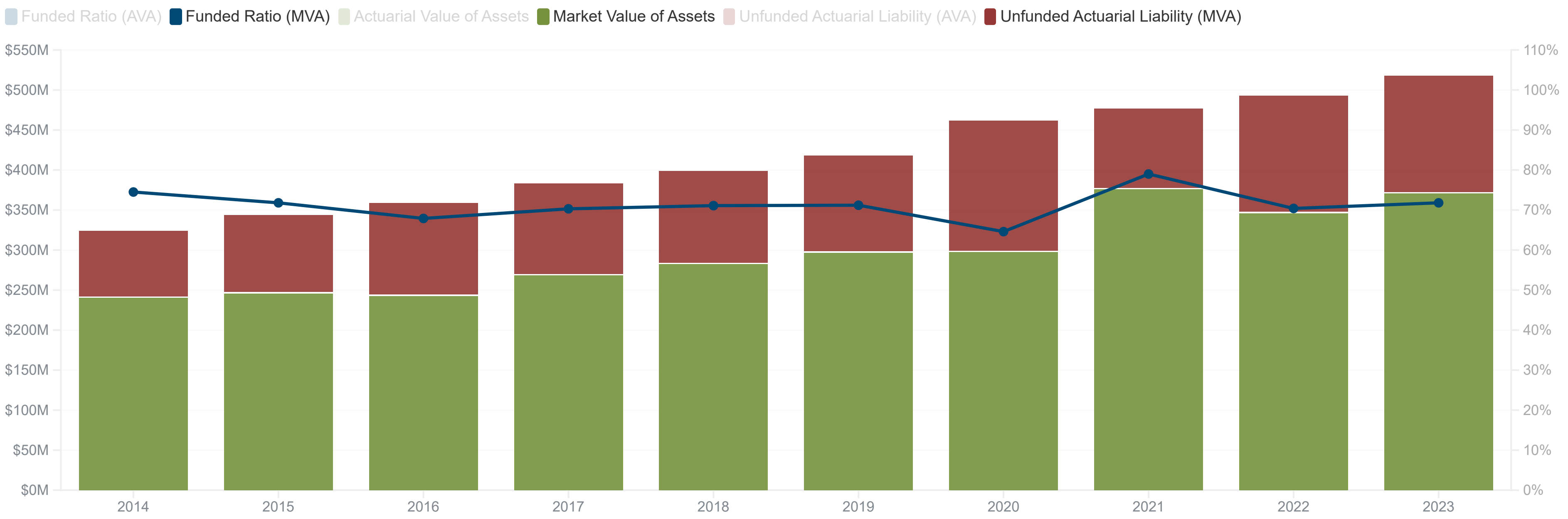
Here we review the history of the combined funded status over the past ten years. The line shows the funded ratio (on an AVA basis), with the scale shown along the right-hand axis. Assets and the UAL in dollars are shown in the bars. Individual plans can be selected from the drop down below. We note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

Combined



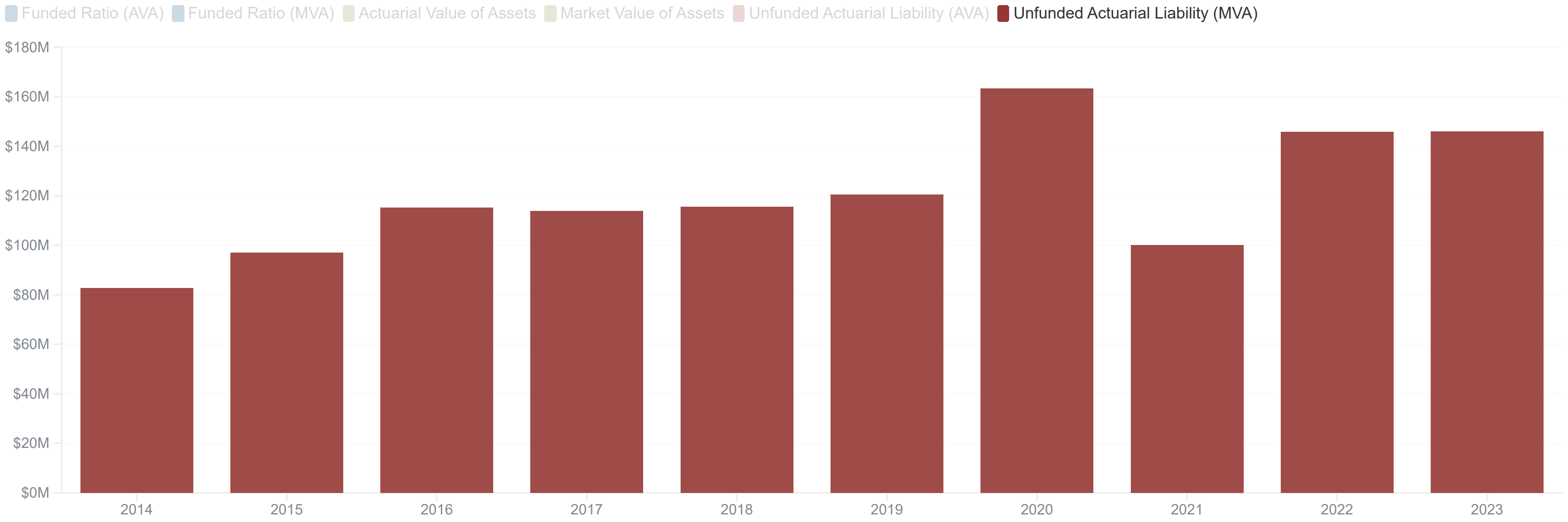
Here the same information is shown using the Market Value of Assets.

Combined

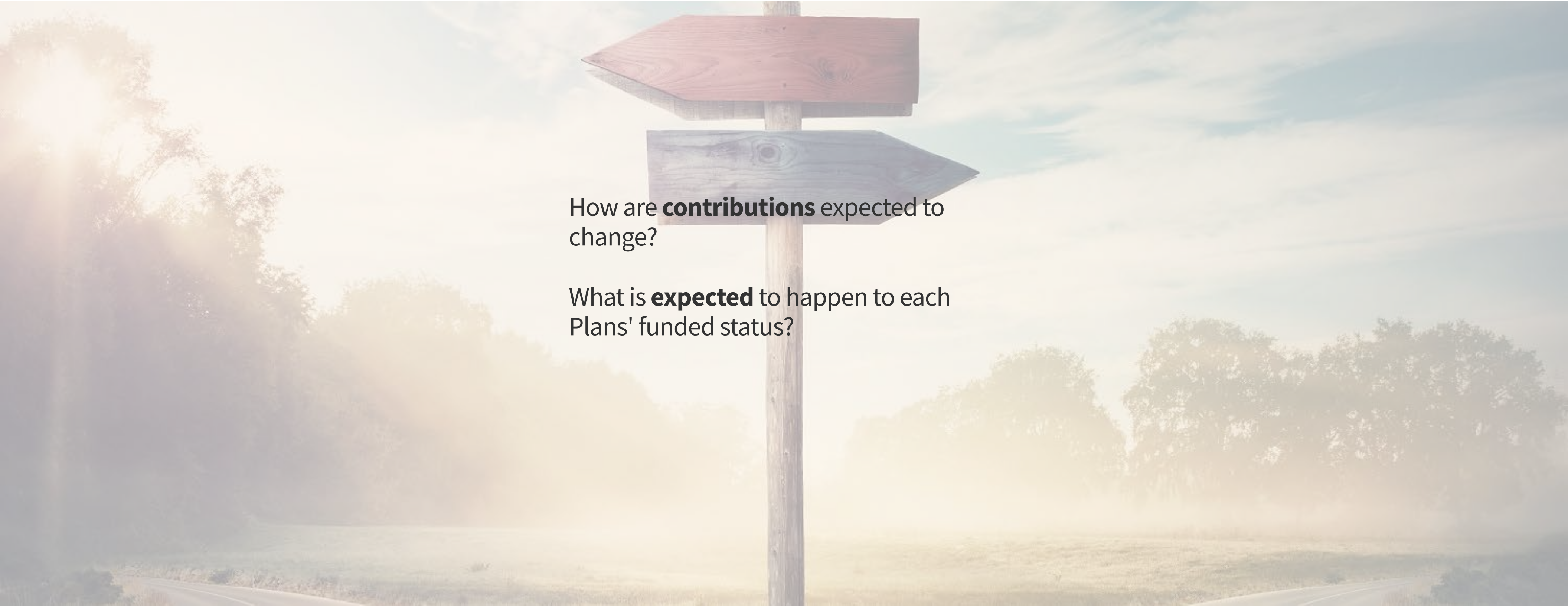


Focusing on the Market Value Unfunded Liability, there was a negligible change in 2023. The largest increases occurred in 2020 (largely as a result of the reduction in the earnings assumption) and in 2022 (due to the investment loss) and the largest decrease in 2021 (as a result of the gains on investments).

Combined



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

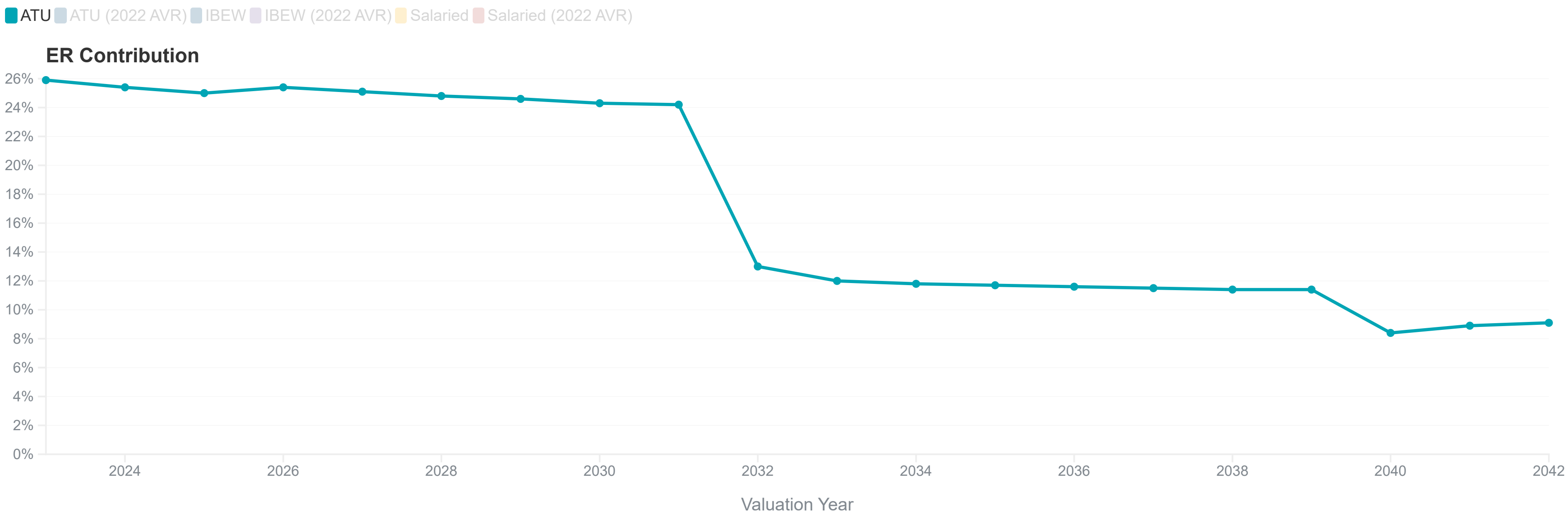


How are **contributions** expected to change?

What is **expected** to happen to each Plans' funded status?

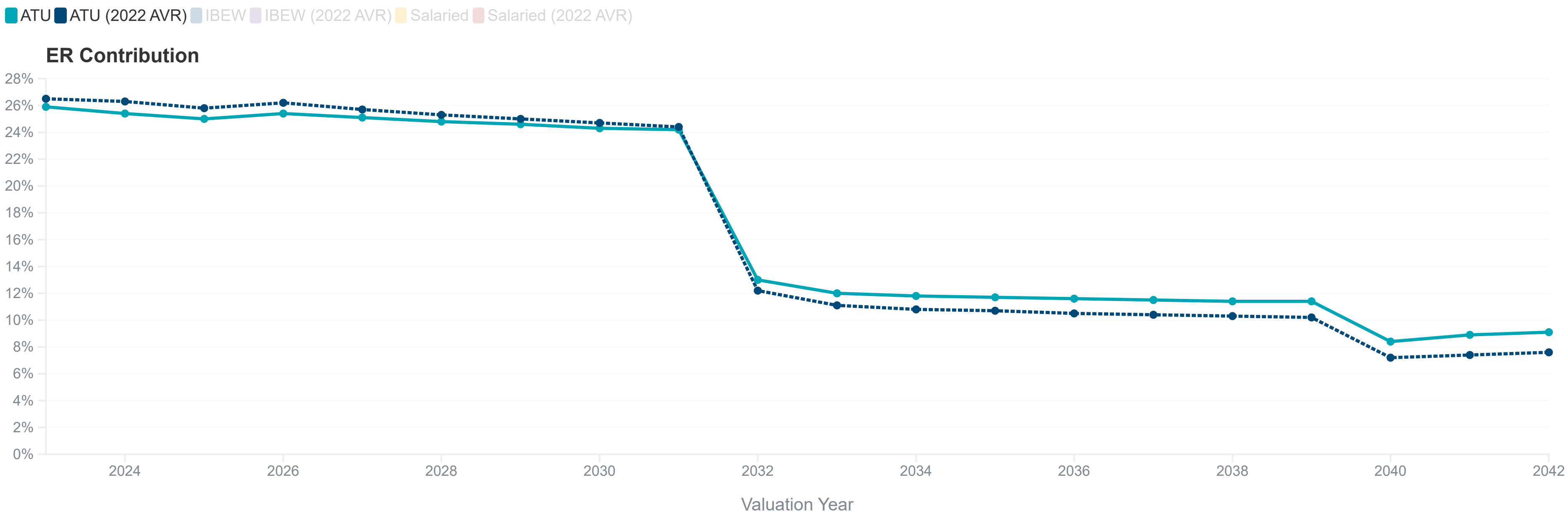
Below we show the projected employer contributions for the ATU plan, assuming all assumptions are met (including a 6.75% return each year). The rates are expected to decline slowly over the next eight years, with the employer normal cost rate dropping as the PEPRA population increases. The rate is expected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

ER Contribution



These projected costs are very similar to the projected employer contributions from the prior valuation (shown in the dotted line).

ER Contribution



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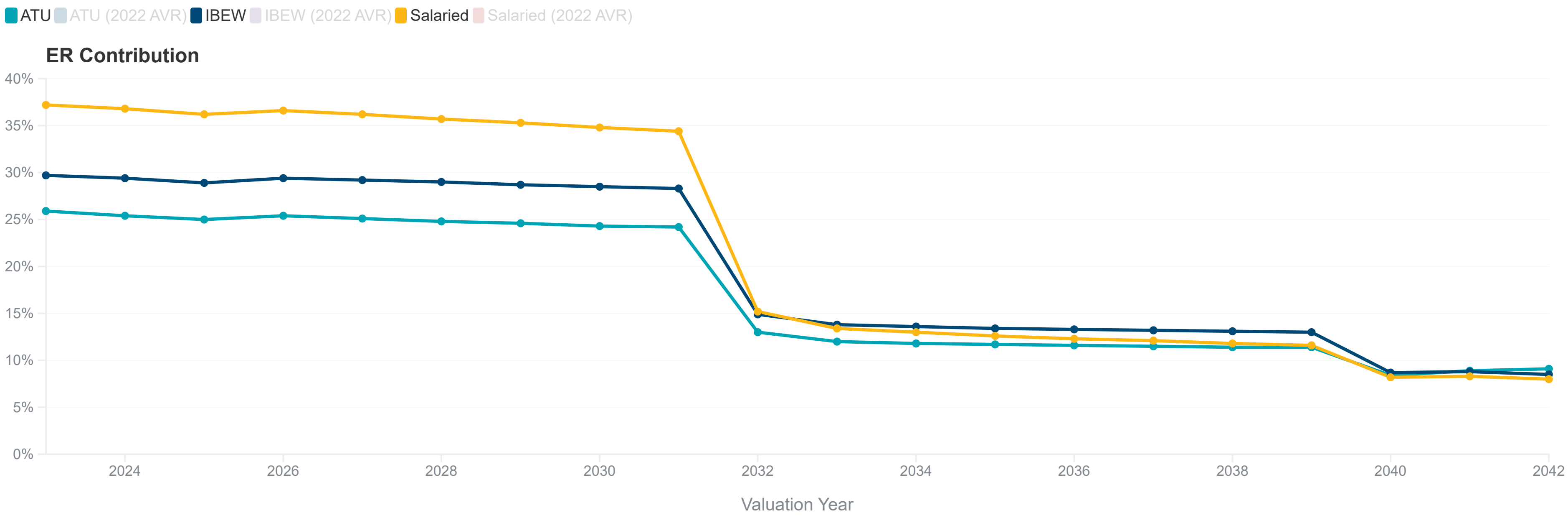
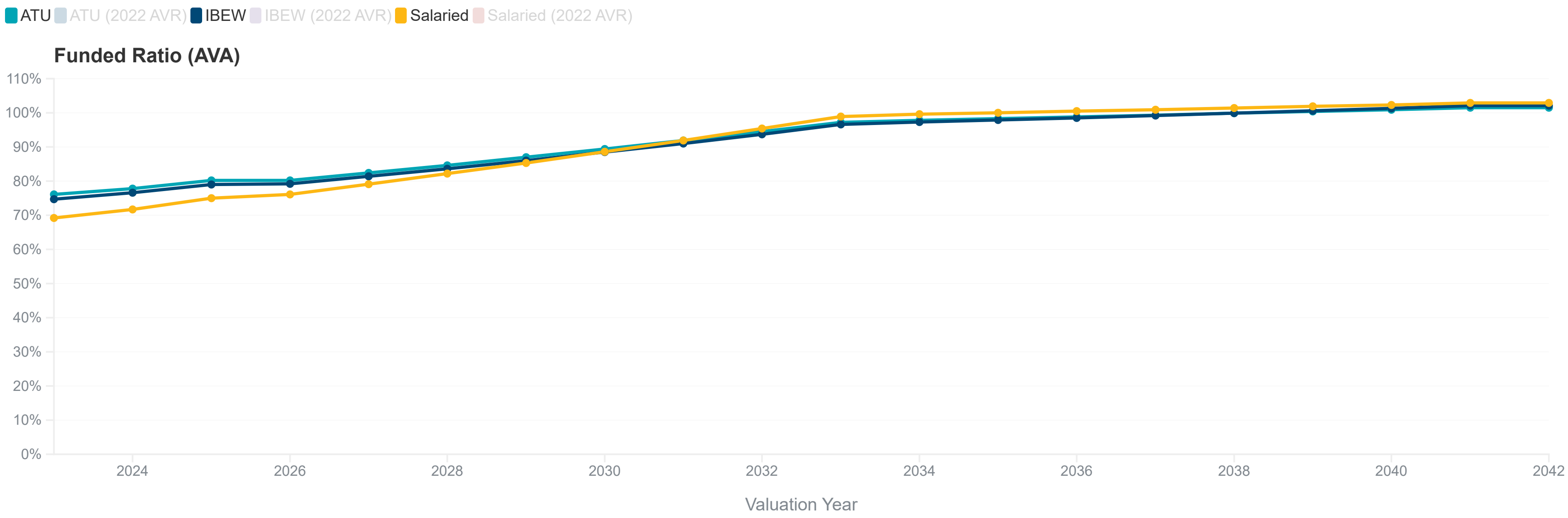
The projected employer rates for IBEW and Salaried are also shown below, which exhibit similar patterns.

ER Contribution



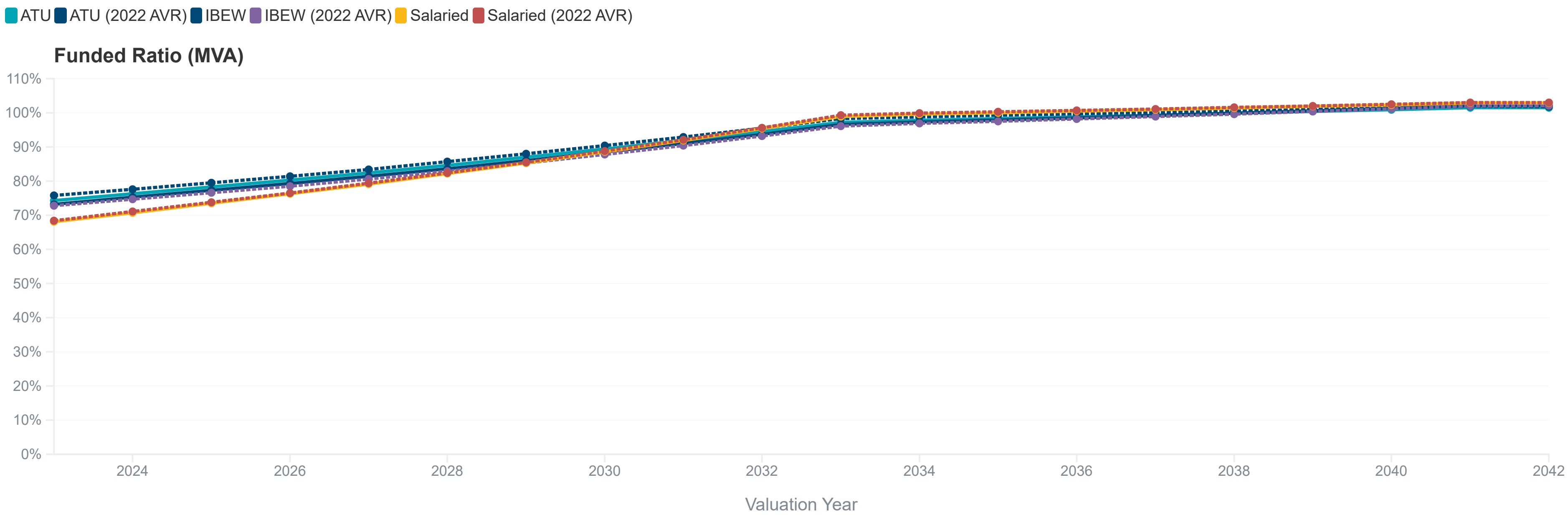
If all assumptions are met, the funded ratios are expected to continue to climb.

Funded Ratio (AVA)



Comparing the Market Value funded ratios to the same projections from the prior valuations, we note that these ratios are all quite similar to what they were expected to be, since the assets earned close to the assumed rate of return.

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.

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Certification

The purpose of this report is to present the preliminary results of the SacRT actuarial valuations as of June 30, 2023. 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, 2023 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.